



**GOVERNMENT OF
MALTA**

MINISTRY FOR EDUCATION,
SPORT, YOUTH, RESEARCH
AND INNOVATION
PARLIAMENTARY SECRETARIAT
FOR YOUTH, RESEARCH
AND INNOVATION



The Malta Council for
Science & Technology

Smart Cities Programme

Rules for Participation – Option A

State Aid Regime

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1 Introduction

1.1 Designated Authority

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

1.2 FUSION

FUSION is a national funding programme that drives and supports local Research and Innovation (R&I), as well as providing the necessary support for researchers and technologists to turn their innovative ideas into a market-ready reality. FUSION is supported through Malta Government funds and is managed by the Malta Council for Science and Technology (MCST) as the Managing Authority.

The main objectives of FUSION are:

- i. to raise the level and profile of locally funded research;
- ii. to ingrain R&I at the heart of the Maltese economy;
- iii. to spur knowledge-driven and value-added growth and;
- iv. to sustain improvements in the quality of life.

These can be achieved since research results and innovation have the potential of translating themselves into commercial activities which generate a multiplier effect on the economy, by increasing Malta's competitiveness through the creation of additional high-value and knowledge intensive employment opportunities in Malta's priority industries.

1.3 Programme Scope and Focus

Smart cities can be defined as cities where the interaction between different forms of data across buildings, vehicles, citizens & assets is used to manage and improve all aspects of city life. The goal of smart cities is to make them more efficient and sustainable to improve quality of life for their residents.

We here forth propose a framework which considers all the 3 phases of a smart city: Building (which targets materials & systems), Operating (which targets urban assets) and Living (which targets dwellers) in the City. Based on this framework, there are several sub-themes which fall under the scope of the Smart Cities Programme.



Figure 1. Proposed framework for the Smart Cities Programme

1.4 Contact

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1.5 Definitions

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

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.

Council refers to the Malta Council for Science and Technology

Effective collaboration means collaboration between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on the division of labour where the parties jointly define the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results. One or several parties may bear the full costs of the project and thus relieve other parties of its financial risks. Contract research and provision of research services are not considered forms of collaboration.

Eligible direct costs are those costs incurred directly by the 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.

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.

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.

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

Project Grant means the granted funding provided.

Partner is defined as a participating entity in a consortium.

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

Project Coordinator is one of the beneficiaries of a project consortium that is appointed as the single point of contact between the Lead Agency and/or the funding bodies and the consortium partners from proposal submission to project end. He/she 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 Lead Agency. Can also be referred to as **Principal Investigator**.

Project Contact Point is the individual, appointed to act on behalf of the applicant and who is responsible for communicating with the Council about the Project.

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 practical 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;

Research and knowledge-dissemination organisation means an entity (such as universities or research institutes, technology transfer agencies, innovation intermediaries, research-oriented physical or virtual collaborative entities), irrespective of its legal status (organised under public or private law) or way of financing, whose primary goal is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer. Where such entity also pursues economic activities the financing, the costs and the revenues of those economic activities must be accounted for separately. Undertakings that can exert a decisive influence upon such an entity, in the quality of, for example, shareholders or members, may not enjoy preferential access to the results generated by it.

Single undertaking includes all enterprises having at least one of the following relationships with each other:

- (a) one enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- (b) one enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- (c) one enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;

(d) one enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Enterprises having any of the relationships referred to in points (a) to (d) above through one or more other enterprises shall also be considered to be a single undertaking.

Small and medium-sized enterprises or 'SMEs' means undertakings fulfilling the criteria laid down in Annex I of the General Block Exemption Regulation.

Start of Works means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs, 'start of works' means the moment of acquiring the assets directly linked to the acquired establishment;

Start Date means the date which is stated in the grant agreement for the official start of the project.

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 arm's length terms and conditions.

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), 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), 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

Any undertaking that carries out an economic activity within the meaning of Article 107 TFEU with an operating base in Malta may apply and will be eligible for funding subject to the terms and conditions laid out in this document.

Applicants may opt to apply for aid under one of the following two State aid Regulations:

- The *de minimis* Regulation

Aid granted under this route, will be implemented in line with the terms and conditions of Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (*de minimis* Regulation), as amended by Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments.

The *de minimis* Regulation stipulates that the total amount of *de minimis* aid granted to a single undertaking cannot exceed the amount of €200,000 (or €100,000 in the case of single undertakings performing road freight transport for hire or reward) over 3 fiscal years, including *de minimis* aid from any other *de minimis* schemes. This aggregate maximum threshold applies in principle to all economic sectors with the exception of the agriculture and fisheries sectors for which different thresholds and criteria apply. This period covers the fiscal year concerned as well as the previous two fiscal years. 'Fiscal year' means the fiscal year as used for tax purposes by the undertaking concerned.

