

DRIVING GROWTH 

## Public Consultation

**New Proposed RIF Funding Scheme:  
«STEP: Setting up facilities and  
production lines for manufacturing  
new innovative products/services»**



ΙΔΡΥΜΑ  
ΕΡΕΥΝΑΣ ΚΑΙ  
ΚΑΙΝΟΤΟΜΙΑΣ

## ► Objective

*To finance local companies interested in developing critical technologies and setting up facilities and production lines for manufacturing new innovative products in digital and deep technology innovation, clean and resource efficient technologies and biotechnologies, in line with the STEP Regulation.*

Link to STEP Regulation [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L\\_202400795](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202400795)

Link to EC STEP Guidance Note [https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C\\_202403209](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202403209)

**Main Definitions can be found [here](#).**

## ▶ **Basic Principles of STEP Regulation**

*Provide support for the*

- **development of critical technologies**
- **manufacturing of critical technologies**

*in three sectors:*

- *digital and deep technology innovation,*
- *clean and resource efficient technologies,*  
*and*
- *biotechnologies*

*safeguarding and strengthening their respective*  
**value chains.**



## ▶ Basic Principles of STEP Regulation

The technologies shall be deemed **critical** where they meet either of the following conditions:

- (a) they bring to the internal market (EU) an innovative, emerging and cutting-edge element with significant economic potential;
- (b) they contribute to reducing or preventing strategic dependencies of the Union.

The STEP Regulation highlights the vital importance of **strengthening the entire value chain associated with the development or manufacturing of critical technologies** to reduce the Union's strategic dependencies and preserving the integrity of the internal market. The term '**value chain**' relates to: final products; specific components and specific machinery primarily used to produce the final products; critical raw materials; associated services critical for and specific to the development or manufacturing of those final products; and technologies that fall under the scope of the Net-Zero Industry Act (NZIA).

## ▶ Basic Principles of STEP Regulation

**Development** refers to activities aimed at:

- achieving technological breakthroughs,
- perfecting the technology for market needs, including enhancing its efficiency, reliability, and
- developing standards.

**Manufacturing** includes:

- setting up production lines,
- first-of-a-kind-facilities,
- the extension or repurposing of existing facilities,
- scaling up processes to meet demand, and/or
- implementing quality control mechanisms to ensure the consistent production of high-quality products.

STEP does not include the installation and deployment of the final products, but it does cover associated services that are critical and specific to the development and manufacturing of these products within the STEP sectors.

# ► Relevant State Aid Provisions

## ***For Development of Critical Technologies:***

- *Article 25 Aid for research and development projects*
- *Article 28 Innovation aid for SMEs*
- *De Minimis Regulation*

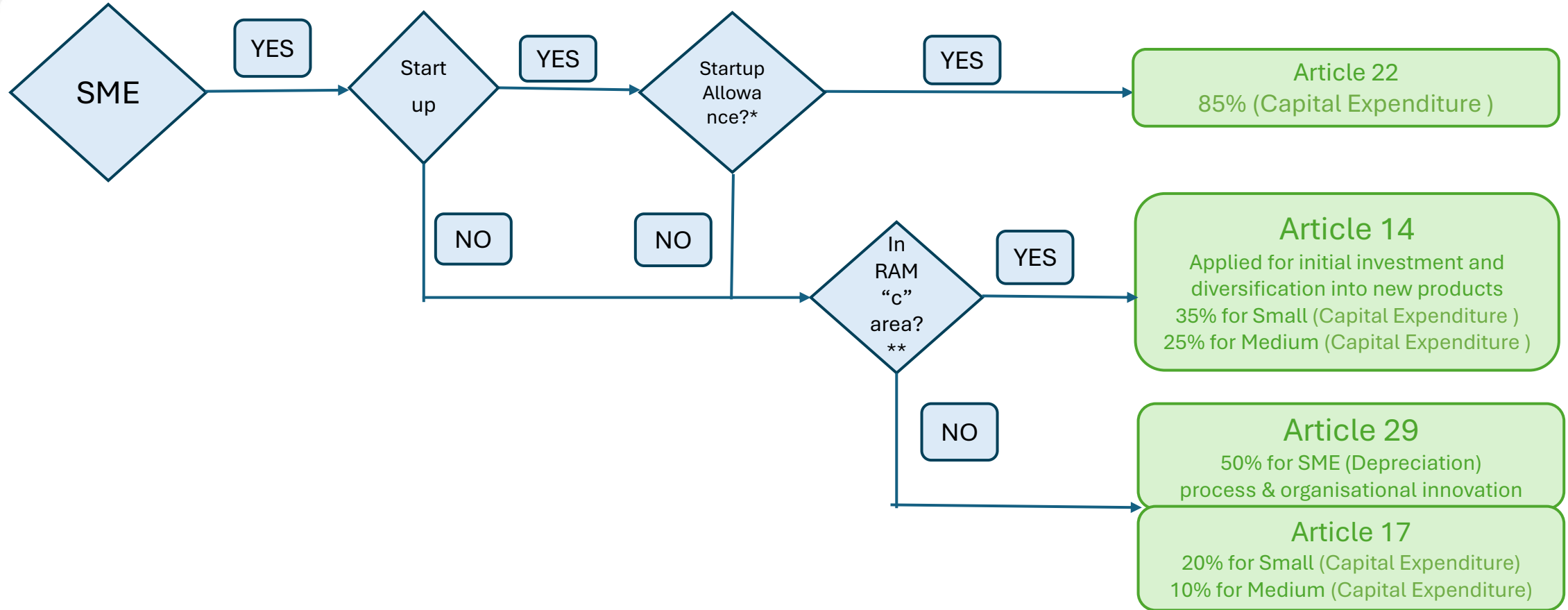
## ***For Manufacturing of Critical Technologies :***

