

Executive Summary - «STEP: Setting up facilities and production lines for manufacturing new innovative products/services» Programme

Objective of Programme

This new RIF Programme aims to support enterprises in Cyprus to establish facilities and production lines for the development and manufacturing of innovative products and services, in line with the EC STEP Regulation.

It will provide support for the **development and manufacturing of critical technologies** in three sectors: digital and deep technology innovation, clean and resource efficient technologies, and biotechnologies, with the aim to safeguard and strengthen their respective value chains.

Proposed projects must necessarily include Manufacturing activities. They may also include Development activities for perfecting the technology for market needs.

The Call is expected to be announced in March 2025 with a deadline in June 2025. The proposed maximum funding per project is €2M and the proposed project duration is 36 months. Projects must start by January 2nd, 2026 at the latest.

State Aid Provisions

Funding will be granted under State Aid Regulation¹, the General Block Exemption Regulation (GBER)² and De Minimis Regulation³ provisions.

The RIF has obtained subject matter expert advice on how funding can be provided to projects eligible under the STEP Regulation, in compliance with the state aid rules of the European Union. This is summarised below:

Manufacturing activities

The following provisions may be used depending on the type of enterprise as follows:

Small Medium Enterprises

SMEs that qualify as startups under the Regulation⁴, may choose to use Article 22 [startup aid]. The maximum cumulative aid awarded to such startups can be €0.75M (in case they are located in specific geographic areas in Cyprus (RAM 'c' area) or €0.5M if they fall outside of these areas.⁵ Aid Intensity for the purposes of this Programme is limited to 85% of the eligible **capital expenditure**.

Enterprises that do not qualify as startups or startups that have used all their allowed allowance under Article 22 may choose one of the following options:

- For investments that fall under the "process and organizational innovation" definition of the regulation, Article 29 [process and organisational innovation aid] which grants 50% for all SMEs can be applied. For equipment and instruments, **depreciation costs** will be eligible to the extent of and for the period used for the project.

OR

¹ <https://eur-lex.europa.eu/eli/reg/2014/651/oj/eng>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20230701>

³ https://competition-policy.ec.europa.eu/document/b2f64121-af39-4be5-8fbc-340779680ab9_en

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20230701>

⁵ If the startup has already received part of the allowed funding in the frame of other programmes, the startup can receive the remaining amount from this programme up to the maximum cumulative aid.

○ If located within RAM “c” area and planning for an initial investment⁶ or an initial investment in favour of a new economic activity⁷, then Article 14 GBER [regional investment aid] can be applied. The Article grants 35% for small enterprises and 25% for medium-sized enterprises. For investments in equipment and instruments, aid intensity applies to eligible **capital expenditures**.

OR

○ If located outside RAM “c” area, then Article 17 GBER [SME investment aid] may be applied, which grants 20% for small enterprises and 10% for medium-sized enterprises. For investments in equipment and instruments, aid intensity applies to eligible **capital expenditures**.

For large enterprises

If located within RAM “c” area and planning for an initial investment in favour of a new economic activity, then Article 14 GBER [regional investment aid] can be applied. The maximum aid intensity is 20% of capital expenditure for large enterprises.

If the **large enterprise** is planning to implement activities for process and organisational innovation and is effectively collaborating with SMEs for the purposes of the aided activity, given that the collaborating SMEs incur at least 30 % of the total eligible costs, then Article 29 [process and organisational innovation aid] can be applied. The maximum aid intensity for the large enterprise is 15%. For equipment and instruments **depreciation costs** will be eligible to the extent of and for the period used for the project.

Development activities

The following provisions may be used depending on the type of enterprise as follows:

- **Article 25 [Aid for research and development projects]** Aid to support R&D activities up to TRL8 which is equivalent to experimental development. Maximum aid intensity: 25% for large enterprises, 35% for medium enterprises and 45% for small enterprises.
- **Article 28 [Innovation aid for SMEs]** Aid to support the cost of innovation advisory and support services obtained by SMEs. Maximum aid intensity: 50% for medium enterprises and 50% for small enterprises.

Additionally, all types of enterprises can make use of the following:

- **Article 31 [Training Aid]:** Maximum aid intensity: 50% of the cost of training for large enterprises, 60% for medium enterprises and 70% for small enterprises.
- **De minimis Regulation:** Up to €300,000 per undertaking per three-year period may be granted to enterprises of all sizes, provided it complies with the conditions in Regulation 2023/2831.

⁶ 'initial investment' means: (a) an investment in tangible and intangible assets related to the setting-up of a new establishment, extension of the capacity of an existing establishment, diversification of the output of an establishment into products not previously produced in the establishment or a fundamental change in the overall production process of an existing establishment; or (b) an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller and excludes sole acquisition of the shares of an undertaking;

⁷ 'initial investment in favour of new economic activity' means: (a) an investment in tangible and intangible assets related to the setting up of a new establishment, or to the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment; (b) the acquisition of the assets belonging to an establishment that has closed or would have closed had it not been purchased, and is bought by an investor unrelated to the seller, under the condition that the new activity to be performed using the acquired assets is not the same or a similar activity to the activity performed in the establishment prior to the acquisition;.