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If a whole or part of a paragraph has been amended, the date of the amending regulation appears in square brackets at the end of the paragraph. If a whole paragraph or sub-paragraph has been deleted, the date of the deletion appears in square brackets beside the deleted paragraph or sub-paragraph.

Republic of Latvia

Cabinet

Regulation No. 293

Adopted 10 May 2016

**Regulations Regarding the Implementation of Activity 1.2.1.4 “Support for Introducing New Products into Production” of Specific Aid Objective 1.2.1 “Increase Private Sector Investments in Research and Development (R&D)” of the Operational Programme “Growth and Employment”**

*Issued pursuant to*

*Section 20, Clause 13 of the Law on the Management of the European Union Structural Funds and the Cohesion Fund for the 2014–2020 Programming Period*

**I. General Provisions**

1. The Regulation prescribes:

1.1. the procedures by which Activity 1.2.1.4 “Support for Introducing New Products into Production” of Specific Aid Objective 1.2.1 “Increase Private Sector Investments in Research and Development (R&D)” of the Operational Programme “Growth and Employment” (hereinafter – the Activity) shall be implemented;

1.2. the objective of the Activity;

1.3. the funding available for the Activity;

1.4. the requirements for an applicant (hereinafter – the project applicant) of a project of the European Regional Development Fund (hereinafter – the project);

1.5. the conditions for the activities to be aided and for the eligibility of costs;

1.6. the conditions for the unilateral notice of the contract for the project implementation.

2. The method for the implementation of the Activity shall be an open project application selection.

3. The implementation of the Activity shall be ensured by the co-operation institution and the Ministry of Economics as the responsible institution.

**II. Objective of the Activity and Indicators to be Achieved**

4. The objective of the Activity is to promote the increasing of the productivity and competitiveness of merchants by developing and introducing new products and technologies into production, and also increasing private sector investments in research, development, and innovations in accordance with the Smart Specialisation Strategy.

5. The target group of the Activity are merchants and eligible agricultural or forestry co-operative societies.

6. The supervision indicators to be achieved within the framework of the Activity and their values to be achieved:

6.1. the output indicator – by 31 December 2018:

6.1.1. the number of supported merchants receiving grants – 11;

6.1.2. the number of merchants receiving aid to place new products on the market – 11;

6.2. the output indicator – by 31 December 2023:

6.2.1. the number of supported merchants receiving grants – 30;

6.2.2. the number of merchants receiving aid to place new products on the market – 30;

6.3. the output indicator – by 31 December 2023, private investments in the amount of at least EUR 70 216 424 have been made, complementing the State aid for innovation or research and development projects;

6.4. the financial indicator – by 31 December 2018, expenditures in the amount of at least EUR 9 000 000 have been certified.

[*28 July 2020; 1 June 2021*]

7. The beneficiary shall, once a year, submit the output indicators to be recorded additionally which are referred to in Paragraphs 54 and 55 of this Regulation to the co-operation institution which shall forward them to the responsible institution for compilation.

**III. Funding Available for the Activity**

8. The total eligible funding planned for the Activity is EUR 115 346 300, including public funding, i.e. funding from the European Regional Development Fund in the amount of EUR 45 129 876 and private funding in the amount of at least EUR 70 216 424. The funding from the European Regional Development Fund shall be available:

8.1. in the amount of EUR 14 773 211 within the framework of the first round of the project application selection;

8.2. in the amount of EUR 30 356 665 within the framework of the second round of the project application selection.

[*1 June 2021*]

9. The minimum amount of eligible project costs shall be EUR 500 000. The maximum amount of eligible project costs shall be EUR 16 000 000.

[*25 July 2017*]

10. The total funding from the European Regional Development Fund for one project application within the framework of the Activity shall not exceed EUR 4 000 000 and this funding shall be provided in the form of a grant.

[*25 July 2017*]

**IV. Requirements for the Project Applicant**

11. The project applicant shall be a merchant registered in the Commercial Register of the Enterprise Register or an eligible agricultural or forestry co-operative society registered with the Enterprise Register.

12. The project applicant shall prepare and submit the project application and a business plan in accordance with the requirements of the project application selection regulations.

13. Aid shall be granted to project applicants who, in accordance with Paragraphs 28 and 30 of this Regulation, define the requirements for experimental technology, manufacture or assemble it themselves, or commission it to outsourcing service providers or suppliers, install and test it in a real production environment when performing the economic activity.

14. Experimental technology shall constitute a facility or an integrated production line consisting of several components or facilities:

14.1. several independent production lines can be created within a single technological scheme if it is necessary for ensuring the complete production cycle;

14.2. the project applicant shall be provided with intellectual property rights to at least those unique elements of the experimental technology that are made for the needs of the specific project.

