EU Structural Funds 2007-2013
European Regional Development Fund

Grant Scheme
For
Sustainable Tourism Projects by Enterprises

Guidance Notes to the Application Form
Call 3

Tourism and Sustainable Development Unit
Office of the Prime Minister

Operational Programme I – Cohesion Policy 2007-2013
Investing in Competitiveness for a Better Quality of Life
Aid Schemes 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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**List of Abbreviations**

**AWU**: Annual Working Units  
**CSR**: Corporate Social Responsibility  
**EDC**: Evaluation and Decisions Committee  
**EAFRD**: European Agricultural Fund for Rural Development  
**ERDF**: European Regional Development Fund  
**IB**: Intermediate Bodies  
**MA**: Managing Authority  
**MEC**: Ministry for Education and Culture  
**MEPA**: Malta Environment and Planning Authority  
**MTA**: Malta Tourism Authority  
**NGO**: Non-Governmental Organisation  
**NSRF**: National Strategic Reference Framework  
**PPCD**: Priorities and Planning Coordination Directorate  
**UNWTO**: United Nations World Tourism Organisation  
**R & I**: Research and Innovation  
**SAMB**: State Aid Monitoring Board  
**SCH**: Superintendence for Cultural Heritage  
**SME**: Small and Medium Enterprises  
**VAT**: Value added tax
Part 1 – Introduction to the Guidance Notes

1 Introduction

The primary aim of this document is that of a guidance tool to be used by any prospective applicant in identifying whether an organisation is eligible for assistance, what kind of projects and interventions are eligible for grant assistance, and what are the steps in the application process and eventual implementation of approved projects. These Guidance Notes are intended to assist applicants in the submission of their projects for support under the Grant Scheme for Sustainable Tourism Projects by Enterprises.

The Guidance Notes set out the main rules of eligibility for European funding under the Grant Scheme for Sustainable Tourism Projects by Enterprises, falling under Operational Programme I (Investing in Competitiveness for a Better Quality of Life). All applications submitted under this Grant Scheme for funding will be screened against the Common Eligibility and Selection Criteria identified, as approved by the Monitoring Committee. Part 3 provides more details on these criteria and the procedure each Application Form will follow.

This document is based on the Structural Funds’ eligibility criteria which are specified at a more generic level in the following documents:

- the European Commission Regulations on the Structural Funds (Regulation (EC) No.1083/2006);
- the National Strategic Reference Framework (NSRF) and the Operational Programme (OP1), which are available online on the website of the Managing Authority for Structural Funds (www.ppcd.gov.mt);
- any other implementation guidelines provided by the Managing Authority;

European Structural Funds are covered by regulations, rules and implementation provisions which apply to all projects, are legally binding and apply in all Member States. The Grant Scheme for Sustainable Tourism Projects by Enterprises will be co-
Guidance Notes to the Application Form

financed by the European Regional Development Fund (ERDF). Legislative guidelines which apply directly to the Scheme include the following:¹

- Council Regulation (EC) 1083/2006 (the General Regulation) lays down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999² and any subsequent amendments made to it, following the signing of the Grant Agreement;

- Council Regulation (EC) No 1080/2006 laying down specific rules on the European Regional Development Fund while repealing Regulation (EC) No 1783/1999³ and any subsequent amendments made to it, following the signing of the Grant Agreement;

- General Block Exemption 800/2008 and any subsequent amendments made to it, following the signing of the Grant Agreement;

- Regulation (EC) No 1998/2006 On the *de minimis* rule and any subsequent amendments made to it, following the signing of the Grant Agreement;

- Communication to the Commission Article 93 Council Regulation 1083/2006 On the Application of the ‘n+2’ rule and any subsequent amendments made to it, following the signing of the Grant Agreement;

- Regulation (EC) No. 1828/2006 On Information and Publicity Measures and any subsequent amendments made to it, following the signing of the Grant Agreement;

- Visual Identity Guidelines (These guidelines support the Manual of Procedures 2007 – 2013) and any subsequent amendments made to it, following the signing of the Grant Agreement;

¹ The list of Regulations herein provided above is not exhaustive.


• Commission Recommendation (2003/361/EC) Concerning the definition of Micro, Small and Medium Sized Enterprises and any subsequent amendments made to it, following the signing of the Grant Agreement;

• Council Regulation No. 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities and any subsequent amendments made to it, following the signing of the Grant Agreement.
2  Applicant Entities

The scheme is governed by National, Commission and Council regulations including those stipulated in Section 1 of these Guidance Notes. Applicants must first and foremost plan to implement a project that relates directly to tourism and the development of the sector in Malta. In order to be eligible for funding under this scheme, applicants must be primarily engaged in an economic activity. The scheme will co-finance projects undertaken by enterprises/undertakings\(^4\) and other projects falling under Article 87 of the Treaty.

An enterprise is considered to be an entity engaged in an economic activity, irrespective of its legal form. This includes in particular self employed persons, family businesses engaged in craft or other activities and partnerships or associations regularly engaged in an economic activity.\(^5\)

In the case of Associations / NGOs, applicants must ensure to carry out an economic activity at application stage or as a result of the project. Applicants are also suggested to discuss their projects with the State Aid Monitoring Board prior to submitting the project for funding. The Evaluation Committee will request the board’s opinion during the evaluation process. Projects that are not considered to have an economic activity will be eliminated from the evaluation process.

2.1  General Eligibility Criteria to apply for funding

The following sections provide a more extensive and detailed description of the eligibility criteria based on the objectives of the Operational Programme I under Priority Axis 2 for Promoting Sustainable Tourism. These criteria must be taken into consideration prior to applying for funding under the scheme:

- Projects should contribute towards the Cohesion Policy Objectives.
- Projects must constitute state aid. This means that funding the project will impact upon the current market. This is particularly important for applications submitted by associations / NGOs.

\(^4\) Companies Act Chapter 386 Article 2 (1): “undertaking” means a body corporate which carries on trade or business.

\(^5\) Commission Regulation (EC) No. 800/2008 of 6\(^{th}\) 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)
• The project’s main objective is tourism and the development of the sector in a sustainable manner.

• The project includes one of the following areas as per Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Article 87 and 88 of the Treaty (General block exemption Regulation):
  - Accommodation
  - Food and beverage service activities
  - Travel agency, tour operator reservation service and related activities
  - Creative, arts and entertainment activities
  - Museums and other cultural activities
  - Sports activities and amusement and recreational activities
  - Language learning or other educational services
  - Information service facilities

• The project eligible costs are equal or greater to the minimum threshold or equal or less than the maximum threshold, excluding VAT

• The project is related to one or more intervention areas

• The applicant organisation is registered in Malta

• The project’s benefits will accrue in Malta

A project that adheres to the above criteria, falls within the remit of the Scheme and may submit an Application Form under the Grant Scheme for Sustainable Tourism projects. The success of the application form and awarding funds to the project will then depend on the Common Eligibility and Selection Criteria which form part of the Evaluation Procedure explained in more detail in Part 3 of these Guidance Notes.

2.2 Demarcation between the Grant Scheme and other forms of Structural Funds

The Scheme targets enterprises that are implementing self sustaining projects which will generate economic development. Since the scheme is granting financial aid, it is

6 As per guidance given by MA eligibility rules stating:
As a general rule, operations co-financed by the ERDF/CF shall be implemented within/for the direct benefit of the eligible territory. The eligible territory for the Operational Programme is the whole territory of the Republic of Malta.
subject to State Aid regulations and as such this Scheme will fall under the State Aid Regime explained in Part 1, Section 2.4 of these Guidance Notes.

The EU has a number of funding mechanisms that are at the disposal of Member States. As a general principle a project cannot get funding from different sources to finance the same project activities. Should there be this possibility; the organisations managing these funds need to set demarcation guidelines not to overlap. The scheme could potentially experience overlaps with the European Agricultural Fund for Rural Development (EAFRD) as well as Schemes implemented by Malta Enterprise, particularly the ERDF Energy Grant Scheme. Therefore a demarcation has been set in order to ensure no double funding.

The demarcations set between rural funds and this scheme, are that projects with the main objective to contribute towards Malta’s tourism sector and which fall within the direct objectives of the Tourism Policy, will fall within the ambit of the Grant Scheme, while projects which are situated in a direct rural and agricultural setting with the main objective of enhancing their rural and agricultural activity and/or projects managed by local government will not be eligible to apply under this Grant Scheme.

On the other hand, the demarcation set between Malta Enterprise and this scheme, are that projects aimed mainly at energy efficiency and/or renewable energy will fall under the Malta Enterprise Scheme and can therefore not apply under this Scheme.

In all cases Enterprises may not receive funding for the same activity from different national or EU funded incentives. It is the applicant’s responsibility to inform the IB if funding from other national or EU funded incentives is being sourced for the same activity. Failure to do so may result in loss of funds.
2.3 State Aid

Assistance granted through the Scheme must comply with EU State Aid regulations, and with Malta’s State Aid Monitoring Regulations (Legal Notice 210/2004). The scheme falls under two aspects of these regulations.

The Scheme will follow the State Aid Regime under 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, also known as the General Block Exemption Regulation.

The General Block Exemption has specific aid intensities which are the following:

- 30% for large enterprises
- 40% for medium enterprises
- 50% for small enterprises

**Enterprises not covered by the General Block Exemption, including among others English Language Schools and Retail Outlets will benefit from the scheme under the DeMinimis Block Regulation (1998/2006). Any activities falling under the Marketing Intervention will also fall under this Block Regulation.**

Projects submitted under the De Minimis State Aid Block Exemption need to satisfy a very important condition. This condition states that assistance from the Scheme to an independent, private enterprise, must not result in the applicant having received in excess of €200,000 in State Aid (including any public funding deriving from this or any other sources of the Structural Funds or any other State Aid), for a rolling period of three years. An enterprise is independent if it is totally autonomous from participation in any other enterprise or vice-versa, and/or if it holds less than 25% shareholding rights in another enterprise or vice-versa. The IB has however come to the decision to provide a maximum public co-financing of €150,000 to these enterprises in order to further reduce the risk of these beneficiaries breaching the De Minimis regulation. The enterprise receiving aid under the De Minimis Regime cannot surpass this threshold and is therefore obliged to inform the project leader of the scheme of any form and quantum of aid provided to it by the state or other EU structural funds throughout the three year...
rolling period. Failure to do so could result in the enterprise surpassing the specified threshold resulting in possible recovery of funds.

All applicants are required to submit the completed State Aid Declaration (Annex 2 of the Application Form). This Annex is explained in further detail in Part 2 Section 6 of this document.

General state assistance to private enterprises may consist of the following:

- Grants to firms for investment, research and development, training, or any other form of direct cash injections
- Loans and guarantees
- Consultancy advice and direct or indirect assistance
- Aid to help companies invest in environmental projects
- Deferral of tax, social security and other payments to the state
- Sale of land/property from the government at discounted rate
- Legislation to protect or guarantee market share
- Tax exemptions

The above list is not exhaustive and is to be used as a tool to guide applicants on what is considered to be State Aid. For further information on what is considered State Aid, kindly contact Dr Yana Haber at the State Aid Monitoring Board. Given that the Scheme must comply with State Aid Regulation, the IB with the help of the State Aid Monitoring Board is responsible for the monitoring of the Scheme and to ensure compliance with state aid rules. The applicants and eventual beneficiaries in particular, are also responsible for ensuring compliance with state aid rules.

Contact Details:

State Aid Monitoring Board
Ministry of Finance, the Economy and Investment
Maison Demandols
South Street
Valletta
Tel: 21252757
Fax: 21233739
2.3.1 Definition of Investment

The Scheme is mainly justified under the General Block Exemption and as such, the projects submitted must be investment projects. As per Article 12 of the General Block Exemption, investment is defined as:

(a) an investment in tangible and/or intangible assets relating to the setting-up of a new establishment, the extension of an existing establishment, diversification of the output of an establishment into new additional products or a fundamental change in the overall production process of an existing establishment; or

(b) the acquisition of the capital assets directly linked to an establishment, where the establishment has closed or would have closed had it not been purchased, and the assets are bought by an independent investor; in the case of business succession of a small enterprise in favour of family of the original owner(s) or in favour of former employees, the condition that the assets shall be bought by an independent investor shall be waived. The sole acquisition of the shares of an undertaking shall not constitute investment.

By tangible assets we refer to assets relating to land, buildings and plant, machinery and equipment

By intangible assets we refer to assets entailed by the transfer of technology through the acquisition of patent rights, licences, know-how or unpatented technical knowledge.
2.4 Target Beneficiaries of the Grant Scheme

The Target Beneficiaries of this Scheme include all private enterprises wanting to implement a tourism project. This therefore does not only include traditional tourism enterprises but also private entities interested in diversifying their current products to include tourism. As per the SME definition, the term enterprise refers to ‘any entity engaged in an economic activity, irrespective of its legal form’. This includes in particular self-employed persons and family businesses engaged in craft or other activities, along with partnerships and associations regularly engaged in an economic activity. These include, but are not limited to, enterprises that will implement a project directly related to the following activities:

1. Accommodation and Catering
2. Enterprises carrying out activities of Travel agencies, tour operators and tourist assistance activities
3. Recreational, cultural and sporting activities
4. Language Schools, Educational institutions targeting tourists
5. Venues and Retail outlets
6. Information service facilities

All projects with a main objective to enhance tourism in Malta or which have an evident and direct impact on the performance of the tourism industry are eligible to apply for co-financing under the scheme. Applicants must indicate how their project will contribute to tourism in a direct manner.

The scheme is directed towards small, medium and large enterprises, and aims at strengthening Malta’s competitive advantage, promote R&I, encourage ICT use and the use of good environmental practices.