- *Article 22 Aid for start-ups*
- *Article 29 Aid for process and organisational innovation*
- *Article 14 Regional investment aid*
- *Article 17 Investment aid to SMEs*
- *Article 31 Training aid*

Link to State Aid Regulation: <https://eur-lex.europa.eu/eli/reg/2014/651/oj/eng>

Link to General Block Exemption Regulation (GBER): <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014R0651-20230701>

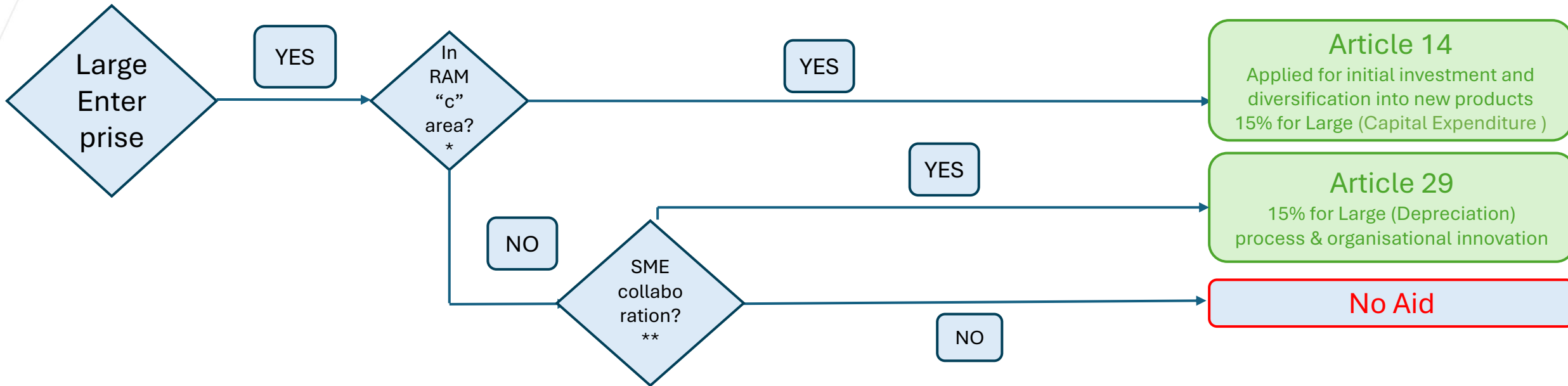
# For SMEs - Manufacturing State Aid Options



\* In cases the startup has not yet secured grants that exceed €0.5 M or €0.75 M if the start-up is located in RAM "c" areas (see definitions [here](#))\*\*

\*\* see RAM "c" areas definitions [here](#)

# For Large Enterprise - Manufacturing State Aid Options



\*see RAM definitions [here](#)

