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for Malta
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MINISTRY FOR EUROPEAN AFFAIRS AND EQUALITY
PARLIAMENTARY SECRETARIAT
FOR EUROPEAN FUNDS AND SOCIAL DIALOGUE

SME Growth Grant Scheme Guidance Notes

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Definitions

Aid Intensity means the gross aid amount expressed as a percentage of the eligible costs, before any deducted tax or other charge.

Date of granting of the aid means the date when the legal right to receive the aid is conferred to the Beneficiary, being the date of the signing of the Grant Agreement.

Start of works means the earlier of either the start of works or services in relation to the activities being assisted, or the first legally binding commitment to order the service or works or any other commitment that makes the expenditure irreversible.

Economic activity - means an activity consisting of any one or more of the following:

- any trade, business, profession or vocation and the provision of any personal services;
- the exploitation of tangible or intangible property for the purpose of obtaining income there from on a continuing basis;
- the provision by a club, association or organisation of the facilities or advantages available to its members for a subscription or other consideration;
- the admission of persons to any premises for a consideration.

External source means a source that is autonomous and unrelated to the Beneficiary Undertaking.

Unrelated to the Beneficiary - the fact that the buyer does not control the seller, is not sufficient for fulfilling this criteria. The parties have to be unrelated. For that, there should be no influence (decisive or not) on the composition, voting or decisions of the organs of an Undertaking.

Undertaking means a **Micro, Small and Medium-sized Enterprise (SME)** as defined in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application to Articles 107 and 108 of the Treaty.

<http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1404295693570&uri=CELEX:32014R0651>

The main factors determining whether an enterprise is an SME are:

1. **staff headcount** and
2. either **turnover** or **balance sheet total**.

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

For more details:

http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm

An Autonomous Enterprise is any enterprise which is not classified as a partner enterprise or as a linked enterprise as per provisions outlined in Annex I of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

Partner enterprises are all enterprises which are not classified as linked enterprises and between which there is the following relationship: an enterprise (upstream enterprise) holds, either solely or jointly with one or more linked enterprises 25 % or more of the capital or voting rights of another enterprise (downstream enterprise).

However, an enterprise may be ranked as autonomous, and thus as not having any partner enterprises, even if this 25 % threshold is reached or exceeded by the following investors, provided that those investors are not linked, within the meaning of 'linked enterprise', either individually or jointly to the enterprise in question:

- a) public investment corporations, venture capital companies, individuals or groups of individuals with a regular venture capital investment activity who invest equity capital in unquoted businesses (business angels), provided the total investment of those business angels in the same enterprise is less than EUR 1 250 000;
- b) universities or non-profit research centres;
- c) institutional investors, including regional development funds;
- d) autonomous local authorities with an annual budget of less than EUR 10 million and less than 5 000 inhabitants.

Linked enterprises are enterprises which have any of the following relationships with each other:

- a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
- b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
- c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
- d) an enterprise, which is a shareholder in or member of another enterprise, controls alone, pursuant to an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise.

Enterprises having any of the relationships described in a) to d) above through one or more other enterprises, or any one of the investors mentioned under Partner Enterprise, are also considered to be linked.

Enterprises which have one or other of such relationships through a natural person or group of natural persons acting jointly are also considered linked enterprises if they engage in their activity or in part of their activity in the same relevant market or in adjacent markets.

An **'adjacent market'** is considered to be the market for a product or service situated directly upstream or downstream of the relevant market.

Undertaking in difficulty as defined in Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty means an undertaking in respect of which at least one of the following circumstances occurs:

- a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (1) and 'share capital' includes, where relevant, any share premium;
- b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU;
- c) Where the Undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors;
- d) Where the Undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee, or has

received restructuring aid and is still subject to a restructuring plan;

- e) In the case of an Undertaking that is not an SME, where, for the past two years:
 - i. the Undertaking's book debt to equity ratio has been greater than 7,5 and
 - ii. the Undertaking's EBITDA interest coverage ratio has been below 1,0.

Tangible assets means assets consisting of land, buildings and plant, machinery and equipment.

Intangible assets means assets that do not have a physical or financial embodiment such as patents, licences, know-how or other intellectual property.

Initial investment means an investment in tangible and intangible assets related to the extension of the capacity of an existing establishment or the setting up of a new establishment.

Relocation means a transfer of the same or similar activity or part thereof from an establishment in one contracting party to the EEA Agreement (initial establishment) to the establishment in which the aided investment takes place in another contracting party to the EEA Agreement (aided establishment). There is a transfer if the product or service in the initial and in the aided establishments serves at least partly the same purposes and meets the demands or needs of the same type of customers and jobs are lost in the same or similar activity in one of the initial establishments of the beneficiary in the EEA.

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.

