



## **COVID-19 R&D Fund**

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### **National Rules for Participation – State Aid**

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## **1. Introduction**

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### **1.1 Designated Authority**

This incentive is administered by the Malta Council for Science and Technology for and on behalf of the Foundation for Science and Technology (hereinafter referred to as the 'Council') and Malta Enterprise Corporation (hereinafter referred to as the 'Corporation').

### **1.2 Scope and Focus**

The World Health Organisation has declared COVID-19 as a Public Health Emergency of International Concern according to the International Health Regulation.

As of the beginning of April 2020, over one million of confirmed cases of COVID-19 have been reported including over 59,000 deaths. COVID-19 is affecting over 200 countries and territories around the world and two international conveyances, with new cases continuing to emerge daily.

In view of the above, the Council and Corporation are hereby issuing a call for proposals for interested applicants that intend to provide innovative and/or improved approaches with regards to current and/or future infectious disease prevention, control and contain the spread.

In view of the importance of gaining a better understanding of the newly identified virus, as well as to ensure innovative and improved approaches to possible future outbreaks and pandemics, the Council and the Corporation are issuing a call for proposals. The aim of this call is not only to target innovative solutions to the current COVID-19 situation (as this is now fast-paced and a time-sensitive challenge), but also to draw on lessons learnt from COVID-19 and develop foresight tools and methodologies for the future.

Such research could address:

- relevant medicinal products (including vaccines) and treatments, their intermediates, active pharmaceutical ingredients and raw materials; medical devices, hospital and medical equipment (including ventilators and protective clothing and equipment as well as diagnostic tools) and necessary raw materials; disinfectants and their intermediary products and raw chemical materials necessary for their production;
- data collection and processing tools related to innovative and/or improved approaches with regards to current and/or future infectious disease prevention;
- trajectory of the epidemic/pandemic disease;
- applications aimed at better dissemination of recommendations by national (Public Health) and/or international health authorities (WHO);
- any other research related to infectious diseases that can lead to human epidemy.

The proposal should be novel and not correspond with on-going or completed projects funded by other instruments, programmes or projects.

Projects that have received a COVID-19-specific Seal of Excellence quality label under the Horizon 2020 SME-instrument would also be eligible to apply under this Fund.

Proposals must be timely, with rapid activation, to enable early and valuable outcomes to be established.

Whilst there is no mandatory requirement for a consortium, there is no upper limit on eligible consortium size. Consortia may involve as many partners as necessary to achieve the project goals. However, applicants should be aware that a higher number of entities will not automatically result in a positive evaluation of the proposal. A Principal Investigator (PI) must be identified in the case of a Consortium. The Council and the Corporation do not preclude the participation of entities from other countries, however these are to provide written proof that their part of the project will be covered independently from this call (i.e. in kind). They cannot act as a PI and their contribution to the project should not be vital.

Complete proposals will be evaluated by a Technical Committee. The decision taken by the Council and the Corporation is binding and final.

Successful proposals will see Maltese entities entering into a Grant Agreement with the Corporation and the Council.

### 1.3 Duration of the Incentive

These National Rules for Participation will be active until 31st December 2020. The Council and/or Corporation may periodically review, update and amend these National Rules.

The Fund shall operate as an open call. Successful applications will be implemented as projects and will be awarded until all amounts in the Fund have been exhausted, or the duration of the Incentive has elapsed, whichever is sooner.

### 1.4 Definitions

**1.4.01 'Applicant'** means anyone eligible for participation in a Project in terms of these Rules for Participation and who consequently applies for funding under this Fund.

**1.4.02 'Arm's length'** means that the conditions of the transaction between the contracting parties do not differ from those which would be stipulated between independent enterprises and contain no element of collusion. Any transaction that results from an open, transparent and non-discriminatory procedure is considered as meeting the arm's length principle.

**1.4.03 'Corporation'** refers to Malta Enterprise

**1.4.04 'Council'** refers to the Malta Council for Science and Technology

**1.4.05 'Eligible direct costs'** are those costs incurred directly by the national beneficiaries during the duration of the project and used primarily for the purpose of achieving the objectives of the project. All eligible expenses must be incurred between the Start Date and the End Date of the Project and must be limited to the budgeted value.

**1.4.06 'End Date'** means the date when the Project Period, having commenced on the Start Date, expires. The Project Period is the time required to execute the Project as indicated in the grant agreement.

