

Internationalisation Fund Eligibility Guidance

(This guidance document is for information purposes only and is aimed at providing non-binding guidance to interested parties. It is not an exhaustive guide to ERDF or state aid rules, has no force in law and is not intended to alter any existing or future legal or contractual obligations.)

LEP Allocations

Internationalisation Fund awards will be subject to sufficient funding remaining in the LEP area in which the SME is based. The appropriate Intervention Rate is determined by Category of Region (50% for More Developed or 60% for Transition areas) and a few LEP areas have a split Category of Region¹. The rate of funding an applicant can receive will, therefore, be dependent on their location, with those in Transition areas being eligible for up to 60% reimbursement.

The Regulations

To be eligible the beneficiary, the proposed activity and associated expenditure must be eligible for support under Regulation (European Union) No 1303/2013 of the European Parliament and of the Council of 17 December 2013, Regulation (European Union) No. 1301/2013 for European Regional Development Fund, National European Regional Development Fund Eligibility Rules and EU State Aid rules.

Applicant Eligibility

In line with European Commission Regulations and guidelines, with which all ERDF projects must still comply to be eligible, companies:

- Must be a micro, small or medium-sized enterprise (SME) (in accordance with the definition in European Commission Recommendation 2003/361/EC)²;
 - have fewer than 250 employees;
 - have a turnover of below €50m or a balance sheet below €43m³
- Where an SME owns, or is owned by, another company, or has common shareholders exceeding 25%, they must not exceed the thresholds for turnover, balance sheet or FTEs as stated above to be eligible.
- Not have exceeded permitted levels of State Aid. Where the de-minimis Regulation is relied on to provide aid, this limit is Euro 200,000 of de minimis

¹ Category of Region can be determined by Local Authority area using the following look-up tool <https://www.gov.uk/find-local-council> and the attached Annex 1

² https://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en²³
INFOREURO must be used to check the current exchange rate https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en

³ INFOREURO must be used to check the current exchange rate https://ec.europa.eu/info/funding-tenders/how-eu-funding-works/information-contractors-and-beneficiaries/exchange-rate-infoeuro_en

aid in the last 3 fiscal years from all public sources, and activity must meet relevant State Aid exemption scheme criteria as outlined in Annex 2;

- Meet the requirements of the General Block Exemption Regulation (GBER), No 651/2014 (GBER) where this Regulation applies. It is anticipated financial assistance will be awarded via GBER Article 18 – Aid for consultancy in favour of SMEs. Aid may also be granted under Article 19 of the GBER to SMEs for participation in fairs. Where Articles 18 or 19 of the GBER are relied on to provide funding, applicants would need to comply with the specific conditions listed in Annex 2 to be eligible for funding.
- Must self-declare they have read the definition of an undertaking in difficulty, as set out in Annex 3 and confirm they are not in difficulty;
- Undertakings in Difficulty may still be considered for support when falling under the de minimis regulation.
- Must not be subject to an outstanding recovery order following a previous negative decision of the European Commission;
- Must not be in sectors defined ineligible by ERDF regulations as set out in Annex 4⁴;
- Must be registered or have an active trading address in the participating LEP area (companies located in Cornwall & Isles of Scilly, Scotland, Wales or Northern Ireland, are not eligible).

Whilst the vast majority of SMEs will be eligible for support, those with an annual turnover of £500k or more should be targeted in order to achieve greater economic impacts with available resources. Any eligible SME seeking to internationalise, whether already trading overseas or not can be supported to access new markets⁵ where there is a genuine need for support and a barrier to overcome. We do not intend for the fund to support businesses where we cannot justify intervention or add any value; for example, an SME exporting within a well-established market where no new challenges or barriers have presented. All support must be in line with this Eligibility Guidance. All beneficiaries regardless of size, must have:

- Significant international potential, with prospects of employment growth or relevant productivity improvement.
- A product or service to trade internationally, or which could be developed for international trade, and see international trade as a path for growth

DIT will regard an SME as ineligible if:

- There is evidence it is planning to close down operations or transfer its assets overseas or offshore jobs;
- The company or individual has a business record or business practices or products which is/are likely to cause offence in the overseas market and/or embarrass the UK Government (for example, on corporate social responsibility grounds);
- It is offering a product which is illegal to produce or sell in the UK or in the target market; or
- If sold abroad the product would breach export controls.