Steel sector means all activities related to the production of one or more of the following products:

(a) pig iron and ferro-alloys: pig iron for steelmaking, foundry and other pig iron, spiegeleisen and high-carbon ferro-manganese, not including other ferro-alloys;

(b) crude and semi-finished products of iron, ordinary steel or special steel: liquid steel whether or not cast into ingots, including ingots for forging semi-finished products: blooms, billets and slabs; sheet bars and tinplate bars; hot-rolled wide coils, with the exception of production of liquid steel for castings from micro, small and medium-sized foundries;

(c) hot finished products of iron, ordinary steel or special steel: rails, sleepers, fishplates, soleplates, joists, heavy sections of 80 mm and over, sheet piling, bars and sections of less than 80 mm and flats of less than 150 mm, wire rod, tube rounds and squares, hot-rolled hoop and strip

(including tube strip), hot-rolled sheet (coated or uncoated), plates and sheets of 3 mm thickness and over, universal plates of 150 mm and over, with the exception of wire and wire products, bright bars and iron castings;

(d) cold finished products: tinplate, terneplate, blackplate, galvanised sheets, other coated sheets, cold-rolled sheets, electrical sheets and strip for tinplate, cold-rolled plate, in coil and in strip;

(e) tubes: all seamless steel tubes, welded steel tubes with a diameter of over 406.4 mm.

Synthetic fibres sector means:

(a) extrusion/texturisation of all generic types of fibre and yarn based on polyester, polyamide, acrylic or polypropylene, irrespective of their end-uses; or

(b) polymerisation (including polycondensation) where it is integrated with extrusion in terms of the machinery used; or

(c) any ancillary process linked to the contemporaneous installation of extrusion/texturisation capacity by the prospective Beneficiary or by another company in the group to which it belongs and which, in the specific business activity concerned, is normally integrated with such capacity in terms of the machinery used.

Transport sector means the transport of passengers by aircraft, maritime transport, road, rail, or by inland waterway or freight transport services for hire or reward; more specifically, the 'transport sector' means the following activities in terms of NACE Rev. 2:

(a) NACE 49: Land transport and transport via pipelines, excluding NACE 49.32 Taxi operation, 49.42 Removal services, 49.5 Transport via pipeline;

(b) NACE 50: Water transport;

(c) NACE 51: Air transport, excluding NACE 51.22 Space transport.

Coal means high-grade, medium-grade and low-grade category A and B coal within the meaning of the international codification system for coal established by the United Nations Economic Commission for Europe and clarified in the Council decision of 10 December 2010 on State aid to facilitate the closure of uncompetitive coal mines.

Shipbuilding means the building in the Union, of 'self-propelled commercial vessel'.

Self-propelled commercial vessel means a vessel that, by means of its permanent propulsion and steering, has all the characteristics of self-navigability on the high seas or on inland waterways and belongs to one of the following categories:

(i) seagoing vessels of not less than 100 gt and inland waterway vessels of equivalent size used for the transportation of passengers and/or goods;

- (ii) seagoing vessels of not less than 100 gt and inland waterway vessels of equivalent size used for the performance of a specialised service (for example, dredgers and ice breakers);
- (iii) tugs of not less than 365 kW;
- (iv) unfinished shells of the vessels referred to in points (i), (ii) and (iii) that are afloat and mobile.

Marketing of agricultural products means holding or display with a view to sale, offering for sale, delivery or any other manner of placing on the market, except the first sale by a primary producer to resellers or processors and any activity preparing a product for such first sale; a sale by a primary producer to final consumers shall be considered to be marketing if it takes place in separate premises reserved for that purpose.

Primary agricultural production means production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products.

Processing of Agricultural products means any operation on an agricultural product resulting in a product which is also an agricultural product, except on-farm activities necessary for preparing an animal or plant product for the first sale.

Agricultural product means the products listed in Annex I to the Treaty, except fishery and aquaculture products listed in Annex I to Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013.

Fishery and Aquaculture sector, are defined as per provisions of Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000.

1. Introduction

This document provides information on the SME Growth Grant Scheme and should be read in conjunction with the following documents:

- Notes to Applicants
- Guidelines for Implementation

These Guidance Notes together with the Guidelines for Implementation are binding. Failure to comply with the provisions of these documents may result in financial corrections and recovery of funds.

These Guidance Notes may be reviewed, updated and amended from time to time by the Intermediate Body throughout the lifetime of the Measure.

1.1 Delegation of Authority

The Measures and Support Division within the Ministry for European Affairs and Equality has been designated by the Managing Authority (MA) as an Intermediate Body (IB) responsible for administering European Regional Development Fund (ERDF) Grant Schemes through the implementation of Support Measures under the 2014 – 2020 programming period.

1.2 Scope

Business success is dependent on the ability of the enterprise to focus investment towards its growth potential.

This incentive seeks to support Undertakings through the provision of assistance in the form of non-repayable Grants to part-finance initial investments in tangible and intangible assets towards the implementation of their growth strategies related to the extension of the capacity of an existing establishment, or the setting up of a new establishment.

1.3 Investment Priorities and Specific Objectives

This Grant Scheme falls under Priority Axis 3 'Enhancing Malta's competitiveness through investment in SMEs' of Operational Programme 1 2014 – 2020 'Fostering a competitive and sustainable economy to meet our challenges', and addresses the following Investment Priority and Specific Objective:

3a: Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.

SO1: Creation of employment opportunities through the provision of infrastructure, financial incentives as well as support services.

1.4 Duration

SME Support will remain effective until 31st December 2020, subject to availability of funds.