SMEs and networks, formed by groups of business entities and/or NGOs/Associations working on a project together to achieve a common goal, will be positively considered in the Scheme’s evaluation procedure.

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7 General Block Exemption, Annex I, Definition of SME
8 Refer to eligible NACE codes (55, 56, 79, 90, 91, 93)
The scheme’s main aim is to support the competitiveness of enterprises working in the area of tourism. However, assistance will also be directed towards tourism service providers and enterprises operating in the culture and educational sectors so as to further enhance the development of the creative sector within the context of sustainable tourism. Examples of eligible beneficiaries include, but are not limited to, the following tourism operators:

- serviced tourist accommodation establishments
- self-catering establishments
- farmhouses
- catering establishments
- schools for ‘English learning as a foreign language’
- private educational facilities targeting tourists
- diving operations
- private museums and other attractions
- travel operators (incoming)
- all private sector operators including creative industries applying for tourism projects
- Associations regularly engaged in economic activity applying for tourism projects

Applicant Enterprises must show that they are licensed to operate in their respective fields if an operating licence is required. Evidence of this licence, meaning the most recently paid licence, must be submitted with the Application Form.

The most recently paid licence means a copy of the operating license together with a copy of the receipt of the applicable licence fee (or equivalent), covering the period inclusive of the date of submission of the application for grants under this scheme.

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6 Hotels, tourist villages, aparthotels, guest houses and hostels or similarly licensed establishments (this in view of new categories that may be developed in seven years)
10 Complexes of self-catering establishments or similarly licensed establishments
11 Licensed as ‘Villas/Villas with pool’.
12 Destination Management Companies (DMCs) Organised Excursion Operators, Incoming Tourism Agents.
Associations need to fulfill three main criteria to be eligible to apply. These criteria are explained in Part 1, Section 2.4.2 of these Guidance Notes. Applications for which no licensing documents are submitted (but a licence to operate is required) or where the submitted documents are incomplete or outdated will be considered ineligible. Should an operating licence not be required, applicants must show such evidence by checking with authorities most applicable to the nature of the enterprise or the activity in question and request an official letter from such authorities to declare that the activity and/or the enterprise does not require a licence to operate. The applicant will be required to attach such proof with the application form. Examples of licensing offices include among others:

- **Quality Assurance Directorate, MTA**: e.g. tourist accommodation, catering establishments, diving operators, travel operators;
- **Ministry of Education, Employment and the Family**: language schools;
- **Ministry for Finance, Economy and Investment (in the case of Trading Licenses)**: private training institutes, private museums and other tourist attractions, enterprises operating in the field of culture, consultancy companies. (The examples outlined are an indicative and non-exhaustive list. Applicants not licensed by the MTA, MMA or Ministry of Education, Employment and the Family are to confirm the need of a license with the Trade Department)

The Evaluation and Decisions Committee will check licence requirements of applicants with the respective licensing office for confirmation of licence requirements. **Where applicable, all enterprises applying for assistance under this scheme must have paid their dues (in particular the licence and MTA contribution) on the date of submission of the Application Form to be considered eligible.**

Enterprises which have their licence issued by the Malta Tourism Authority will only be eligible for assistance under the Scheme if they **do not have or are not in the process of having any pending issues or have any legal action against them by the Quality Assurance Directorate of the MTA.**

[Please refer to the Common Eligibility and Selection Criteria in Part 3 of this document]

**VAT registration** is obligatory for all applicants and a copy of the **VAT certificate** must be attached to the Application Form submitted.
Enterprises or owners of enterprises which have availed themselves of this (2007-2013) or the previous Grant Scheme for Tourism Enterprises (2004-2006) and have breached the contract awarding the aid or any of the regulations, will not be eligible for aid under this scheme up to a period of four years. The date of breach is taken to be that when the IB of the Grant Scheme for Tourism Enterprises sends the letter of breach.

Start-ups proposing a tourism related project are also eligible for assistance through the Scheme. For the purpose of this scheme a start-up refers to a business or an enterprise that has been in operation for up to five years until the date of submission of the application. The start-up date to be considered will be that of the VAT registration date. Start-up applicants must have all the necessary licences or compliance certificates (in the case of MTA-licensed start-up organisations) available upon application in order to be eligible. Start-up enterprises that submit an Application Form with an MTA compliance certificate attached must make sure to have an operating licence by the signing of the Grant Agreement.

Investments in revalorising properties through conversions of existing buildings of historical or architectural value into small-scale accommodation establishments, restaurants or attractions are also encouraged. In this case only, whilst the applicant must have a MEPA application in hand and a compliance certificate upon submission of the application form, it is not necessary to have an operating licence by the signing of the Grant Agreement if the establishment is not in operation by such date. The beneficiary will need to obtain an operating licence by end of January 2013. Preference will be given to properties located in the Grand Harbour area (including Valletta and the Three Cities) and in the older villages and towns in Malta and Gozo and which offer tourists a more enriching and authentic experience. **Repayment will not be affected if the operating licence is not sent to the IB.**

Networks consisting of a mix of enterprises and/or NGOs are eligible to apply for the Grant Scheme. The eligibility criteria will also apply in the case of networks. Networks are formed for the duration of the project. The Application Form must contain the list of enterprises/organisations participating in the project. Their respective licences must also be attached to the Application Form. **In the case of a network formed by enterprises of different sizes, the co-financing rate will be that of the largest enterprise.**
Co-operatives which are also eligible to participate are considered as enterprises. This is based on the definition where co-operatives are defined as an autonomous association of persons united voluntarily to meet their economic, social and cultural needs and aspirations, including employment, through a jointly-owned and democratically-controlled enterprise, in accordance with co-operative principles\textsuperscript{13}.

### 2.4.1 Small, Medium and Large Enterprises

Enterprises are classified as Small, Medium Sized (SMEs) or Large Enterprises. The Commission Recommendation of 6 May 2003 concerning the definition of small and medium-sized enterprises (2003/361/EC) provides guidance on such classification of enterprises. This differentiation is important for defining the aid intensity and for the purposes of State Aid\textsuperscript{14} and is further specified in Part 1, Section 2.3 of these guidance notes. In brief, enterprises may be categorised in the following way:

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Staff headcount (AWU)</th>
<th>Annual Turnover OR</th>
<th>Balance sheet totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>&gt; 250</td>
<td>&gt; € 50 million</td>
<td>&gt; € 43 million</td>
</tr>
<tr>
<td>Medium</td>
<td>&lt; 250</td>
<td>≤ € 50 million</td>
<td>≤ € 43 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 million</td>
<td>≤ € 10 million</td>
</tr>
</tbody>
</table>

The staff headcount which is determined in Annual Work Units (AWU) is an initial criterion in determining the category of an enterprise. AWU considers anyone who works full-time within your enterprise, or on its behalf, during the entire reference year\textsuperscript{15}.

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\textsuperscript{13} The Co-Operatives Board \url{http://www.coopsboard.org/index.shtml}

\textsuperscript{14} The new SME definition User Guide and model Declaration, The New Thresholds p.14

\textsuperscript{15} Reference year refers to the year in which an application form is submitted
This person would count as one unit. Part-time staff, seasonal workers and those who did not work the full year are treated as fractions of one unit. In the case of part-time and seasonal workers, applicants are requested to submit a list of the hours worked by each employee outlined in the ETC employer’s employees list\textsuperscript{16}.

The annual turnover and balance sheet totals are taken from the audited accounts of the applicant enterprise. The annual turnover is determined by calculating the enterprise’s income received during the year in question. This should not include VAT or other indirect taxes. The annual balance sheet total refers to the value of the company’s main assets.

The explanations of the table above provided so far are only applicable if the enterprise is autonomous. As outlined in the SME definition, an enterprise is autonomous if it is totally independent from participation in any other enterprise or vice-versa, and/or if it holds less than 25% shareholding rights in another enterprise or vice-versa.

If the enterprise holds between 25% and 50% in another company, then the enterprise is a partner of that enterprise. In this case the relevant percentage of AWU and financial data has to be added to the enterprise applying for funds. This could be clearly seen in the diagram below taken from ‘The New SME Definition: User Guide and Model Declaration’ issued by the European Commission in 2005, Page 22.

\textsuperscript{16} The ETC Employer’s Employees List may be obtained from the ETC website; this must be dated November/December 2010.
If the enterprise applying for this scheme holds more than 50% shareholding, then the enterprises are linked and 100% of the AWU and financial data have to be added to the figures of the applicant enterprise.

Applicants should refer to the SME user guide, available on the scheme’s webpage: [www.tourismschemes.gov.mt](http://www.tourismschemes.gov.mt), to classify the size of enterprise and measure AWUs, Annual Turnover and Balance Sheet Totals accordingly.

The following specificities must be respected:

- In the case of a network comprising at least one large enterprise and a number of SMEs, the co-funding rate will be that for a large enterprise, therefore 30% of public funds and 70% of private funds;
- In the case of a network between an enterprise and an NGO, the co-funding rate will be that of the largest enterprise in the network;
- In the case of a network made up of enterprises from one category the co-funding rate would be that allocated to the chosen category (if all enterprises are
small – 50%, if all enterprises are medium – 40% and if all enterprises are large – 30%);

- Activities should be divided among the parties in the network. An outline of how expenses are to be divided should be included as an annex to the Application Form. Failure to submit this document would result in the automatic exclusion of the network from the Evaluation Process;

- In a network, the AWU are not accumulated for the members of the network as a whole, the AWU must remain separate for each member of the network;

- In the case of an association applying for a project under this scheme, the SME definition will be used to determine the size of the respective association for the purpose of the determining the co-financing rate.

### 2.4.2 Application Submitted by Associations/NGOs

Associations need to fulfil three criteria in addition to the ones already mentioned in Section 2.4.1. When considering target beneficiaries, associations will be certified as eligible to apply for funding under the Grant Scheme for Sustainable Tourism Projects by Enterprises if they comply with the following:

1) Associations regularly engaged in economic activity can submit an application under this scheme. Therefore applicant associations will need to prove that they undertake economic activity in their Application Form. Economic activity refers to the production and distribution of goods and services. Hence economic activity must be shown either as a result of the project proposed or as part of the applicant association’s existing activities. Such economic activity may therefore involve transactions being performed systematically on a regular basis. Employment isn’t treated as economic activity when one person under the guidance of another person supplies for him services for consideration. States and local government authorities’ activity shall not be considered as economic activity when it is government by public law and these persons act as public authorities.

2) The projects submitted by associations for co-financing under the Scheme must clearly have State Aid implications and therefore must fall under Article 87 of the Treaty. It is the applicant’s responsibility to obtain and provide this information in section 1.6 of the Application Form. Applicants are strongly advised to contact the State Aid
Monitoring Board for any clarifications as to whether their project consists of State Aid or how this can be enhanced.

All projects submitted by associations will be analysed by the State Aid Monitoring Board for confirmation of state aid implications. Their judgement on state aid issues will be adopted by the Evaluation and Decisions Committee.

3) The benefit of EU funds is also dependent on the association being a registered member with the Voluntary Organisations Commission. Registration with the Commission requires submission of the following documentation:

- Statute
- Resolution Letter to the Commissioner requesting enrolment. This letter must be signed by a minimum of three people who are part of the association’s board
- Written consent from the whole committee
- Last authenticated annual report
- Last audited annual accounts

A copy of the certification given to the association confirming enrolment with the commission must be attached to the application form. The registration number must be outlined in the Application Form. Further details are given in Part 2 of this document. It is important to note that associations which are government organisations cannot apply for co-financing under the scheme.

If not already registered, associations must confirm that they are in the process of registering with the Commissioner for Voluntary Organisations. The association must however be registered by the signing of the Grant Agreement.

Contact Details:

Voluntary Organisations Commissioner
Block C, Belt is-Sebh
Floriana FRN 1700
Tel: 2568726113
Fax: 25687265
Email: vo@gov.mt
It is very important to ensure that applicant associations fulfil the above criteria. The association must also ensure that it is not receiving alternate financial aid or sponsorships from the government for the same project. Should such a situation arise whilst the project is being implemented, the association may risk the recovery of the funds and, if necessary, termination of the project.

2.4.3 Enterprises with Government Shareholding

Enterprises which have government shareholding as per Annex 1 of the General Block Exemption are not eligible to apply for projects under this scheme.

2.5 Ineligible Expenditure

In compliance with the sections of the Structural Funds Regulations and Managing Authority (MA) Guidelines relevant to the issue of eligibility of expenditure, the following expenditure is considered ineligible expenditure for co-financing under the Scheme:

- VAT and other taxes and charges;
- Any costs paid outside the eligible period of the operation, including costs paid prior to the official date of approval for assistance through the Scheme;
- Projects which are already supported by a European, or other international or national grants;
- Costs related to in-kind contribution;
- Service charges arising on leases, hire purchase agreements, depreciation, loan charges, debit interest, charges for financial transactions, foreign exchange commissions and losses, fines, financial penalties and expenses of litigation, bad debts and other purely financial expenses;
- Staff and operational costs arising from the enterprise’s day-to-day management and operation, including routine or essential maintenance of a capital facility;
- The purchase of land and real estate, demolition and construction costs
- The purchase of transport vehicles including cars, boats and motors
- The purchase of personal computers and laptops and ancillary components
- The cost of travel and travel fairs
• Quotations for activities that cannot be compared on an objective basis
• Expenditure which is not declared in the application form
• Expenditure as a result of project changes not pre-approved by the Intermediate body
• Quotations obtained from entities that are directly linked to the applicant
• Expenditure which is against National, Commission and Council regulations

Submitted projects proposals may contain elements of ineligible costs, but these would have to be removed from the actual total eligible project value. If ineligible costs are found during the evaluation, these will not be considered. Only eligible costs will be considered for co-financing purposes.