⁴ https://ec.europa.eu/regional_policy/en/information/legislation/regulations/

⁵ New markets can be a new geographical area, new segment or sector, new products or services or where a new barrier or change to trading conditions has arisen preventing access to the market.

Eligibility for support will also be subject to a scrutiny of conflict of interest. Please review conflict of interest information in Annex 6. All mandatory grounds for exclusion will be set out in the Terms and Conditions accompanying Offer letters.

Eligible Expenditure

The aim is to support investment which facilitates international business success. The project will not support anything that can be reasonably regarded as routine company expenditure. Support will not be available for subsidising fulfilment costs, the costs of meeting statutory or regulatory requirements, the purchase of commercial assets and those specifically declared as ineligible in this document. The key categories of eligible expenditure (not exhaustive) will be:-

- Advice from third party private sector experts to help SMEs prepare for international trade, which may include:- market research, market selection and entry advice, advice on Intellectual Property Rights, cross cultural negotiation support and standards, translation and cultural advice, international trade legal advice, PR support, international social media and search engine optimisation, international marketing, routes to market/agency advice, overseas business environment, and due diligence;
- SME costs of participation in Trade Fairs (where there is no assistance on offer under DIT's Tradeshow Access Programme), including solo visit support;
- SME costs of participation in Trade Missions (eligible trade mission costs will include management or participation fees and cover travel fares and accommodation charges)
- Independent SME market development visits

Other examples of eligible expenditure include:

Consultancy or other applicable international commercial service providers based in the UK or overseas

Help to:

- 1) Choose the right method of trading internationally
- 2) Develop internal functions or processes in place
- 3) Develop a coherent strategy or marketing plans
- 4) Tackle payment and legal problems
- 5) Manage adaptation to cultures
- 6) Select partners
- 7) Establish appropriate pricing models
- 8) Select markets
- 9) Attend business events, including workshops, seminars or conferences
- 10) Understand the costs and benefits of international trade
- 11) Improve the efficiency of a company's current overseas trading practices
- 12) Undertake internationalisation feasibility studies
- 13) Conduct research into new markets
- 14) Understand product liability
- 15) Develop joint ventures

- 16) Support mergers and acquisitions
- 17) Engage introduction services
- 18) Undertake website upgrades driven by international aims
- 19) Review international processes
- 20) Develop international strategies and action plans
- 21) Refine international propositions
- 22) Meet overseas market IT requirements
- 23) Develop eCommerce capability

Market Specific

- 1) Translation services
- 2) Cultural and political advice
- 3) Manage customs and excise regulations and systems
- 4) Handle security and compliance issues
- 5) Meet rules and regulations
- 6) Understanding accreditations and certifications
- 7) Legal and ethical compliance
- 8) Market studies
- 9) International trade law
- 10) Identify in-market agents, distributors and partners
- 11) Market scanning and analysis
- 12) Connections and introductions to buyers and government departments/officials
- 13) Market intelligence, research and competitor analysis
- 14) In-market specialists
- 15) Market research
- 16) Partner identification
- 17) Defining routes to market
- 18) Introductions to key players, influencers and institutions
- 19) Overseas recruitment
- 20) Market and industry competitive intelligence
- 21) Understanding supply chains

Products and Services

- 1) Developing new/current products and services for an international audience
- 2) Packaging design
- 3) Product/service viability studies
- 4) In-market product tests and focus groups
- 5) Advice on the localisation of products and services

