

INCENTIVE GUIDELINES



Thematic:

SME Development

Regulation:

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

Title of Incentive:

ERDF e-Business Development Grant Scheme

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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 and Background

E-business enables enterprises to develop innovative solutions that address specific business issues. Many Small and Medium-sized Enterprises (SMEs) are using Information Communication Technology (ICT) to address immediate needs. Yet, few have adopted a wider perspective in the use of ICT to innovate so as to improve their market positioning and increase their competitiveness.

This scheme is designed to support SMEs invest in ICT to integrate business functions, streamline workflows and enhance interactions with clients and suppliers.

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;
 - 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).

3. Incentive Description

3.1 Details of Incentive

This incentive will support SMEs that are willing to innovate through ICT. This incentive will facilitate the realisation of ICT investments that will support growth through:

- a) the diversification of the enterprise's products and services, and
- b) significant changes to the enterprise's production process.

Of special interest will be projects that adopt ICT solutions as business enablers to:

- i. establish processes that extend beyond the boundaries of the enterprise such as supply chain management and customer relationship management;
- ii. provide holistic ICT solutions for integrating the operations of an enterprise;
- iii. exploit the capabilities of broadband solutions, such as e-learning and e-commerce.

3.2 Actions, 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 aid is:

- a) 50% of eligible costs in the case of Small Enterprises;
- b) 40% of eligible costs in the case of Medium-sized Enterprises;
- c) 30% of eligible costs in the case of SMEs active in the transport sector (in line with the General Block Exemption Regulation).

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 25,000**.

The resultant maximum and minimum grant values are provided below.

Enterprise Size	Co-financing rate	Maximum grant	<i>Minimum grant based on a project value of Euro 25,000</i>
Small Enterprises	50%	Euro 100,000	Euro 12,500
Medium-sized Enterprise	40%	Euro 80,000	Euro 10,000
SME active in the transport sector	30%	Euro 60,000	Euro 7,500

The eligible costs must fall within the classifications set below:

(A) ICT Hardware Costs

Cost of ICT Hardware investments which are an integral part of the project. These costs may include:

- i. Hardware required for the optimal functioning of the ICT solution;
- ii. Other equipment that is essential for the optimal operation of the ICT solution (such as equipment required for Computer Aided Manufacturing (CAM)).

(B) ICT Software Costs

Cost of ICT Software investments such as:

- i. Database Management Systems;
- ii. Enterprise Resource Planning Solutions;
- iii. Computer Aid Design and Manufacturing software;
- iv. Content Management Solutions;
- v. Client Relationship Management systems;
- vi. Online portal and content management solutions

3.3 Additional Provisions

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

- a. All assets including 'Intangible assets' must be included in the Capital Assets Register.
- b. Investments in second hand equipment are not eligible.
- c. Costs incurred for replacing existing equipment are not consider eligible.
- d. All funding will be based on reimbursement of eligible costs.
- e. All funding must be on costs incurred by the applicant after the aid is granted.
- f. Projects may not;
 - i. be linked to quantities exported;
 - ii. be aimed to the establishment and operation of a distribution network;
 - iii. address current costs linked to an export activity.
- g. Projects favouring activities in the processing and marketing of agricultural products may not be supported when the aid is being partly or entirely passed on to the primary producer.
- h. All consultancy or 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, marketing 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 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*).
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 (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** – The 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 contributes to increasing the number of SMEs improving their use of ICT for e-business.
 - iv. **Employment** - The project will be assessed on its potential to ensure job retention and 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 funding 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:
 - I. 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>]
 - II. 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>]
 - III. 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. 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).

[<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:214:0003:0047:EN:PDF>]

6.2 Cumulation

Any aid granted through this Incentive shall not be cumulated with any other aid exempted under this Regulation or *de minimis* aid fulfilling the conditions laid down in Commission Regulation (EC) No. 1998/2006 (1) or with other Community funding in relation to the same - partly or fully overlapping - eligible costs if such cumulation would result in exceeding the highest aid intensity or aid amount applicable to this aid under Commission Regulation (EC) No. 800/2008 of 6 August 2008 (General Block Exemption regulation).

Full rules on cumulation can be found in Article 7 of Commission Regulation (EC) No. 800/2008 of 6 August 2008.

7. Contact Details

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

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