**1.4.07 'Eligible undertakings'** is defined as undertakings planning to carry out Fundamental, Industrial Research or Experimental Development projects are eligible to apply for assistance under this

incentive. In order to be eligible, applicants must additionally satisfy the following criteria. They must be either: a) a partnership constituted under the Companies Act, being a partnership en nom collectif, en commandite or a limited liability company; or b) a body of persons constituted, incorporated or registered outside Malta and of a nature similar to the aforesaid partnerships and registered as an overseas company in accordance with the Companies Act; or c) be duly registered as a co-operative society under the Co-Operative Societies Act, d) professional body; e) self-employed; f) NGOs; g) Non-profit making entities.

'Professional Body' may be an organisation, an association, a chamber, society, institute or a group of professional persons not being enrolled or registered in terms of The Voluntary Organisations Act (Cap. 492 of the Laws of Malta) or not being otherwise recognised in terms of Law, and which is generally recognised and acknowledged by the professional persons it seeks to represent as their representative Body. For the purposes of this Definition, a professional person is one who has undergone a period of study at a university or a recognised institution of higher learning and has obtained the formal qualification entitling the person to practise the respective profession; and who provides a specialised service to the public, based primarily on a fiduciary relationship between herself/himself and the party to whom s/he provides such service on his own personal credibility and responsibility.

'Self-employed' as registered with Jobsplus.

'NGO' means any Voluntary or Non-Governmental Organisation set up in accordance with The Voluntary Organisations Act (Cap. 492 of the Laws of Malta).

'Non-profit making' is an entity where (a) the statute of the entity contains an express exclusion of the purpose to make profits; and (b) there is express provision in the statute defining the purposes of the entity which do not include the promotion of private interests, other than a private interest which is a social purpose; and (c) no part of the income, capital or property is available directly or indirectly to any promoter, founder, member, administrator, donor or any other private interest. Provided that if a promoter, founder, member, administrator or donor is another enrolled non-profit making organisation, the limitation in paragraph (c) shall not apply provided the availability of such income, capital or property is subject to conditions which are consistent with the general purposes of the grantor entity: Provided further that an organisation shall continue to be deemed as non-profit making notwithstanding that: (i) it obtains a pecuniary gain from its activities when such gain is not received or credited to its members but is exclusively utilised for its established purposes; (ii) it buys or sells or otherwise deals in goods or services where such activities are exclusively related to its principal purposes; (iii) it is established for the general entertainment, pastime, education or other similar benefit only of its members; or (iv) it is established for the promotion of the social role, ethics, education and values of a trade or profession provided it does not promote the private interests of its members.

**1.4.08 'Innovation'** is defined as the internationally novel scientific/technological development of a technological process, product or service. Also, the definition of innovation within the same context can also be applied to non-novel, yet step-change/ground-breaking enhancement of existing technological processes, products or services, or even the application of existing knowledge to new novel applications of these solutions to deliver step-change competitiveness through such an application.

**1.4.09 'Maltese Legal Entity'** means any entity created under the law of Malta which has legal personality, and which may, acting under its own name, exercise rights and be subject to obligations.

**1.4.10 'Operating base in Malta'** means if the legal entity:

1. owns, leases, or has been given the right of use by a third party, adequate premises from where to conduct an eligible economic activity in the region of Malta;

- a. and
- 2. employs at least one (1) person that is based in Malta and is liable to pay income tax in Malta.

**1.4.11 'Partner'** is defined as a partner in a consortium of a funded national or transnational project

**1.4.12 'Personnel costs'** means the costs of researchers, technicians and other supporting staff to the extent employed on the relevant project or activity

**1.4.13 'Principal Investigator'** is one of the local beneficiaries of a project consortium that is appointed as that entity responsible for all communications with the Council and the consortium partners from proposal submission to project end, regardless of the number of local partners and the number of Grant Agreements. The Project Contact from the Principal Investigator will have the responsibility of ensuring that all the partners involved in the consortium are eligible and supervises the project workflow with the help of WP leaders. Additionally, he/she will be required to submit the project application on behalf of the consortium and must also compile and submit reports / deliverables to the funding bodies which in turn will relay these documents to the Council.

**1.4.14 'Project Contact'** is the individual, appointed to communicate on behalf of the partner with the Council and other partners.