The Intermediate Body will carry out an on the spot check prior to the processing of a claim for reimbursement, and it reserves the right to declare an expenditure ineligible if it is against provisions made in these notes, notes to the beneficiaries and National, Commission and Council regulations. Furthermore, if it is found out that commitments taken in the application form are not the actual version of facts, then the applicant’s scoring may be revised by the Technical Evaluation Committee. This may result in cancellation of project funding.

2.5.1 Compliance Issues – Related to MTA Licensed Entities

The Scheme cannot be considered by applicants as a form of government subsidy to subsidise expenditure for businesses. The scope of the funding is to enhance products and services that are beyond the expected requirements stipulated in MTA Legal Notices. The Scheme is not to co-finance the attainment of standards required by law. Its scope is that applicants go beyond the basic requirements stipulated by the Legal Notices of each respective category so as to offer an improved and enhanced product.

17 This applies also to networks. Quotations obtained from within the networks are not accepted.
Example: A kitchen is required in a hotel/restaurant, and it consists of a fridge, oven and cooker. The equipment is all out-of-date, and needs to be replaced. The Legal Notice, for the respective class of restaurant/hotel, states that the kitchen must have a fridge, oven and cooker. The Legal Notice does not refer to the quality of these kitchen appliances meaning that regardless of the quality of the appliances there must be a fridge, cooker and oven. Therefore, the applicant cannot request funding for the cooker, oven or fridge.

It is the applicant’s responsibility to check the Legal Notices and determine what project expenses will be considered eligible according to compliance. A soft copy of the legal notices can be obtained from the IB or the Scheme website. At evaluation stage, the Evaluation and Decisions Committee will be checking the eligibility of the project expenses in accordance with the Legal Notices. Therefore, if an applicant submits an Application Form with ineligible expenses/project activities, such expenses will automatically not be considered as part of the project budget. The applicant will be informed of this amendment by the EDC.

2.6 Funding Thresholds

The budget allocated to the whole Scheme is spread out over the implementation period. The public funding composed of EU and Malta Government co-financing, available for the Scheme is approximately €10 million, which will be divided into allocations per call. Part of this budget will also be used for administration purposes by the IB. The amount of funds allocated for the third call will be in the region of €2 million. In terms of the co-financed projects from Beneficiaries, minimum and maximum thresholds have been established so as to ensure project sustainability. A maximum threshold is determined for Enterprises falling under the DeMinimis Regulation as explained in Part 1, Section 2.3 above. Minimum thresholds for all projects have been determined to ensure that each project will achieve the target result indicators and also have an impact in the wider context of the national tourism industry.

As referred to in Part 1, Section 2.4 of this document, projects can be submitted by a single enterprise or by a network of enterprises or by a network comprising of both enterprises and NGOs. The thresholds indicated below refer to the total eligible costs
per project, (public and private co-financing) irrespective of the number of enterprises involved. The total project value may exceed the maximum threshold in actual fact but for the purposes of the scheme, these incremental costs will be considered ineligible and thus be borne by the beneficiary.

Both minimum and maximum thresholds, as presented in the table below, refer to the total eligible costs (100%) submitted for co-financing under the scheme. The total eligible costs are made up of the public and the private co-financing.

The table below shows the percentage ceilings outlining both public and private co-financing percentages per category:

<table>
<thead>
<tr>
<th>Enterprise Category 18</th>
<th>Public Co-financing</th>
<th>Private Co-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Enterprise</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Medium Enterprise</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Large Enterprise</td>
<td>30%</td>
<td>70%</td>
</tr>
</tbody>
</table>

The table below illustrates the thresholds (minimum and maximum) applicable to the different sized enterprise/s submitting the project. These thresholds represent the total cost of the project and does not take into consideration VAT costs.

<table>
<thead>
<tr>
<th>Projects submitted by Type of Enterprise</th>
<th>Total Eligible Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects submitted by Small and Medium-sized Enterprises (one or more companies)</td>
<td>Minimum Threshold</td>
</tr>
<tr>
<td>Projects submitted by Large Enterprises (one or more companies)</td>
<td>€15 000</td>
</tr>
<tr>
<td>Enterprises falling under DeMinimis Regulation (per company)</td>
<td>€58 000</td>
</tr>
<tr>
<td>Enterprises falling under DeMinimis Regulation (per company)</td>
<td>€15 000</td>
</tr>
<tr>
<td>Projects submitted by Networks</td>
<td>€15 000</td>
</tr>
</tbody>
</table>

This means that, for example, in the case of a project submitted by a small enterprise for a maximum threshold value of €400,000 the project will have a 50% Public co-financing of €200,000 and a 50% private co-financing of €200,000. The minimum

18 Please refer to Section 2.4.1 of this document.
threshold value for projects by a small enterprise is €15,000, which will consist of 50% Public co-financing amounting to €7,500 and 50% Private co-financing amounting to €7,500.

Medium-sized Enterprises have the same minimum and maximum thresholds, but different co-financing rates. Therefore for a maximum project value of €400,000 the project will have a 40% Public co-financing of €160,000 and a 60% Private co-financing of €240,000. In the case of the minimum project value of €15,000, the 40% Public co-financing will be of €6,000 and a 60% Private co-financing of €9,000.

In the case of projects by large enterprises, for a maximum threshold value of €650,000 a project will have a 30% Public co-financing of €195,000 and a 70% Private co-financing of €455,000. Projects applying for the minimum eligible costs threshold for large companies of €58,000 will have a 30% Public co-financing of €17,400 and a 70% Private co-financing of €40,600.

Enterprises falling under the DeMinimis regulation will have a maximum threshold of €375,000. This is made up of an average of 40% Public co-financing amounting to €150,000 and 60% average Private co-financing of €225,000. The established minimum threshold of €15,000 is made up of an average Public co-financing of 40% of €6,000 and an average of 60% Private co-financing of €9,000.

The scheme encourages the collaboration between different enterprises aiming at higher impact and better quality projects. Network projects may also be beneficial with respect to private co-financing. So as to ensure further clarity, a separate budget on how the funds will be subdivided within the network must also be submitted as an annex to the Application Form. This will show the financial benefit for all organisations participating in the network. Payments from the Treasury will be made to each organisation forming part of the network according to the specific bank accounts. Intra-Network Agreements will however remain the sole responsibility of the members of the network.

In the case of projects submitted by networks, the threshold applies to the project as a whole presented by the network and not for each member of the network. Each member

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19 This percentage is an average of the three public co-financing ceilings outlined earlier in this section.
of the network must contribute to the project and throughout the project. Even though a project presented by a network can be made up of different small projects, such projects need to have a similar objective, showing uniformity between the members of the network.

### 2.7 MEPA Permits

For any interventions which require a MEPA permit, applicants are required to submit a copy of their MEPA Permit or their MEPA permit application clearly indicating the PA number with the Scheme Application Form, as well as a site plan for physical works and site maps where necessary.

Should the applicant submit the MEPA permit application, this document must clearly indicate the PA number as well as the date of application submission. In the eventuality that the project is successful, the approved MEPA permit/s must be submitted to the IB within **ten working days** from the date of the letter of approval. Applicants not acquiring such required permits by the stipulated date will not be allocated funds and will be removed from the Final Project Ranking.

Interested scheme applicants are therefore allowed approximately six months to obtain the required full development permits.

The following is an indicative list of activities that may require a MEPA permit:

- Generators
- All works to the enterprise’s façade
- Product upgrade activities related to sites which are newly built or recently re-structured buildings
- Environmental equipment that will affect the surrounding environment (e.g. Reverse osmosis plants and waste management plants)
- Building housing a compressor that is not covered by a police permit

The above is an indicative list based on the experience resulting from the Grant Scheme implemented in the last programming period and the previous two calls under the current scheme. In all cases, it is **strongly** advised that all applicants consult with
MEPA prior to submitting their Application Form. Applicants are also encouraged to refer to the Development Planning Act for further guidance.

Projects that may require a MEPA permit but do not submit a MEPA application by the submission deadline, will not be eligible for the funds, therefore it is the applicant’s responsibility to ensure whether a MEPA permit is required for the project being proposed under the scheme.
PART 2 - The Application Process

Introduction - Project Proposals and Requirements of the Operational Programme (OPI)

The scheme falls within the Sustainable Tourism Priority in the Operational Programme I: Investing in Competitiveness for a Better Quality of Life and is therefore able to provide funding only for those projects which demonstrate a significant impact on sustainable tourism. The Scheme aims at strengthening the sector’s competitive advantage, promote R&I, increase use of ICT and e-business, enhance product development and encourage the use of environmental practices. The scheme wants to help achieve a quality leap in the tourism offer. The Operational Programme recognises the importance of Tourism Service Providers and that investment in the private sector will help enterprises function in a highly competitive market as well as ensure a more competitive local tourism offer through investment in innovation and entrepreneurship.

The World Tourism Organisation (WTO) defines Sustainable Tourism as:

“Sustainable Tourism Development that meets the needs of present tourists and host regions whilst protecting and enhancing opportunities for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems.”

(Agenda 21 for the Travel and Tourism Industry, 1996)

Aims of Sustainable European Tourism

1. Economic Prosperity
   a. To ensure the long-term competitiveness, viability and prosperity of tourism enterprises and destinations.
   b. To provide quality employment opportunities, offering fair pay and conditions for all employees and avoiding all forms of discrimination.

20 Report of the Tourism Sustainability Group, Action for more Sustainable European Tourism Aims for the Sustainability of European Tourism p.3
2. Social Equity and Cohesion
   a. To enhance the quality of life of local communities through tourism, and engage them in its planning and management.
   b. To provide a safe, satisfying and fulfilling experience for visitors, available to all without discrimination by gender, race, religion, disability or in other ways.

3. Environmental and Cultural Protection
   a. To minimise pollution and degradation of the global and local environment and the use of scarce resources by tourism activities.
   b. To maintain and strengthen cultural richness and biodiversity and contribute to their appreciation and conservation.

The sustainability of projects is an important issue to be considered by all applicants. Tourism development should be sustainable from an environmental standpoint, viable and profitable from an economic standpoint and equitable from ethical and social standpoints for the local population. In order for tourism to contribute to sustainable development, it must integrate the natural, cultural and human environment. Tourism development can be sustainable provided that the following sustainable tourism principles are observed: - environmental sustainability that requires development to be compatible with and respecting biological diversity and resources; social and cultural sustainability that contributes to the development and protection of the cultural identity; economic sustainability that ensures the development of the society in conditions of adequate management of resources by obtaining economic benefits today, as well as in the future.

The next section in these Guidance Notes will provide assistance to applicants when compiling the Application Form for the Grant Scheme for Sustainable Tourism Projects by Enterprises.
Section 1 – The Applicant

1.1 Business Entity Legal Name and Contact Details

This section should show the legal name and contact details (including name, address, telephone number, VAT number and MFSA Registration, if applicable) of the applicant enterprise. This section should be filled in only by applicants who are not associations or NGOs. The successful applicant will be referred to as the **Beneficiary**.

The successful applicant must recognise the responsibilities brought about by being a Beneficiary of the Scheme throughout the auditable life\(^{21}\) of the project. These responsibilities are defined in the Guidance Notes for Implementation.

1.2 Association or NGO Legal Name and Contact Details

Associations that carry out a regular economic activity are also eligible to apply. This section should show the association’s contact details and the Voluntary Act Commission Registration number. A copy of the statute should also be submitted with the Application Form by the date of submission. If associations do not fall within this Act, it is important to get this in writing by the commissioner. If associations are not registered with the Voluntary Act Commissioner, they need to show in writing that they have commenced the process of application. The registration must be completed by the signing of the Grant Agreement.

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\(^{21}\) The Auditable Life of the project refers to the duration of project implementation and the five years following the termination of the projects. Eg: If an applicant applies for a project that will last 2 years, the Auditable Life refers to 2 years + 5 years. During this time that applicant is obliged to stay in operation and maintain both the project activities and the documentation related to the project. Any changes will have to be discussed with the IB.
1.3 **Position and Contact Details of Signatory of the Application Form**

The **Signatory of the Application Form** is the person who is legally responsible for the enterprise, usually represented by the owner/managing director of the enterprise. Contact details of the signatory are to be entered into this section. In the case of Networks, the signatory of the application form should be the owner of the lead enterprise of the network. The lead enterprise must however be identified in the Network Agreement and accepted by all members of the Network.

1.4 **Contact Details of Project Manager**

The **Project Manager** is the person who will be responsible for the project’s implementation on a day-to-day basis. It is strongly advised that this person be different from the signatory of the Application Form. The Project Manager must be aware of all the details related to the project. It is imperative that the project manager is easily accessible to discuss the project with the IB and respond to any queries that may arise throughout the evaluation term of the project. Should the person assigned in the Application Form leave the enterprise or no longer act as project manager, his/her responsibilities relating to the project should be taken over by another person immediately so as to ensure smooth and efficient implementation of the project. The IB should also be informed in writing immediately of the change and the new Project Manager’s contact details should be forwarded to the IB. It is important that the new Project Manager is well informed on all project details, the status of the project and any changes that took place during its implementation.

1.5 **Type of Applicant**

Applicants are required to identify the type of applicant from the list provided.

**Enterprise/Association or NGO:** "An enterprise is considered to be an entity engaged in an economic activity, irrespective of its legal form. This includes in particular self
employed persons, family businesses engaged in craft or other activities and partnerships or associations regularly engaged in an economic activity.\footnote{Commission Regulation (EC) No. 800/2008 of 6\textsuperscript{th} August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty (General Exemption Regulation)}

**Network:** a group of two or more enterprises (irrespective of size) not part of the same group of companies working together for the purpose of the scheme. Networks may also consist of Associations/NGOs collaborating with business entities. In the case of a network, all enterprises forming part of such a network need to be listed together with their contact details. A copy of the agreement among affiliated organizations of the network must be submitted with the Application Form. Applicants applying as a network are kindly requested to go to Section 2 of these Guidance Notes.