Applicants should ensure and declare they are eligible for the requested grant under State Aid rules before submitting an application. For the purposes of this Section, an "undertaking" shall mean any entity engaged in an economic activity, regardless of its legal status and the way in which it is financed.

All applications should be accompanied by the relevant State Aid *de minimis* declaration forms. **For successful applications, an updated declaration form may be required at the time of the signing of the Grant Agreement, ensuring that the applicant remains eligible for funding under the state aid regimes.**

Assistance approved under this aid scheme is NOT:

- i. Aid granted to undertakings active in the fishery and aquaculture sector, as covered by Council Regulation (EC) No. 104/2000;
- ii. Aid granted to undertakings active in the primary production of agricultural products;
- iii. Aid granted to undertakings active in the sector of processing and marketing of agricultural products, in the following cases:
 - a. Where 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;
 - b. Where the aid is conditional on being partly or entirely passed on to primary producers;
- iv. 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;
- v. Aid contingent upon the use of domestic over imported goods;
- vi. Aid for the acquisition of road freight transport vehicles granted to undertakings performing road freight transport for hire or reward.

Where an undertaking is active in the sectors referred to in points (i), (ii) and (iii) above as well as in other sectors falling within the scope of the *de minimis* Regulation, the Council will ensure a separation of the activities or

distinction of costs. Only those sectors eligible for assistance under the *de minimis* Regulation will be assisted. Activities in the sectors excluded from the scope of the *de minimis* Regulation will not benefit from assistance under this aid scheme.

In terms of Article 5 of the *de minimis* Regulation, *de minimis* aid granted under this initiative may be cumulated with *de minimis* aid granted in accordance with Commission Regulation (EU) No 360/2012 up to the ceiling laid down in that Regulation. It may be cumulated with *de minimis* aid granted in accordance with other *de minimis* regulations up to the relevant ceiling fixed in terms of the *de minimis* Regulation.

De minimis aid approved under this initiative shall not be cumulated with State aid in relation to the same eligible costs or with State aid for the same risk finance measure, if such cumulation would exceed the highest relevant aid intensity or aid amount fixed in the specific circumstances of each case by a block exemption regulation or a decision adopted by the European Commission. *De minimis* aid which is not granted for or attributable to specific eligible costs may be cumulated with other State aid granted under a block exemption regulation or a decision adopted by the Commission.

The *de minimis* aid to be received by each successful applicant, and hence Partner, under these Rules for Participation (*de minimis* regulation Option A) for the Smart Cities Programme, includes all approved eligible costs for that Partner at the relevant aid intensity.

Applicants under the *de minimis* regulation Option A are to ensure that they consider and complete the relevant Appendix in the Application Form, to quantify any possible indirect aid that may result from their collaboration with Partners applying under the non-state aid Option B Rules for Participation.

More information on the *de minimis* regulation can be found on the following link:

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2013.352.01.0001.01.ENG&toc=OJ:L:2013:352:TOC

- **The General Block Exemption Regulation**

Aid granted under this route must comply with 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, as amended by Commission Regulation (EU) No 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs, by Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments, and by Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, and as may be subsequently amended.

Assistance will not be granted if the aid is:

- i. related to export activities towards third countries or Member States, namely aid directly linked to quantities exported, to the establishment and operation of a distribution network or to the other current expenditure linked to export activity.

- ii. contingent upon the use of domestic in preference to imported goods.
- iii. granted in the sector of processing and marketing of agricultural products, in the following cases:
 - i. where 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;
 - ii. where the aid is conditional on being partly or entirely passed on to primary producers;
- iv. granted in favour of a beneficiary which is subject to an outstanding recovery order following a previous Commission decision declaring an aid granted by Malta illegal and incompatible with the internal market.
- v. granted in favour of an undertaking in difficulty (defined in terms of Commission Regulation (EU) No 651/2014 of 17 June 2014), unless the undertaking was not in difficulty on 31 December 2019 but then became an 'undertaking in difficulty' in the period from 1 January 2020 to 31 December 2021.

Rules on *cumulation of aid* shall be in line with Article 8 of the General Block Exemption Regulation.

In determining whether the notification thresholds and the maximum aid intensities are respected, the total amount of State aid for the aided activity or project or undertaking shall be taken into account.

Where Union funding centrally managed by the institutions, agencies, joint undertakings or other bodies of the Union that is not directly or indirectly under the control of the Member State is combined with State aid, only the latter shall be considered for determining whether notification thresholds and maximum aid intensities or maximum aid amounts are respected, provided that the total amount of public funding granted in relation to the same eligible costs does not exceed the most favourable funding rate laid down in the applicable rules of Union law.

