

INCENTIVE GUIDELINES



Thematic:

SME Development

Regulation:

*Assistance to Small and Medium-Sized Undertakings
Regulations, 2008*

Title of Incentive:

ERDF Innovation Actions Grant Scheme (Environment)

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Operational Programme I – Cohesion Policy 2007-2013
Investing in Competitiveness for a Better Quality of Life
Aid Scheme part-financed by the European Union
European Regional Development Fund (ERDF)
Co-financing: EU Funds, National Funds, and Private Funds
Investing in your future



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1. Introduction

1.1 Scope

Enterprises are evermore conscious of the importance to have environmental sustainability processes. Since public awareness of environmental issues is increasing, such initiatives go beyond social responsibility as they have a direct impact on the companies markets.

This incentive seeks to help Small, and Medium-sized Enterprises (SMEs) in implementing eco-innovation projects that have the aim to contribute to environmental sustainability by addressing issues such as:

- water and air quality,
- waste streams, and
- resource utilisation.

1.2 Duration of the incentive

This incentive will remain effective until 31st December 2013. Malta Enterprise may review, update and amend this Incentive Guideline.

1.3 Competitive Calls

The incentive will be administered through a series of competitive calls. Malta Enterprise will issue public calls for interested enterprises to submit applications under this incentive. Applications will be reviewed and eligible applications will be evaluated and ranked. Grants will be awarded to the top ranking applicants in accordance to the available budgets.

1.4 Legal Basis

Malta Enterprise is enabled to issue and publish official *Incentive Guidelines* in terms of Article 8(3)(a) of the Malta Enterprise Act, Chapter 463 of the Laws of Malta.

The legal notice entitled *Assistance to Small and Medium-Sized Undertakings Regulations, 2008 (L.N. 69 of 2008)*, issued under the *Malta Enterprise Act*, provides the legal basis of this incentive.

1.5 Designated Authority

This incentive is administered by Malta Enterprise.

2. Eligibility

2.1 Eligible Sectors

Small, and Medium-sized Enterprises (SMEs) are eligible for assistance under this incentive.

2.2 Exclusions

- a. Public entities defined as: "Ministries, Departments, Entities, Authorities, Public Commissions Public Sector Foundations and similar organisations that carry out a public or regulatory function which does not involve the carrying out of an economic activity, whether or not such organisations are established by law" are not eligible under this scheme. Nevertheless commercial undertakings carrying out exclusively an economic activity in direct competition with third parties and in which Government has a controlling interest are eligible under this scheme.
- b. Assistance under this scheme will NOT be provided to undertakings engaged in:
 - The primary production of agricultural products:
 - i. Products listed in Annex 1 of the EC Treaty.
 - ii. Products falling under CN codes 4502, 4503 and 4504 (cork products).
 - iii. Products intended to imitate or substitute milk and milk products as referred to in Council Regulation No 1234/2007 of 22 October 2007.
 - the fisheries and aquaculture sector;
 - wholesale and retail trade; repair of motor vehicles and motorcycles (NACE Section G);
 - tourism activities:
 - i. Hotels and restaurants (NACE 55 and 56).
 - ii. Travel agency activities, Tour operator activities, other reservation services and related activities (NACE 79).
 - iii. Creative, arts and entertainment activities (NACE 90).
 - iv. Libraries, archives, museums and other cultural activities (NACE 91).
 - v. Sports activities, and amusement and recreation activities (NACE 93).
 - the coal industry;
 - the steel industry;
 - the gaming industry;
 - shipbuilding;
 - financial and insurance activities (NACE Section K);
 - the synthetic fibres sector.
- c. Assistance under the scheme cannot be granted to undertakings in difficulty in line with Commission Regulation (EC) No. 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Block Exemption Regulation).
- d. Assistance under the scheme cannot be granted to projects addressing environmental compliance.

3. Incentive Description

3.1 Details of Incentive

This incentive will provide cash grants to SMEs by part-financing costs incurred in relation to acquisition of equipment and services incurred for the implementation of eco-innovation projects aimed at improving environmental sustainability.

3.2 Eligible costs and the applicable aid intensity

The aid intensity for projects supported under this incentive is set as a percentage of the eligible costs incurred in relation to the items of expenditure mentioned below. The applicable percentage is determined according to the size of the enterprise applying for the aid:

40% of eligible costs in the case of Medium Sized Enterprises

50% of eligible costs in the case of Small Enterprises

Projects benefiting from this incentive should be completed within 24 months. For an application to be considered for co-funding, the project value (based on eligible expenses) must be at least **Euro 20,000**. The resultant minimum and maximum grant values are provided below.