### 1.6 Associations or NGOs

Only associations submitting projects under the Grant Scheme must fill in this section. The definition of enterprises includes associations as long as they show they are engaged in regular economic activity. Therefore, in this section, the applicant associations must give a detailed explanation with supporting documentation to further substantiate arguments on how the association fulfils this criterion.

**Associations not engaged in economic activity or whose project does not result in economic activity, are not eligible to apply.**

Associations which will be engaged in economic activity as a result of the project are eligible to apply.

#### 1.6.1 State Aid Implications for Associations/NGOs

Section 1.6 of the Application Form will outline the State Aid consideration of projects submitted by associations. The applicant will outline if the project described was discussed with the State Aid Monitoring Board (SAMB). It is suggested that the applicant association enter into discussions with the SAMB prior to the submission of the Application Form. The SAMB being the competent local authority has the faculty to
ascertain if the project has state aid. It is also able to guide applicant associations on how to strengthen the state aid components of the project. The Evaluation Committee will be requesting feedback from the SAMB on projects submitted by Associations or NGOs during the Evaluation Process. Projects which do not have state aid implications will not be considered eligible for co-financing under the scheme.

1.7 Applicant Description

The Applicant is required to provide a background description of the enterprise and its operations. The information expected includes the enterprise’s main lines of business and how the project proposed will fit within the operation. An organisation diagram of the enterprise should also be included in this part of the application form. The applicant is also required to highlight how the project will be managed in such a structure and who will be responsible for the activities proposed in this application form. If the enterprise applying for funding forms part of a Group of Companies, then the organisation structure of the whole group, including the respective percentage shareholding with voting rights of each individual company and their individual Memorandum and Articles.
**Section 2 – Networks**

Projects submitted by networks are required to fill in Section 2 of the Application Form. Applicants are referred to this section following completion of Section 1.5 of the Application Form.

**2.1 Networks**

The applicant is required to identify the list of enterprises in the network. In this part of the Application Form, the network should also indicate which enterprise/organisation from the list is the leading member of the network. The leading member must correlate with the entity outlined in Section 1.1 of the Application Form. The contact details of all the members of the network, as well as the leading member must be outlined in this section.

**2.2 Applicant Network Description**

The Applicant Network is required to provide a background description of the enterprises forming part of the network and their operations. The information expected includes the enterprises’ main lines of business and how the project proposed will fit in their respective operations. The organisational structure of the network should be included in this section.

It is important that the above information incorporates all the members of the network applying. The applicant description should clearly outline the reasons for the creation of the network in relation to the project submitted and how being a network will benefit both the members of the network as well as tourism in Malta and Gozo. The connection between the members of the network must feature strongly in this section of the application form so as to justify the creation of the network.
2.3 **Network Agreement**

The enterprises that will be forming a network for the purpose of this scheme must enter into an agreement to clearly outline the relationship between the organisations and approval of the lead enterprise of the network. A template of this agreement is provided in the Application Form under this section. All members within the network must sign this agreement.
Section 3 – The Project

3.1 Project Name

The applicant is expected to give the project a name which should reflect the nature of the project.

3.2 Project Description

A detailed explanation of the project being proposed for funding should be given in this section. The project description should relate to the Project Name given in the section above as well as the applicant description given in Section 1.8 of the Application Form. In the case of projects submitted by networks it should be clear how the project relates to all the members of the network. The description must outline the following:

- **A general description of the project.** Applicants are expected to outline the whole project concept, including the project’s aims and results. Should the project consist of related ineligible activities, these should also be explained so as to ensure a holistic approach to the project. However the applicant must indicate that private funds will be used to finance the project activities ineligible for financing through the Scheme. This may later on be used as a summary of the project for information purposes. The description should also include a list of **ALL** the activities requesting funding for. The applicant should also give a general overview of how the project relates to Sustainable Tourism Development. The applicant is then required to further substantiate their arguments in the Strategic Priorities in the Application Form.
3.3 Project Duration

The applicant is required to submit the proposed start and end dates of the project. Applicants may choose to start their project activities during the evaluation process and therefore prior to the signing of the grant agreement. Under Call 3, Applicants may start their project as of 1\textsuperscript{st} February 2011 after given permission by the IB. However it is important to note that this will be done at their own risk since projects would still be undergoing evaluation and funds may not be allocated to their project.

The projects must be completed within n+2 years from the Project Start Date. Therefore, using the example above, should the start date be 1\textsuperscript{st} February 2011; the project will have to be completed by end December 2013.

The applicant will decide on when the project should start. Should the Project Start Date be prior to the signing of the Grant Agreement, then the IB will issue permission in writing for project commencement following the closure of the Call (14\textsuperscript{th} January 2011). The applicant cannot commence their project prior to the issue of this permission. If the project activities consist of physical works, applicants will be given permission to commence work on their project in writing following a site visit. This will be done in order to ensure that the works were not implemented prior to the submission of the application form. Whilst allowing projects the possibility of commencing prior to the signing of the Grant Agreement, it is imperative that project implementation \textbf{does not} end prior to the signing of the Grant Agreement.

All project proposals undergo an evaluation of approximately six months, which would finally lead to approval and contracting. This process is explained in Part 3 of these guidance notes. Following such evaluation, successful applicants would enter into a Grant Agreement with the IB after which they will receive permission in writing to commence work on their project.

The deadline for submission of the Application Forms of the third call is 14\textsuperscript{th} January 2011 at 15:00hrs and applicants will be notified of their application results in Quarter 3 2011.
In all cases, applicants should not commence work on their projects prior to receiving written permission from the IB.

Both Project Start and Project Completion dates are very important as the applicant will be bound to them for the implementation of the project. The dates must reflect and correlate to the dates identified in Section 3.8 of the Application Form; ‘Project Timeline’. Failure to adhere to the specified dates may result in loss of funds. Applicants are encouraged to consult with the IB if in doubt whether their project duration is in line with regulations.

3.4 Project Location

3.4.1 Location Address
The applicant is also required to state whether the project being proposed will be implemented in the same location address outlined in Section 1.1 of the Application Form. Should the project be implemented in another location address, it must be outlined in this section of the Application Form. It is very important to give the location address where the project will be implemented as site checks will be conducted prior and during the implementation of the project.

3.4.2 Ownership of Project Location
Information on the project location is necessary to ensure that the applicant has jurisdiction to implement the proposed project in that site, thus ensuring the right to implement the interventions proposed in the Application Form. The applicant must indicate if he/she is the owner of the establishment. If he/she is the owner, the applicant must mark NO in the Application Form, and submit the proof of ownership with the application form. Applicants are to provide a signed declaration by a notary ascertaining full ownership of immovable property based on searches conducted by the notary.

If the project is to be implemented in a site which is leased or under a management contract or guardianship deed, the applicant must mark YES in the Application Form and is to provide evidence of this by submitting an authentic copy of the leasing contract and/or agreement, and provide a letter affirming the consent of the owner of the property that such a project can take place on the site.
In the case of part ownership of the project location, the applicant is required to submit the declaration from the notary confirming part ownership together with a letter of consent from the other owner.

### 3.5 Heritage Sites

Proposed project interventions that have any impact on a heritage site or heritage artefacts would require the endorsement of MEPA and the Superintendence for Cultural Heritage (SCH) respectively.

In the case of restoration or conservation of Artefacts, the consent given by SCH is dependent on documentation that must be submitted to their offices prior to the submission of the Grant Scheme Application Form. The documents include the following:

- Information on the Restorer to be utilised
- Status report
- Methodology
- Budget

These documents, signed and stamped by SCH, together with the written consent must be attached to the Scheme Application Form.

Projects that involve restoration or conservation of a Heritage Site would require a MEPA permit since MEPA is the final authority with regards to infrastructural works. In this case, the consent from SCH will not be required since MEPA consult SCH prior to the issue of the permit. However, a copy of the MEPA permit and all related documentation must be submitted with the Application Form.

**Applicants are encouraged to consult with the Superintendence for Cultural Heritage as early as possible in order to ensure timely acquisition of the documents.**
3.6 Project Interventions

The project activities proposed must fall under one or more of the specified intervention areas. Applicants for the Scheme will have to identify the intervention area/s of their project in the Application Form.

The areas of eligible interventions are the following:

- Product Upgrade and Investment in Equipment
- Investment in Environmentally Friendly Measures
- Investment in Information Communication Technology
- Investment in Entrepreneurship
- Investment in Marketing

3.6.1 Project Manager

The applicant should highlight whether they will be using the funds to commission an external Project Manager for the implementation of the project. This intervention is only eligible for small and medium sized applications. Project management costs may amount to a maximum of 5% of the total project eligible costs.
3.7 Description of Project Interventions

The applicant is required to give information with regards to the following in this section of the Application Form.

1 – The applicant should provide a list and an explanation of the project activities that will be implemented under any one of the intervention areas, explained in further detail below.

2 – The applicant is also required to outline the selected supplier together with the relevant quoted price as well as the respective details for the other two quotations, as submitted in Annex 3 of the Application Form.

3.7.1 Product Upgrade and Investment in Equipment

Objective of the Intervention:
To promote the development of the tourism sector through the channelling of private investment towards the upgrading of the tourism product and the investment in equipment. This intervention area will help at achieving a quality leap in terms of the tourism product by ensuring the absorption of new technology, stimulate research and develop technological applications in the industry. The final aim is to enhance the overall competitiveness of the sector.

Intervention Description:
This intervention area is intended to encourage the enhancement of the Maltese Islands’ tourism product. Product Upgrade is vital for the increased competitiveness of tourism which makes Malta’s tourism offer more attractive and provides better value for money. The intervention area also ensures the enhancement of the product offer. Projects should aim at improving the tourism infrastructure available by enhancing the operating spaces of tourism enterprises. This intervention will seek to support investment in quality tourism products so as to further enhance competition in the local tourism sector and on an international scale.

Activities related to the purchase of equipment are also financed through this intervention area. However, all equipment outlined in the Application Form must show
direct relativity to the project being proposed and to product upgrade in relation to the enhancement of tourism. The applicant must show that the equipment is a direct requirement of the project and that the enterprise can enhance its areas of operation with the purchase of such equipment. For the purpose of the scheme, the purchase of laptops and personal computers will not be an eligible cost.

**Indicative Activities:**
Eligible activities primarily include projects aimed at product upgrade which may include the following activities:

- Physical Upgrading Activities which aim at enhancing the enterprise product.
- Purchase of equipment which will ensure an enhanced product offer.
- Development of the tourism product so as to increase the quality of the product.

### 3.7.2 Investment in Environmentally Friendly Measures

**Objective of the Intervention:**

*To promote the use of environmentally-friendly measures within the development of tourism products, services and enterprises to ensure the development of sustainable tourism.*

**Intervention Description:**

This intervention focuses on co-financing environmentally friendly processes which aim at reducing the harmful effect that the enterprise may have on the environment. It also aims at developing a positive approach to the environment. Tourism projects that are primarily aimed at environmental improvement but involve activities which will also result in energy efficiency will be funded by this scheme. This intervention area will include any form of environmental investment except those projects aimed mainly at energy efficiency and/or renewable energy because that would fall under other schemes managed Malta Enterprise.
**Indicative Activities:**
Eligible activities primarily include projects aimed at improving the environmental performance of eligible tourism products and services and may include the following areas of activities:

- Activities leading to EMAS or eco-certification.
- The implementation of responsible tourism, where both the locals and the guests gain from each other and thus promoting a sustainable type of tourism.
- Air and noise pollution prevention.
- All activities related to enhanced waste and water management systems.
- Activities related to environmentally related Corporate Social Responsibility (CSR)
- Building management systems in accommodation establishments

**3.7.3 Investment in Information and Communication Technology**

**Objective of the Intervention:**
*To stimulate the use of ICT in enterprises so as to increase competitiveness, innovation and efficiency within the enterprise’s operations, products and services.*

**Intervention Description:**
The ICT sector is critical to Europe’s future, a driver of productivity and improved service quality. This intervention area focuses on co-financing the further development of the use of ICT tools within enterprises and its day-to-day operations, thus increasing the competitiveness of enterprises whilst meeting the objectives of the Lisbon Strategy. Investment in ICT will help increase the effectiveness and efficiency of the enterprise. The use of innovative methods of operation is encouraged.

**Indicative Activities:**
The following activities are eligible under this intervention area:

- The purchase of ICT tools which enhance tourism products and services.
- ICT tools which are created specifically for the enterprise.
- The implementation of innovative ICT tools which will help the development of innovation in the sector.
3.7.4 **Investment in Entrepreneurship**

**Objective of the Intervention:**
*To diversify the tourism sector by aiding enterprises with project ideas in their early stages of development so as to enhance the economic development of the sector and impact on the tourism policy.*

**Intervention Description:**
Entrepreneurship is vital to ensure a healthy business society. This intervention area specifically relates to the development of new project ideas in the area of tourism. This intervention area will co-finance the launching phase of these projects so as to ensure that the idea is developed into a new tourism product. This intervention may be particularly interesting to start-ups and networks. Nevertheless, established enterprises interested in diversifying their product are also encouraged to apply. This intervention area also covers investment in revalorising properties through conversions of existing properties of historical or architectural value into small-scale accommodation establishments, restaurants and attractions. In this case only, whilst the applicant must have submitted a MEPA application, it is not obligatory to have an operating licence at application stage if the establishment is still not in operation. The beneficiary will need to obtain an operating licence by closure of the scheme. Preference will be given to properties located in the Grand Harbour area (including Valletta, the Three Cities) and in the older villages and towns in Malta and Gozo and which offer tourists a more enriching and authentic experience.