15. The project applicant shall make the components or facilities of the experimental technology or they shall be made in accordance with the requirements defined by the project applicant in the amount of at least 20 % of the eligible costs of the experimental technology:

15.1. the respective costs shall correspond to research and development costs in pilot plants;

15.2. the primary objective of pilot plants shall be research and development, and they shall not be used commercially until the end of the project implementation.

[*1 June 2021*]

16. Not more than 80 % of the eligible costs of the experimental technology shall consist of components or facilities that will be selected by the project applicant or outsourced service provider, or supplier from those already available on the market.

[*1 June 2021*]

17. The project application shall provide information on the research and development activities carried out by the project applicant or its related persons over the last year before the submission of the project in order to define the hypothetical requirements for the experimental technology and the components or facilities thereof. The carried out research and development activities shall be attested by the documents referred to in the project application selection regulations.

[*25 July 2017*]

18. In order to ascertain that project applications conform to the conditions referred to in Paragraphs 15, 17, and 28 of this Regulation, the co-operation institution shall ensure the attraction of experts included in the pool of experts of the European Commission, using the following selection criteria:

18.1. the expert has a doctoral degree;

18.2. the qualification of the expert corresponds to the sub-sector of the sector of the specific project application;

18.3. the expert has appropriate professional experience and competence, as specified in the selection regulations.

[*25 July 2017*]

18.1 In order to ascertain that project applications conform to the conditions referred to in Paragraph 30 of this Regulation, the co-operation institution has the right to attract experts. At least two industry experts shall participate in the evaluation of project applications in accordance with the procedures laid down in the project application selection regulations.

[*25 July 2017*]

19. If the project applicant attracts an outsourced service provider or supplier for project implementation, the estimate accompanying the contract with the outsourced service provider or supplier, the project application, and the summary of the project budget accompanying the project application shall indicate separately which components or facilities of the experimental technology will be made in accordance with the requirements defined by the project applicant. The summary of the project budget accompanying the project application shall indicate separately which components or facilities of the experimental technology will be selected by the outsourced service provider or supplier from those already available on the market.

20. If the project applicant makes or assembles and installs the experimental technology itself, the project application and the summary of the project budget accompanying the project application shall indicate separately which components or facilities of the experimental technology will be made by the project applicant or in accordance with the requirements defined by the project applicant. The summary of the project budget accompanying the project application shall indicate separately which components or facilities of the experimental technology will be selected by the project applicant from those already available on the market.

21. The project applicant shall provide the declaration together with the project application that:

21.1. it will evaluate all costs of the project applicant during and after the project implementation to determine whether they can be recognised as research, development, and innovation costs in pilot plants;

21.2. during the project implementation and for three years after the project implementation if the beneficiary conforms to the status of a micro, small, or medium-sized merchant, and for five years after the project implementation if the beneficiary conforms to the status of a large merchant, it will submit reports on research, development, and innovation costs to the Central Statistical Bureau in the form and within the term specified thereby.

22. [1 June 2021]

23. The project applicant may not qualify for the funding if it:

23.1. conforms to the provisions for the exclusion of project applicants specified in Section 23 of the Law on the Management of the European Union Structural Funds and the Cohesion Fund for the 2014–2020 Programming Period;

23.2. conforms to the status of a merchant in difficulty in accordance with the definition in Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Official Journal of the European Union, 26.6.2014, L 187) (hereinafter – Commission Regulation No 651/2014);

23.3. has not submitted a declaration signed by the project applicant that it has not carried out and will not carry out any of the activities specified in Article 14(16) of Commission Regulation No 651/2014, as defined in Article 2(61)(a) of Commission Regulation No 651/2014, and that it is not subject to the condition referred to in Article 14(17) of Commission Regulation No 651/2014.

[*10 October 2017*]

24. Aid shall not be provided for the sectors not to be supported that are specified in Article 1(3) or Article 13(a), (b), and (c) of Commission Regulation No 651/2014 and included in the Annex to this Regulation. If any of the sectors in which the project applicant operates is not to be supported and the project applicant applies for the project implementation in the sector to be supported, the project applicant shall clearly separate the financial flows of the project implementation in the sector to be supported from the financial flows of other operational sectors during the project implementation and for three years after the project implementation if the beneficiary conforms to the status of a micro, small, or medium-sized merchant and for five years after the project implementation if it conforms to the status of a large merchant.

[*10 October 2017*]

25. The project applicant shall not be subject to the recovery order referred to in Article 1(4)(a) of Commission Regulation No 651/2014.

**V. Aided Activities and Eligible Costs**

26. Activities to be aided within the project shall include the making or acquisition of experimental technologies and also their installation and testing in a real production environment when performing the economic activity up to and including Technology Readiness Level 8 (according to the international standard ISO 16290:2013), but not exceeding this level. Technology Readiness Level 8 shall constitute the final level of technology development and it shall be achieved when the system has been completed and tested: it has been demonstrated that the technology functions in its final form and under the planned conditions.