Aid granted under this Programme may only be cumulated with:

- a) any other State aid, as long as those measure concern different identifiable eligible costs,
- b) any other State aid, in relation to the same eligible costs, partly or fully overlapping, only if such cumulation does not exceed the highest aid intensity or aid amount applicable to the aid under Commission Regulation (EU) No 651/2014.

Aid awarded under this route shall not be cumulated with any *de minimis* aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding those laid down in the General Block Exemption Regulation.

In line with Article 9(1)(c) GBER, the information referred to in Annex III of the GBER on each individual aid award exceeding €60,000 for beneficiaries active in primary agricultural production, and €30,000 for beneficiaries active in the fishery and aquaculture sector, will be made public on the national State aid website within six months from the date the aid was granted.

The following declarations will need to be included:

1. Undertaking in difficulty Form
2. Enterprise size declaration
3. Declaration on Effective Collaboration and/or Dissemination

3 Funding Criteria

3.1 Project Duration

Projects should last a minimum of one (1) year up to a maximum of two (2) years in 6-month increments. The possible project durations are 12, 18 or 24-month projects.

3.2 Application Process

The call will be open from the **2nd May till the 13th June 2022 at 23:59 (CET)**.

Applications are required to be submitted electronically via email to ri.mcst@gov.mt. Only **complete** Application Forms will be considered. Applicants are to submit an application for assistance under this scheme before the start of works.

Submission, evaluation and selection of project applications will be in the form of a one-stage process. The applicant should ensure complete compliance to these 'Rules for Participation' prior to submission as no amendment or negotiations are allowed after submission and any unapproved deviations will result in the failure of the application during the administrative check.

Applications shall include the following:

- A complete Application Form in Word format (.docx)
- A scanned copy of the application form signed by the legal representatives
- Curricula Vitae of the researchers involved
- Where applicable:
 - a) Either the *de minimis* State Aid Declaration Form or;
 - b) Declaration forms related to GBER including Undertaking in Difficulty Form, Enterprise Size Declaration Form and Declaration on Effective Collaboration and/or Dissemination
- Indirect State Aid Declaration (in the case of consortia)
- IP Agreement (in the case of consortia)
- Management accounts (in the case of private partner)
- If the private partner is a start-up and the above documents are unavailable, the Partner shall provide the financial projections for the last 3 years signed by an independent, certified public accountant. These projections shall include
 - a) an income statement
 - b) a cashflow statement
 - c) a balance sheet

Documentation needs to be submitted by each partner in accordance with their respective rules for participation.

All received applications shall be acknowledged by email to ri.mcst@gov.mt. Incomplete applications as at 13th June 2022 23:59 (CET) will not be considered.

3.3 Submission Deadline

Deadline for application submission is **13th June 2022 at 23:59 (CET)**.

3.4 Budget and Grant Value

The total maximum budget for the call is up to €600,000.

The maximum amount that can be requested per project is up to €150,000

3.5 Project Contact Point

The applicant/s shall appoint a Project Contact Point/s (sometimes referred to as the project coordinator or project investigator). The Project Contact Point/s shall have the following responsibilities:

- To ensure compliance with their obligations in terms of the Contractual Agreement;
- To compile Periodic Reports and Final Reports including their timely submissions and effective execution of the project;
- To ensure submission of all required financial reporting as per the contractual obligations for the partner.
- To execute the project activities according to set timeframes and deliverables.

3.6 Deliverables

3.6.1 Mandatory

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

1. A showcase of the project to the general public by the project partner through the publication of at least one (1) article per year in local newspapers, online platforms or magazines, including an acknowledgement to the

Council. These should not contain intellectual property but should raise awareness about the project and its benefits.

2. Reporting on project progress as per the list hereunder in line with the templates provided by the Council;
 - Hold a minimum of one meeting every 6 months to verbally update MCST on project progress;
 - End of Stage Technical Report;
 - End of Stage Financial Report;
 - End of Project Technical Report;
 - End of Project Audited Financial Report

The reports are to include sufficient 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.

3.6.2 Recommended

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

1. Monograph/s and/or peer-reviewed paper/s for accepted publication in international journal/s and/or conferences of repute based on the work carried out throughout the Project. The subscription levels, impact factor and open sources should be considered in the selection of journals and conferences. Similar papers published on open-source media would also be considered favourably. A proof of submission of the article shall be submitted. When included in the budget section, open-access fees will have to be incurred between the Start and End Date to be eligible.
2. Oral presentation/s at international conference/s on the work carried out through the Project.
3. 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 has to be a commitment to complete the degree outside the duration of the project utilising other sources of funding.
4. Registration of a patent or other Intellectual Property Rights stemming from the Project, in Malta as well as in any other country.
5. Commercial commitments such as technology innovations to be included in a partner's existing product or service.
6. Commercial commitments such as technology transfer licences.