**Indicative Activities:**
The eligible activities applicable under this intervention area may include the following:
- Investment in research activities to identify ways of adapting sustainable tourism practices in an enterprise’s operations, its products and its services.
- Investment in studies directly relating to the innovative development of the tourism products and services available or new products/services.
- Studies focusing on ways of how to address the seasonality issue, given its importance as highlighted in the Tourism Policy.
- Design of new product/project ideas for the Maltese Islands.
- Conversion of existing properties of historical or architectural value into accommodation establishments or tourist attractions.
3.7.5 Investment in Marketing

Objective of the Intervention:
To increase the economic contribution of the tourism industry through the channelling of investment towards various marketing interventions.

Intervention Description:
Marketing is one of the important functions for all tourism enterprises to encourage tourists to use the products and services offered. This intervention area will co-finance activities which increase the awareness of tourism products and services in the Maltese Islands. Costs related to travel are classified as ineligible, since they are considered operational costs by the State Aid exemption regulating this scheme. Applicants are encouraged to make use of innovative methods of marketing.

Indicative Activities:
The following outline a number of activities eligible for financing:

- Overseas large scale marketing campaigns
- The creation of a long term marketing strategy
- The implementation of an existing marketing strategy, excluding fairs and sales trips. (A copy of the strategy must be submitted with the Application Form)
- Website development including eBusiness activities
- Interface between traditional and new forms of marketing e.g.: mobile phones, PDA, IPod, etc
- Activities which provide a platform for local crafts to promote traditional initiatives
- Design costs related to Advertisements and Promotional Material
- Production of Audiovisual Material and promotional tools designed to target potential tourists

[Marketing activities directed towards domestic tourism may be included within activities relating to overseas tourism]
3.7.6 Project Manager

Small and medium sized applicants may choose to appoint an external Project Manager in order to assist the enterprises throughout the project implementation. The selected supplier must correlate with the details outlined in Section 1.4 of the Application Form. The project manager is the person responsible for the project throughout its implementation. Hence, the project manager must be aware of all the issues related to the project and must be available for any clarifications from the IB during the project’s evaluation and implementation. Applicants will be eligible to finance up to 5% of the total eligible costs through the scheme. The quotations must include specific details of the works to be carried out and the hours dedicated to the project. Upon submission of receipts, beneficiaries will also be required to submit a detailed report outlining the work conducted for each respective receipt.

3.8 Project Timeline

In this section the applicant must show a detailed timeline identifying the different phases of the project. The applicant is required to divide the implementation of activities into phases. Therefore the quarter and year (e.g. Quarter 3: 2011) for each activity will have to be given for the following two milestones:

- Implementation of activity (when the activity is carried out)
- The submission of receipt and claim for reimbursement to the project team (when the receipt is handed in to the IB)

It is suggested that in the case of the latter date (submission of receipt), the applicant allows a minimum of 3 months time span between when the activity is implemented and when the receipts are submitted. However, this is left to the discretion of the applicant. It is suggested that the applicant takes into consideration potential delays when planning the timeline.

The project timeline is a crucial factor in the evaluation of the project. It will impact on particular evaluation criteria, as identified in Part 3 of the Guidance Notes, and on the implementation of the project, as identified in Part 4 of the Guidance Notes. Failure to adhere to the stated timeline may result in loss of funds. Since it is strongly advised that
the project implementation should adhere to the timelines stated, the applicant is advised to take changes in suppliers and delivery delays into consideration whilst planning the project timeline as these may affect the timely completion of the project.

3.9 Commitment to the Project

The applicant may have undertaken preparatory work whilst developing the proposal for financing under the scheme. This will be used as an indicator to identify further the applicant’s commitment to the project proposed. Such preparatory work may include preliminary studies and/or professional fees resulting in specialised consultative studies related to the project design. Consultancy fees for assistance in filling in the Application Form as well as MEPA permit fees are however not considered indicative commitment to the project and will not be considered during the Evaluation.

So as to ensure proof of the preparatory work done the applicant should outline the costs in the table provided in the Application Form. The applicant is also expected to attach the original receipts as well as a copy of the preparatory work done to the Application Form.
Section 4 – Strategic Priorities

The holistic project described in Section 3.2 of the Application Form as well as the applicant enterprise are expected to impact on a number of Strategic Priorities. The applicant is advised to adopt a holistic and forward looking approach to the Strategic Priorities. Therefore ineligible costs incurred by the applicant that relate to the project should be considered within the Strategic Priorities. Applicants should be able to proof the validity of the positive impacts stated in the Application Form with regard to the Strategic Priorities during the On The Spot (OTS) visits carried out by the IB, otherwise this may lead to a revision in the beneficiary’s scoring which may eventually lead to cancellation of project funding.

4.1 The Horizontal Priorities

The Horizontal Priorities are the cross-cutting themes that ensure the applicant aims to impact on as a result of the project outlined in the application form submitted. They are areas which lie at the core of all projects co-funded by the Structural Funds and ensure that the projects are linked to national policies and priorities as well as EU policies and priorities. They therefore ensure that the funding used in the Scheme is given to projects with the central aim of improving the tourism sector and not restricted to the limited needs of the applicant. Scheme projects are therefore required to take the following two themes into consideration:

(a) Environmental Sustainability
(b) Equal Opportunity

The above themes are fundamental for a holistic, long-term and sustainable development of the economy. Projects should aim at targeting both horizontal themes through the enterprise’s practices as well as the scheme activities and as a result will have a better chance of getting funds through the scheme.
**Horizontal Priorities 1: Environment Sustainability**

**Impact**
For the purpose of the Grant Scheme, a project is deemed to have a significant environmental impact if its implementation has positive tangible consequences on any of the following areas:

- Carbon Neutrality (referring to reducing emissions and increasing energy efficiency)
- Climate Change Issues
- Water Usage
- Waste Disposal and Improved Waste Management Facilities
- Improved Air Quality
- Nature Protection
- Reduction of Noise pollution
- Minimise discharging into the sea
- Use of second class water
- Eco-labelling

The environmental sustainability of the projects is an important issue to be considered, as it not only safeguards the environment around us but will also impact on economic development.

**Application Form**

The applicant must show how the project positively affects environmental sustainability.

*Describe how your project will support sustainable development:*

(i) *Is Environmental Sustainability in Tourism tackled in your project? Describe how.*

(ii) *Does your project ensure the effective protection of the Maltese environment and the prudent use of water, energy, waste and other resources (biodiversity, landscaping etc), as well as improve waste management*
facilities, reduce emissions, reduce discharging to the sea and use of second class water?

(iii) How does your project increase the awareness of Environmental Sustainability of tourists and residents?
**Horizontal Priorities 2: Equal Opportunity**

**Impact**
For the purpose of the Grant Scheme, a project is deemed to have a significant impact on Equal Opportunity if its implementation has tangible consequences on the following areas:

- Creation/safeguarding employment for women;
- Addressing needs of families with children;
- Improved accessibility for employees and clients;
- Improved accessibility for persons with different needs;
- Implementation of an Equality audit;
- Protection and promotion of the employment of disadvantaged groups, which as per OPI include among others persons with disabilities, persons with mental health difficulties, migrants and asylum seekers, parents, educators, social workers, persons receiving benefits, labour force.
- Enhancement of the entity’s competitiveness.
- Commitment towards the attainment of the Equality Mark Certification.

**Application Form**

Describe how your project will support and promote equal opportunity in these areas:

1. How does your project ensure equal opportunity for men, women and disadvantaged groups?
2. How does the project propose to improve the accessibility of enterprise facilities?
3. What steps will be taken to prevent discrimination based on gender in terms of pay, working conditions, promotion opportunities, etc?
4.2 The Thematic Priorities

The Maltese tourism sector has a significant effect on the country’s GDP. The scheme was designed to give an impetus to private sector projects which would result in a positive economic, environmental and social impact. The intervention areas eligible for co-financing primarily aim at enhancing the tourism offer and ensuring that such an offer is marketed using the most effective tools on an international scale. It is therefore necessary that the projects proposed under the scheme are in line with the Tourism Policy for the Maltese Islands launched by the Government in 2006. This policy aims at further enhancing Malta’s competitiveness as a tourism destination.

The Scheme is built around a set of Thematic Priorities, in which a number of factors impacting the industry have been identified and each application will be evaluated on the basis of the following areas:

- Information and Communication Technology (ICT)
- Innovation
- Employment
- Compliance with National Tourism Policies

Projects submitted must show how the above mentioned areas are incorporated through the enterprise’s practices as well as the scheme activities.

**Thematic Priority 1: Impact on Information and Communication Technology**

**Impact**

For the purpose of the Grant Scheme, a project is deemed to have a significant impact on Information and Communication Technology if its implementation has tangible positive consequences on any of the following areas:

- Transfer of new (ICT) technologies to business
- Upgrading environmental performance through technology
- Product/process **innovation** through technology
- Product/process **improvement** through technology
Application Form

The following questions will guide the applicant on how the project relates to areas of ICT:

(i) How are information and communication technologies used in the implementation of the project proposed?

(ii) Does the project invest in new information and communication technologies which will enhance the tourism products and services offered by the enterprise?

(iii) What are the expected benefits and outcomes of using the information and communication technologies identified in questions i) and ii) above?

Thematic Priority 2: Impact on Innovation

Impact

For the purposes of the scheme, projects co-financed by the Structural Funds are required to have a significant impact on innovation. The EU aims at becoming a vibrant and knowledge-based economy through enhanced investment in innovation and entrepreneurship. Project implementation should have positive results in the following areas, directly or indirectly related to this thematic issue:

- Research for new products and services
- Improvement in the efficiency of enterprises
- Further cooperation between enterprises (i.e. business to business) and entities (i.e. business to non-business)
- Enhancement of innovation in various aspects of enterprise operations including access to new technologies and management processes
**Application Form**

In the Application Form the applicant is expected to show how the project affects innovation.

*Describe how your project will support Innovation through the following questions:*

1. *Does your project show an investment in innovative products and practices which aim at enhancing the competitiveness of the enterprise?*
2. *How does your project enhance enterprise efficiency?*
3. *Does your project invest in Innovative ways of conducting business, like innovative processes?*


**Thematic Priority 3: Impact on Employment Issues**

**Impact**

Given the importance of employment at a national level and at European level, it has been included as a thematic priority for the purposes of the scheme. The project aims at having a positive direct and indirect effect on employment. Therefore the project’s implementation activities would impact on the following areas, despite not utilising a fund which is directly focused on developing further employment (European Social Fund):

- Ensuring activities which allow job retention and create new employment possibilities and opportunities
- The creation of specialisation within enterprises so as to increase the specialised skills force
- Enhance the quality of employment
Increase flexibility of employment

**Application Form**

The applicant is expected to show how the project impacts on employment by answering the following questions.

(i) *Does your project stimulate new full-time and part-time employment as a result of the activities planned? Show how.*

(ii) *Show how the project proposal ensures and promotes quality employment (flexible hours, child minding, etc)*

(iii) *How will the project ensure job retention?*

**Thematic Priority 4: Compliance with the National Tourism Policy**

**Impact**

To ensure compliance with national priorities, the Grant Scheme Application Forms submitted are required to relate to the Tourism Policy for the Maltese Islands issued by the Government.

The following are some of the aims outlined in Malta’s tourism policy:

- To manage tourism in Malta and Gozo on the principles of sustainable development
- To increase tourism earnings and tourism value added
- To sustain existing jobs and create more and better jobs
- To achieve a fair distribution of income
- To increase our competitive advantage
- To capitalise on the unique characteristics of Gozo
- To increase accessibility to and from Malta
- To benefit from e-business in tourism
- To maximise on Malta’s membership of the European Union
Applications are expected to show how the project will impact the objective of reducing seasonality. Tourism in the Maltese Islands is in its nature seasonal, however so as to ensure sustainability, applicants are required to give particular attention to this aspect of the Tourism Policy.

The Tourism Policy seeks to address other issues relating to competitiveness, sustainability and macroeconomic matters. Applicants need to show how their project will comply with Malta’s tourism policy, particularly in relation to the following aspects:

- “Sustainability: developing tourism in a sustainable way to ensure an improved quality of life through the generation of economic benefits and the conservation and maintenance of environmental and socio-cultural resources;

- Structural Reforms: our tourism industry in general needs to undergo a structural reform in order to assure quality assurance, innovation in our product and marketing strategies, an optimum mix of the different distribution channels;

- Product Offer and Destination Management: our product offer and destination management requires urgent upgrading. Tourist areas should be managed in an attractive manner while ensuring that we give the highest quality service;

- Employment, education, lifelong learning: we will invest in the people working in the industry through life-long learning and will work with relevant authorities in order to improve education in the tourism sector;

- Creating the right image and perception of our islands in overseas markets, improving Malta’s competitiveness and offering value for money.

- Addressing the seasonality issue.\(^{23}\)

\(^{23}\) Source: Tourism Policy for the Maltese Islands
Government Policy statements of specific tourism related issues may be issued. These can change the focus of the objectives and this might impact the objectives of the local Tourism Policy throughout the lifetime of schemes.

**Application Form**

Show how your project proposal targets the following points:

1. *How does the project address seasonality?*

2. *How does the project improve Malta’s competitiveness?*

3. *How does this project target sustainable tourism development in terms of:*
   - *economic benefits*
   - *the environment*
   - *socio-cultural resources*

4. *How does the project contribute to creating the right image and perception of the Maltese Islands in overseas markets?*
4.3 Project Indicators – What targets does the project seek to meet?