**1.4.15 'Project Grant'** means the granted funding provided.

**1.4.16 'Project Value'** means the entire project budget including any co-financing.

**1.4.17 'Public Entity'** means any Maltese Public Service Department or Maltese Public Sector Entity, or any Maltese Legal Entity which has more than 50% government shareholding. Public Service refers to all Ministries and Departments; and Public Sector Entities refers to authorities, corporations, agencies and commercial public-sector entities in which the Government has a majority shareholding and that are not listed on the stock exchange. Public Entities also include foundations, local councils and public academic entities. In the case of public academic entities, this includes but is not limited to a higher education entity or a research institute, whether as a whole body or as a component unit or department within such body, provided that the entity's ongoing education and research is scientifically in line with the subject of the application being submitted during this call provided that the higher education entity must be in possession of a license for Higher Education according to the Further and Higher Education (Licensing, Accreditation and Quality Assurance) Regulations – Subsidiary Legislation 327.433. This does not include the license for a tuition centre.

**1.4.18 'Research and Development'** is defined as the systematic investigation, work or research carried out in any field of science or technology through experiment, theoretical work or analysis undertaken in order to acquire new knowledge, primarily directed towards a specific practical aim or objective, and includes:

- a) **Fundamental Research** means experimental or theoretical work undertaken primarily to acquire new knowledge of the underlying foundations of phenomena and observable facts, without any direct commercial application or use in view
- b) **Industrial Research** means the 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 parts of complex systems, and may include the construction of prototypes in a laboratory environment or in an environment with simulated interfaces to existing systems as well as of pilot lines, when necessary for the industrial research and notably for generic technology validation

- c) **Experimental Development** means acquiring, combining, shaping and using existing scientific, technological, business and other relevant knowledge and skills with the aim of developing new or improved products, processes or services. This may also include, for example, activities aiming at the conceptual definition, planning and documentation of new products, processes or services

Experimental development may comprise prototyping, demonstrating, piloting, testing and validation of new or improved products, processes or services in environments representative of real life operating conditions where the primary objective is to make further technical improvements on products, processes or services that are not substantially set. This may include the development of a commercially usable prototype or pilot which is necessarily the final commercial product and which is too expensive to produce for it to be used only for demonstration and validation purposes.

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

**1.4.19 'Start-up Undertaking'** shall be defined as an enterprise that has been established for less than five (5) years following its registration. For eligible undertakings that are not subject to registration, the five year eligibility period may be considered to start from the moment when the enterprise either starts its economic activity or is liable to tax for its economic activity.

**1.4.20 'Small and Medium Enterprises (SME)'** is an undertaking which fulfils the criteria laid down in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

**1.4.21 'Subcontracted Activity'** means any activity related to the project, (including but not limited to consultancy), which is not carried out directly by a Partner or its employees but is carried out by any third party (local or foreign) individual, company, partnership or entity, under whatsoever terms and conditions.

**1.4.22 'Undertaking in Difficulty'** means an undertaking in respect of which at least one of the following circumstances occurs:

- a. In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU and 'share capital' includes, where relevant, any share premium.
- b. In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.

- c. Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
- d. Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.
- e. In the case of an undertaking that is not an SME, where, for the past two years:
  - 1. the undertaking's book debt to equity ratio has been greater than 7.5 and
  - 2. the undertaking's EBITDA interest coverage ratio has been below 1.0.

## **2. Eligibility for Participation**

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### **2.1 Eligibility**

Any Eligible Undertaking and any Public Entity having its operating base in Malta, as defined in Section 1.4, and that carries out an economic activity within the meaning of Article 107 TFEU, may apply and will be eligible for funding subject to the terms and conditions laid out in this document and in particular the conditions for eligibility.

Applicants who fall within the definition of Eligible Undertaking, will be required to provide the following documents which will be considered during the national eligibility check stage (to be included as an annex to the National application form):

- Memorandum & Articles of Association or another constitutive document.
- Audited financial statements for last 3 fiscal years.

If the Applicant is a start-up and the above documents are not available, the Applicant shall provide the financial projections for three (3) years signed by a certified public accountant or auditor, including:

- an income statement,
- a cash flow statement, and
- a statement of financial position

If the review of these documents may result in too high an exposure risk to the Council and/or the Corporation, the Applicant will no longer be entitled to participate in the project.