1.5 Budget

The allocated budget for this Measure is set at €11,000,000 with indicative annual thresholds of €3,667,000.

1.6 Open (rolling) Call

The scheme shall be managed on a demand driven basis. The IB shall issue a public open call (rolling-call) for interested eligible Undertakings to submit their applications. Applications will be assessed and evaluated and eligible applications scoring at least 50% of the selection criteria shall be awarded the grant. Grants shall be awarded on a first-come-first served basis subject to budget availability.

1.7 Maximum Grant Value and Aid Intensity

The maximum grant value under this scheme is set at €500,000.

Size of Undertaking	Aid Intensity (as of 1st January 2018)
Micro & Small	30%
Medium	20%

1.8 Implementation

Actions financed under this Grant Scheme are to be implemented within 24 months from the date of the Grant Agreement.²

1.9 Regulatory Framework

The Operational Programme I “Fostering a competitive and sustainable economy to meet our challenges” for support from the European Regional Development Fund and the Cohesion Fund under the Investment for growth and jobs goal for Malta approved by Commission Implementing Decision C (2014) 9966 Final dated 15 December 2014.

[https://eufunds.gov.mt/en/Operational%20Programmes/Programming%20Period%202014%20-%202020/Operational%20Programme%201/Documents/Adopted%20OPI\(ff\).pdf](https://eufunds.gov.mt/en/Operational%20Programmes/Programming%20Period%202014%20-%202020/Operational%20Programme%201/Documents/Adopted%20OPI(ff).pdf)

The National ERDF Eligibility Rules and the Partnership Agreement of Malta.

<https://eufunds.gov.mt/en/Information/Pages/Partnership-Agreement.aspx>

Aid may be awarded in accordance with the relevant terms and conditions of the General Block Exemption Regulation (“GBER”) Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Commission Regulation (EU) 2017/1084 of 14 June 2017.

<http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1404295693570&uri=CELEX:32014R0651>

<http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1501837324109&uri=CELEX:32017R1084>

² The Intermediate Body may consider, on a case-by-case basis and under exceptional circumstances, requests for an extended implementation timeline, which in any case may not exceed 36 months.

Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006.

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1303>

Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006.

<http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013R1301>

2. Description

2.1 Eligible Actions

This Grant Scheme seeks to support SMEs in undertaking initial Investment in Tangible and Intangible assets, related to the extension of the capacity of an existing establishment, or the setting up of a new establishment. The investment should result in the growth of the Undertaking, and an increase in the number of employees (full-time equivalent) employed by the Undertaking.

2.2 Eligible Cost

Costs for leasing of privately owned operational premises required for the operations of the Undertaking for the extent and duration of the project, procured from external sources. The lease agreement must be continued for at least 3 years following the completion of the investment project. **Costs are not to exceed 10% of the total eligible expenditure of the project.**

Construction/Up-grading costs required to render the premises operational for the purpose and the extent of the project, procured from external sources. **Costs are not to exceed 10% of the total eligible expenditure of the project.**

Costs for purchasing of equipment, machinery, and/or plant, required by the Undertaking for the project, procured from external sources. Equipment, machinery/plant must be maintained by the Beneficiary and remain operational for at least 3 years following the completion of the investment project.

Additionally, used, re-furbished or re-manufactured equipment/machinery may be considered eligible provided that:

1. The original manufacturing date of such equipment does not exceed 5 years from the date of the quotation.
2. The acquired equipment is covered by a warranty.
3. It is in line with the relevant National and EU Regulatory Requirements.
4. The cost of such equipment is less than that for similar new equipment.

Costs related to patents/licences bought or licensed for the extent and the duration of the project and that are essential to the effective implementation of the project, procured from external sources. These patents/licences must remain associated with the project for at least 3 years following the completion of the investment project. **Costs are not to exceed 10% of the total eligible expenditure of the project.**

Expenditure shall only be considered eligible if the cost item is approved in the Grant Agreement, no modifications were made without the prior approval of the IB, and that the expenditure is evidenced by supporting documentation and the procurement was undertaken in line with the Guidelines for Implementation issued by the IB together with these Guidance Notes.

2.3 Ineligible Costs

- a) Costs related to shipping of equipment, plant, machinery etc.
- b) Costs related to the repair and maintenance of equipment, plant, machinery and buildings, including costs for maintenance agreements.
- c) Tax including Value Added Tax and other duties.
- d) Insurance costs.
- e) Training costs.
- f) Contingencies and/or losses made by the Applicant.
- g) Payment of dividends, royalty and interest charges.
- h) In kind contributions.
- i) Service charges arising on finance leases, hire purchase and credit arrangements.
- j) Cost resulting from deferral of payments to creditors.
- k) Cost related to litigation including resulting claims for damages and fines.
- l) Statutory fines and penalties.
- m) Payments for gifts and donations.
- n) Entertainment (including catering, receptions, etc.)
- o) Depreciation.
- p) Foreign exchange costs and related losses.
- q) Bank charges.
- r) Commissions.
- s) Overheads.

3. Eligibility

3.1 Eligible Undertakings

Micro, Small and Medium-sized Enterprises engaged in an economic activity, irrespective of their legal form, referred to as the 'Undertaking' subject to the exclusions enlisted below.