7. Dissemination activities, including but not limited to, local newspapers, conferences, publications, project exhibitions etc (preferably open access).

4 Eligible and Ineligible Costs

4.1 Eligible Costs

Eligible direct costs are those costs incurred directly by the project partner during the duration of the project and used primarily for the purpose of achieving the objectives of the project. All expenses must be incurred between the Start Date and End Date of the project and must be limited to the budgeted value. Applicants may opt for one (1) of the following two regulations. Applicants are required to indicate their preference within the Application Form.

4.1.1 Eligible Costs under the *de minimis* Regulation route

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) 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.
- ii) Personnel Costs related to Project Management are further limited to 10% of the project value.
- iii) Students can be engaged on the project and paid an annual stipend of €6,000 when reading for a master's degree or an annual stipend of €8,000 when reading for a Doctoral degree. Note that for every engaged student, one full-time equivalent researcher must be employed by the applicant.
- iv) Personnel costs are calculated as follows:

The hourly rate (z) is calculated using the formula:

$$\text{€ } z = (\text{basic salary} + \text{allowances}) / \text{yearly weekday hours.}$$

Role in Project	Maximum Hourly rates 2022	Maximum Hourly rates 2023	Maximum Hourly rates 2024	Limits per project
<i>Management</i>	<i>up to €50.00/hour</i>	<i>up to €52.50/hour</i>	<i>up to €55.13/hour</i>	<i>Max 2 per partner</i>
<i>Senior Researcher^[1] or equivalent</i>	<i>up to €35.25/hour</i>	<i>up to €37.01/hour</i>	<i>up to €38.86/hour</i>	<i>No Limits</i>
<i>Researcher^[2] or equivalent</i>	<i>up to €25.25/hour</i>	<i>up to €26.51/hour</i>	<i>up to €27.84/hour</i>	<i>No Limits</i>
<i>Operational, technician, research support assistant or equivalent</i>	<i>up to €13.85/hour</i>	<i>up to €14.54/hour</i>	<i>up to €15.27/hour</i>	<i>No Limits</i>

Personnel in salary brackets that are higher than those noted above will still only be reimbursed at the rates of the eligible brackets above depending on their role in the project. The hourly rates will have to be noted in the application along with the number of hours on the project per individual.

- v) Filled time sheets are to be retained for all personnel, including students, as proof of number of hours spent on the project. Documentation of the utilisation of the employees' internally funded research quota for other research activities is to be retained as this evidence may be required by the auditors.

b) Specialised equipment and research consumables

Purchase of specialised equipment including software. An explanation of the relevance of the equipment in relation to the project, including specification where applicable, is required. Overall value of consumables typically cannot exceed 30% of project value.

c) Other expenses

Other operational expenses which are directly related to the project, for example open access fees.

d) Overheads

^[1] The term 'senior researcher' is to be used for a postdoctoral researcher with a specialist and high level of local and international experience in the field. Individuals possessing a high level of experience in industry can still be considered. The applicant is to confirm this judgement with MCST well in advance of submitting the application form.

^[2] The term 'researcher' is to be used for a Bachelor's, Master's or a Ph.D. degree holder and hence the hourly rate should be equivalent to the degree held by the relevant individual.

Overheads (also known as eligible indirect costs) that are incurred directly as a result of the project will be covered at 10% of direct eligible costs, excluding the costs of subcontracting.

e) Subcontracted activities

Subcontracted Activities must not exceed 25% of the project value. Subcontracted Activity is any activity related to the project, (including but not limited to consultancy), which is not carried out directly by the Beneficiary or its employees but is conducted by any third party (local or foreign) individual, company, partnership, or entity, under whatsoever terms and conditions.

Subcontracting to foreign companies should only be resorted to if suitable expertise is not available locally at a competitive price. This course of action must be duly justified. The beneficiary may consider joint bids from subcontractors (local or foreign) if these are presented in the form of a supplier consortium. Preference will be given to partners who have previous experience working together on similar projects. Beneficiaries have to ensure that there is no discrimination between bidders, and that all bidders are to be treated equally and transparently in all calls for quotations.

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.
- 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 1.5 of the Rules for Participation.

Aid intensity

The financial contribution to a project partner applying under *de minimis* route shall be 80% of the eligible costs incurred on the project by that project partner. The partner must finance the remaining 20% of the eligible costs. It is not possible for a Partner to cover the contribution of 20% 'in-kind'.