Aid will not be granted to undertakings that were already in difficulty (within the meaning of the General Block Exemption Regulation) prior to 31 December 2019.

Applicants who have other funded projects with the Council and/or the Corporation and are in default, and/or have gone beyond the timelines of the project, are not eligible to participate.

Any application submitted by or including the participation of any legal person or legal entity having, in totality or in majority ownership, the same shareholders, partners or persons holding and / or exercising a controlling power in any other legal entity which will have been at any time prior to such application declared as non-compliant or defaulting on any other contract or agreement entered into with the Council and/or the Corporation, shall be automatically declared as inadmissible.



### **3. Funding Criteria**

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The funds for the eligible applicant in the project will be made available in accordance with these rules and regulations.

#### **3.1 Project Duration**

Eligible projects, including those projects having received a COVID-19 specific Seal of Excellence, are those projects that have started on or after 1 February 2020, but not later than 31 December 2020. The duration of the project should be a maximum of eighteen (18) months.

Should the project have started before 1 February 2020, such project will be eligible only if the aid is needed to accelerate their implementation or to extend their scope. In such cases, only the additional costs in relation to the acceleration efforts or the widened scope will be eligible for aid.

For projects starting between the 1<sup>st</sup> February 2020 and 31<sup>st</sup> December 2020 or having received the COVID-19 specific Seal of Excellence, the earliest possible starting date for projects will be fixed at the beginning of the contract negotiations with the national funding organisations. Nevertheless, projects should commence within four (4) weeks from the Grant Agreement signature.

#### **3.2 Application Process**

Applications are required to be submitted electronically via email to: [ri.mcst@gov.mt](mailto:ri.mcst@gov.mt) as per the notes to applicants in the National Application Form. Only complete National Application Forms shall be considered.

#### **3.3 Submission Deadline**

The submission deadline is found within the National Application Form.

#### **3.4 Budget**

The total maximum National Budget for this Call is €5,300,000 and awarded in a form of a cash grants.

The above equates only to the funding available by the Council and the Corporation.

Funding for successful project submissions will be based on a periodic cash advance (subject to a retention amount in the final stage of the project) and will be regulated through a contractual agreement establishing the terms and conditions governing the financing of the project.

#### **3.5 Project Contact**

A Project Contact shall be appointed and shall have the following responsibilities:

- To ensure compliance with their obligations in terms of the Contractual Agreement;
- In the case of consortia, to receive input from the PI for the compilation of Periodic Reports and Final Reports including their timely submissions and effective execution of the project;
- To ensure submission of all required technical and financial reporting as per the contractual obligations;

- To execute the project activities according to set timeframes and deliverables.

### 3.6 Deliverables

#### Mandatory deliverables

The project plan must give details of certain activities which are required by the Council and Corporation. These should be included as deliverables in the project proposal.

Reporting on project progress as per the list hereunder and as outlined in Section 7 in line with the templates provided by the Council;

- Interim Technical and Financial Report (where applicable);
- End of Project Technical Report;
- End of Project Audited Financial Report.

The reports are to include enough evidence on the achievement of the project objectives as well as the parameters indicated in the application.

Changes to the project objectives, work-packages and all the parameters committed in the applications are to be detailed, justified and approved by the Council and the Corporation.

#### Recommended deliverables

Further to the mandatory deliverables, the Council and the Corporation invite applications to also include deliverables as recommended below, subject to the nature of the research project:

1. The publication of at least (2) two articles throughout the duration of the project in local newspapers, portals or magazines and preferably issued in conjunction with the Maltese Public Health Authority. These should not contain intellectual property but should raise awareness about the project and its benefits.
2. Peer-reviewed papers and/or conference papers submitted to international journal/s and/or conferences of repute based on the work carried out through the Project. Subscription levels, Impact Factor and open sources should be considered in the selection of journals and conferences.
3. Oral presentation/s at international conference/s on the work carried out through the Project.
4. Any articles and text material related to the project is suggested to include the words:  
*'Project <Project Name> funded by the Malta Council for Science and Technology and Malta Enterprise through the Covid-19 R&D Fund*
5. The attainment of undergraduate degrees and/or postgraduate degrees and/or post-doctoral research. In cases where the project duration is insufficient for the purpose of submitting a degree, there must be a commitment to complete the degree outside the duration of the project utilising other sources of funding.
6. Registration of a patent or other Intellectual Property Rights stemming from the Project, in Malta as well as in any other country.
7. Commercial commitments such as technology innovations to be included in existing products or services.
8. Commercial commitments such as technology transfer licences.