\*\* The Large Enterprise must effectively collaborate with SMEs that incur at least 30% of the total eligible costs



## Development State Aid Provisions that can be used

Article 25: Aid for research and development projects

Article 28: Supports the cost of innovation advisory & support services obtained by SMEs

## Additional State Aid Provisions that can be used

De Minimis Regulations

Article 31 - Training aid

# Summary - Maximum Aid Intensity *(Funding Percentage on Eligible Expenses)*

	Funding Aid intensity		
	Large Enterprises	Medium Enterprises	Small Enterprises
<b>Article 14: Supports initial investment, expansion of initial investment &amp; diversification into a new product line</b>	15%*	25%	35%
<b>Article 17: Investment aid for SMEs</b>	--	10%	20%
<b>Article 22: Aid for start-ups (fulfils the start-up definition)</b>	--	--	Up to €0.5 M or €0.75 M in RAM "c" areas
<b>Article 25: Aid for research and development projects</b>	25%	35%	45%
<b>Article 28: Supports the cost of innovation advisory &amp; support services obtained by SMEs</b>	--	50%	50%
<b>Article 29: Supports the cost of process &amp; organisational innovation</b>	15%**	50%	50%
<b>Article 31: Training costs</b>	50%	60%	70%

## Notes:

\* Aid for large enterprises in RAM "c" areas is limited only to initial investment and diversification into new products.

\*\* Aid for large enterprises is possible only if they effectively collaborate with SMEs that incur at least 30 % of the total eligible costs.

## ▶ Main Programme Provisions

- ❑ The facilities and production lines must be set-up in territories under the control of the Republic of Cyprus.
- ❑ Projects must necessarily include Manufacturing activities. They may also include Development activities.
- ❑ The Programme does not fund expenses for buildings and land.
- ❑ The Requested Funding for Development activities should not exceed €200.000.
- ❑ The purchase orders for the machinery and equipment necessary for the set-up of the facility /production line must be placed not later than 12 months from the project start date.
- ❑ Earmarked budget allocation between development and manufacturing activities
- ❑ No adjustments or reallocations between categories (state aid articles) will be possible after the project start
- ❑ Each Enterprise can submit one proposal under this Programme.

## ▶ Main Programme Provisions

- In the frame of proposal submission, the following will have to be submitted:
  - Project Plan and Budget
  - Risk mitigation plan
  - A technoeconomic analysis
  - Cost estimation for machinery and equipment necessary for the set-up of the facility / production line based on minimum of 3 offers from 3 different suppliers for the set-up of the production line
  - An expert opinion regarding the eligibility of the selected State Aid article for the manufacturing component of the project



## ► Main Programme Provisions

The Production Line established in the frame of the project must be maintained for at least 5 years. The Beneficiary shall return the funding if within 5 years of the final payment to the beneficiary, in the following cases:

- ❑ a cessation or transfer of a productive activity outside Cyprus;
- ❑ a change in ownership of an item of infrastructure which gives to a firm or a public body an undue advantage;
- ❑ a substantial change affecting its nature, objectives or implementation conditions which would result in undermining its original objectives.

Repayment by the beneficiary due to non-compliance shall be made in proportion to the period of non-compliance.

## ► General Call Information

- ❑ Expected Call Announcement: March 2025
- ❑ Proposal Submission Deadlines: June 2025
- ❑ Programme Budget: €10.000.000
- ❑ Budget Distribution:
  - *Digital and deep technology innovation* €2.000.000
  - *Clean and resource efficient technologies* €2.000.000
  - *Biotechnologies* €2.000.000

*Proposals within each sector will be evaluated and ranked based on their evaluation scores. The funding will be initially distributed among the three sectors, with each sector receiving €2M. After the initial allocation of €2M to each sector, funding will be allocated across all proposals, regardless of sector, based on their evaluation scores. In case of unused budget in the initial allocation, budget will be allocated based on evaluation scores.*

- ❑ Maximum Funding per Project: €2.000.000
- ❑ Project Duration: 36 Months
- ❑ Project Start Date: 2/1/2026 at the latest

## ► Beneficiaries

Enterprises legally established and active in territories under the control of the Republic of Cyprus.

Additional Research Organisations, Enterprises and Other Organisations may participate as Partner Organisations.

In cases where the Host Organisation is a Large Enterprise and Article 29 is applied for the purposes of funding, an SME that incurs at least 30 % of the total eligible costs must participate in the Consortium.