4.1.2 Eligible Costs under the General Block Exemption Regulation (GBER) route

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) 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 legislation on employment.

ii) Personnel Costs related to Project Management are further limited to 10% of the project value.

iii) Students can be engaged on the project and paid an annual stipend of €6,000 when reading for a master's degree or an annual stipend of €8,000 when reading for a Doctoral degree. Note that for every engaged student, one full-time equivalent researcher must be employed by the applicant.

iv) Personnel costs are calculated as follows:

The hourly rate (z) is calculated using the formula:

$$\text{€ } z = (\text{basic salary} + \text{allowances}) / \text{yearly weekday hours.}$$

<i>Role in Project</i>	<i>Maximum Hourly rates 2022</i>	<i>Maximum Hourly rates 2023</i>	<i>Maximum Hourly rates 2024</i>	<i>Limits per project</i>
<i>Management</i>	<i>up to €50.00/hour</i>	<i>up to €52.50/hour</i>	<i>up to €55.13/hour</i>	<i>Max 2 per partner</i>
<i>Senior Researcher^[1] or equivalent</i>	<i>up to €35.25/hour</i>	<i>up to €37.01/hour</i>	<i>up to €38.86/hour</i>	<i>No Limits</i>
<i>Researcher^[2] or equivalent</i>	<i>up to €25.25/hour</i>	<i>up to €26.51/hour</i>	<i>up to €27.84/hour</i>	<i>No Limits</i>
<i>Operational, technician, research support assistant or equivalent</i>	<i>up to €13.85/hour</i>	<i>up to €14.54/hour</i>	<i>up to €15.27/hour</i>	<i>No Limits</i>

Personnel in salary brackets that are higher than those noted above will still only be reimbursed at the rates of the eligible brackets above depending on their role in the project. The hourly rates will have to be noted in the application along with the number of hours on the project per individual.

Filled time sheets are to be retained for all personnel, including students, as proof of number of hours spent on the project. Documentation of the utilisation of the employees' internally funded research quota for other research activities is to be retained as this evidence may be required by the auditors.

^[1] *The term 'senior researcher' is to be used for a postdoctoral researcher with a specialist and high level of local and international experience in the field. Individuals possessing a high level of experience in industry can still be considered. The applicant is to confirm this judgement with MCST well in advance of submitting the application form.*

^[2] *The term 'researcher' is to be used for a Bachelor's, Master's or a Ph.D. degree holder and hence the hourly rate should be equivalent to the degree held by the relevant individual.*

b) Specialised equipment and research consumables

Purchase of specialised equipment including software. An explanation of the relevance of the equipment in relation to the project, including specification where applicable, is required. Overall value of consumables typically cannot exceed 30% of project value. Proposals with consumables exceeding 30% of the project value need to be discussed at application stage.

Costs of instruments and equipment are eligible to the extent and for the period used for the project. Where such instruments and equipment are not used for their full life for the project, only the **depreciation costs** corresponding to the life of the project, as calculated on the basis of generally accepted accounting principles are considered as eligible.

The depreciation costs must be verified by a Certified Public Accountant.

c) Other operating expenses

Other operational expenses which are directly related to the project, for example open access fees.

d) Overheads

Overheads (also known as eligible indirect costs) that are incurred directly as a result of the project will be covered at 10% of direct eligible costs, excluding the costs of subcontracting.

e) Subcontracted activities

Subcontracted Activities must not exceed 25% of the project value. Subcontracted Activity is any activity related to the project, (including but not limited to consultancy), which is not carried out directly by the Beneficiary or its employees but is conducted by any third party (local or foreign) individual, company, partnership, or entity, under whatsoever terms and conditions.

Subcontracting to foreign companies should only be resorted to if suitable expertise is not available locally at a competitive price. This course of action must be duly justified. The beneficiary may consider joint bids from subcontractors (local or foreign) if these are presented in the form of a supplier consortium. Preference will be given to partners who have previous experience working together on similar projects. Beneficiaries have to ensure that there is no discrimination between bidders, and that all bidders are to be treated equally and transparently in all calls for quotations

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.
- 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 1.5 of the Rules for Participation.

Aid intensity

The aided part of the research and development project applying under the General Block Exemption Regulation route shall completely fall within one or more of the following categories:

- Fundamental research
- Industrial research
- Experimental development

The aid intensity for each beneficiary shall not exceed the following:

Type of Research	Small Undertaking	Medium Undertaking	Large Undertaking
Fundamental Research	100%	100%	100%
Industrial Research	70%	60%	50%
Industrial Research with an effective Collaboration and/or results are widely disseminated	80%	75%	65%
Experimental Development	45%	35%	25%
Experimental Development with an effective collaboration and/or results are widely disseminated	60%	50%	40%

The project involves effective collaboration:

- Between undertakings among which at least one is an SME, and no single undertaking bears more than 70% of the eligible costs, or
- Between an undertaking and one or more public research and knowledge-dissemination organisations, where the latter bear at least 10% of the eligible costs and have the right to publish their own research results.