27. During the project implementation, activities which correspond to Technology Readiness Level 4, 5, 6, 7, or 8 (according to the international standard ISO 16290:2013) shall be carried out.

28. At the end of the project implementation, the experimental technology must correspond to Technology Readiness Level 8 (according to the international standard ISO 16290:2013), but it may not exceed this level.

29. If the project applicant or its related persons have implemented, are implementing, or plan to implement other projects in relation to the experimental technology envisaged in this project, the project application shall include information on all the projects and explain how the risk of double funding will be avoided.

30. The business plan shall be created on the basis of theoretical calculations and assumptions on which the manufacturer or installer of components or facilities of the experimental technology shall provide a declaration that the parameters referred to in Sub-paragraphs 30.3 and 30.6 of this Regulation and at least one of the parameters referred to in Sub-paragraph 30.1, 30.2, 30.4, 30.5, or 30.7 of this Regulation have not been tested in a real production environment when performing the economic activity under continuous, intensive operating conditions:

30.1. none of the hypotheses on which the technical specifications of components or facilities of the experimental technology are based has been tested in manufacturing practice;

30.2. special equipment and production structures required to operate the components or facilities of the experimental technology have not been prepared;

30.3. instructions for use and operating manuals for the components or facilities of the experimental technology have not been prepared;

30.4. there are no precedents for stable operation of the components or facilities of the experimental technology under continuous, intensive operating conditions;

30.5. it is not known how the components or facilities of the experimental technology operate at different production capacities;

30.6. the frequency with which the maintenance and repair of the components or facilities of the experimental technology will be required has not been tested in practice;

30.7. the components or facilities of the experimental technology have not been produced for commercial purposes.

31. In accordance with Article 14(12) of Commission Regulation No 651/2014, the public co-funding rate of the total eligible costs indicated in the project application shall be as follows:

31.1. for micro or small merchants – 55 %;

31.2. for medium-sized merchants – 45 %;

31.3. for large merchants – 35 %.

[*10 October 2017*]

32. By using its own resources or external funding that is not related to any aid for commercial activity, the beneficiary shall invest at least 25 % of the total eligible project costs in the project implementation in accordance with Article 14(14) of Commission Regulation No 651/2014.

33. Investments shall be eligible within the framework of the Activity if they:

33.1. correspond to the definition of initial investments in accordance with Article 2(29) and (30), and 49(a) of Commission Regulation No 651/2014;

33.2. have been acquired under market conditions from third persons that are not related to the purchaser;

33.3. directly ensure the production or service provision process in the project implementation sector after the project implementation;

33.4. are included in the long-term investment section of financial statements after the project implementation.

34. Costs of initial investments shall be eligible if they are related to the setting-up of a new plant or place of business, diversification of the products of economic activity with products not previously produced, or a fundamental change in the overall production process of the existing economic activity in accordance with Article 2(49)(a) of Commission Regulation No 651/2014.

35. If aid is granted to large merchants for a fundamental change in the production process, the eligible costs must, in accordance with Article 14(7) of Commission Regulation No 651/2014, exceed the depreciation of the assets linked to the activity to be modernised over the past three fiscal years. If aid is granted to large merchants for the diversification of activities at the relevant place of economic activity, the eligible costs must exceed by at least 200 % the book value of the assets that are reused, as registered in the fiscal year preceding the year in which the works envisaged in the project are started. The year of starting the project shall be determined according to the definition of the start of works provided in Article 2(23) of Commission Regulation No 651/2014.

[*10 October 2017*]

36. Initial investments shall be eligible in accordance with the conditions referred to in Article 14(5), (6), and (8) of Commission Regulation No 651/2014.

37. If the beneficiary conforms to the status of a large merchant, the costs of intangible assets shall be eligible in the amount of 50 % of the total eligible costs for the initial investment in accordance with Article 14(8) of Commission Regulation No 651/2014.

38. The eligible project costs shall constitute the following:

38.1. investments in tangible assets – costs of facilities, equipment, and materials necessary for the making, installation, and testing of experimental technologies in a real production environment when performing the economic activity up to and including Technology Readiness Level 8 (according to the international standard ISO 16290:2013), but not exceeding this level;

38.2. investments in intangible assets:

38.2.1. software costs if a declaration of the facility manufacturer is submitted that the software directly ensures operation of the experimental technology envisaged within the framework of the project;

38.2.2. acquisition of licences and patents related to the setting-up of a new plant or place of business or expansion of the existing economic activity, diversification of the products with new products, or a fundamental change in the production process.

39. Only those eligible costs that are directly linked to the activities carried out within the framework of the project, are reasonable, justified, and conform to the requirements of Article 30 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (Official Journal of the European Union, 26.10.2012, L 298/1) shall be funded within the framework of the Activity.