In this section applicants are required to identify the output, result and impact indicators towards which the project will contribute. Projects must be measured in terms of verifiable and measurable data.

It is imperative that the applicant inserts a realistic and measurable number for each indicator. The applicant must also provide a clear explanation of how the proposed targets have been calculated. All indicators are binding and contribute towards the eligibility and selection of the project. If they are not met, there may be the case of full or partial recovery of funds.

Applicants are to contribute to at least one output indicator, one result indicator and one impact indicator. For each of the indicators selected, a target value must be provided. The indicators chosen must be of relevance to the project.

**Output Indicators**

The output indicators require that the applicant quantifies the details of the project and the areas of tourism that the project aims to target.

- **Number of projects implemented by enterprises**
  A project consists of all the activities outlined in the Application Form.

- **Number of enterprises/organisation in the network**
  The number of enterprises/organisations participating in the project proposed by the network.

- **Number of SMEs**
  The number of small and medium sized enterprises submitting an application, refer Part 1 point 2.4.1 of this document

- **Number of intervention areas**
  The number of intervention areas being targeted in the project.
• Number of marketing measures to penetrate/develop new/established niche markets
Should the marketing intervention area be selected, the applicant should indicate the number of activities that will target niche markets.

• Number of tourism activities
The total number of activities implemented by the project.

• Number of activities to improve accessibility
The total number of activities that will result in improving accessibility of the enterprise.

• Number of activities related to environment sustainability
The total number of activities that will result in enhancing the environment.

• Number of ICT new technologies introduced in the organisation
The number of activities that will result in the use of new ICT technologies within the project.

• Number of product upgrades
The number of activities falling under the intervention area of product upgrade and investment in equipment.

• Number of new project ideas/number of start ups
Projects falling under the intervention area of investment in entrepreneurship.

**Result Indicator**
In the result indicators the applicant will be asked to produce measurable and quantifiable data which may require the use of a formula (where applicable). These indicators are:

• Number of enterprises adopting new products and processes
A new product and process refers to investment in a project which can either result from a start up enterprise or an existing enterprise diversifying into a new product or process.

- **Number of new full time employees**
The number of full time employees engaged as a result of the project.

- **Number of part time employees**
The number of part time employees engaged as a result of the project.

- **Number of online bookings/number of hits**
The number of bookings/number of hits as a result of the project.

- **Percentage change in tour operator business** (this can be calculated by using past figures the enterprise in order to forecast future results)
The change in the tour operator business envisaged 12 months following project completion in the enterprise. To calculate the above, the following formulae may be used:

\[
\text{Percentage change in Tour operator business} = \left( \frac{\text{amount of package tourists forecasted} - \text{Baseline amount of package tourists}}{\text{Total number of package tourists received}} \right) \times 100
\]

- **Share of tour operator business in relation to business/organisation**
The percentage share of tour operator business envisaged 12 months following project completion when compared to the total number of foreign visitors.

\[
\text{Share of tour operator business in relation to business/organisation} = \left( \frac{\text{package tourists}}{\text{total foreign visitors}} \right) \times 100
\]
• Percentage increase in the independent traveller
The percentage increase of the independent traveller (non package tourists) envisaged 12 months following project closure. The formula to be used is the same as that used for percentage change in tour operator business.

• Share of independent traveller in relation to business/organisation
The percentage share of independent traveller envisaged 12 months following project completion when compared to the total number of foreign visitors. The formula to be used is the same as that used for the share of tour operator business.

• Ratio of tour operator to independent traveller
The ratio envisaged 12 months following project closure of package tourists to non package tourists.

\[
\text{Ratio of tour operator to independent traveller} = \text{package tourists : non package tourists}
\]

**Impact Indicators**
The project must contribute to at least one of the impact indicators. These indicators indicate what impact the project will have in the long term within their operation and should be achieved by closure of the scheme (2015).

• Number of direct jobs sustained or created (FTE: full time equivalent)
The number of jobs sustained and/or created as a direct or indirect result of the projects.

• Percentage increase of revenue/earnings from tourism (over the 2007-2015 period)
The percentage increase of revenue/earnings of the enterprise implementing a tourism project. The formula to be used is that given in the result indicator Percentage change in tour operator business.
• Percentage change in off-peak season (compared to the same season of the previous year)
The percentage change in tourism activity in the off-peak season when compared to the same season in the previous years. The formula to be used is that given in the result indicator Percentage change in tour operator business.

• Ratio of summer to off peak season
The ratio of foreign visitors envisaged between the summer season and the off peak season. The formula to be used is that given in the result indicator Ratio of tour operator to independent traveller.

Example:
In the following example Enterprise A, a small enterprise, is submitting one Application Form. The project proposal, the investment in a SPA centre for a three star hotel, will be targeting four of the intervention areas: product upgrade and investment in equipment, investment in ICT, investment in entrepreneurship and investment in marketing. As a result this project will be adopting a new product which will require the employment of two full time receptionists, three part time masseurs and a part time nutritionist. As a long term impact of this project, Enterprise A will be creating and sustaining four full time equivalent (FTE) jobs and will also see a percentage increase of foreign visitors during the off peak season. Following this example the data inserted in the Application Form (Point 3.3) must be as follows:

<table>
<thead>
<tr>
<th>Output Indicators</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects implemented by enterprises (per application)</td>
<td>1</td>
</tr>
<tr>
<td>Number of enterprises (networks)</td>
<td></td>
</tr>
<tr>
<td>Number of SMEs</td>
<td>1</td>
</tr>
<tr>
<td>Number of intervention areas</td>
<td>4</td>
</tr>
<tr>
<td>Number of marketing measures to penetrate/develop new/established niche markets</td>
<td>1</td>
</tr>
<tr>
<td>Number of tourism activities</td>
<td>4</td>
</tr>
<tr>
<td>Number of activities to improve accessibility</td>
<td></td>
</tr>
<tr>
<td>Number of activities related to environment sustainability</td>
<td></td>
</tr>
<tr>
<td>Number of new ICT technologies introduced in the organisation</td>
<td>1</td>
</tr>
<tr>
<td>Number of product upgrades</td>
<td>1</td>
</tr>
<tr>
<td>Number of new project ideas/number of start ups</td>
<td>1</td>
</tr>
</tbody>
</table>
### Result Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises adopting new products and processes</td>
<td>1</td>
</tr>
<tr>
<td>Number of new full time employees</td>
<td>2</td>
</tr>
<tr>
<td>Number of part time employees</td>
<td>4</td>
</tr>
<tr>
<td>Number of online bookings/number of hits</td>
<td></td>
</tr>
<tr>
<td>Percentage change in tour operator business</td>
<td></td>
</tr>
<tr>
<td>Share of tour operator business in relation to business/organisation</td>
<td></td>
</tr>
<tr>
<td>Percentage increase in the independent traveller</td>
<td></td>
</tr>
<tr>
<td>Share of independent traveller in relation to business/organisation</td>
<td></td>
</tr>
<tr>
<td>Ratio of tour operator to independent traveller</td>
<td></td>
</tr>
</tbody>
</table>

### Impact Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of direct jobs sustained or created (FTE: full time equivalent)</td>
<td>4FTE</td>
</tr>
<tr>
<td>Percentage increase of revenue/earnings from tourism (over the 2007-2013 period)</td>
<td></td>
</tr>
<tr>
<td>Percentage change in off-peak season (compared to the same season of the previous year)</td>
<td></td>
</tr>
<tr>
<td>Ratio of foreign visitors in summer season to off peak season</td>
<td></td>
</tr>
</tbody>
</table>
Section 5 - Project Budget

5.1 Eligible Costs

As identified in Part 1 of these Guidance Notes, only eligible costs will be co-financed through the scheme. The scheme will consider all activities falling within the five eligible intervention areas identified in the Application Form as eligible. All costs listed in the Application Form must be exclusive of VAT. The VAT amount will be listed separately in this section as indicated in the Application Form. The VAT rate must reflect that identified in the selected quotation. The total Eligible cost for each activity must be outlined. In the case of Intervention areas with a number of activities, the cost for each activity must be clearly outlined in the budget. The Final Eligible Cost would be calculated for the whole of the project. The costs identified must be broken down and the cost of the activity identified must correlate with the value of the selected quotations as per Annex 3, explained further on in these Guidance Notes. The format of the quotations is further specified in Part 4 of these Guidance Notes.

Please note that the amount entered in the Application Form is the Total Eligible cost, meaning that it consists of the public and private co-financing. The value to be reimbursed will be calculated by the IB and defined in the Agreement signed by the Beneficiary and the IB according to the size of the Beneficiary Enterprise. VAT must be financed by the Beneficiary at all times.

5.2 Project financing

Applicants are to indicate how the project will be co-financed. All applicants are required to provide a letter proving the availability of finances for the whole project, which letter must be prepared by a certified auditor. In the case the applicant will be sourcing a loan for the project, a copy of the sanction letter from the bank must also be attached to the application form. This sanction letter must certify that the bank has approved the funds for the project. Should there be no use of a loan the applicant should select the box ‘Funding from own resources’ in Point 5.2 of the application form.
Section 6 – Supporting Documents

The applicant is encouraged to meet with the IB prior to submission to ensure complete submission.

6.1 Checklist of Documents

Complete submission means that the Application Form together with all the necessary supporting documents are submitted by the deadline stipulated. The following is a checklist of supporting documents required with the application.

- Enterprise/ Association Declaration form (Annex 1) – obligatory
- Declaration of State Aid received (Annex 2) – obligatory for all applicants.
- Declaration of quotations (Annex 3) together with the ‘written requests for quotations’ and copies of quotations – obligatory and required for each set of quotations.
- Signed and Certified Audited Accounts – obligatory for all enterprises. This includes sole Traders, despite alternative legal obligations. If an enterprise is a start-up in operation for less than 2 years, projected Net Assets are required. These have to be signed by a certified auditor\textsuperscript{24}. In case of networks the audited accounts of all the organisations, unless they fall into the category of start-ups outlined above, are required. In case of group of companies, the audited accounts for each subsidiary are required.
- Signed and stamped letter from a certified auditor\textsuperscript{25} confirming financing of the whole value of the project – obligatory
- Bank Sanction Letter - in case of use of Bank Loan
- VAT Certificate – obligatory
- ETC Employer’s Employees Lists (latest online version accepted) dated November/December 2010 – obligatory. Should the enterprise be linked to other enterprises (having 25% or more shareholding), the applicant should also attach the ETC Employer’s Employees Lists of the linked enterprises. Should the

\textsuperscript{24} Certified Auditor refers to someone independent of the enterprise

\textsuperscript{25} Same as above.
enterprise employ no employees, an official letter from ETC should be submitted where possible.

- List indicating the number of hours worked by part-time, seasonal or contract employees on a yearly basis.
- License – obligatory for business entities. The licence must be valid for the period in which the applicant is submitting the application form.
- Statute (obligatory for Associations/NGOs)
- Proof of Ownership – obligatory. Enterprises owning their own premises should submit the proof of ownership.
- Declaration from a notary.
- Owner’s consent – where applicable
- Proof/evidence of building lease/management agreement/guardianship deed – where applicable
- MEPA Application (clearly indicating the PA number) – where applicable
- MEPA Permit – where applicable
- Letter from Superintendence of Cultural Heritage – where applicable
- Network agreement – where applicable
- Breakdown of budget per organisation in a network – obligatory for projects submitted by networks
- Copy of preparatory studies and respective receipts – where applicable
- State Aid correspondence where applicable (in the case of associations)

Failure to submit any of the obligatory supporting documents may result in the applicant not being eligible for funding. In the case where the applicant gives justification for failure to submit any obligatory documentation, the decision to accept the applicant’s claim or otherwise is at the discretion of the Evaluation and Decisions Committee. The IB will not be extending the deadline to allow for missing documentation, therefore applicants are urged to ensure that all the required documentation is present. The IB may request further clarifications from applicants on aspects of their Application Form throughout the evaluation process.
6.2 Submission/Certification

The original submission must be signed (in blue) by the signatory. The submission must be delivered by hand to the IB representative in an envelope with the name of the Scheme and the enterprise’s name.

Application must be type written and submitted by not later than the deadline specified in each call.

The applicant must submit the following:

1. an original (printed) copy of the Application Form signed by the signatory of the enterprise
2. 1 soft copy of the Application Form together with a scan of ALL the attachments

All signatures in the Grant Scheme Application Form (person outlined in Section 1.3) must be in blue ink.
Explanation of ANNEXES

Annex 1 – Enterprise/Association Declaration Form

The purpose of this annex is to determine the type of enterprise applying, as well as determining if the enterprise applying is autonomous, partner or linked. It is the applicant’s responsibility to fill in this declaration correctly as this may impact on the co-funding percentage.

Autonomous Enterprise:
An Autonomous Enterprise is a totally independent enterprise which has no or less than 25% shareholding/voting rights in another enterprise or vice-versa.

Partner Enterprise:
A Partner Enterprise is an enterprise which has equal shareholding/voting rights or shareholding/voting rights greater than 25% or vice versa.

For further information please refer to the European Commission publication on the following web address:
ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm

Linked Enterprise:
A Linked Enterprise is an enterprise which is linked to 2 or more other enterprises in the following ways:

- One enterprise holds majority shareholding rights in the other
- One enterprise is entitled to appoint or remove administration, management or supervisory bodies of the other
- A contract between the enterprises is established which enables one enterprise to exercise a dominant influence over the other
- An agreement between the enterprises is established which enable one enterprise to exercise sole control over a majority of shareholding/voting right in another.
Annex 2 – State Aid Declaration

DeMinimis is the State Aid Regime applicable to English Language Schools, Retail Outlets and other organisations ineligible under the Regional Aid Block Exemption. Projects implementing Marketing Activities also fall within this State Aid Regime. All applicants are required to fill in and submit this annex. Assistance given to these organisations must not result in the applicant receiving in excess of €200,000 in State Aid (including any public funding deriving from this or any other sources of the Structural or National Funds), for a rolling period of three years. So as to ensure that applicants remain within this bracket, the scheme will be providing a maximum of EU financing of €150,000.