Results are considered to be widely disseminated when this is done through conferences, publication, open access repositories, or free of open-source software.

The amount of assistance granted to participants will not exceed the thresholds laid down in Article 4(1) (i) of Commission Regulation (EU) No 651/2014.

4.2 Ineligible Costs

The following shall be considered as ineligible costs:

- Expenses related to loans, interest, etc
- Recoverable value added tax
- Expenses which are recoverable through other funding mechanisms
- Re-purchase of equipment originally procured through other funding mechanisms
- Purchase of equipment or services from partners or their subsidiaries within the consortium
- 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 & stationery
- Personnel hours for travelling
- Conference organisation

5 Evaluation

Project applications will be evaluated through a three-step process.

Primarily, projects will undergo an administrative compliance evaluation. At this stage, if any errors with the budget are noted the budget will be either considered as a major deviation or minor deviation. Major deviations refer to cases where ineligible costs amount to 10% or over of the project grant whereas minor deviations are under 10% of the project grant. For example, if the grant value requested is €100,000, any errors in the budget exceeding €10,000, would be considered as a major deviation. Major deviations will be considered administratively non-compliant whereas minor deviations will be amended by the Council and sent for external evaluation with the beneficiaries given the opportunity to approve or reject the new conditions following the external evaluation.

If successful, projects will be forwarded to three external evaluators for External Evaluation and then for Due Diligence. Further assurances, such as bank guarantees, may be required at the discretion of the Council. Failure to achieve a minimum of 60% pass from External Evaluation will lead to the termination of the project. For a project to be successful, it must achieve a pass in all three steps.

External Evaluators will be evaluating applications on the criteria on the following page.

Criteria	Points	Questions	Scoring
Excellence	<ul style="list-style-type: none"> • Clear objectives pertaining to the programme • Clear & detailed description of the challenges that the project addresses • High quality research question investigated by the project together with an appropriate solution • Clear description of the technological and scientific methods to be used • Project originality and use/combination of new techniques 	<ol style="list-style-type: none"> 1. Does the proposal address one or more sub-themes of the Programme? Are the objectives clear and pertinent to the programme? 2. Are the challenges that the project sets out to tackle, described in detail? 3. Are the research question and provided solution of high quality? 4. Is the scientific approach to be taken sound and credible? 5. Does the project provide innovative techniques to target the intended objectives? 	<p>40</p> <p><u>Threshold = 25</u></p>
Impact	<ul style="list-style-type: none"> • The value creation for the country in the short, medium and long term • The benefit/s is/are different from already existing solutions • Key stakeholders • Appropriate TRL values indicated • Extra value creation that can benefit other fields 	<ol style="list-style-type: none"> 1. What are the intended benefits for the country in the short and long term? 2. Has the applicant effectively distinguished their innovation from other available solutions? To what extent is the proposed idea better and/or significantly different to other alternatives? 3. Have key stakeholders been identified and elaborated upon, where these are key to the implementation of the outcomes of the project? 4. Does the project fall under the appropriate TRL? What is the TRL increment that can be achieved with such funding? 5. Is the value created, translatable to other research areas? 	<p>35</p> <p><u>Threshold = 20</u></p>
Implementation	<ul style="list-style-type: none"> • Knowledge protection • Personnel – diverse & experienced • Realistic work packages containing measurable criteria • Risk assessment • Regulatory, legal and ethical aspects covered 	<ol style="list-style-type: none"> 1. Does the proposal include a knowledge-protection strategy, including specific considerations to measures to safe-guard IPR? 2. Do the project personnel have enough experience and expertise to conduct the project effectively in a timely manner? 3. Are the proposed work packages realistic with regards to timelines and finances? Do the work packages have measurable criteria? 4. Have potential risks with the project been identified? What are the mitigation strategies have been outlined? 5. Have regulatory, ethical and standards requirements been addressed or at least considered? 	<p>25</p> <p><u>Threshold = 15</u></p>

6 Post-Award Process

6.1 Grant Agreement

For each project approved for funding, individual Grant Agreements will be signed between the beneficiaries and the Council.

The Grant Agreement will serve as a basis for the project funding and will regulate the transfer of funds to beneficiaries, based on these regulations. The beneficiary is to sign the Grant Agreement within two (2) weeks of its presentation by the Council. Failure to comply with the stipulated timeframe, will result in a withdrawal of the offer for funding.

The Council reserves 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.

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, which date shall be a date after the date of signature of this agreement by the Executive Chairman of the Malta Council for Science and Technology (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

Funding under this Programme is made available on the basis that none of the project Partners have benefited and will not benefit from any other grant or financial incentive of whatever nature, applied for and/or utilised for the same scope as that subject of the funding requested under this Programme. Provided that, in the case where the application covers work that is part of a larger project, the Partner 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.