Sales and Marketing

- 1) Internationalisation of web presence
- 2) Undertaking international PR
- 3) Social media strategies
- 4) E-commerce channels - selection (and utilisation) of selling platforms e.g. Amazon, Ali Baba.
- 5) Representatives attending trade fairs on the SME's behalf
- 6) Internationalisation procedures

- 7) Sales collateral design and development
- 8) Overseas Market Introduction Service (OMIS) delegated to the private sector (i.e. not delivered by DIT)

Access to Finance⁶

- 1) Access to investors
- 2) Financial planning e.g. working capital
- 3) International trade finance management

SME Expenditure must adhere to National Procurement Rules as detailed in Annex 5.

SME's must retain audit evidence in line with standard accounting compliance. Evidencing and documentation requirements will be outlined in Offer letters and the accompanying Terms and Conditions.

Ineligible Expenditure

Expenditure incurred before an offer of award has been made.

SME co-investment (match-funding) cannot come from another UK public or European Commission source.

Support cannot be provided where it is linked to production or operational costs or the establishment and operation of a distribution network. The direct subsidy of production or operational costs is strictly prohibited.

Examples of routine expenditure include continuous or periodic matters such as tax or accountancy services, accounts preparation, regular legal services or advertising, and bank costs. Article 18(3) of the GBER states that: "The eligible costs shall be the costs of consultancy services provided by external consultants". Consequently, it is not possible to provide funding for internal consultancy services.

Other examples of revenue expenditure which will be regarded as ineligible are the direct costs of:

- 1) DIT's OMIS Service
- 2) Transport and Logistics
- 3) Packaging production
- 4) Export insurance
- 5) Export documentation services
- 6) Sales agent's commission
- 7) Export training leading to qualifications
- 8) Warehousing
- 9) Employment costs
- 10) Recruitment costs of UK export staff
- 11) Assets, such as Intellectual Property, standards or accreditations
- 12) eCommerce platform registration fees
- 13) Production of Sales collateral

⁶ Where other local ERDF projects exist to meet this need, SMEs will be referred.

All capital costs, including the purchase of land, will be ineligible. The following costs, activities or sectors will not be eligible for support, as per ERDF Regulations⁷:

1. Where they have been incurred before the date of offer letter signature
2. Interest on debt, except in relation to grants given in the form of an interest rate subsidy or guarantee fee subsidy;
3. Value Added Tax except where it is non-recoverable under national VAT legislation;
4. Investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC⁸;
5. The decommissioning or the construction of nuclear power stations;
6. The manufacturing, processing and marketing of tobacco and tobacco products;
7. Undertakings in difficulty, as defined in Annex 3 where aid is to be granted under GBER.
8. Investment in airport infrastructure unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact;
9. Aid granted to undertakings active in the fishery and aquaculture sector,
10. Aid granted to undertakings active in the primary production of agricultural products;
11. Aid granted to undertakings active in the sector or processing and marketing of agricultural products, in the following cases: (i) where the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned; (ii) where the aid is conditional on being partly or entirely passed on to primary producers.

⁷ https://ec.europa.eu/regional_policy/en/information/legislation/regulations/

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0087&from=EN>

ANNEX 1

Local Authorities in ERDF Transition Areas

Allerdale	North Kesteven
Barnsley	North Lincolnshire
Barrow-in-Furness	Pendle
Blackburn with Darwen	Plymouth
Blackpool	Preston
Boston	Redcar and Cleveland
Burnley	Ribble Valley
Cannock Chase	Rossendale
Carlisle	Rotherham
Chorley	Sefton
Copeland	Sheffield
County Durham	Shropshire
Darlington	South Hams
Doncaster	South Holland
East Devon	South Kesteven
East Lindsey	South Lakeland
East Riding of Yorkshire	South Ribble
East Staffordshire	South Staffordshire
Eden	St. Helens
Exeter	Stafford
Fylde	Staffordshire Moorlands
Hartlepool	Stockton-on-Tees
Hyndburn	Stoke-on-Trent
Kingston upon Hull, city of	Tamworth
Knowsley	Teignbridge
Lancaster	Telford and Wrekin
Lichfield	Torbay
Lincoln	Torridge
Liverpool	West Devon
Mid Devon	West Lancashire
Middlesbrough	West Lindsey
Newcastle-under-Lyme	Wirral
North Devon	Wyre
North East Lincolnshire	

