



AWT 38/18

DEPARTMENTAL DIRECTIVE

regarding

Granting of contributions and loans for innovative projects

According to article 12 of legislation governing promotion of economic development in the Canton Grisons dated August 27, 2015, (GWE; BR 932.100), funds may be granted for promotion of projects involving the development of new products, processes or services.

According to article 9 of the directive governing promotion of economic development in the Canton Grisons (VWE, BR 932.160), contributions and loans can be granted towards promoting this kind of innovative project if they involve strengthening of a trade sector or diversification of economic structure and promote interlinking and development of know-how.

In this context, innovative projects are considered to be those for implementation of new ideas as products, processes and services, and where it can be assumed that these will find successful applications in the market, resulting in the generation of added value resp. new workplaces created or existing ones maintained.

Based on the mentioned articles of legislation, the individual details are stipulated as follows:

1. General principles

The canton promotes economic development within the region in order to increase the competitive and innovative capabilities of the Grisons as a business location, to maintain or increase added value in the canton and to safeguard existing workplaces and create new ones.

The project is export-oriented and takes into consideration sustainable development of the economy and economic region according to economic, ecological and social aspects.

Innovative projects lead to new or a significant further development of products, processes and services. This innovation or further development contributes towards either strengthening of the corresponding trade sector or branch, or creation of new branches of industry and commerce, thereby promoting diversification of the economic structure.

Innovative projects generate know-how. The intention is not only that individual companies can profit from this, but also that potential for intra-company linking or networking in functional areas is made available and that a contribution is made towards an increase in competitiveness. Development and interlinking of know-how can be generated by an exchange, build up or further development of competencies being achieved through direct intra-company cooperation or cooperation with centres of excellence, such as SME centres or academic partners and innovation coaches. In this way, operational incentives are created for the development and interlinking of know-how in all export-oriented sectors of trade and industry.

2. Applicants

On principle, applications for project funding can be made by all existing companies and institutes or those still to be founded or to be relocated, which are intending to implement eligible projects, in particular:

- industrial companies
- technology-oriented companies

- providers of service offers, including tourism service suppliers
- new companies (start-ups, spin-offs).

New companies do not yet generate any cost-covering earnings and projects are often in an early development phase. This kind of funding involves a corresponding degree of risk.

3. Eligible projects

Eligible projects are in particular, those where it can be assumed that they will result in successful and sustainable commercialisation and that:

- a) the company or institution will benefit from improved competitiveness or added value generated through innovative business models,
- b) technology-oriented research and development activities will be launched, which will lead to new, commercially feasible products, service offers or new processes. New, can also be taken to mean significant further development;
- c) contribute towards an increase of the competitiveness of the company in the sense of creation of additional production capacity for innovative products,
- d) are supported in the field of research and development by Swiss federal government (through e.g. Innosuisse or the Swiss National Science Foundation, SNSF), via an European Community programme or any other organisation;
- e) contribute, in particular with new companies, to creation of business models, development of prototypes or implementation of other activities (such as certification etc.), which makes market entry possible.

4. Non-eligible projects

Non-eligible projects are on principle those which:

- a) are projects in the field of basic research resp. those which are not commercially feasible,
- b) are projects to be implemented solely within a framework of ordinary, simple modification or optimisation of existing products, processes and service offers (e.g. projects towards extending the life cycle)

- c) are replacement investments for new production lines and machinery which are carried out primarily with the intended purpose of cost optimisation (increase in productivity),
- d) involve a sales market for the products and service offers, at least 70% of which lies outside the canton,
- e) re-financing and take-overs from restructuring measures are pending,
- f) have existing liquidity problems,
- g) are intended to result in the development of export-oriented service offers, which however, are already available in the Canton Grisons.

5. Premature start of project or construction work

No contributions or loans can be made if the start of work, construction or order placement take place before the project application is approved by the canton. If, in exceptional cases, a decision regarding project approval cannot be made beforehand, premature start of work, construction or order placement can be approved by the authorities responsible.

6. Requests and assessment

6.1 General Points

Contributions and loans from the canton are supplementary to proprietary company capital and may be granted individually or in combination with other external financing partners. Contributions and loans are provided as one-time, project-specific supplementary financing.

The total of loans and contributions may constitute maximum 25% of the development and/or investment costs.

Attributable costs for implementation of a project include both development activities as well as infrastructure necessary for development of products, such as equipment, machinery, buildings and similar.

6.2 Contributions towards development activities

The canton can grant contributions towards support of a company's research and development activities. Attributable development costs amount to at least CHF 100,000.-.

As a rule, a contribution is maximum CHF 500,000.-, but not more than 25 percent of attributable development costs.

It is intended that success-oriented repayment of the contribution is achieved.