Undertakings which are not vested with a legal personality acquired through the law applicable to their establishment, need to be registered under the Second Schedule of the Civil Code (Chap. 16 Laws of Malta).

3.2 Exclusions

- i. Undertakings subject to an outstanding recovery order following a Commission decision declaring an aid granted by Malta illegal and incompatible with the internal market.
- ii. Undertakings in difficulty as per provisions of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemptions Regulation).
- iii. Undertakings that have not honoured their obligations further to a Decision by the competent Court in favour of a recovery order issued by the competent authorities responsible for the administration and management of aid schemes co-funded under the European Regional Development Fund - Cohesion Policy Operational Programme I 2007 – 2013.
- iv. Undertakings that have not honoured their obligations further to a recovery order issued by the competent authorities responsible for the administration of aid schemes co-funded under Cohesion Policy 2014 – 2020.
- v. Exclusions as per provisions of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemptions Regulations) and Commission Regulation (EU) 2017/1084 of 14 June 2017.
- vi. Undertakings whose primary activities fall under Section A 'Agriculture, Forestry and Fishing of the NACE Rev 2.
- vii. Actions addressing the processing and marketing of agricultural products in so far as such actions can be considered eligible for funding under the EAFRD.
- viii. Public entities: Ministries, Departments, Entities, Authorities, Public Commissions, Public Sector Foundations and similar organisations carrying 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. With the exception of commercial undertakings carrying out exclusively economic activity in direct competition with third parties and in which Government has a controlling interest.
- ix. Undertakings whose principal activities include the manufacturing, processing and marketing of tobacco and tobacco products.
- x. Energy Generation, distribution and infrastructure.
- xi. The Steel Sector.
- xii. The Coal Sector.

- xiii. The Shipbuilding Sector.
- xiv. The Transport Sector.
- xv. The Synthetic Fibres Sector.
- xvi. Undertakings whose principal activities fall under Section K 'Financial and insurance activities' of the NACE Rev. 2.
- xvii. Undertakings whose principal activities fall under Section L 'Real Estate activities' of the NACE Rev. 2.
- xviii. Gambling and Betting Activities.
- xix. Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC.
- xx. Actions addressing training and mentoring activities.
- xxi. Actions resulting in the decommissioning or the construction of nuclear power stations.
- xxii. Actions resulting in investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact.
- xxiii. Undertakings engaged in an illegal economic activity.

3.3 Additional Provisions

- i. Undertakings that have not honoured their obligations, further to a recovery order issued by the competent authorities responsible for the administration and management of aid schemes co-funded under the European Regional Development Fund – Cohesion Policy Operational Programme I 2007 – 2013 and in respect of which legal action has been instituted and proceedings are pending or under way before the competent Court, are eligible to apply without prejudice to the assessment and evaluation of their application. However, in the event that the project is selected, the Grant Agreement will only be entered into if within 6 months from the date of the notification by the Intermediate Body to the Undertaking that the Project has been selected, such obligations are no longer due either pursuant to a Court Decision or the effective payment of dues.
- ii. The project has to have an incentive effect and start of works on actions in relation to the activities for which assistance is being requested may only be initiated after the date of the granting of the aid.
- iii. The Undertaking is in compliance with applicable EU and national legislation and administrative requirements, including fulfilment of fiscal obligations, social security contributions.
- iv. Applicants must submit a business plan showing that the investment is deemed as economically viable. Any modification to the approved business plan should be notified to the Intermediate Body.
- v. Replacement of individual components of existing equipment not resulting in the extension of the capacity of the Undertaking is not considered eligible.
- vi. Applicants must submit evidence as to the capability for private match financing the project.

- vii. The investment shall be maintained by the Undertaking and remain operational at least up to three years following the completion of the project.
- viii. Intangible assets are eligible for the calculation of investment costs if they fulfil the following conditions:
 - a) they must be used exclusively in the establishment receiving the aid;
 - b) they must be amortisable;
 - c) they must be purchased under market conditions from third parties unrelated to the buyer; and
 - d) they must be included in the assets of the Undertaking receiving the aid and must remain associated with the project for which the aid is granted for at least three years following the completion of the investment project.
- ix. All funding is based on reimbursement of eligible costs.
- x. All supplies and services may only be procured from external sources unrelated to the Beneficiary.
- xi. For the lease of operational premises the lease must be continued for at least 3 years following the completion of the investment project.
- xii. The Applicant has in hand all the necessary permits.
- xiii. All assets including 'Intangible assets' must be included in the Capital Assets Register.
- xiv. Approved projects shall be based and operational in Malta.
- xv. Undertakings are to seek in advance approval from the Intermediate Body should modifications to the approved activities and/or actions be necessary. The Intermediate Body will not be able to approve reimbursement for costs incurred on actions and/or activities that are not strictly in line with the Grant Agreement.
- xvi. The Undertaking has not been approved or granted any public funding, and will not seek public funding through other National and/or European Union funded initiatives in relation to the activities for which assistance is being requested through this Grant Scheme. This includes schemes under Cohesion Policy and any other European Union instruments or through any other form of Public Funding including schemes administered through National Funds.
- xvii. The beneficiary shall confirm that it has not carried out a relocation to the establishment in which the initial investment for which aid is requested is to take place, in the two years preceding the application for aid and give a commitment that it will not do so up to a period of two years after the initial investment for which aid is requested is completed.