40. Costs shall be eligible within the framework of the Activity if they correspond to the cost items specified in this Regulation in compliance with the conditions referred to in Paragraph 48 of this Regulation.

41. The non-eligible project costs shall constitute the following:

41.1. costs that are not linked to the objective of the project and have not been determined as eligible;

41.2. acquisition costs of cargo loading, unloading, lifting, transportation, and storage facilities;

41.3. acquisition costs of second-hand facilities;

41.4. operational leasing and also fee for the examination, arrangement, and reservation of a loan or leasing, interest payments, penalty, late payment interest, fee for financial transactions;

41.5. costs that are not linked to the replacement of such facilities with new facilities the parameters of which do not differ and which do not provide the expansion of production, product change, or rationalisation, modernisation, or diversification of the technological process;

41.6. initial investments not related to the setting-up of a new plant or place of business or expansion of the existing economic activity, diversification of the products with new products, or a fundamental change in the production process;

41.7. costs incurred after expiry of the contract for project implementation or the payments of which have been made more than one month after expiry of the project implementation deadline;

41.8. costs incurred before submission of the project application to the co-operation institution;

41.9. costs incurred before signing the contract for the acquisition of initial investments;

41.10. costs that have not been initially provided or are not necessary for the project implementation and are not directly linked to the production or service provision process in the sector of the project implementation;

41.11. value added tax, except when the beneficiary cannot recover it from the State budget, customs duties, fees, and penalty payments;

41.12. acquisition costs of vehicles and vessels;

41.13. acquisition costs of movable machinery, except when the following conditions are met concurrently:

41.13.1. the movable machinery does not require registration with the Road Traffic Safety Directorate or in the Register of Tractor-type Machinery of the State Technical Supervision Agency;

41.13.2. the movable machinery is related to the project implementation;

41.13.3. the costs of the movable machinery do not exceed 10 % of the total eligible project costs;

41.14. costs of initial investments if the outsourcing service provider or supplier is registered in the countries listed in the laws and regulations regarding low-tax or tax-free countries and territories;

41.15. costs of research and development activities incurred to define requirements for the experimental technology;

41.16. general costs linked to the preparation of the project application, including consultancy services, and project administration costs;

41.17. insurance costs;

41.18. acquisition of spare parts for facilities;

41.19. maintenance costs of buildings, structures, facilities, and equipment;

41.20. acquisition costs of current assets;

41.21. land acquisition costs;

41.22. depreciation costs of facilities;

41.23. remuneration costs;

41.24. software costs if no declaration of the facility manufacturer is submitted that the software directly ensures operation of the experimental technology envisaged within the framework of the project;

41.25. costs of information and publicity measures.

42. If additional expenditures or rise in prices occurs during the project implementation, the beneficiary shall cover them from its own funds.

43. Aid shall not be granted in the cases referred to in Article 1(2)(c) and (d) of Commission Regulation No 651/2014.

**VI. Conditions for the Project Implementation**

44. Within the meaning of this Regulation, the place of the project implementation is the place where the project applicant produces its products or provides its services. The project may be implemented at several addresses if a unified production or service provision chain is located at these addresses. The project shall be implemented within the territory of the Republic of Latvia.

45. In order to enter into the contract for the project implementation with the co-operation institution, the project applicant shall submit to the co-operation institution one or more of the following documents confirming the availability of funding:

45.1. the contract entered into with a credit institution registered in the European Union for the granting of the loan necessary for the project implementation in the amount of at least 50 % of the total project costs;

45.2. the contract entered into with a related person for the provision of the funding necessary for the project implementation if the equity capital indicated in the last closed annual statement of the related party amounts to at least 100 % of the total project costs;

45.3. the decision of the executive board of the project applicant to provide the funding necessary for the project implementation from own funds if the equity capital indicated in the last closed annual statement of the project applicant amounts to at least 100 % of the total project costs.

[*25 July 2017*]

46. The documents confirming the availability of the funding specified in Sub-paragraphs 45.2 and 45.3 of this Regulation may be submitted each for a part of the total project costs, but each of them may not exceed the amount of the equity capital indicated in the last closed annual statement if the equity capital indicated by the project applicant and the related person in the last closed annual statement amounts to at least 100 % of the total project costs.

[*25 July 2017*]

47. In order to enter into the contract for the project implementation with the co-operation institution, the property, including land in which initial investments will be made within the framework of the project, must be in the ownership of the project applicant or the project applicant must have lease rights registered in the Land Register for the entire period of project implementation and supervision.

48. The activities to be aided and envisaged in the project application may be started according to the definition of the start of works provided in Article 2(23) of Commission Regulation No 651/2014 after submitting the project application to the co-operation institution in accordance with Article 6(2) of Commission Regulation No 651/2014.