Applicants should also highlight whether they applied for funds under another scheme even if these funds have not been approved yet. Applicants are required to specify the amount applied for in Euros as well as the Public Body granting the Aid.

Annex 3 – Declaration of Selected Quotation

Applicants must submit three quotations from three different suppliers for each activity for which funding is requested from the scheme. Applicants are also required to submit the written request put forward to their suppliers prior to receiving the desired quotations. Applicants must ensure that quotes submitted are reflective of the specifications outlined in the request submitted, ensuring also that they are comparable. It is the applicant’s responsibility to ensure that the quotes submitted are comparable; if the quotes are not comparable, the activity will be removed from the project budget. Activities with less than three quotations may be considered ineligible by the Evaluation and Decisions Committee. The sets of quotations must be entered into Annex 3 of the Application Form. Reimbursement by the IB shall only be made on the cheapest of the 3 quotes. In the eventuality that the cheapest quote is not selected, the IB will fund up to the value of the cheapest quotation.

Annex 3 must be filled in for each activity/purchase

Therefore if an Application Form consists of six activities each activity must have a copy of Annex 3 filled in with three quotations per activity.
The quotations submitted for the purposes of the Grant Scheme for Tourism Enterprises should provide the following details:

- Applicant Enterprise Name (required)
- Applicant Enterprise VAT number (required)
- Date of Quotation (required)
- Date of Expiry of Quotation (required)
- Name of Supplier (required)
- Supplier VAT number (required)
- Description of Items included in quotation
- Unit cost per item in quotation
- VAT percentage
- Total cost of quotation (required)
- Signature of representative of supplier

In the case of quotations submitted for equipment, the applicant must also attach the specifications of the equipment together with the quotations. Should the specifications not be submitted, the quotations for that item will not be considered eligible.

The three quotations submitted must be comparable. This therefore means that the specifications must be as similar as possible, even though processes may differ. This will ensure that a market value for the item to be acquired is established. Should a quotation differ significantly in its specifications, it is at the discretion of the EDC whether to consider or otherwise the documentation submitted. Applicants are required to select the cheapest offer. In the eventuality that the cheapest quote is not selected, the IB will fund up to the value of the cheapest quotation. Requests for quotations should specify the goods/services’ specifications as required by the applicant. For example requesting the provision of quotation related to LCD televisions with specific dimensions and offering specific outputs.
Annex 4 – Notarial Declaration of Ownership

In the case of properties owned by the applicant, this annex must be filled in and signed by the applicant’s notary confirming full ownership of the property.

In the case of partial ownership, the applicant is required to submit consent from the part owner in relation to the implementation of the project.
Part 3 – Overview of the Evaluation Process

Introduction

<table>
<thead>
<tr>
<th>ERDF/CF Project Selection Criteria</th>
<th>Eligibility Criteria</th>
<th>Selection Criteria</th>
<th>Preliminary Evaluation</th>
<th>Strategic Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete Submission</td>
<td>Yes/No</td>
<td>Eligibility</td>
<td>Risk Appraisal</td>
<td></td>
</tr>
<tr>
<td>Fits in with one or more of the intervention areas</td>
<td>Yes/No</td>
<td>Extent of Need for Support</td>
<td>Number of Eligible Intervention Areas implemented in the project</td>
<td></td>
</tr>
<tr>
<td>Compliance Issues</td>
<td>Yes/No</td>
<td>Thematic Priorities</td>
<td>Horizontal Priorities</td>
<td></td>
</tr>
<tr>
<td>Within State Aid Regime</td>
<td>Yes/No</td>
<td>Thematic Priorities</td>
<td>Total Marks</td>
<td></td>
</tr>
<tr>
<td>Eligible Applicant</td>
<td>Yes/No</td>
<td>Thematic Priorities</td>
<td>Ranking</td>
<td></td>
</tr>
<tr>
<td>Project Implemented within eligible period</td>
<td>Yes/No</td>
<td>Thematic Priorities</td>
<td>Total Marks</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Applications will be evaluated on the Eligibility and Selection Criteria which have been approved by the Monitoring Committee for the Structural funds 2007-2013. The Eligibility table presents an overview of the eligibility and selection criteria and the maximum amount of points per criterion.

The Evaluation Procedure consists of 3 phases:

1. Eligibility Criteria
2. Preliminary Evaluation
3. Strategic Evaluation
The Eligibility and the Preliminary Evaluation will be conducted by the Evaluation and Decisions Committee, aided by the Scheme's Secretariat.

Application Forms must pass the Eligibility Evaluation for them to proceed to the next phases of the evaluation. Those applications which are ineligible will be notified as soon as the Eligibility Evaluation for all the application forms received under the call have been finalised. Applicants will be given reasons for their ineligibility. The Preliminary Evaluation will be carried out on all those applications that pass the Eligibility Evaluation.

The Strategic Evaluation will follow and be carried out by a Technical Committee of evaluators on those projects that pass the Preliminary Evaluation.

The Preliminary Evaluation carries a total of 35% whilst the Strategic Evaluation carries a total of 65%.

For the project to be successful the project must attain a minimum of:

- 15% in the preliminary evaluation and a minimum of 35% pass mark in the strategic evaluation.
- Overall the project must achieve a pass mark of 50%.

The marks of the Preliminary and of the Strategic Evaluation will be added up. The applications will be ranked on the basis of the total mark. Applications which do not obtain the relevant pass marks applicable under both the phases of evaluation will not be approved for funding. Funding will be provided to the higher ranking applications until all the funds available under the relevant call have been committed. Unsuccessful applications will have the possibility to appeal.
3.1 Eligibility Criteria

Eligibility criteria are a form of gateway assessment, which ensures that all application forms have reached the minimum standard required for entry into the scheme. Projects which do not comply with the specified eligibility criteria will not proceed for further appraisal and scoring. The project must fulfil the following criteria to be eligible for further assessment:

a) **Complete Submission** - The applicant must present a complete Application Form, filled in with all the relevant details and documentation, including complete annexes and proof of co-financing. No outline applications or incomplete applications shall be considered. All maps, diagrams and drawings should be of good quality and provide clear information that can be readily understood by those who are not familiar with the project. A site plan for physical works will also be submitted where applicable. Applications which are submitted with missing supporting documents will be disqualified with an option to reapply in the next call/round of applications.

b) **Fits in with one or more of the intervention areas** - The proposed project must directly address one or more of the focus areas of intervention. The guidance notes for applicants identify and describe the areas of intervention for the scheme.

c) **Pending issues** - Pending issues shall strictly refer to issues that fall within the competence and remit of IB (TSDU) and the MTA. The project team will check the applicants for any pending issues as of the date of application. If the organization applying for the grant has any pending issues which have not been resolved by the date of submission of the application (e.g. such as enforcement notices, pending legal issues, MTA licenses and contribution), it will not be eligible for funding.

d) **Compliance Issues** - Project proposals need to be compliant with the laws pertaining to the intervention being proposed for funding; therefore this would exclude funding project interventions that are compliant with the relevant law. Applicants must ensure that the scope of their project consists of an enhancement of laws which are in force. However if the legal notice/legislation in question has a transition period in which entities must comply with, interventions that promote compliance with that legal notice
may be considered eligible for financing provided they take place prior to expiry of the timeframes of the legal transition period.

e) **Within state aid regime** - The schemes must comply with the applicable state aid regime as explained in Part 1 Section 2.3 of these Guidance Notes. Applicants will also attach a complete and signed State Aid Declaration where required, outlined as Annex 2 to the Application Form.

f) **Eligible applicant** – The eligible applicants have been clearly delineated and described in this document (target beneficiaries). The basis for this delineation of target beneficiaries would be based on the economic sector, size and nature of operations of beneficiaries. Documentation confirming the applicants’ belonging to the eligible target group (e.g. trading license, SME declaration, date of establishment and statute in the case of associations) is requested at the application stage.

Applicants forming part of a group of companies will be evaluated in accordance with the principles of the SME Recommendation, through the Enterprise Declaration Form outlined as Annex 1 to the Application Form. Once the applicant is eligible, each individual applicant, irrespective of whether it forms part of a group, may apply under the same scheme, providing it adheres to State Aid requirements.

g) **Project implemented within eligible period** - Any costs incurred by the beneficiaries prior to the issue of the Grant Agreement (acceptance to finance the project) from the IB shall not be eligible. Any exceptions to this rule have been outlined in Part 2 of these Guidance Notes. This time period must be taken into consideration by the applicant when planning the activity implementation dates and the receipt submission dates.
3.2 Preliminary Evaluation

The Preliminary Evaluation is the second phase of the evaluation process, it carries a 35% weighting and is made up of the following stages.

a) Risk Appraisal - 20%
b) Extent of Need for Support - 10%
c) Number of Eligible Intervention Areas Implemented in the Project - 5%

Applicants must achieve a pass mark of 15% to be successful in this part of the evaluation. Unsuccessful applicants will be informed following this phase of the evaluation.

3.2.1 Risk Appraisal

This criterion considers the overall level of risk that the project proposal is likely to carry, if funds are awarded. Risk will be assessed on the basis of the following sub-criteria:

1. Type/Age of the business (how long it has been established);

<table>
<thead>
<tr>
<th>Type/Age of Organisation – 5%</th>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established 0 - 2 years</td>
<td>1</td>
</tr>
<tr>
<td>Established 2 - 5 years</td>
<td>3</td>
</tr>
<tr>
<td>Established for over 5 years</td>
<td>5</td>
</tr>
</tbody>
</table>

2. Whether the project is time critical (longer projects may carry more risk);

<table>
<thead>
<tr>
<th>Time Critical - 5%</th>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td>24 months + project duration</td>
<td>1</td>
</tr>
<tr>
<td>12 - 24 months project duration</td>
<td>3</td>
</tr>
<tr>
<td>0 – 12 months project duration</td>
<td>5</td>
</tr>
</tbody>
</table>
Note: project duration refers to the time between the commencement of the project and the submission of the last receipt. Should applicants indicate that a project duration is between Month A 2010 and Month A 2011, applicants should indicate whether both commencement and concluding months are inclusive.

3. Ratio of total project value to net assets of the undertaking (this shows the level of financial risk);

<table>
<thead>
<tr>
<th>Project Investment costs vis-à-vis applicant’s/organisation’s net assets - 5%</th>
<th>% of project investment costs vis-à-vis net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>more than 10%</td>
<td>1</td>
</tr>
<tr>
<td>5% - 10% inclusive</td>
<td>3</td>
</tr>
<tr>
<td>Less than 5%</td>
<td>5</td>
</tr>
</tbody>
</table>

4. Level of commitment (to determine the level of preparatory work that has been invested in designing the project);

5. Capacity of applicant to implement the project (to identify whether the applicant has identified project management and financial structure and additional support for implementation);

<table>
<thead>
<tr>
<th>Commitment &amp; capacity to implement - 5%</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No background reports related to project</td>
<td>0</td>
</tr>
<tr>
<td>Background report/s presented</td>
<td>2</td>
</tr>
<tr>
<td>Allocated responsibility for project management and financial reporting and appointed project manager and accountant</td>
<td>+1</td>
</tr>
<tr>
<td>Additional support responsible for implementation of project (besides accountant &amp; PM)</td>
<td>+2</td>
</tr>
</tbody>
</table>
3.2.2 Extent of need for support

Evaluation under this criterion is based on the size of the applicants, degree of networking (i.e. whether the project involves collaboration amongst several organisations) and in the case of an enterprise whether the applicant is a start-up.

<table>
<thead>
<tr>
<th>Need for Support - 10%</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro and Small &amp; Self Employed (fewer than 50 AWU employees)</td>
<td>7</td>
</tr>
<tr>
<td>Medium (more than 50FTE inclusive but below 250 AWU employees)</td>
<td>5</td>
</tr>
<tr>
<td>Large (250 AWU employees plus)</td>
<td>3</td>
</tr>
<tr>
<td>Forms part of a Network or start-up</td>
<td>+3</td>
</tr>
</tbody>
</table>

3.2.3 Number of Eligible Intervention Areas Implemented in the project

Marks will be awarded to projects which are more holistic in nature; this means involving more than one of the intervention areas as outlined in Part 2 of these Guidance Notes.

<table>
<thead>
<tr>
<th>Number of eligible intervention areas implemented in the project - 5%</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>One intervention in line with guidelines</td>
<td>1</td>
</tr>
<tr>
<td>Two interventions in line with guidelines</td>
<td>2</td>
</tr>
<tr>
<td>Three interventions in line with guidelines</td>
<td>3</td>
</tr>
<tr>
<td>Four interventions in line with guidelines</td>
<td>4</td>
</tr>
<tr>
<td>Five Interventions in line with guidelines</td>
<td>5</td>
</tr>
</tbody>
</table>

3.3 Strategic Evaluation

The third and final stage of the evaluation procedure has a weighting of 65%, which is divided between the Horizontal Priorities and the Thematic Priorities, with a pass mark of 35%.
3.3.1 Horizontal priorities 10%

The Horizontal Priorities of Environmental Sustainability and Equality have a weighting of 5% each in the evaluation process. Projects should contribute to both horizontal priorities to achieve maximum marks in both areas. Potential aspects under sustainability may include addressing issues such as carbon neutrality and climate change issues, water usage and waste disposal, air quality, reduction of noise pollution and nature protection; whilst potential aspects of equality may include the involvement of disadvantaged groups in the project; increased participation of females, ensuring accessibility for all and family friendly measures. Further information on each Horizontal Priority is outlined in Part 2 of these Guidance Notes.