4.0 Applications

4.1 Application Process

The IB shall publicise calls through various media and will collaborate with stakeholders particularly representatives of the target group and other Government Entities to publicise the Grant Scheme to ensure the widest visibility possible.

4.2 Submission of Applications

Undertakings must submit an online application outlined in the call for applications.

The application shall include the Undertaking's name and size, a description of the project, including its start and end dates, the location of the project and a list of project costs and the amount of public funding needed for the project, amongst other requirements.

It is strongly advisable that prior to embarking on the development and submission of the application, prospective applicants read these Guidance Notes together with the Notes to Applicants and the Guidelines for Implementation.

4.3 Documents to be submitted with the Application

The following documents need to be submitted as part of the application.

1. **Declaration** – a scanned copy of the signed Declaration Form.
2. **Business Plan** – a detailed and robust business plan showing that the investment for the proposed project and the actions for which assistance is being requested is deemed as economically viable. The business plan should as a minimum include the following sections:

Executive Summary
Business History, Background and Objectives
Business Environment
Business Products and/or Services
Present Market
Competition
Management and Organization
Business Resources
Business Project Proposal
Expected Outcome and impacts
Financial Plan/Data
Supporting Information

3. **VAT Compliance Certificate** – a certificate issued not earlier than three months from the date of the application, by the VAT Department.

4. **Income Tax Compliance Certificate** – a certificate issued not earlier than three months from the date of the application, by the Inland Revenue Department confirming that the Applicant has no liabilities in respect of Income Tax or is otherwise honouring an agreement for settling any outstanding amounts.
5. **Final Settlement and of Social Security Contributions Compliance Certificate** – a certificate issued by the Inland Revenue Department confirming that the Applicant has no liabilities in respect of the Final Settlement System (FSS) and of Social Security Contributions (SSC) or is honouring an agreement for settling any outstanding amounts. The compliance certificate should not be dated earlier than three months from the date of the application.
6. **Audited Financial Statements and/or the Management Accounts** dated within the two financial years prior to the year of submission of the application in relation to the applicant and the linked and partner enterprises. No documents would need to be submitted if a copy of these documents as outlined hereunder is already deposited with the Registry of Companies.

With the respect to the last financial year, the applicant enterprise is to submit a copy of the detailed (not abridged version) of the Audited Financial Statements or the Management Accounts (Profit & Loss Statements/Income Statement and Balance Sheet/Statement of Assets and Liabilities) certified by a Certified Public Accountant. The abridged version may be submitted with respect to the previous year.

In the case of linked and partner enterprises with an obligation to present Audited Accounts/Annual Accounts at the Registry of Companies in terms of the Companies Act (Chapter 386 of the Laws of Malta) no documentation need to be presented subject to the condition that the last Audited Accounts/Annual Accounts declared are not earlier than for the two financial years prior to the year of submission of the application.

In the case of linked and partner enterprises without a legal obligation to prepare financial statements the Management Accounts (Profit & Loss Statements/Income Statement and Balance Sheet/Statement of Assets and Liabilities) certified by a Certified Public Accountant.

In the case of a Start-up established not over 2 years from the date of application not having the above documentation, a Profit & Loss Account/Income Statement, Cash Flow Projections and a Balance Sheet/Statement of Assets and Liabilities certified by a Certified Public Accountant.

In the case of a Sole Trader/self-employed a copy of the Income Tax Return for the last two years together with a Profit & Loss Statement certified by a Certified Public Accountant.

7. **Copies of any necessary Permits** such as Planning Permits issued in relation to activities for which support is being requested³.
8. **Supporting Documentation** including **evidence of Private Match Financing** for the project (mandatory). Any other supporting documentation (such as preparatory work and correspondence) that the Applicant deems that would add value to the application.

The IB may request any additional documentation for verification purposes.

In those cases where not all the documentation enlisted under points 3, 4, 5, and 6 is not submitted with the application, applicants shall be given the opportunity to rectify the application by submitting the required documentation to be considered for evaluation and selection with the next cut-off date. In the event that applicants fail to rectify an application by the indicated deadline the application shall be considered as an incomplete application and rejected.

4.4 Acknowledgement

Once an application is submitted and confirmed, the system generates a unique reference number for the project and an acknowledgement e-mail together with the application reference number will be sent to the Applicant.

Applications will be assessed and selected as outlined in Section 6 'Assessment and Selection'. The issuance of the acknowledgement letter does not confer any obligation on the IB to issue the Grant towards the financing of the project. Actions may only be initiated further to the signing of the Grant Agreement.

³ In those instances where at the time of submitting the application the necessary Planning Permits have not as yet been issued, an application for support under the scheme may still be submitted. In such cases in the event that an application makes it through the Selection Process, the granting of aid shall be conditional on the submission of evidence, within six months from the date of the Acceptance Letter, that the relevant Planning Permits have been issued.