By signing the Grant Agreement, project partners are automatically accepting and authorising MCST to exchange essential information related to the project with other funding agencies, both local and overseas, for any necessary checks. Any occurrence of double funding should be communicated in writing to the Unit Director prior to the signing of the Grant Agreement.

6.4 Time Extensions

Time extension requests are to be submitted electronically in a formal letter to ri.mcst@gov.mt, by not later than **one (1) month before the original stage end date**. Such extensions will be granted at the sole and unfettered discretion of MCST and may only be **up to a maximum of six (6) months per project**.

7 Funding, Management and Progress Monitoring

7.1 Allocation and Disbursement of Funding

For the purposes of funding and reporting, a project submission shall be divided into a number of Stages. 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.

The periodic funding will be allocated according to the following schedule:

- At the beginning of each stage, MCST will provide the relevant pre-financing to the lead beneficiary. This will include both direct and indirect eligible costs.
- A retention consisting of 20% of the project grant shall be withheld by MCST and only released upon successful completion of the project. This is deducted from the funds allocated for the last stage and from the preceding stage, if necessary.
- In the case of a single-Stage project (one 12-month period), the prefinancing will be equivalent to 80% of the project grant.
- The Project Coordinator will be required to submit a Technical Stage Report at the end of each stage and, within one month, a Financial Stage Report. The latter should contain details of actual expenditure over the past stage, together with an updated forecast of projected expenditure for the following stage. Such details must be broken down for each Project Partner.
- Normally underspends are retrieved by MCST following the financial audited report. However, MCST reserves the right to modify tranche payments if it deems that the underspend within the previous stage is considerable.
- In cases where an extension is required, beneficiaries are expected to notify MCST, in writing, at least one month prior to the deadline. Such notification should be sent to the Council keeping ri.mcst@gov.mt in copy.

7.2 Reporting

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 be performed in line with the auditors checklist and inventory list provided with the Grant Agreement. 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 reserves the right to appoint an auditor to audit the Project Financial Audit as submitted.

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 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 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 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 may also exclude an applicant from participating in future calls.

7.3 Accountability

The Beneficiaries shall keep a specific project bank account and records, clearly distinguishable from their other accounting records. All relevant expenses must be recorded in these accounts. All funding payments by the Council must be deposited in the project bank account.

Eligible expenses must have been determined in accordance with the usual accounting and management principles and practices of the applicant. Direct eligible costs must be backed up with the relevant documentation as specified in the Grant Agreement.

7.4 Supervening Circumstances

The Project Contact Point 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, at its 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 Point to respect this obligation may lead the Council 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 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 shall 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 shall exercise its discretion in the interpretation of the rules through the setting up of an *ad hoc* committee.