## **4. List of Eligible and Ineligible Costs**

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### **4.1 Eligible Costs**

Eligible costs are those costs directly related to and necessary for the R&D project during its duration and the subsequent IPR protection, clinical trial and regulatory procedures.

All expenses must be incurred between the Start Date and the End Date of the project and must be limited to the budgeted value.

#### **a) Personnel Costs**

Wages of researchers and technical personnel, and other supporting staff, to the extent and for the duration that they are directly engaged on the approved research project.

- i. Eligible wage costs shall be limited to the actual basic salary as defined in the employment contract of the employee. (Any other costs, including bonuses, allowances, national insurance and other taxes, insurance payments and per diem shall not be considered eligible).
- ii. All employees in respect of whom wage costs are claimed must be registered with Jobsplus and covered by a valid contract of employment in terms of the national legislation on employment.
- iii. Personnel costs are calculated using an hourly rate calculated on the employee's basic wage. The total hours worked by a full time employee shall be established as 1760 hours per annum.
- iv. Personnel Costs related to Project Management are further limited to 10% of the project value.
- v. Students can be engaged on the project and paid an annual stipend of €6,000 when reading for a Master's degree. Note that for every engaged student, a full-time researcher must be employed by the applicant. The eligible costs for stipends are limited to a maximum of two years.

Filled time sheets are to be retained for all personnel, including students, as proof of number of hours spent on the project.

#### **b) Specialised equipment and research consumables**

Purchase of specialised equipment including costs for digital and computing equipment, for diagnostic tools, for data collection and processing tools to the extent and for the period used for the project. An explanation of the relevance of the equipment in relation to the project, including specification where applicable, is required.

Where assets (such as instruments, equipment, etc) are not used for the full duration of the R&D project and/or are used for other purposes than the R&D projects covered by this Fund, such assets will be considered pro rata only (depreciation over period of duration of the R&D project or pro rata of the capacity used for the R&D project).

Depreciation costs of equipment should be calculated in line with the proper accounting standards.

#### **c) Other Operating Expenses**

Such expenses may include expenses incurred in relation to:

- R&D services;
- consumable R&D materials and supplies;

- pre-clinical and clinical trials (trial phases I-III);
- costs incurred in relation to phase-IV trials would also be eligible if they allow further scientific or technological advance;
- obtaining, validating and defending patents and other intangible assets;
- obtaining the conformity assessments and/or authorisations necessary for the marketing of new and improved vaccines and medicinal products, medical devices, hospital and medical equipment, disinfectants, and personal protective equipment;

#### **d) Overheads**

Overheads incurred directly as a result of the project will be covered at 10% of direct eligible costs, excluding the costs of (1) subcontracting and (2) items of equipment above €5000 per piece and (3) consumables above €5000 in total.

Costs relating to the End of Project Audited Financial Report are admissible under Overheads.

Note that for equipment, the capping of €500 is per piece while for consumables, the capping of €500 is for the total amount of consumables per partner.

#### **e) Subcontracted activities**

Subcontracted Activity means any activity related to the project, (including but not limited to consultancy), which is not carried out directly by a Partner or its employees, but is carried out by any third party (local or foreign) individual, company, partnership or entity, under whatsoever terms and conditions.

Such expenses may include expenses incurred in relation to:

- costs of contractual research and other relevant research services, including costs for digital and computing services;
- knowledge and patents bought or licensed from outside sources in arm's length transactions

It is understood that the applicant will be carrying out the main research and development of activity, however, the extent of eligible subcontracted activity will be evaluated on the merits and nature of the projects submitted. Subcontracting Activities totalling more than 25% of the project value, need to be justified for consideration by the Committee.

#### **Additional Provisions**

Eligible Costs are to conform to the following and are subject to the final audit scrutiny:

- Any expenses incurred during the project must be consistent with the principles of economy, efficiency and effectiveness.
- Public entity partners are to follow Public Procurement Regulations in their entity.
- For personnel which are yet to be recruited for the project, a job description highlighting requirements of the role and role on the project, is to be submitted at the application stage.
- In the case of consortia, commercial transactions between any applicants or consortium partners, or between any applicants or a consortium partner and a company with similar

shareholding to a consortium partner, is not allowed. All transactions need to be carried out in line with the arm's length principle outlined in Section 1.4 of the National Rules for Participation.