49. If the activities to be aided and envisaged in the project application have been started according to the definition of the start of works provided in Article 2(23) of Commission Regulation No 651/2014 after submitting the project application to the co-operation institution, they may not be completed before the co-operation institution has taken the decision on the approval, conditional approval, or rejection of the project application.

50. After submitting the project application, the co-operation institution has the right to conduct random pre-controls at the place of the project implementation.

51. The project shall be implemented from the day when the project applicant has entered into the contract with the co-operation institution, but not longer than until 31 December 2023.

[*28 July 2020*]

52. The objective of the project is achieved and the project is completed when the experimental technology is made, delivered to Latvia, installed at the place of the project implementation indicated in the project application, is operational and accepted for operation, is in the ownership of the beneficiary, is fully paid for, and is used for the performance of the economic activity envisaged in the project in accordance with the project application. Technology Readiness Level 8 (according to the international standard ISO 16290:2013) provides for the testing of the experimental technology in a real production environment when performing the economic activity:

52.1. if the experimental technology can be tested in a real production environment when performing the economic activity within two months, the necessary tests shall be conducted prior to submitting the final project report;

52.2. if more than two months are necessary for testing the experimental technology in a real production environment when performing the economic activity, the final report shall be submitted two months after starting the economic activity and the tests shall be continued during the follow-up period of the project. The project applicant shall concurrently submit a declaration that it has sufficient financial resources at its disposal to continue the economic activity in a test mode until the moment when full confidence is achieved that the experimental technology corresponds to the planned quality, productivity, and other parameters on which the business plan is based;

52.3. after the project implementation (submission of the final report), the experimental technology may be used for commercial purposes.

[*25 July 2017*]

53. The co-operation institution may terminate the contract for the project implementation and the beneficiary has the obligation to repay the disbursed funding into the account specified by the co-operation institution in the cases specified in the contract for the project implementation contract and also:

53.1. if, within six months from the day of entry into the contract for the project implementation, the beneficiary has failed to enter into contracts with outsourced service providers or suppliers for at least 10 % of the total eligible project costs;

53.2. if, within 12 months from the day of entry into the contract for the project implementation, the beneficiary has failed to enter into contracts with outsourced service providers or suppliers for at least 50 % of the total eligible project costs;

53.3. if, within 18 months from the day of entry into the contract for the project implementation, no interim payment requests have been submitted to the co-operation institution for at least 35 % of the total funding from the European Regional Development Fund indicated in the contract for the project implementation;

53.4. if the beneficiary does not fulfil the contract for the project implementation, including fails to meet the deadlines specified in the project or other circumstances arise that negatively affect or may affect the objective of the Activity or the achievement of the supervision indicators of the specific objective of the Activity.

54. During the project implementation and for three years after the project implementation if the beneficiary conforms to the status of a micro, small, or medium-sized merchant and for five years after the project implementation if the beneficiary conforms to the status of a large merchant, the beneficiary shall, once a year, submit to the co-operation institution the following output indicators to be recorded additionally in the form and within the deadline specified by the co-operation institution. In case of non-compliance with these indicators, a financial correction shall be applied in accordance with the guidelines on financial corrections developed by the managing authority:

54.1. information on the fulfilment of specific eligibility criterion No. 8 “The project application confirms that the applicant will create at least one new product and introduce it into production during the project implementation or project supervision period”;

54.2. information on the fulfilment of quality criterion No. 3.1 “Planned investments in research and development”;

54.3. information on the fulfilment of quality criterion No. 3.3 “R&D workplaces created by the merchant”.

55. During the project implementation and for three years after the project implementation if the beneficiary conforms to the status of a micro, small, or medium-sized merchant and for five years after the project implementation if the beneficiary conforms to the status of a large merchant, the beneficiary shall, once a year, submit to the co-operation institution information on the values actually achieved for the specific output indicator, i.e. the number of newly created products and technologies in the supported beneficiaries after receipt of the aid, in the form and within the deadline specified by the co-operation institution.

56. Integration of environmental requirements into the procurement of goods, services, and construction works shall be supported within the framework of the Activity in accordance with the principles of green public procurement.

57. After the project implementation, the beneficiary shall submit information to the co-operation institution on the activities taken to reduce environmental pollution and the indicators achieved, and also inform of the values actually achieved for the indicator “Funding invested in eco-innovation”.

[*25 July 2017*]

58. The beneficiary shall ensure information and publicity measures in accordance with Article 115 of and Annex XII to Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (hereinafter – Regulation No 1303/2013), and the laws and regulations regarding the procedures for ensuring compliance with communication and visual identity requirements in the introduction of the European Union Structural Funds and the Cohesion Fund in the 2014–2020 Programming Period.

[*5 December 2023*]

**VII. Payment Conditions**

59. The beneficiary may receive an advance payment in accordance with the laws and regulations regarding the procedures for planning State budget funds for the implementation of projects of the European Union Structural Funds and the Cohesion Fund and shall make payments during the 2014–2020 programming period of up to 35 % of the total amount of the funding from the European Regional Development Fund specified in the contract for the project implementation. The received advance must be used within 18 months from the day of entry into the contract for the project implementation.