5. Compliance with Community Policy

5.1 General Principles

It is the responsibility of the Undertaking to ensure compliance with Community Policy, namely:

- Public Procurement
- State Aid requirements
- Equal Opportunities
- Sustainable development

5.2 Public Procurement

Undertakings should note that the Grants awarded for actions under the SME Growth Grant Scheme are public funds. In this regard, all Beneficiary Undertakings should ensure that any procurement undertaken for cost items to be co-funded through the SME Growth Grant Scheme is carried out in line with the principles of **sound financial management, good governance, transparency, and equality** together with the provisions of the Guidelines for Implementation issued by the IB together with these Guidance Notes.

5.3 State Aid requirements

The terms and conditions of this Grant Scheme are set out in line with Commission Regulation (EU) 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application to Article 107 and 108 of the Treaty and Commission Regulation (EU) 2017/1084 of 14 June 2017. If an Undertaking receiving aid is found to be in breach of the relevant provisions of this Regulation, action shall be taken to claw back funds (recovery of funds) from the Undertaking in line with the provisions of the pertinent State Aid rules.

The Undertaking shall ensure compliance with the rules on cumulation of aid in line with Article 8 of Commission Regulation (EU) No 651/2014 of 17 June 2014.

It is the responsibility of the Applicant Undertakings to seek advice and to ensure compliance with State Aid rules and requirements.

5.4 Equal Opportunities and non-discrimination

Beneficiary Undertakings are required to take a pro-active approach to Equal Opportunities and must ensure that at all stages of the implementation of the action/s consideration is given to Equal Opportunities.

Equal Opportunities and non-discrimination are not meant to just address gender discrimination but have a wider scope and include race, ethnicity, religion or belief, disability, age and sexual orientation.

5.5 Sustainable Development

Undertakings should include Sustainable Development in the action/s and must ensure that the operation is structured in such a manner that concrete positive actions towards better sustainability and mainstreaming feature throughout. It is important that Environmental matters should also be taken into consideration at all stages of the design, development and

implementation of the action and the action should be structured to avoid any related environmental damage.

6. Assessment and Selection

The Assessment and Selection of projects shall be undertaken by a Project Selection Committee.

Applications will be assessed against the Gateway (eligibility) and Selection Criteria by the Project Selection Committee.

Applications will proceed to be assessed against the Selection Criteria only if the application meets all the requirements of the Gateway (eligibility) Criteria.

Applications attaining at least 50% of the total score or higher under the Selection Criteria shall be approved for funding subject to the budget availability.

6.1 Gateway Criteria

The Gateway Criteria are the minimum requirements which must be met in order that any application may be considered for assessment and appraisal for selection for funding support. These will be used at the first stage once an application is submitted. This stage will involve an assessment and a Due Diligence process to establish that these minimum requirements are met, namely:

1. **Complete application form:** an Undertaking must present a fully compiled application form together with all the requested supporting documentation, by the indicated deadline.
2. **Eligible Undertaking:** the Undertaking is an eligible Undertaking in line with these Guidance Notes.
3. **Eligible action:** the action for which the Applicant is asking for support is eligible and at least includes an eligible activity.
4. **Match Financing:** the Applicant has submitted evidence as to its capacity to match finance the project from a private source.

6.2 Selection Criteria

Only applications that meet all the requirements of the Gateway (eligibility) criteria shall proceed for assessment under the Selection Criteria. The Project Selection Committee may at this stage request clarifications from the Applicant. As part of the assessment and appraisal process a score is awarded for each Selection Criteria. Applications scoring at least 50% of the Selection Criteria shall be awarded the Grant. Grants shall be awarded on a first-come-first served basis subject to budget availability.

The total maximum score under the Selection Criteria is 120. All the eligible applications will be assessed and evaluated against the selection criteria outlined hereunder.

- Risk Assessment
- Excellence
- Impact and Sustainability
- Quality and efficiency of implementation

Criteria	Definition	Score
Risk Assessment	<p>Ratio of Project value to net assets of Undertaking – 5 Applications will be risk assessed in terms of the ratio of the project's value to the financial resources of the Undertaking.</p> <p>Qualitative assessment of the Undertaking – 5 Applications will be risk assessed in relation to the age of the Undertaking, business experience, track record of the management and controlling shareholders.</p> <p>Duration of the Project – 5 Applications will be risk assessed in relation to the risks in relation to the proposed duration of the project. The proposed duration of the project will be assessed in relation to the implementation timelines in the respective Guidance Notes, taking into account potential delays in implementation and that may stretch the implementation timeline with a potential impact on absorption of funds.</p> <p>Implementation Risks – max 0 (-5 lowest) This section will carry negative marking to reflect project implementation risks linked to the complexity of the proposed activities. The more complex the activities the lower (more -ve) the score.</p>	15
Excellence	<p>Action is holistic in nature – 10 Actions need to be holistic in nature through the integration of the different activities to be undertaken through the project and other complimentary activities.</p> <p>Action seeks to maximise the internationalisation of the Undertaking – 10 The application will be evaluated in terms of the extent that the project seeks to exploit the potential of the Undertaking in optimising networking opportunities, and securing or strengthening its presence in the global market.</p> <p>Action is ambitious and is addressing an identified gap in the market for the specific sector – 10 The application will be assessed in terms of the extent of identified market gaps it addresses. The evaluation will focus on the novelty of the concepts and new approaches introduced by the project. The evaluation will also focus on how ambitious the proposed activities are in relation to tangible objectives.</p>	30