### Maximum Aid Intensity

In line with Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, the aided part of the research and development project shall completely fall within one (1) or more of the following categories as defined in Section 1.4 of the National Rules for Participation:

- a) Fundamental research
- b) Industrial research
- c) Experimental development

The maximum levels of assistance that may be provided under this incentive are found in Table 1 below.

Table 1 Aid Intensities			
	Fundamental Research	Industrial Research	Experimental Development
%	100%	80%	80%

The aid intensity for industrial research and experimental development may be increased by 15 percentage points, if it is carried out in cross-border collaboration with research organisations or other undertakings.

In the case of aided projects that consist of different work packages which fall under fundamental research and industrial research/experimental development, the aid intensity for industrial research and experimental development will be applied if the majority of costs incurred do not arise from work packages that fall under the category of fundamental research.

The decision taken by the Council and the Corporation is binding and final.

Aid may be combined with support from other sources for the same eligible costs, provided the combined aid does not exceed the ceilings defined in Table 1 above.

The aid beneficiary shall commit to grant non-exclusive licences under non-discriminatory market conditions to third parties in the EEA.

## **4.2 Ineligible Costs**

The following expenditure shall be considered as ineligible costs:

- Expenses related to loans, interest, etc
- Recoverable value added tax.
- Re-purchase of equipment originally procured through other funding mechanisms.
- Purchase of equipment or services from partners or their subsidiaries.
- Opportunity costs related to foregone production and production downtime arising from the allocation of resources to the Project.

- Any activity related to the reproduction of a commercial product or process by a physical examination of an existing system or from plans, blueprints, detailed specifications or publicly available information.
- Standard office equipment.
- Personnel hours for travelling.
- Any other costs not listed down in Section 4.1

## **5. Evaluation**

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Submission of applications will be checked for eligibility by the Council and/or Corporation. Any discrepancies will result in the overall proposal being ineligible.

A Technical Evaluation Committee will be set up by the Council and the Corporation in order to assess and determine:

- i. the eligibility of the applicant with respect to the definitions the parameters established under these National Rules;
- ii. that the proposed research falls under one of the R&D definitions outlined in Section 1.4;
- iii. the payment schedule and terms and conditions to be considered for the Grant Agreement;  
and
- iv. that the eligible costs proposed in the application fall within the applicable definitions in Section 4.

The aid intensities and grant amount will be awarded accordingly.

The Council and/or the Corporation may undertake a due diligence exercise through its contractors for the purpose of administrative compliance. Further assurances may be required at the discretion of the Council and the Corporation.

## **6. Post Selection Process**

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### **6.1 The Grant Agreement**

For each project approved for funding, individual Grant Agreements will be signed between the beneficiaries, the Council and the Corporation. The Council and Corporation will endeavour to present the Grant Agreement to the beneficiary within four (4) weeks of the submission.

This Agreement will act as the basis for project funding and will regulate the transfer of funds to national beneficiaries based on these regulations. The beneficiary is to sign the Grant Agreement within one (1) week of its presentation by the Council and by no later than 31 December 2020.

The Council and the Corporation reserve the right not to proceed with signing any Grant Agreement in the event that it results that doing so would be too high an exposure risk to the Council and/or the Corporation.

## **6.2 Start Date and End Date**

The project will start on a pre-determined date as agreed by all the respective parties and determined in the Grant Agreement, in line with Section 3.1 of the National Rules for Participation.

In view of the nature of the Grant Agreement, the said agreement may not be signed simultaneously by all parties but will be signed by all the parties separately. Each party will signify the date of signing and the Grant Agreement will come into force on the date on which the final signature is made thereon (hereinafter the "Agreement Date").

Between the Agreement Date and the Start Date, the Project Contact should ensure that all activities required for a smooth project start are completed.

To be eligible for funding, all expenses must be incurred between the Start Date and the End Date of the Project.

## **6.3 Double Funding**

Aid under this measure may be combined with support from other sources for the same eligible costs, provided the combined aid does not exceed the applicable aid intensities as laid out in Section 4.

