



EUROPEAN COMMISSION

Brussels, 21.II.2008
C(2008)768

**Subject: State aid n° N 622/2007 – Malta
Small Start-Up Grants Scheme**

Sir,

1. PROCEDURE

- (1) By electronic notification dated 26 October 2007, registered at the Commission on the same day, the Maltese authorities notified the above-mentioned measure.
- (2) A request for information was sent on 9 November 2007. The Maltese authorities submitted additional information by e-mail dated 14 December 2007, registered at the Commission on the same day. The Maltese authorities again submitted additional information by e-mail dated 4 February 2007, registered at the Commission on the same day.

2. DESCRIPTION OF THE AID MEASURE

2.1. Objective of the aid scheme

- (3) The scheme aims to support the creation of new, high value-adding enterprises that demonstrate a potential to contribute to regional economic development, in line with Section 6 “Aid for newly created small enterprises” of the Guidelines on national regional aid for 2007-2013¹ (hereinafter “RAG”).

¹ OJ C 54, 4.3.2006, p. 13.

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2.2. Legal basis

- (4) The legal basis of the scheme is Regulation 5 of the Assistance to Small and Medium-Sized Undertakings Regulations, 2007.²

2.3. Authority granting the aid

- (5) The scheme is administered by the Malta Enterprise Corporation in conjunction with the Kordin Business Incubation Centre.
- (6) Malta Enterprise is a government agency that acts as a single point of contact for all enterprise support in Malta. It manages enterprise support grant schemes and tax incentives on behalf of the government. The Kordin Business Incubation Centre is operated by Malta Enterprise.
- (7) The scheme is partly financed by the ERDF (European Regional Development Fund), which qualifies as state resources once such funds come under the control of a Member State, and partly by funds from the Maltese government budget. Hence State resources are involved.

2.4. Geographical scope of the scheme

- (8) The scheme applies to the entire territory of Malta, which is designated under the Maltese regional aid map for 2007-2013³ as an assisted area eligible for national regional State aid under the derogation of Article 87(3) (a) of the EC Treaty.

2.5. Beneficiaries

- (9) Aid beneficiaries are small enterprises in the meaning of Article 2 of Annex I to Commission Regulation (EC) No 70/2001⁴. The foreseen number of beneficiaries is in the range of 51 to 100.
- (10) Aid will only be granted to small enterprises created less than three years before the date of application under the scheme and with at least three full-time (or full-time equivalent) employees.
- (11) Assistance under the scheme is designed exclusively for newly created small enterprises and shall not apply to existing small enterprises that close down and re-open. Enterprises controlled by owners of previously closed-down businesses cannot benefit from this incentive if the new enterprise is operative in the same of related sectors as that of the closed-down firm. The Maltese authorities indicate that this restriction for owners of companies that have previously closed down will be applied for a limited period of time of 12 months following such closures.

² Malta Government Gazette - publication pending.

³ State aid N 631/2006 – Malta – Regional aid map 2007-2013 (OJ C 275, 11.11.2006, p. 35).

⁴ OJ L 10, 13.1.2001, p. 33.

- (12) The Maltese authorities indicate that the scheme will not apply to firms in difficulty in the meaning of the Community guidelines on state aid for rescuing and restructuring firms in difficulty⁵.

2.6. Sectoral scope of the scheme

- (13) Assistance under the scheme will be provided to undertakings engaged in one or more of the following activities:
- (a) Manufacturing:
 - including the repair, preservation, improvement or maintenance of goods, materials, commodities, equipment, engines, plant and machinery, pleasure crafts and yachts, heavy equipment, aircraft; and;
 - the rendering of industrial services directly related to above;
 - (b) Information and communication technology (ICT) development activities, software development and ICT-enabled services;
 - (c) Research and development and innovation;
 - (d) Waste treatment and environmental solutions;
 - (e) Biotechnology;
 - (f) Start-ups proposing innovative products, services and process development, which are typically more advanced in terms of technology, know-how and skills than those prevailing in their respective industry.
- (14) In order to benefit from assistance under the scheme, undertakings engaged in these activities must promote innovative or high value-added projects.
- (15) The Maltese authorities indicate that assistance under the scheme will *not* be provided to undertakings engaged in the production of products listed in Annex I to the Treaty (with the exception of the processing and marketing of such products, but only to the extent laid down in the Community guidelines for State aid in the agriculture sector⁶), in the fisheries sector or the coal industry. The scheme also respects the prohibition to grant aid to the steel industry and in the synthetic fibres sector, as defined in Annexes I and II of the RAG.
- (16) The Maltese authorities confirm that the scheme aid is not intended for and will not apply to firms involved in the transport sector. The special rules for State aid in the transport sector will be applied in all cases.

2.7. Form of the aid and aid amount

- (17) The aid will be awarded in the form of a direct grant.

⁵ OJ C 244, 1.10.2004, p. 2.

⁶ OJ C 28, 1.2.2000, p. 2. Corrigendum OJ C 232, 12.8.2000, p. 17.