59.1 The advance payment shall be available to the beneficiary if the beneficiary has opened an account with the Treasury or a transaction account with a credit institution registered in the Republic of Latvia, or an account with a credit institution registered in the Republic of Latvia and has submitted a guarantee of the credit institution for the amount of the advance.

[*25 July 2017*]

60. The advance shall be issued if the co-operation institution obtains assurance of full and effective use of the advance within the deadline specified in Paragraph 59 of this Regulation and the conditions for receiving the guarantee of the credit institution does not prohibit the use of the advance for the payments necessary within the project to outsourced service providers or suppliers.

61. In order to receive the advance payment, the beneficiary shall submit to the co-operation institution a guarantee payable on first demand for the advance amount from a credit institution registered in the European Union. The term of the respective guarantee shall be at least two months after the end date of the project implementation specified in the contract for the project implementation.

62. The eligible costs shall only include the long-term assets for which the beneficiary has fully paid on the day when the beneficiary submits the final payment request to the co-operation institution, which are in the ownership of the beneficiary at the place of the project implementation in Latvia indicated in the project application, and are used for the economic activity envisaged in the project.

[*25 July 2017*]

63. Interim eligible costs may also include the actual expenditures for long-term investments made according to the project application that are not yet in the ownership of the beneficiary, if a guarantee on first demand from a credit institution registered in the European Union has been submitted for the amount of the funding of the respective long-term investments indicated in the interim payment request, stating that, on the day of submission of the final payment request, the long-term investments will be fully paid, in the ownership of the beneficiary at the place of the project implementation Latvia, and used for the performance of the economic activity envisaged in the project. The term of the guarantee payable on first demand of the credit institution shall be at least two months after the end date of the project implementation specified in the contract for the project implementation.

[*25 July 2017*]

**VIII. Guarantee Letter from the Credit Institution**

64. The project applicant shall submit to the co-operation institution, together with the project application, a guarantee letter for the performance of a first demand contract issued by a credit institution registered in the European Union for the amount of not less than four per cent of the requested public funding which shall ensure the payment of the guarantee amount in the cases specified in Paragraph 67 of this Regulation.

65. The term of guarantee of the guarantee letter shall be at least two months after the end date of the project implementation specified in the project application. If the contract entered into with the co-operation institution specifies the end date of the project implementation that differs from the date indicated in the project submitted initially, the project applicant shall ensure that the term of guarantee of the guarantee letter is at least two months after the end date of the project completion specified in the contract.

66. The co-operation institution has the obligation to return the guarantee letter referred to in Paragraph 64 of this Regulation to the project applicant or inform in writing the project applicant and the credit institution registered in the European Union which has issued the guarantee letter that such a guarantee is no longer required, thus releasing the amount indicated in the guarantee letter before the term specified in Paragraph 65 of this Regulation, in the following cases:

66.1. if after evaluation of the project application, the co-operation institution has taken the decision to reject the project application or has signed an opinion on the non-conformity of the information submitted by the project applicant to the conditions contained in the decision on the conditional approval of the project application;

66.2. [1 June 2021];

66.3. if it is impossible to implement the project due to force majeure circumstances;

66.4. if the contract for the project implementation is terminated at the initiative of the beneficiary during the emergency situation or six months thereafter, irrespective of the reasons for the termination of the contract for the project implementation.

[*28 July 2020*]

67. The credit institution shall pay the amount specified in the guarantee letter upon the first request of the co-operation institution in the following cases:

67.1. if the contract for the project implementation is terminated at the initiative of the beneficiary or the co-operation institution, including in the cases referred to in Paragraph 53 of this Regulation;

67.2. if the long-term investments envisaged in the project application were not acquired according to market conditions, following the procurement procedure conditions in accordance with the laws and regulations regarding the procurement procedure and the procedures for application thereof for the projects financed by the contracting authority;

67.3. if the project applicant refuses to enter into the contract for the project implementation after approval of the project application.

[*25 July 2017*]

68. The financial resources obtained in accordance with the procedures laid down in Paragraph 67 of this Regulation shall be transferred into the revenues of the State basic budget.

**IX. Conditions Related to Receipt of State Aid**

69. Financial aid shall be provided within the framework of this Regulation in accordance with the regional aid objective specified in Articles 13 and 14 of Commission Regulation No 651/2014.

69.1 The aid referred to in Paragraph 69 of this Regulation shall be granted from the day when the co-operation institution has taken the decision on the approval of the project application or has provided an opinion on the compliance with the conditions specified in the decision, if the decision on the conditional approval of the project application has been taken previously.