Provided that, in the case where the application covers work that is part of a larger project, the Applicant must submit a table as an appendix to the application form that shows a comprehensive list of the items of work and the source of funding for each item.

Any funds claimed have not been supported through other incentives provided by the Corporation or any other national or European Agency.

The Applicant will be required to sign a declaration to this effect and authorising the Council and/or the Corporation to exchange essential information related to the project with other funding agencies, both local and overseas, for any necessary checks.

## **6.4 Project Extensions**

Time extension requests will only be accepted in extenuating circumstances that are deemed by the Council and Corporation as having been unavoidable by the beneficiary/partners following all efforts and best practice project management. The extension period, if any, will be decided by the Council and Corporation.

# **7. Funding, Management and Progress Monitoring**

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## **7.1 Reporting Requirements**

For all projects, the Project Contact will be required to submit a Final Technical Project Report together with a Final audited Financial Report covering the work and expenditure undertaken during the entire project, by not later than four (4) weeks from the stipulated end of project termination date.

The Final Financial Report is to be audited by a certified auditor. For the Final Financial Report, the beneficiary shall appoint an auditor to conduct a detailed financial audit, following the completion of the project. The audit will consist of, at least, the following checks:

- (i) Accounts

- (ii) Physical inventory
- (iii) Timesheets and payslips / employee contracts
- (iv) Receipts for all equipment and consumables

The Council and/or the Corporation reserves the right to appoint an auditor to audit the Project Financial Audit as submitted.

Projects of less than twelve (12) months in duration are to be considered as single-Stage projects.

For projects longer than twelve (12) months, the project is to be broken down into two Stages, with the end of Stage 1 and the beginning of Stage 2 coinciding with the mid-point of the project duration. For such projects, there is an additional interim reporting requirement, i.e. an end of Stage Technical report and an end of Stage Financial report. These must be submitted within two (2) weeks of the end of Stage 1.

The Interim Technical and Financial Reports shall contain the following details:

- (i) An account of project activity and achievements over the past stage compared with the originally submitted application.
- (ii) An account of actual expenditure over the past stage compared with the originally submitted budgeted expenditure. All financial reports must be signed by the person responsible for the financial management.
- (iii) An updated forecast of project activity and projected achievements for the following stage.
- (iv) An updated forecast of projected expenditure for the following stage.

The templates provided by the Council should be used to develop the End of Stage Technical and Financial Reports as well as the Final Technical and Financial Reports.

The Council and/or the Corporation may at any time request supplementary information and documentation on the projects and may request progress meetings. The Council may make such additional enquiries into a project as deemed necessary.

Any required documentation not submitted within Stage reports (interim reporting) or Final Reports, or documentation not submitted within the specified timeframes, may render the whole project ineligible and may result in the Council or the Corporation recovering all funds disbursed across the project.

In the event that a project is found to be in breach of the Grant Agreement or to materially depart from the submitted application, the Council and the Corporation reserve the right to discontinue the award and the applicant may be required to refund the Grant in part or in full. In any such event, the Council and the Corporation may also exclude an applicant from participating in future calls.

## **7.2 Allocation and Disbursement of Funding**

A payment schedule will be specified in the Grant Agreement. In principle, the periodic funding will be allocated according to the following schedule:

For projects up to twelve (12) months in duration, i.e. single Stage projects:

1. The Council and/or the Corporation will make an initial advance payment of up to 75% of the total project grant calculated on the eligible project cost in the Grant Agreement. This amount should be paid to the beneficiary upon acceptance and receipt of the signed project contract.
2. The Council and/or the Corporation shall retain a minimum 25% of the total project grant to be transferred only upon successful completion of the project and evaluation of the required documentation submitted and against reimbursement.



For projects longer than twelve (12) months in duration, i.e. two-Stage projects:

1. The Council or the Corporation will make an initial advance payment of 40% of the total project grant calculated on the eligible project cost in the Grant Agreement. This amount should be paid to the beneficiary upon acceptance and receipt of the signed project contract.
2. At the mid-term point, i.e. end of Stage 1 of the project, a second advancement will be made. This advancement, together with the initial advancement, may not exceed 80% of total project grant. Advancement of this amount will be upon receipt and approval of the Interim Technical and Financial reports and will be calculated on the eligible project cost as specified in the Grant Agreement.
3. The Council shall retain a minimum of 20% of the total project grant to be transferred only upon successful completion of the project and evaluation of required documentation submitted and against reimbursement.