<p>Impact and Sustainability</p>	<p>Impact in relation to the Applicant’s future growth and sustainable economic viability leading to long term market resilience – 10 The application will be evaluated in terms of the project’s impact vis-à-vis the future growth of the Applicant, the potential to increase its turnover. The application will also be evaluated on the potential cost reductions to the operations of the Undertaking.</p> <p>Impact on employment – 10 The application will be evaluated in relation to the project’s potential to create new employment and retain jobs.</p> <p>Impact on improvements in the Undertaking’s business model - 10 The application will be evaluated in terms of the project’s impact on the potential sustainability of the business model.</p> <p>Impact in relation to National Policies and Strategies linked to the Operational Programme – 10 The application will be assessed in relation to potential impact on National Policies and Strategies linked to the operational programme.</p> <p>Effective integration of the Operational Programme’s horizontal priorities: Environmental Sustainability, Equal Opportunities – 10 The application will be assessed in relation to the effective integration of the OP’s horizontal priorities being Environmental Sustainability and Equal Opportunities.</p>	<p>50</p>
<p>Quality and efficiency of implementation</p>	<p>Level of Management and Control Systems in place – 5 The evaluation will be assessing the project’s quality and efficiency of implementation, the level of Management and Control Systems in place, and the extent of quality standards adopted by the Undertaking.</p> <p>Level of private match financing and additional investment addressing complementary actions – 5 The proposed action will be assessed against the Undertaking’s level of additional match financing and the potential to inject further investment to address complementary actions.</p> <p>Level of capacity and allocation of resources towards the project – 5 The evaluation will be assessing the allocation of resources towards the project to ensure its successful implementation and sustainability.</p> <p>Coherence and Clarity of work plan – 10 The evaluation will be assessing the project’s work plan and strategy. High scores will be given to those actions that show high levels of quality, coherence and clearly identify and address potential risks.</p>	<p>25</p>

6.3 Unsuccessful Applications

Unsuccessful applicants will be informed in writing by the IB.

6.4 Appeals

An independent Appeals Board shall be appointed to assess representations submitted by unselected applicants. Applicants whose application was not selected may submit motivated representations within 10 working days from the date of notification by the IB.

The Appeals Board shall review and re-assess the application and shall notify the Applicant of its decision. The decision of the Appeals Board shall be final.

6.5 Acceptance Letter

The IB shall issue a funding acceptance letter to selected applicants. The funding acceptance letter shall include any conditions as outlined by the Project Selection Committee. It should be noted that a positive decision at this stage is not a guarantee of funding. All the conditions set-out in the funding acceptance letter would need to be discharged before the Grant Agreement can be signed.

6.6 Grant Agreement

The Intermediate Body shall appoint a contact person from within it, to liaise with the Beneficiary with a view to conclude the Grant Agreement. The Grant Agreement (GA) is the formal agreement between the Intermediate Body and the Applicant. The GA is the legally binding document and sets out the terms of the Grant. The IB will work through the terms and any conditions which must be discharged prior to entering into the GA with the Applicant. When the IB is satisfied that any conditions have been discharged, it will issue the GA and it will submit two unsigned copies to the Applicant. The Applicant will, by the indicated timeframe, sign and return both copies for counter-signature by the IB and one copy will be sent back to the Applicant.

6.7 Changes

Any changes to the actions approved in the GA are to be communicated to the IB with immediate effect for necessary approvals. Actions departing from the GA, initiated without the prior approval of the IB will render the actions ineligible. The IB may reject any request for change in the Project Activities if it is of the opinion that the proposed change will alter the nature of the Project as outlined in the submitted application.

7. Monitoring and Reporting

This section outlines in brief the reporting requirements and the reimbursement process, and should be read in conjunction with the Guidelines for Implementation issued by the IB together with this document.

7.1 Reporting

Following the completion of the assisted intervention, the Beneficiary Undertaking is to submit to the IB a Final Implementation Report together with the claim for reimbursement. Moreover, the Undertaking is to submit periodical implementation progress reports 'Interim Implementation Report', on a six monthly basis on the template provided by the IB, according to the indicated schedule:

Period Covered	Submission Deadline
1 January – 30 June	31 July
1 July – 31 December	31 January

In this regard, beneficiaries may present an interim claim for reimbursement, together with the Interim Implementation Report, once the project registers at least 50% of the eligible expenditure as outlined in the Grant Agreement. A Final Implementation Report will need to be submitted together with the final claim for reimbursement, following the completion of all the assisted activities as outlined in the Grant Agreement. In such cases, the final claim should either cover the full amount disbursed or, in case an interim claim would have been submitted, the final claim would cover the remainder of the expenditure disbursed.

The IB shall carry out on-the-spot checks during and after the project implementation timeframe.