[*28 July 2020*]

70. The status of the merchant shall be determined according to the situation as at the day when the evaluation commission takes the decision to move the project application forward for approval, conditional approval, or rejection:

70.1. within the meaning of this Regulation, micro, small, and medium-sized merchants shall constitute project applicants that correspond to the definition contained in Annex I to Commission Regulation No 651/2014;

70.2. within the meaning of this Regulation, large merchants shall constitute project applicants that correspond to the definition contained in Article 2(24) of Commission Regulation No 651/2014.

71. Within the meaning of this Regulation, related persons shall correspond to the definition of linked enterprises contained in Annex I to Commission Regulation No 651/2014. The status of the group of related persons of the project applicant shall be determined according to the situation as at the day when the evaluation commission takes the decision to move the project application forward for approval, conditional approval, or rejection.

72. When granting aid, it shall be evaluated whether the project conforms to Article 14(13) of Commission Regulation No 651/2014. The project applicant shall provide a declaration, together with the project application, that all initial investment projects implemented and planned by the project applicant (at the group level) that qualify as a single investment project in accordance with Article 14(13) of Commission Regulation No 651/2014 do not exceed EUR 50 000 000.

73. In accordance with Article 8(3) of Commission Regulation No 651/2014, the aid provided within the framework of the Activity may be combined with the aid for the same eligible costs that is provided in another State aid programme or individual aid project, including it may be combined with the *de minimis aid* granted in another State aid programme or individual aid project, without exceeding the maximum aid intensity specified in Paragraph 31 of this Regulation.

[*10 October 2017*]

73.1 If the aid within the framework of the Activity is combined with the aid in another State aid programme or individual aid project, then, in accordance with Article 37(9) of Regulation No 1303/2013, the activities to be aided and envisaged in the project application may only be commenced after all involved authorities have taken the decision to provide aid for the project.

[*5 December 2023*]

74. In accordance with Article 8(4) of Commission Regulation No 651/2014, the aid provided within the framework of this Regulation may be combined with the aid provided in accordance with Articles 21 and 22 of Commission Regulation No 651/2014 the costs of which cannot be determined, provided that the allowable total amount and intensity of the funding specified in this Regulation is not exceeded.

74.1 If the conditions of Commission Regulation 651/2014 are violated, the beneficiary has the obligation to repay to the co-operation institution the unlawful State aid received within the framework of the project, together with interest using funds that are free from the State aid, in accordance with the conditions of Chapter IV or V of the Law on Control of Aid for Commercial Activity.

[*5 December 2023*]

75. The co-operation institution shall ensure the publicity measures specified in Article 9(1) and (4) of Commission Regulation No 651/2014.

76. The co-operation institution shall ensure the supervision conditions specified in Article 12(1) of Commission Regulation No 651/2014.

[*10 October 2017*]

77. The beneficiary shall ensure the storage of documents related to the project implementation for 10 years after entry into the contract for the project implementation with the co-operation institution in accordance with Article 12(1) of Commission Regulation No 651/2014.

[*10 October 2017*]

78. The decision to grant financial aid within the framework of this Regulation may be taken in accordance with Article 58(4) and Article 59 of Commission Regulation No 651/2014.

[*28 July 2020*]

**X. Closing Provisions**

[*5 December 2023*]

79. If the beneficiary is not able, for objective reasons, to fully complete the activities planned within the project and achieve the output indicators planned within the project by 31 December 2023, as specified in Article 65(2) of Regulation No 1303/2013, the beneficiary shall fully complete the project by 31 October 2024, ensuring the achievement of the objective of the project and the functionality thereof at its own expense, if the co-operation institution and the responsible institution provide a positive opinion on the extension of the project deadline. The costs of the activities for which the State aid was provided until 31 December 2023 in accordance with the conditions of Article 14 of Commission Regulation No 651/2014 shall, after 31 December 2023, be financed by private funding of the beneficiary, for which no State aid has been received.

[*5 December 2023*]

80. In the case referred to in Paragraph 79 of this Regulation, the beneficiary shall:

80.1. submit proposals for amendments to the contract for the project implementation to the co-operation institution by 31 December 2023;

80.2. prepare the final payment request for the period until 31 December 2023 and submit it to the co-operation institution in accordance with the contract for the project implementation. The final payment request shall separate the activities completed, the output indicators achieved, and the expenses incurred until 31 December 2023 from the project activities, planned output indicators, and expenses that will be completed, achieved, or incurred from 1 January 2024 to the expiry of the deadline for the project implementation, but no later than by 31 October 2024;

80.3. submit to the co-operation institution the justifying documentation regarding the completed project activities and achieved output indicators by 31 October 2024.

[*5 December 2023*]

81. The co-operation institution shall approve and make payments for the eligible expenditures incurred by 31 December 2023 that are included in the final payment request referred to in Sub-paragraph 80.2 of this Regulation.