3.3.2 Thematic priorities 55%

Project proposals must show how the Thematic Priorities discussed in further detail in Part 2 are taken into consideration in the project and will be evaluated in the following way, ICT 5%, Innovation 10%, Employment 10% & Compliance with National Tourism Policy 30%. The latter priority is further subdivided as follows:

- Seasonality – 10%
- Structural Reforms, Product Offer, Employment and Marketing – 20%

3.4 Appeals Procedure

The applicant will have the possibility of appealing in the case of unsuccessful proposals following each phase of the evaluation. Once the evaluation process is concluded, the IB will issue a preliminary ranking of the successful enterprises. On publication of this list a letter showing the result of the evaluation will be sent to each applicant. This letter will identify how the project ranked and if the project may qualify for funding, pending the forthcoming appeals procedure.

Appeals must be received by the Secretary of the Appeals Board within 10 working days of receiving the letter stating that the Project Proposal identified in the Application
Form was not successful in any of the three stages of evaluation. Appeals should be delivered **by hand** to the address below:

**Secretary to the Appeals Board**  
**Office of the Prime Minister**  
‘Auberge D’Italie’  
**Merchants Street**  
Valletta

The appeal from the applicant should include a detailed explanation supported by relevant documentation/testimonials as to why the applicant cannot accept the decision of the Selection and Evaluation Process. **Late appeals will not be considered in the procedure.**

On receipt of the appeals, the IB shall establish a committee to discuss the appeals submitted. The Appeals Committee will aim to deliver a decision within 10 days of receipt of Appeals. In the eventuality of a large number of appeals, the Committee may require additional time.

The Appeals procedure will follow every stage of the evaluation. All applicants will receive a letter identifying if their Application Form is eligible or otherwise at any of the three evaluation stages.
PART 4 – Conditionalities and Risks

This part of the Guidance Notes to the Application Form gives a brief overview of the Conditionalities and Risks undertaken by Beneficiaries (successful applicants). These and other points will be tackled in further detail in the Guidance Notes for Implementation.

4.1 Submission of updated Quotations / New Quotations

Quotations submitted at application stage are required to outline their date of expiry. During the implementation/evaluation process the applicant must resubmit a new quotation from the selected supplier should the original quotation expire. In the case of changes in supplier and changes in quote specifications, the beneficiary is required to resubmit three comparable quotations which demonstrate a snapshot of the market. The IB shall not accept quotes from suppliers that are directly linked to the project applicant. In the eventuality that the cheapest quote is not selected, the IB will fund up to the value of the cheapest quotation. The Guidance Notes for Implementation will cover a number of procedures where prior authorisation or approval from the IB must be sought.

4.2 Commencement of Projects

Applicants may choose to start their project prior to the conclusion of the evaluation procedure. This does not however mean that the funds requested will be allocated. There is no guarantee that the project will pass the evaluation and acquire the funds, therefore commencing prior to the signing of the Grant Agreement is done at the applicant’s own risk. In all cases, the IB will issue permission in writing to the applicant allowing works on the project to commence. In the case of infrastructural works and purchase of equipment applicants must wait for a site visit by the IB before the permission is issued.
4.3 Breach of the Agreement

On approval of the project, the Beneficiary will enter into an Agreement with the IB. This Agreement will bind the Beneficiary to carry out the project as approved. As outlined in the Guidance Notes to Project Implementation, a project is completed when the Beneficiary carries out 100% of the project activities approved with a minimum of 85% of the funds allocated. In accordance to the Structural Funds Regulations (Regulation (EC) No. 1083/2006) the Beneficiary is also required to keep the nature of the enterprise in operation for 5 years following the end of the project. All financed activities must also be retained in working condition for the 5 years. Equipment must be therefore replaced from private funds if necessary. In the latter case the serial numbers of the equipment purchased through the scheme must be kept to ensure proof of project completion.

In the case of networks, the above conditions apply to all the members of the network.

4.4 Retention of Documentation

It is imperative that all applicants create a project file in which they retain copies of the documentation submitted for evaluation. This is called a Project File for the purposes of the Scheme. The Project File must be kept at all times at the Project Location by the Beneficiaries throughout until the year 2020. The following documents must be kept by the applicant:

- A signed copy of the Application Form dated when the Application Form was submitted for evaluation
- Copies of all quotations submitted with the Application Form together with the signed annexes as presented for evaluation
- Copies of all appendices attached to the Application Form
- Original notification letters sent by the project team at various stages of the Application Form.

Once project implementation commences there will be a number of other documents that must be retained in the project file including:
• Copies of new quotations submitted together with any approvals / addenda of changes sent by the IB
• Copies of receipts submitted
• Guarantees for equipment purchased through the scheme
• Yearly audited accounts
• Yearly copies of licenses where necessary
• Official communications sent by the project team throughout the implementation of the project

The Project File is explained in detail in the Guidance Notes to Project Implementation. This file must be available at all time for audits and checks. Ad hoc site visits by the IB, Line Ministry and MA officials and audits by auditors will be carried out both on the interventions as well as this documentation. **The Beneficiary will retain ultimate responsibility to ensure that the documentation is in the order specified in the Guidance Notes to Project Implementation. Failure to retain the documentation may have financial repercussions on the project.**

In the case of Networks a copy of the documentation must be retained at the offices of all enterprises members of the network.

### 4.5 Proof of Project Progress

So as to ensure that the work done throughout the project implementation is well documented, and also taking in regard audits carried out throughout the project, it is advisable that the Beneficiary keeps records of the development of the project through the use of photographs that can be retained in the project file. This will not only show the progress of the project, but show the difference between the start of the project implementation and the completed result.

### 4.6 Payment Process

Schemes financed by the EU Structural Funds follow a centralized payment process for the payment of activities approved by the Evaluation Procedure. These Guidance Notes give a brief introduction on how the payment process works. A more detailed explanation is given in the Guidance Notes to Project Implementation.
The applicant must ensure the retention of all original receipts for the activities financed by the scheme. These receipts must be from the same supplier as that of the approved quotation. The activities financed by the scheme must also be the same as those approved in the Application Form, and must be found on site during site visits. The original receipts are passed on to the IB as part of the co-financing claim for repayment. The beneficiary must retain copies of the receipts and proof of payment submitted to the IB.

Discrepancies between the quotation and receipt must be first discussed with the IB in writing. Further information on this will be found in the Guidance Notes to Project Implementation.

The IB vets all original receipts in relation to the project quotations, project timeline and project budget. Once the vetting is completed the receipt is entered into a centralized database managed by the Managing Authority for the Structural Funds. This receipt goes through a number of verification stages, and is ultimately approved for payment by the Treasury. The Beneficiary will receive a direct bank transfer with the amount due. It is suggested by the IB that in order to ensure better transparency, the Beneficiary shall open a separate bank account specifically for the purpose of the scheme towards which payments can be executed by Treasury. A notification advice of this payment is also sent by post. This document must be placed in the project file together with all the other documents that are to be retained.

The repayment of the co-financing will be effected in three tranches:

- 40% project completion and submission of receipts
- 40% project completion and submission of receipts
- 20% project completion and submission of receipts

It is essential that any changes to the Grant Agreement are to be approved by the IB prior to the Beneficiary’s commitment to any such changes. If the beneficiary commits to any changes prior to the IB authorisation, than such expenditure will automatically be considered ineligible.
Commencement of Works

Supplier
Works are carried out by the selected supplier.

Invoice

Beneficiary
Receives invoice from supplier

Payment

Receipt

Intermediate Body
Receives receipt from beneficiary

Validation

Intermediate Body
Carries out site visit prior to confirmation of payment
Guidance Notes to the Application Form

Line Ministry
Receives documentation form Intermediate Body.

Validation

Treasury
Receives documentation form Line Ministry.

Validation

Central Bank
Receives documentation form Treasury.

Issues allocated percentage reimbursement
4.7 Publicity

Projects financed by the EU Structural Funds are required by Regulation to ensure that activities financed by the Scheme have publicity to show that the activity was part financed by EU Structural Funds. This is a requirement followed by all Member States benefiting from EU Structural Funds. Failure to adhere to this Regulation could result in funds being recovered from projects.

It is therefore important that applicants must take the Publicity requirements into consideration when gathering quotations for activities to be financed by the scheme. Particular attention should be given to the activities financed under the Marketing Intervention, mainly printed material.

Further information on Publicity requirements will be given in the Guidance Notes to Project Implementation and Regulation (EC) No 1828/2006 on Information and Publicity Measures.

4.8 Checks and Monitoring

Monitoring forms part of the duties and responsibilities of the IB implementing the Scheme. The IB will be monitoring all projects financed by the scheme closely to ensure that everything runs smoothly and that no funding is misused by applicants. It is also the duty of the successful applicants to follow the Guidance Notes for Implementation that will give guidance on successfully implementing the project.

Whilst vetting receipts sent by successful applicants, the IB will carry out On the Spot Checks for the activities mentioned in the receipts. Should discrepancies be found, the payment process will not be completed and the receipts will be rejected. The IB will also carry out on-the-spot checks on the project file and the documents that must be retained by the Beneficiary.

Together with the IB, the Beneficiary will be subject to checks on behalf by the Line Ministry, Managing Authority, the Paying Authority, the Government’s Internal Auditors, the National Audit Office, the European Commission and the Court of Auditors of the
European Union. Successful applicants must ensure that all the required documentation is on site at all times. The IB must be kept informed at all times if there are any changes to the project as outlined in the Guidance Notes to project implementation. Such development must be identified prior to such changes being implemented.

4.8.1 Enterprise Accounts

Given that the Scheme must comply with State Aid Regulations, the IB, with the help of the State Aid Monitoring Board, is responsible for the monitoring of the aid given by the Scheme. However it is entirely the applicant’s responsibility to report such aid correctly. Failure to do so could risk the applicant being asked to reimburse the funds granted, together with interest. For these purposes, along with the Application Form, applicants must submit:

- their latest **audited accounts**, in the case of a limited company,

Or

- their latest **final accounts**, certified by an auditor, in the case of a non-limited company,

- latest company registration issued by the MFSA where applicable
Glossary/Definition of Terms

ERDF: European Regional Development Fund

EAFRD: European Agricultural Fund for Rural Development

Aid Intensities: are the different percentages applicable to the type of enterprise as stipulated in the Regional Aid Guidelines, thus referring to 30% for large enterprises, 40% for medium enterprises and 50% for small enterprises. The above percentages all refer to the maximum public co-financing aid intensity.

De-Minimis: the State Aid Regime used for Enterprises including English Language Schools and Retail Outlets, Regulation (EC) No 1998/2006 which means that assistance from the Scheme to an independent, private enterprise must not result in the applicant having received in excess of €200,000 in State Aid for a rolling period of three years.

Eligible Costs: are those costs which are eligible for funding under the Scheme for Sustainable Tourism Projects by Enterprises, which consist of both public and private co-financing.

Beneficiary: the enterprise benefiting from the Scheme.

Ineligible Costs: are those costs which are NOT eligible for funding under the Scheme for Sustainable Projects by Enterprises and as specified in Regional Aid Guidelines, the DeMinimis Block Exemption and the Structural Funds Regulations [(EC)No. 1083/2006; (EC)No. 1080/2006]

Intermediate Bodies: are those organisations/ministries in charge of Scheme implementation.

Managing Authority: is the National Agency responsible for managing the Structural Funds. In Malta this refers to the Planning and Priorities Coordination Division (PPCD) which monitors each Intermediate Body implementing a Scheme.
**Monitoring Committee**: is composed of Government representatives, socio-economic partners, civil society organisations, representatives of the productive sectors, the European Commission and the European Investment Bank. The purpose of the Monitoring Committee is to ensure that the objectives and targets of the measures outlined in the Operational Programmes are being achieved.

**Monitoring Committee Meetings**: in accordance with Article 65 of the General Regulation, the Monitoring Committee meetings are responsible for ensuring the effectiveness and quality of the implementation of the respective OP through periodical review of progress.

**Private Co-financing**: the percentage that will be co-financed by the enterprise

**Project Duration**: implementation phase & submission of receipts

**Project Team**: forms part of the Intermediate body and is directly responsible for Scheme implementation.

**Public Co-financing**: the percentage that will be funded through the scheme which consists of 85% EU funding and 15% national funding.

**Reference Year**: this refers to the last financial year of the applicant.

**Regional Aid Block Exemption**: the Scheme will follow State Aid Regime under Commission Regulation (EC) No. 1628/2006 of 24th October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid.

**Sustainable Tourism**: the World Tourism Organisation (WTO) defines Sustainable Tourism as ‘development that meets the needs of present tourists and host regions whilst protecting and enhancing opportunities for the future.’

**Total project value**: this is made up of the total eligible costs to be covered through public co-financing and private co-financing as well as the total ineligible costs to be covered in full by private co-financing.
IB Contact Details

Further information on the scheme, as well as information and guidance on the filling in of the Application Form can be obtained by contacting the Policy Directorate, Office of the Prime Minister by means of one of the following ways:

Postal Address:

Project Leader
Grant Scheme for Sustainable Tourism Projects by Enterprises
Tourism and Sustainable Development Unit within the Office of the Prime Minister
Auberge D'Italie, Merchants Street,
Valletta VLT1170 - Malta

Telephone and Fax:
Tel: 22915059
22915052
Fax: 22915039

Webpage
www.tourismschemes.gov.mt

Email
tourismschemes.opm@gov.mt