Enterprise Size	Co-financing rate	Maximum grant	<i>Minimum grant based on a project value of Euro 20,000</i>
Small Enterprises	50%	Euro 100,000	Euro 10,000
Medium-sized Enterprise	40%	Euro 100,000	Euro 8,000

The eligible cost must fall within the classifications set below:

(A) Certification

Services incurred directly for the attainment of recognised environmental certification, such as EMAS, ISO, Eco-Label and other standards recognised by the MSA.

(B) Plant, Machinery and Equipment

Costs incurred to achieve a better environmental performance. These costs should relate to:

- i. engineering services required to modify existing plant, machinery and equipment,
- ii. acquisition of new machinery and equipment.

(C) Technology Licensing

The cost for the acquisition of a license to utilise technology and intellectual property required to achieve a better environmental performance.

3.3 Additional Provisions

The following additional provisions shall apply to any costs that may be supported through this incentive:

- i. All assets including 'Intangible assets' must be included in the Capital Assets Register.
- ii. Investments in second hand equipment are not eligible.
- iii. Costs related to the generation of energy through renewable energy sources and energy saving measures are not eligible.
- iv. Costs related to activities leading to compliance with environmental legislation are not eligible.
- v. Costs incurred for replacing existing equipment are not considered eligible.
- vi. All funding will be based on reimbursement of eligible costs.
- vii. All funding must be on costs incurred by the applicant after the aid is granted.
- viii. All services must be subcontracted and must not be of a continuous or periodic nature, nor relate to the enterprise's usual operating expenditure, such as routine tax consultancy services, regular legal services, or advertising.

4. Evaluation and Assignment of Aid

All applications will be assessed by Malta Enterprise on the following criteria:

4.1 Eligibility Criteria

For an application to be eligible for evaluation the following conditions must be met:

1. The application should be complete. That is:
 - a. all fields on the form must be filled in with the relevant details;
 - b. all requested annexes must be attached to the application form.
2. The application fits with the focus area(s) of the aid scheme as defined in Section 3 (*Incentive Description*).
3. The applicant has honoured / rectified any obligations or conditions set by Malta Enterprise with respect to previous granted support.
4. The application/applicant must be within State aid parameters as outlined in Section 6 (*State Aid Rules and Obligations*). - All aid under this incentive must be in line with the *de minimis* rules.
5. The applicant must comply with the laws pertaining to the intervention(s) being proposed for funding.
6. The applicant must be in-line with the criteria in Section 2 (*Eligibility*).

Applications that do not comply with any one of the above conditions will be rejected.

4.2 Preliminary Evaluation (35%)

1. **Risk Appraisal:** Risk will be assessed on the number of years the enterprise has been established, the duration of the project, the value of the project in relation to the financial resources of the applicant, any preparatory work the applicant may have carried out together with the applicant's capacity to implement the project. The riskier the project in line with the above conditions the lower the score.
2. **Extent of need for support:** Applications will be assessed in terms of the applicants' need for support which will be determined on the size of the enterprise and whether it forms part of a network or is a start-up. The smaller the undertaking the higher the score. Additional points will be given to start-up undertakings and to those undertakings that form part of a relevant network.
3. **Holistic nature of project:** Projects comprising more than one eligible cost as outlined in Section 3 (*Incentive Description*) will be awarded higher marks.

4.3 Strategic Evaluation (65%)

- a) **Thematic priorities 55%:** How will the project contribute to national priorities and to the scheme objective. Projects will be evaluated against the following criteria:
 - i. **Project Impact** - The expected impact that the project will have on the markets / industries in which the enterprise is active will be assessed (for example, operations in a saturated market segment will attract a lower score). Consideration will be given to the potential future growth of the

- enterprise, potential cost efficiency and potential cost reductions which are expected as well as the degree of networking initiated through the project.
- ii. **Innovation** – This innovative nature of the project with regards to the potential to develop new products, processes and services will be assessed.
 - iii. **Operational Programme I Indicators¹** – The degree to which the project increases investment in environmentally-friendly technologies.
 - iv. **Employment** - The project will be assessed on its potential to ensure job retention & create new employment in the future. The nature and skills of this potential employment will also be taken into consideration.
- b) **Horizontal priorities 10%:** Projects must contribute to the attainment of the horizontal priority/cross-cutting themes of Environmental Sustainability and Equal Opportunities:
- i. **Environmental Sustainability** – Applicants would need to prove that the project addresses issues such as carbon neutrality and climate change, water, waste, air quality and nature protection.
 - ii. **Equal Opportunities** – Applicants would need to prove that the project addresses issues such as the involvement of disadvantaged groups in the project; increased participation of females, ensuring accessibility for all and family friendly measures.