- (18) The total grant value per beneficiary is limited to EUR 2 million. The annual amount of aid awarded under scheme will not exceed 33% of EUR 2 million per enterprise.
- (19) The scheme will be administered through a competitive call⁷. In order to benefit from assistance under the scheme, interested enterprises must submit a formal application to Malta Enterprise.
- (20) The criteria for awarding the aid can be summarised as follows:
- (a) Preliminary evaluation (35%):
 - risk appraisal;
 - extent of the need for support;
 - holistic nature of the project.
 - (b) Strategic evaluation (65%):
 - thematic priorities;
 - horizontal priorities.
- (21) The beneficiary will receive a letter of award and may then claim a refund of up to 25% on the eligible expenses listed above provided such expenses are incurred after the date of the letter of award. The aid is paid out after submission of invoices or documentation showing that the eligible costs have actually been incurred.
- (22) All awards must be pre-approved by Malta Enterprise in writing. No costs will be considered if they have been incurred prior to the publication of the scheme. The details of the scheme will be published on Malta Enterprise's website.
- (23) Malta Enterprise keeps records of all aid it awards to enterprises. This facilitates the monitoring of aid with respect to maximum aid amounts and intensities, the cumulation of aid and possible misuse of aid.

2.8. Eligible expenses

- (24) The following expenses may be eligible:
- legal, advisory, consultancy and administrative costs directly related to the setting-up of the undertaking;
 - interests on external finance;
 - fees for renting or leasing production facilities and equipment;
 - energy and water costs;

⁷ Administrative details of the scheme are provided in the incentive guidelines issued by Malta Enterprise.

– wage costs, including the employer’s share compulsory social charges.

- (25) Assistance may only be granted for costs incurred within 24 months of the approval of the aid by Malta Enterprise insofar as this period does not exceed five years from the creation of the new enterprise.
- (26) Only applications with a project value (based on eligible expenses) of at least EUR 100 000 will be considered for funding.

2.9. Aid intensity

- (27) The maximum aid intensity is limited to 25% of eligible expenses throughout the period of 24 months after the approval of the aid.

2.10. Duration of scheme

- (28) The notified scheme will apply as from the approval of the measure by the Commission until 31 December 2013.

2.11. Budget of scheme

- (29) The proposed annual budget of the scheme is MTL 2.20 million (EUR 5.12 million), with an overall budget of MTL 13.20 million (EUR 30.75 million).

2.12. Cumulation of aid

- (30) The Maltese authorities indicate that aid provided under the scheme will not be cumulated with other public support (including *de minimis* support) in order to circumvent the maximum aid intensities or amounts laid down.

3. ASSESSMENT

3.1. State aid character of the scheme

- (31) The aid under the scheme is provided by a public authority and therefore through State resources within the meaning of Article 87(1) of the Treaty. As the scheme reduces the expenses for setting-up companies in Malta, the measure confers an advantage to these companies, which may distort or threaten to distort competition. Since the aid will be granted to a limited number of companies, the measure is considered to be selective. As the scheme covers sectors and undertakings involved in trade between Member States, there is a risk that the aid could affect that trade.
- (32) Consequently, the proposed aid measure constitutes State aid within the meaning of Article 87(1) of the Treaty.

3.2. Legality of the aid measure

- (33) The Maltese authorities have fulfilled their obligation according to Article 88(3) of the Treaty by notifying the aid measure before putting it into effect. The Commission takes note of the fact that the scheme will enter into force only after approval by the Commission.

3.3. Compatibility of the aid measure

- (34) Having established that the notified scheme involves State aid within the meaning of Article 87(1) of the Treaty, it is necessary to consider whether the scheme can be found to be compatible with the common market.

- (35) The Commission has examined the proposed aid measure in the light of the RAG. This assessment has led to the following observations:

- Aid under the scheme will be granted in order to provide incentives to support business start-ups and the early stage development of small enterprises.
- In conformity with point 8 of the RAG no aid will be granted to enterprises involved in the production, processing and marketing of products listed in Annex I to the Treaty, including fisheries, coal industry, steel industry and synthetic fibres.
- In accordance with point 9 of the RAG no aid will be granted to firms in difficulty.
- As Malta is an Article 87(3)(a) region, the total amount of aid available per enterprise under the scheme will not exceed EUR 2 million. This condition is in line with point 86 of the RAG.
- The annual amount of the aid will not exceed 33% of EUR 2 million per enterprise. This condition is in line with point 86 *in fine* of the RAG.
- The eligible expenditure falls within the scope of point 87 of the RAG.
- The intensity of the aid is limited to 25% of eligible expenses, in conformity with point 88 of the RAG for an Article 87(3)(a) region.
- The measure respects the rules on cumulation of aid as defined in point 90 of the RAG.
- In compliance with point 91 of the RAG, the Member State has introduced a mechanism to avoid a possible misuse of aid. To ensure that aid will not be granted to existing small enterprises to close down and re-open, Malta Enterprise will verify the information on the shareholding of beneficiary undertakings as well as their field of activity. Enterprises controlled by owners of enterprises that have closed-down in the previous 12 months may not benefit from aid under the measure if the new enterprise is active in the same or related sectors as that of the closed-down enterprise.

- The duration of the scheme is in line with the duration of the regional map. The notified scheme will expire on 31 December 2013.

In view of the above, the Commission considers that the notified aid scheme is compatible with the common market in accordance with Article 87(3) (a) and (c) of the Treaty.

4. DECISION

- (36) The Commission has accordingly decided to consider the aid scheme compatible with the EC Treaty.
- (37) The Commission reminds the Maltese authorities that the reporting conditions described in Commission Regulation (EC) No 794/2004 implementing Council Regulation (EC) No 659/1999 laying down detailed rules for the application of Article 93 of EC Treaty have to be respected.
- (38) The Commission further reminds the Maltese authorities that all plans to modify this aid scheme have to be notified to the Commission.

If this letter contains confidential information, which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: http://ec.europa.eu/community_law/state_aids/index.htm

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State Aid Registry
B-1049 Brussels

Fax (32-2) 296 12 42

Yours faithfully,
For the Commission

Neelie KROES
Member of the Commission