

NW Objective 2 Programme

2000 -2006

Information Note 3

ERDF Grant Rates

(January 2001)

The “Information Notes” Series

These notes have been drawn up to help applicants through the processes of putting together and completing a successful application. Copies may be obtained from the address on the front page. The aim is to answer the most frequently asked questions, and draw attention to the areas of the process where applicants often misunderstand what is required and so provide insufficient or inaccurate information. If your question is not answered in this series of notes, please let us know in the Secretariat and we will try to provide you with an answer (it isn't always possible to be definitive immediately) and consider whether these guides need to be amended or added to. ESF applicants should refer to the Annual “Guides” published by DfEE ESF Unit.

Note

There are also two notes for guidance on Action Plans published by DETR (Action Plan Guidance Notes 1 and 2 published September 1997) which the Secretariat can supply if required. We are assured however that both notes are due to be up-dated in the near future.

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Introduction

A core principle of ERDF funding is **added value or additionality**, as it is often known. This principle exists to ensure that the overall effect of grant is to sponsor additional overall activity and that funding from the European Commission is not used merely to replace funding earmarked for projects by existing agencies and authorities in the UK.

The basic criteria is that projects should be supported only to the extent that:

- the project would not proceed in any form without ERDF support;
- ERDF support will allow a project to proceed within a shorter timescale;
- ERDF support will allow a project to proceed at a higher level of quality and impact.

As a first step, project applicants must provide evidence that at least one of the above criteria has been met. In addition, applicants should ensure that the ERDF funding sought represents the minimum financial contribution that will allow the project to go ahead. This practice of “gap funding” projects has been established to ensure ERDF resources achieve the widest impact, reinforcing the principle of added value for the Region.

Grant Rates

As outlined above, ERDF support is provided at the minimum rate necessary to ensure that the project is carried out. In addition, maximum grant rates have been established for different **categories** of project expenditure. These are set out fully in Chapter 12 (12.6.2) of the NW Objective 2 Single Programming Document, an extract of which is reprinted on page 5 of this information sheet for ease of reference.

The grant rate is calculated as a percentage of **total eligible expenditure** (direct contributions from public, semi-public and private organisations) irrespective of the total cost of the project. In general, the maximum grant rate for eligible expenditure is 50%. However, capital investments (particularly those with revenue generating capacity) or direct aid scheme are only eligible at lower grant rates.

It is also important to be aware of the financial tables, summarised for each Measure in the Objective 2 Programme Complement. It is expected that, for most Measure level activity, there will be at least parity between ERDF and other public funding. This would need to be reflected in match funding profiles of projects.

Information Note 2 outlines the range of activities that may be eligible for ERDF grant.

Extract from NW Objective 2 Programme Single Programming Document 2000-06

In accordance with Article 31 of Council Regulation (EC) No 1260/1999 the contribution of the Funds shall be subject to the following ceilings:

- a maximum of **50%** of the total eligible cost and, as a general rule, at least **25%** of the eligible public expenditure
- in the case of investments in infrastructure generating substantial net revenue, **25%** of the total eligible cost. This rate may be increased for forms of finance other than direct assistance, provided that this increase does not exceed **10%** of the total eligible cost.
- in the case of investments in firms, 15% of the total eligible cost. This rate may be increased, in the case of investments in small and medium-sized undertakings for forms of finance other than direct assistance, provided that this increase does not exceed 10% of the total eligible cost.

In the case of investments in firms, the contribution of the Funds shall comply with the ceilings on the rate of aid and on combinations of aid set in the field of State Aids:

Maximum Aid (all public expenditure, including ERDF)

Commission frameworks		Non-assisted areas (i.e. parts of Obj 2 not covered by the Regional Aid framework)	Assisted Areas
SME Aid: material and immaterial investment	Small firms	15%	West Lancs and Wigan - 30% Cumbria – 20% Other – 25%
	Medium firms	7.5%	
SME Aid: Soft aid	SMEs	50%	50%

(Definitions)

material investment (land, buildings, plant & machinery);
 immaterial investment (expenditure on technology transfer);
 soft aid (e.g. consultancy services, dissemination of knowledge).

In the case of notified schemes, the total amount of public aid, irrespective of its origin (ERDF et al), must not exceed the above ceilings.

Applicants whose projects are badged as complying with the de-minimus rule will need to ensure that grant, when aggregated with all other public aid given to companies over a rolling 3 year period does not exceed 100,000 euros. However grant awarded to companies under notified schemes does not count. It will therefore be for the applicant to incorporate the consideration of a company's current public aid levels with companies as part of the project's eligibility test.

As apart of this series, the Secretariat has produced separate information, which deals with the issue of State Aids in more detail.

Further information is available from:

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