## ▶ Funding

### Funding Instalments:

- **Pre-Financing:** 60% of the Requested Funding paid upon Contract signature
- **Interim Payment:** 20% of the Requested Funding
- **Final Payment:** at the end of the Project



## ► Evaluation

- ❑ **Evaluation** by three thematic **Independent Evaluation Committees**:
  - ❑ digital and deep technology innovation,
  - ❑ clean and resource efficient technologies, and
  - ❑ biotechnologies.
  
- ❑ The Committee will create a ranking list for Proposals and shall justify the rationale of their decision in each relevant Evaluation Report.
  
- ❑ The total funding of selected projects, **will not exceed** the total Call budget.

# ► Definitions

## Value Chain

*The term 'value chain' relates to: **final products; specific components and specific machinery primarily used to produce the final products; critical raw materials; associated services critical for and specific to the development or manufacturing of those final products; and technologies that fall under the scope of the Net-Zero Industry Act (NZIA).***

**Specific components and specific machinery** are intended as parts and equipment primarily used for the development and manufacturing of critical technologies. They have the potential to enhance technological innovation and production efficiency in the relevant critical technology sectors (digital and deep tech innovation, clean and resource efficient, and bio tech). For example, in the digital technology sector, advanced computing components — such as quantum processors — represent a fundamental link in the value chain. Their development requires highly specialised equipment and expertise.

**Critical raw materials**, as defined in Annex II of the Critical Raw Materials Act (CRMA), are important to produce critical technologies under STEP. For example, silicon is crucial to produce semiconductors, and rare earths, for robotics. Likewise, lithium, nickel and cobalt are essential for batteries, platinum for electrolyzers, and copper for the electric grid. In addition, a lot of the equipment and tools used in biotechnology research relies on critical raw materials, for example rare earths for the permanent magnets in magnetic resonance imaging devices, and platinum or titanium in implantable medical devices. The focus on these critical raw materials within the value chain is essential for ensuring that the Union's transition to a green economy and the competitiveness of its industry is not hindered by supply vulnerabilities.

# ► Definitions

## Value Chain

**Associated services**, pursuant to Article 2(3) of the STEP Regulation, include specialised services that are critical for and specific to the development and manufacturing of the final products within the scope of STEP. Associated services falling within the scope of STEP are considered to be those that are both critical for and specific to the relevant critical technology (be it digital/deep tech innovation, clean and resource efficient, and/or bio technologies), in that for example they enhance its content and efficiency.

Examples of associated services include cleanroom services for the manufacturing of semiconductors, cloud/edge computing services, high performance computing services, testing and experimentation services, cybersecurity services, space-based IoT and secure connectivity services specific to smart manufacturing, space-based positioning, navigation, and timing (PNT), services for real-time monitoring and tracking and specialised clinical trial management to develop new pharmaceutical products. Such associated services are eligible to receive funding under the scope of STEP as standalone projects.

Ancillary services such as IT, advisory or legal activities, may only be supported via STEP if they are an inherent part of the investment cost of a STEP project, provided this is in line with the rules applicable to the Union instrument or Fund concerned. These services on their own do not qualify as a STEP project.

## ► Definitions

### Innovative, emerging, and cutting-edge element, and significant economic potential

STEP aims to support the development and manufacturing of critical technologies. They bring an **innovative, emerging, and cutting-edge element** (Article 2(2), point (a) of the STEP Regulation) with significant economic potential to the internal market.

A combination **of at least two of these elements** could lead to a technology being deemed as critical in the meaning of Article 2(2), point (a). Innovative elements bring in the key criterion of 'novelty', leading to notable improvements or changes in a particular field or industry. Emerging elements refer to new, recently developed technologies, which can, for example, arise from the research base and are starting to gain traction and show promise of significant growth or impact .

Cutting-edge elements refer to the most advanced, innovative, and sophisticated technologies currently available or in development in the Union.

STEP support should prioritise breakthrough innovations, which have the potential to be market-shaping, disrupting, or creating, and to bring significant economic potential to the Union.