The Council and/or the Corporation reserve the right to alter the funding parameters as deemed appropriate. Moreover, the Council and/or the Corporation reserve the right to mandate different reporting periods and project grant disbursement arrangements as guided by its Due Diligence process.

Payments may only be issued pending submission of reports, which are satisfactory to the Council and Corporation. As soon as the verifications and audits are finalised and cleared, the Council or the Corporation will release the retention money due, subject to approval by the Corporation. The Council or the Corporation reserves the right to deduct dues in the absence of the delivery of activities, work packages, deliverables, in part or in full, and where the appropriate standards of reporting have not been achieved.

Total financial contribution over the lifetime of the project shall not exceed the funding limit as established in the Grant Agreement, irrespective of actual expenditure. In the case of overpayment, the Applicant will be required to refund the under-spend amount to the Council and/or the Corporation within a specific timeframe, or as agreed to with the Council and/or the Corporation.

### **7.3 Accountability**

Undertakings benefiting from this fund will be required to maintain the relevant documentation as specified in the Grant Agreement in relation to all costs incurred for the project and must ensure that all transactions relevant to the approved project are adequately recorded and maintained.

Eligible expenses must have been determined in accordance with the usual accounting and management standards of good practices.

### **7.4 Supervening Circumstances**

The Project Contact is obliged to immediately advise the Council of any internal or extraneous significant event which might affect the validity or implementation of the project. This obligation applies to the entire period between the submission of the Project Application and the completion of the project.

The Council and the Corporation at their own discretion, shall either give such directives as it deems necessary for the furtherance of the project or re-assess the project in its entirety accordingly.

Failure on the part of the Project Contact to respect this obligation may lead the Council or the Corporation to suspend or terminate funding for the project and request a refund of funds already paid out.

If during the course of a project a partner withdraws from the Project Consortium, the Applicant will immediately advise the Council. In this event, the relevant articles of the Project Consortium Agreement and the National Grant Agreement shall apply.

## 7.5 Default

If the implementation of a project becomes impossible or if the Applicant fails to implement it, the Council or the Corporation shall upon review, be entitled to collect refunds of money already paid out.

## 7.6 Interpretation of Rules

This document endeavours to establish comprehensive and unambiguous rules governing participation in this initiative. However, should circumstances arise where the rules are inadequate, unclear, ambiguous or conflicting, the Council and the Corporation shall exercise their discretion in the interpretation of the rules through the setting up of an *ad hoc* committee.

## 8. Applicable State Aid Regulations

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The terms and conditions set out in these National Rules for Participation are in line with the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.

No aid will be granted to undertakings that carry out contract research on behalf of other undertakings.

Aid will be granted in the form of a grant by 31 December 2020.

Aid may be cumulated in line with the cumulation rules set out in Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (the General Block Exemption Regulation) and under the different *de minimis* Regulations, provided that the rules on cumulation of the said Regulations are respected.

Furthermore, aid granted under the different Sections of the Temporary Framework may be cumulated with each other, with the exception of aid granted for the same eligible costs under Sections 3.6, 3.7 and 3.8 of the Temporary Framework.

Relevant information (as required in Annex III of the General Block Exemption Regulation) on each individual aid granted will be published on the comprehensive State aid website or Commission's IT tool within twelve (12) months from the moment of granting.

## 9. Confidentiality of Submissions

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Unless otherwise indicated, all project application submissions except for the abstract shall be treated in strict confidence.

The data collected by the Council and the Corporation via the application for the aid and its subsequent processing by the Council and the Corporation to evaluate data subject's request for aid under the Fund is in line with:

- i. The National Rules for Participation;
- ii. Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak;
- iii. Data Protection Act, Chapter 440 of the Laws of Malta and Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

- iv. The legitimate basis to process personal data submitted by the data subject by virtue of his/her written application for aid is Regulation 6 (1)(b) of the General Data Protection Regulation ("GDPR"), as 'processing is necessary in order to take steps at the request of the data subject prior to entering into a contract'.

Further information may be found within the application form.

## **10. Contact Details**

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Further information on the incentive, as well as information and guidance on the filling in of the application may be obtained by contacting the offices during office hours.

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