4.4 Notification of results

Successful applicants will be notified in writing of the outcome of their application. Once a project is approved, a Grant Agreement will be issued.

¹ Operational Programme I - Investing in Competitiveness for a Better Quality of Life, Cohesion Policy 2007-2013 – Section 4.1 - Priority Axis 1 - Enhancing Knowledge & Innovation <http://www.ppcd.gov.mt/op1?l=1>

5. Further Information

5.1 European Regional Development Fund (ERDF)

Malta Enterprise is responsible for the implementation of a grant scheme for enterprises, which will be operating under Malta's Operational Programme I Cohesion Policy 2007 – 2013.

This Incentive Guideline is based on the rules specified in the following documentation:

- a) Malta's National Strategic Reference Framework Document, its Operational Programmes and any other implementation guidelines provided by the Managing Authority which may be updated from time to time. These are available on the website of the Managing Authority for Structural Funds [<http://www.ppcd.gov.mt>].

- b) European Commission Regulations on Structural Funds. These apply to all projects benefiting under Structural Funds and are legally binding in all Member States. The Malta Enterprise Grant Schemes will be co-financed under the European Regional Development Fund (ERDF) and the legislative guidelines which apply directly to this scheme include:
 - Regulation (EC) No. 1083/2006 laying down the general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0025:0078:EN:PDF>]

 - Regulation (EC) No. 1080/2006 on the European Regional Development Fund.
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:210:0001:0011:EN:PDF>]

 - COMMISSION REGULATION (EC) No. 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No. 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No. 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund.
[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:045:0003:0115:EN:PDF>]

6. State Aid Rules and Obligations

6.1 Applicable State Aid

This Incentive Guideline is in line with Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to *de minimis* aid, Official Journal L379 of 28.12.2006.

[http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_379/l_37920061228en00050010.pdf]

In terms of this State Aid regulation, an enterprise may receive a total amount of aid up to €200,000 over a rolling three fiscal year period. This maximum threshold includes all *de minimis* aid granted to the beneficiary including that received from any entity other than Malta Enterprise.

The beneficiary will have to repay with interest any *de minimis* aid in excess of the €200,000 threshold.

6.1.1 De minimis Aid

This incentive is governed by the *de minimis* regulations and therefore the incentive will **NOT** apply to the following:

1. Aid granted to undertakings active in the fishery and aquaculture sectors as covered by Council Regulation (EC) No. 104/2000;
2. Aid granted to undertakings active in the primary production of agricultural products as listed in Annex 1 to the Treaty;
3. Aid granted to undertakings active in the processing and marketing of agricultural products as listed in Annex 1 to the Treaty, in the following cases:
 - When 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;
 - When the aid is conditional on being partly or entirely passed on to primary producers;
4. 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;
5. Aid contingent upon the use of domestic over imported goods;
6. Aid granted to undertakings in difficulty.

6.2 Cumulation

Aid granted under this incentive may only be cumulated with other aid under any other incentive, or with other Community funding, in relation to the same item of expenditure as long as such cumulation does not exceed the gross aid intensity fixed by this Incentive Guideline.

In terms of the *de minimis* regulation quoted above, assistance shall not be cumulated with State Aid in respect of the same eligible costs if such cumulation would result in an aid intensity exceeding that fixed in the specific circumstances of each case by a block exemption regulation or decision adopted by the European Commission.

7. Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the application form may be obtained by contacting Malta Enterprise during office hours.

Postal Address: Malta Enterprise
Enterprise Centre
Industrial Estate
San Gwann
SGN 3000
Malta

Tel: +356 2542 2020

Websites: <http://www.20millionforindustry.com>

(The official Incentive Guideline is published at <http://incentives.maltaenterprise.com/>)

Email: info@20millionforindustry.com