Further information regarding the implementation of the project is available in the Guidelines for Implementation.

7.2 Reimbursement

The Beneficiary Undertaking must submit a claim for reimbursement, together with the Interim Implementation Report, once the project registers at least 50% of the eligible expenditure as outlined in the Grant Agreement. A Final Implementation Report will need to be submitted together with the final claim for reimbursement following the completion of all the assisted activities as outlined in the Grant Agreement. The final claim for reimbursement would cover either the full amount disbursed or, in case an interim claim would have been submitted, the final claim would cover the remainder of the expenditure disbursed.

The claim/s for reimbursement is to include an updated VAT Compliance Certificate, Income Tax Compliance Certificate and Final Settlement of Social Security Contributions Compliance Certificate issued not earlier than the date of completion of the supported action.

A Financial Identification Form⁴ is to be submitted with the first claim submitted, be it interim or final. In those cases where the details in this Form are changed between the interim and

⁴ For more details refer to the Guidelines for Implementation issued by the IB.

final report, then an updated Financial Identification Form is to be submitted with the final claim.

The reimbursement request will only be processed when the IB is satisfied that the claimed cost items were implemented, in line with the GA and pertinent regulations, rules and guidelines, following rigorous monitoring and checks.

The claim for reimbursement will include the following documentation which must be signed and certified by a **Certified Public Accountant** as specified in the Guidelines for Implementation:

- A copy of the invoice and respective delivery note issued by the supplier/service provider;
- A copy of the respective receipt issued by the supplier/service provider;
- A copy of the bank statement confirming the transaction of payments to the service provider for the claimed cost (defrayment from bank account identified in the Financial Identification Form);

Furthermore, the claim will also be supported by a statement which must be signed and certified by a **Certified Auditor**, specifying that:

- i. The costs claimed were actually incurred by the Undertaking and were not reimbursed or may be recoverable through other sources;
- ii. The expenditure satisfies the conditions that are outlined in the Grant Agreement;
- iii. The expenditure was incurred during the approved project period;
- iv. A separate accounting system or a separate accounting code has been maintained for all project transactions and that all project transactions are accurately and properly recorded;
- v. The Beneficiary has ensured that any rules governing accumulation of aid have been respected; and
- vi. Aid has been calculated at the applicable intensity level as approved by the Intermediate Body.

Beneficiaries are to consult the Guidelines for Implementation which provides further detailed information in this regard.

7.3 Retention of Documentation

The Beneficiary has the obligation to retain all related documents for control and audit purposes, for 10 years following the completion of the project. The Beneficiary must also cooperate with the IB and other monitoring and audit bodies entrusted with such functions with respect to the granting of aid under this scheme, for the duration of 10 years in light of audits and other controls.

Further information related to the retention of documentation is available in the Guidelines for Implementation.

8. Publicity

Beneficiary Undertakings are responsible for ensuring proper visibility of interventions assisted through this Grant Scheme, part-financed by the European Union through the European Regional Development Fund under Operational Programme I 2014 – 2020.

All communication and publicity measures must acknowledge support from the European Union and the respective Fund in line with Article 2.2 of Annex XII of Regulation (EU) No. 1303/2013, and Articles 3-5 of Commission Implementing Regulation (EU) No. 821/2014.

Visibility measures should be proportionate and reflect the scale of assistance and the nature of the project.

Beneficiaries are to seek the guidance of the IB prior to embarking on publicity and visibility actions. Failure to fully comply with the visibility and publicity requirements will result in financial corrections and loss of funds. The beneficiary is responsible to keep evidence of compliance such as copies of printed documentation, photographic evidence of participation at fairs, and of commemorative plaques and posters affixed throughout the implementation of the project.

Further information related to publicity is available in the Guidelines for Implementation.

9. Data Protection

Data and information collected and held by the IB in relation to the financed action will be transferred to the MA and may also be transferred to official third parties in order to fulfil the IB's functions, in line with Community obligations according to law and in line with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) and any amendments thereof.

Information and any data provided by the potential beneficiaries and beneficiary will be used for the sole purpose for which they are intended, that is, (i) verification procedures; and (ii) evaluation and monitoring purposes in line with Regulation (EU) 1303/2013. The data will not be used for any other means or for any other purpose that is incompatible with that for which the data is being collected.

In applying for assistance under this scheme, applicants will be giving authorisation to the IB to make enquiries and to carry out the necessary checks with the competent Authorities and Organisations to verify any information submitted in relation to the application.

Beneficiary Undertakings should ensure that they disclose factual and accurate data to the IB. The Beneficiary Undertaking has the right to access all the data relating to the grant issued in its name and may request the rectification of any incorrect data.

10. Contact Details

For more information regarding the Business Enhance ERDF Grant Schemes, kindly contact the Measures and Support Division.

Address: Measures and Support Division

Pjazza San Kalċidonju

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www.eufunds.gov.mt

BUSINESS ENHANCE



Operational Programme I - European Structural and Investment Funds 2014-2020
"Fostering a competitive and sustainable economy to meet our challenges"
Aid Scheme part-financed by the European Regional Development Fund
Co-financing rate: 80% European Union; 20% National Funds