6.3 Contributions towards utilisation of know-how and technology transfer activities (innovation cheques)

The canton may grant a company aid in the form of know-how and technology transfers, where innovative ideas are evaluated or further developed in cooperation with a university, institution or other company, or advisory services provided so that any know-how deficit is lessened or necessary know-how provided. With these innovation cheques, the companies can obtain easier access to and development of necessary knowledge via research partners or other research opportunities such as Innosuisse.

Innovation cheques to the amount of maximum CHF 10,000.- per company are issued and, as a rule, are available to those universities or institutions from which the company requests cooperation in the form of know-how and technology transfer.

Depending on the scope of the project, several innovation cheques may be issued for each project when well-founded justification is given.

6.4 Loans towards investment projects

Loans can be made towards obtaining the infrastructure necessary to implement innovative projects. Assessment of for the granting of loans is carried out according to the following points:

- a) Duration of a loan is maximum 15 years.
- b) The applicable investment costs are at least CHF 500,000.- per project.

- c) As a rule the loan amounts to maximum CHF 2 million, but not more than 25 percent of the applicable investment costs.
- d) Real security, e.g. a security mortgage note, obligation or security of equivalent value, must be provided for repayment of the loan.
- e) Amortisation must take place from the second year at the latest in regular instalments.
- f) The loans are subject to payment of interest.

The interest rate is determined annually on January 1st by a directive of the cantonal financial department and adjusted accordingly for existing loans. Interest rates are based on the return from the Swiss Bond Total Index (SBI) with due date January 1st and supplemented by a 0.25% surcharge. The interest rate is minimum 0.25 percent.

No distribution of earnings or dividend payments, which are not covered by a corresponding benefit, may be paid to shareholders during the period of the loan contract. If, despite this, distributions of earnings are paid during this period, an additional amortisation payment to the amount of 50% of the dividend payments must be made at the same time.

7. Handling of applications and payment

7.1 Contributions

All contribution requests are submitted to and evaluated by the Economic Development and Tourism Agency (AWT) of the Canton Grisons. If it is deemed necessary, the AWT may obtain a second opinion from experts. Any charges resulting from external evaluations or second opinions will be paid by the AWT.

If the evaluation is positive, the AWT prepares a request for granting of a contribution payment and submits it to the corresponding decision-making authority responsible. Details regarding payment of the contribution, milestones and any terms of redemption are laid down in a contribution agreement.

7.2 Loans

All loan applications are submitted to and evaluated by the Economic Development and Tourism Agency (AWT) of the Canton Grisons. If it is deemed necessary, the AWT may obtain a second opinion from the Bürgschaftsgenossenschaft OST-SÜD (Eastern Switzerland trust association). Any charges incurred for this second opinion will be paid by the AWT.

If the evaluation is positive, the AWT prepares a request for granting of a loan payment and submits it to the corresponding decision-making authority responsible. Details regarding payment of the loan, milestones, interest payments and any amortisation terms are laid down in a loan contract.

8. Documents for review of an application

For review of an application, a business plan covering the next three to five years and clearly showing the prospects for success of the project must be submitted to the AWT. This should include in particular:

- information about the strategy, organisation, products and markets
- balance sheet, profit and loss accounts and fund-flow statement
- details about development and investment costs of the project to be funded
- information about financing plans and security for capital requirements
- annual reports of the last two years including auditing report (if existing)
- copies of financial contracts drawn up with investors, banks, leasing companies and third parties which apply to the project to be funded.

As a rule, the following additional documents regarding the persons involved should be submitted in the case of new companies, (start-ups, spin-offs):

- personal CV
- private tax declaration (above all when the prospects for success of the project are dependent on one person or when the impairment value of a joint guarantee must be appraised)
- a current official statement of debt

The right to request further documents is explicitly reserved.

9. Supervision and Repayment

The AWT supervises implementation of the stipulations and conditions defined for each project with regard to loans and contributions, as well as the solvency of the company receiving the loans and/or contributions. It undertakes precautionary measures in the interest of the company involved and which may be necessary to avoid losses.

According to article 46 of legislation governing the finances and cash flow budget of the Canton Grisons (FHG; BR 710.100) dated October 19, 2011, loans and contributions will be reduced or revoked if the conditions and stipulations are not or only insufficiently fulfilled by the recipient. Wrongfully requested or misappropriated funds must be repaid with interest. Details are laid down in the contribution grant (or in a separate loan or contribution contract).

9.1 Contributions

If the contractually determined targets and agreements are not achieved or conditions not fulfilled, payment of contributions by the canton may be discontinued immediately and funds already paid reclaimed.

9.2 Loans

If a debtor violates the loan contract and does not react within a period of grace, the canton can annul the contract i.e. retract the loan grant, until the violating behaviour has been resolved.

10. Commencement of validity

This directive becomes valid as of January 1, 2019.

10. Information

This directive will be published in the internet.

Chur, November 16, 2018

**DEPARTMENT OF ECONOMIC
AND SOCIAL AFFAIRS**

Department head:

sig. Dr. Jon Domenic Parolini,
Member of Cantonal Government