## ► Definitions

### Regional Aid Map [RAM] - RAM “c” area

*Specific areas of Cyprus are considered as RAM “c” areas [does not cover all the territories under the control of the Republic of Cyprus].*

*The RAM of Cyprus has been approved by Commission decision SA.100726 and can be accessed at:*

*[https://ec.europa.eu/competition/state\\_aid/cases1/202211/SA\\_100726\\_40001D7F-0000-CC6A-8D0F-648D8E3158F3\\_49\\_1.pdf](https://ec.europa.eu/competition/state_aid/cases1/202211/SA_100726_40001D7F-0000-CC6A-8D0F-648D8E3158F3_49_1.pdf)*

*The eligible areas for regional investment are listed in the annex of the Commission decision.*

## ► Definitions

### Article 25: Aid for research and development projects

The aided part of the research and development project shall fall within **Experimental Development** which 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 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.

# ► Definitions

## Article 14: Regional investment

**'Regional investment aid'** means regional aid granted for an initial investment or an initial investment in favour of a new economic activity;

**'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;

**'the same or a similar activity'** means an activity falling under the same class (four-digit numerical code) of the NACE Rev. 2 statistical classification of economic activities as laid down in Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains

**'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;

## ► Definitions

### Article 17: Investment aid to SMEs

*In order to be considered an eligible cost for the purposes of this Article, an investment shall consist of the following:*

*(a) an investment in tangible and intangible assets related to the setting-up of a new establishment; the extension of an existing establishment; the diversification of the output of an establishment into products or services not previously produced in or provided from the establishment; or a fundamental change in the overall production process of the product(s) or overall provision of the service(s) concerned by the investment in the establishment; or*

*(b) an acquisition of assets belonging to an establishment that has closed or would have closed had it not been purchased. Sole acquisition of the shares of an undertaking does not qualify as investment. The transaction shall take place under market conditions. In principle, only the costs of buying the assets from third parties unrelated to the buyer shall be taken into consideration. However, if a member of the family of the original owner, or one or more employees, takes over a small enterprise, the condition that the assets shall be bought from third parties unrelated to the buyer does not apply.*

*A replacement investment thus does not constitute an investment in the meaning of this paragraph.*



## ► Definitions

### **Article 22: Investment aid to SMEs**

*Start-up aid shall take the form of grants, including equity or quasi equity investment, interests rate and guarantee premium reductions up to EUR 0.5 million gross grant equivalent or EUR 0.75 million for undertakings established in assisted areas fulfilling the conditions of Article 107(3), point (c), of the Treaty, or EUR 1 million for undertakings established in assisted areas fulfilling the conditions of Article 107(3), point (a), of the Treaty;*

*A Start-up is any small enterprise not listed in the stock exchange up to five years after its registration that fulfils the following cumulative conditions: (a) has not taken over the activity of another enterprise, unless the turnover of the overtaken activity accounts for less than 10 % of the turnover of the eligible undertaking in the financial year preceding the take-over, (b) has still not distributed profits, and (c) has not acquired another undertaking or has not been formed through a merger, unless the turnover of the acquired undertaking accounts for less than 10 % of the turnover of the eligible undertaking in the financial year preceding the acquisition or the turnover of the undertaking formed through a merger is less than 10% higher than the combined turnover that the merging undertakings had in the financial year preceding the merger.*

## ► Definitions

### Article 29: Process and Organisational Innovation Activities

- *'organisational innovation'* means the implementation of a new organisational method at the level of the undertaking (at group level in the given industry sector in the EEA), workplace organisation or external relations, including for instance by making use of novel or innovative digital technologies. Excluded from this definition are changes that are based on organisational methods already in use in the undertaking, changes in management strategy, mergers and acquisitions, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;
- *'process innovation'* means the implementation of a new or significantly improved production or delivery method, including significant changes in techniques, equipment or software, at the level of the undertaking (at group level in the given industry sector in the EEA), including for instance by making use of novel or innovative digital technologies or solutions. Excluded from this definition are minor changes or improvements, increases in production or service capabilities through the addition of manufacturing or logistical systems which are very similar to those already in use, ceasing to use a process, simple capital replacement or extension, changes resulting purely from changes in factor prices, customisation, localisation, regular, seasonal and other cyclical changes and trading of new or significantly improved products;

## ► Definitions

### De Minimis Regulation

*Regulation 2023/2831 allows Member States to grant an amount up to €300,000 to any single undertaking in any three-year period for any purpose whatsoever as long as they comply with the provisions of the Regulation.*