[*5 December 2023*]

82. If the beneficiary fails to complete all activities planned within the project and achieve all planned output indicators by 31 October 2024 at its own expense, the beneficiary has the obligation to repay to the co-operation institution the entire aid funding disbursed for the project in accordance with the agreement or contract for the project implementation.

[*5 December 2023*]

Prime Minister Māris Kučinskis

Acting for the Deputy Prime Minister and the Minister for Economics, Minister for Welfare Jānis Reirs

**Annex**

Cabinet Regulation No. 293

10 May 2016

**Sectors for which Funding is not Provided within the Framework of Activity 1.2.1.4 “Support for Introducing New Products into Production” of Specific Aid Objective 1.2.1 “Increase Private Sector Investments in Research and Development (R&D)” of the Operational Programme “Growth and Employment”**

[*10 October 2017*]

1. Wholesale and retail trade (restrictions shall be determined in accordance with Section G “Wholesale and retail trade; repair of motor vehicles and motorcycles” of NACE Rev. 2 (except for G 45.2 “Maintenance and repair of motor vehicles”)).

2. Financial intermediation (restrictions shall be determined in accordance with Section K “Financial and insurance activities” of NACE Rev. 2).

3. Commercial services (restrictions shall be determined in accordance with Sections L “Real estate activities” and N 77 “Rental and leasing activities” of NACE Rev. 2).

4. Gambling and betting activities (restrictions shall be determined in accordance with Section R 92 “Gambling and betting activities” of NACE Rev. 2).

5. Fishing and aquaculture. According to the definition specified in Article 1(3)(a) of Commission Regulation No 651/2014 (for example, merchants belonging to Sections A 03.1 “Fishing”, A 03.2 “Aquaculture”, and C 10 “Manufacture of food products” of NACE Rev. 2).

6. Agriculture. According to the definitions specified in Article 1(3)(b) and (c) and Article 2(9), (10), and (11) of Commission Regulation No 651/2014 (for example, merchants belonging to Sections A 01 “Crop and animal production, hunting and related service activities”, A 02 “Forestry and logging”, C 10 “Manufacture of food products”, and C 11 “Manufacture of beverages” of NACE Rev. 2).

7. Shipbuilding (for example, merchants belonging to Section C 30.11 “Building of ships and floating structures” of NACE Rev. 2):

7.1. in accordance with Article 13(a) of Commission Regulation No 651/2014;

7.2. taking into account the definitions included in Communication from the European Commission 2011/C 364/06 “Framework on State aid to shipbuilding” (Official Journal of the European Union, 14.12.2011, C 364), shipbuilding shall constitute building of self-propelled commercial vessels. Self-propelled commercial vessels are vessels which, by using their own driving force and control, have all the properties in order to be suitable for independent navigation in open sea or domestic waterways, and which belong to one of the following categories:

7.2.1. seagoing vessels which are not smaller than 100 gross tonnes and inland vessels of equal size which are used for carriage of passengers and/or goods;

7.2.2. seagoing vessels which are not smaller than 100 gross tonnes and inland vessels of equal size which are used for the provision of special services (for example, dredgers and icebreakers);

7.2.3. tug vessels the capacity of which is not less than 365 kW;

7.2.4. unfinished shells of the vessels referred to in Sub-paragraphs 7.2.1, 7.2.2, and 7.2.3 of this Annex that are afloat and mobile.

8. Coal sector. According to the definition specified in Article 2(13) of Commission Regulation No 651/2014 (for example, merchants belonging to Section A 05 “Mining of coal and lignite” of NACE Rev. 2).

9. Steel industry. According to the definition specified in Article 2(43) of Commission Regulation No 651/2014 (for example, merchants belonging to Section C 24 “Manufacture of basic metals” of NACE Rev. 2).

10. Manufacture of man-made fibres. According to the definition specified in Article 2(44) of Commission Regulation No 651/2014 (for example, merchants belonging to Section C 20.6 “Manufacture of man-made fibres” of NACE Rev. 2).

11. Enterprises operating in energy infrastructure and energy generation. According to the definitions specified in Article 2(130) and Article 13(b) of Commission Regulation No 651/2014 (for example, merchants belonging to Sections D “Electricity, gas, steam and air conditioning supply” and H 49.5 “ Transport via pipeline” of NACE Rev. 2).

12. Transport sector and related infrastructure. According to the definitions specified in Article 2(45) and Article 13(b) of Commission Regulation No 651/2014 (restrictions shall be determined in accordance with Section H 49 “Land transport and transport via pipelines” (except for H 49.32 “Taxi operation”, H 49.42 “Removal services”, H 49.5 “Transport via pipeline”), H 50 “Water transport”, and H 51 “Air transport” (except for H 51.22 “Space transport”) of NACE Rev. 2).

Acting for the Deputy Prime Minister and the Minister for Economics, Minister for Welfare Jānis Reirs