8 Confidentiality of Submissions

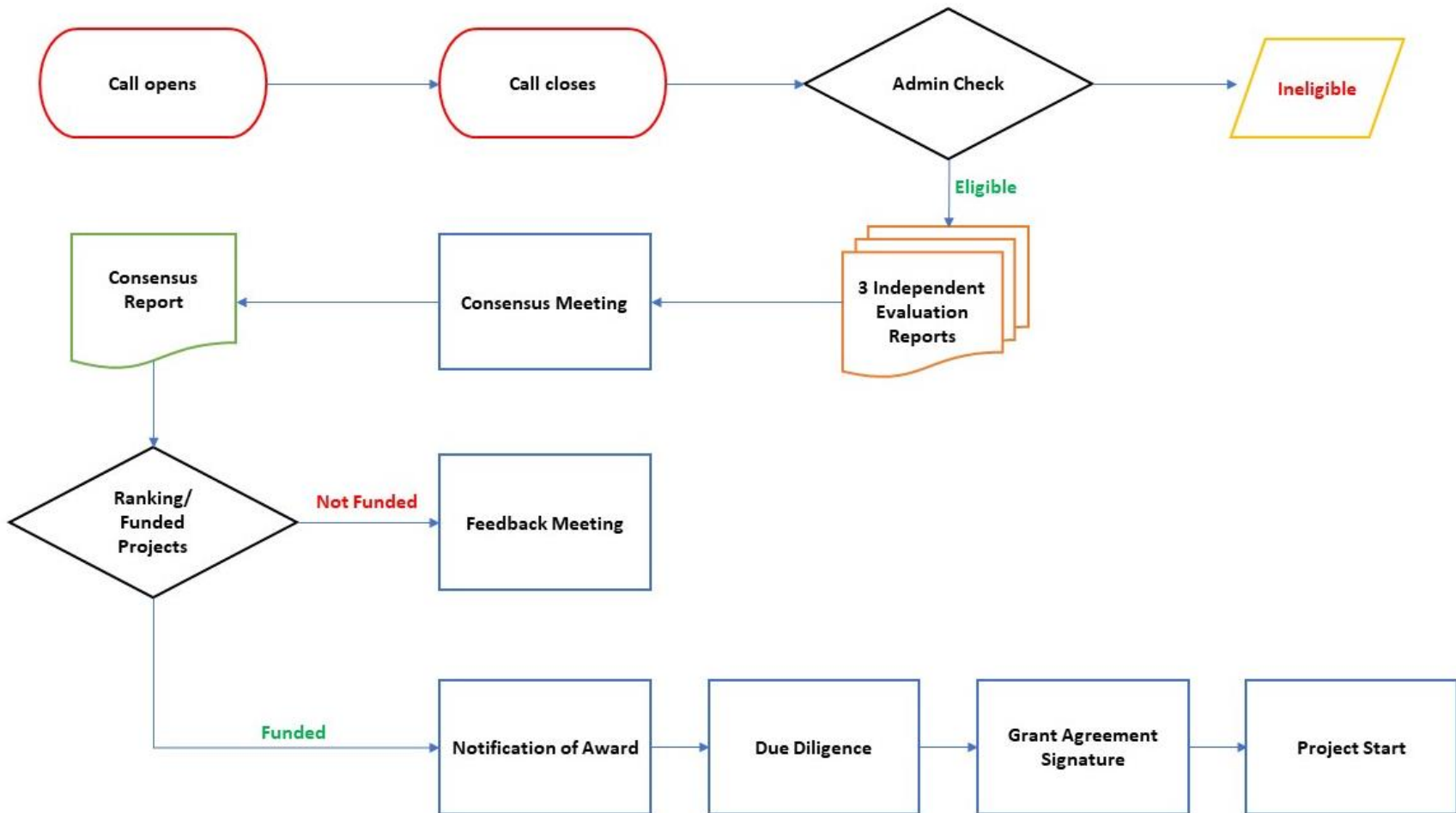
Unless otherwise indicated, all project application submissions except for the abstract shall be treated in strict confidence.

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

- i. The Rules for Participation
- ii. Commission Regulation (EU) No 651/2014 of 17th June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty as amended by Commission Regulation (EU) No 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014 as regards aid for port and airport infrastructure, notification thresholds for aid for culture and heritage conservation and for aid for sport and multifunctional recreational infrastructures, and regional operating aid schemes for outermost regions and amending Regulation (EU) No 702/2014 as regards the calculation of eligible costs, by *Commission Regulation (EU) 2020/972 of 2 July 2020 amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments*, and by *Commission Regulation (EU) 2021/1237 of 23 July 2021 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty*, and as may be subsequently amended (for aid granted under the General Block Exemption Regulation route).
- iii. Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (*de minimis* Regulation). This has now been amended by Commission Regulation (EU) 2020/972 of 2 July 2020, amending Regulation (EU) No 1407/2013 as regards its prolongation and amending Regulation (EU) No 651/2014 as regards its prolongation and relevant adjustments (for aid granted under the *de minimis* Regulation route).
- iv. Data Protection Act, Chapter 586 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).
- v. 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.

Appendix One



Appendix Two

TECHNOLOGY READINESS LEVELS (TRLs)- TRLs are a means to define endpoints of projects along the innovation axes from Basic Research to the Market, ranging from TRL 1 (Basic Concept) to TRL 9 (Market Entrance).

Technology Readiness Level	Definition	Explanation
TRL 1	Basic principles observed and reported	Lowest level of technology readiness. Process concept with basic scientific foundation
TRL 2	Technology concept and/or application formulated	Scientific research begins to be translated into applied research and development. Applications are speculative and may be unproven.
TRL 3	Analytical and experimental critical function and/or characteristic proof-of-concept	Active research and development is initiated, including analytical/laboratory studies to validate predictions regarding the technology.
TRL 4	Scientific & process validation in laboratory environment	Basic technological components are integrated to establish that they will work together.
TRL 5	Scientific & process validation in intended environment	The basic technological components are integrated with reasonably realistic supporting elements so it can be tested in a simulated environment.
TRL 6	System / subsystem model or prototype demonstration in an intended environment (ground or space)	A representative model or prototype system is tested in an intended environment.
TRL 7	System (full-scale) prototype demonstration in a real operational environment at pre-commercial scale	A prototype system that is at the planned operational system.
TRL 8	Actual system completed and validated as capable commercial system	In an actual system, the technology has been proven to work in its final form and under expected conditions.
TRL 9	Full commercial application and technology available for consumers	The system incorporating the new technology in its final form has been used under actual mission conditions.