GBER Articles 18 and 19

Article 18

Aid for consultancy in favour of SMEs

1. Aid for consultancy in favour of SMEs shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.
2. The aid intensity shall not exceed 50 % of the eligible costs.
3. The eligible costs shall be the costs of consultancy services provided by external consultants.
4. The services concerned shall not be a continuous or periodic activity nor relate to the undertaking's usual operating costs, such as routine tax consultancy services, regular legal services or advertising.

Article 19

Aid to SMEs for participation in fairs

1. Aid to SMEs for participation in fairs shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.
2. The eligible costs shall be the costs incurred for renting, setting up and running the stand for the participation of an undertaking in any particular fair or exhibition.
3. The aid intensity shall not exceed 50 % of the eligible costs.

ANNEX 3

Article 2, para 18 of the General Block Exemption Regulation (GBER), No 651/2014 (GBER)

18) 'undertaking in difficulty' means an undertaking in respect of which at least one of the following circumstances occurs:

(a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (4) and 'share capital' includes, where relevant, any share premium.

(b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.

(c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.

(d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.

(e) In the case of an undertaking that is not an SME, where, for the past two years:

(1) the undertaking's book debt to equity ratio has been greater than 7,5 and

(2) the undertaking's EBITDA interest coverage ratio has been below 1,0.

ANNEX 4

Ineligible Sectors⁹

1. Steel
2. Coal (Aid contributing towards the closure of non-competitive coal mines is ineligible. Other types of aid in the coal sector is eligible)
3. Shipbuilding
4. Synthetic fibers sector
5. Transport and related infrastructure
6. Energy generation distribution & infrastructure
7. Primary Agricultural Production (Processing and Marketing are eligible, except: where the amount of funding is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned; or where the funding is conditional on being partly or entirely passed on to primary producers)
8. Financial and insurance institutions
9. Schools/school age education establishments
10. Nuclear
11. Airport Infrastructure (unless related to environmental protection or accompanied by investment necessary to mitigate or reduce its negative environmental impact)
12. Fisheries
13. Aquaculture
14. Tobacco

⁹ https://ec.europa.eu/regional_policy/en/information/legislation/regulations/

ANNEX 5

Procurement rules

Procurement is subject to the National ESIF Procurement Rules¹⁰ (the National Rules). The national rules are designed to achieve sound financial management of public funds and to open opportunities up to competition.

Total Value of contract/ procurement	Minimum Procedure	Documentary Evidence Required
£0 - £25,000	Direct Award	Name of selected Provider:
£25,000 - £181,302 (services) and £4,551,413 (works)	<p>Advertise the opportunity on the grant recipients/or other appropriate website for 10 days.</p> <p>The advert needs to incorporate or direct any interested party to the following information:</p> <ul style="list-style-type: none"> • Details of the opportunity • What is required from all interested parties • How successful candidate will be chosen • Deadline and details of how to apply <p>Justification will also be required to demonstrate that the contract award is in line with the advert</p>	<ol style="list-style-type: none"> 1. Screenshot of advert on day 1 and day 10 – clearly showing dates and details as required in ‘minimum procedure’ column. 2. Contract Award letter – evidencing the contract award is in line with the advert. 3. Outcome Justification – Summary of justification for decision made
£25,000 - £181,302* (supplies)	<p>3 written quotes or prices sought from relevant suppliers against a clear specification.</p> <p>Justification that a reasonable decision has been made on the basis of the quotes/prices.</p>	<ol style="list-style-type: none"> 1. Copy of specification 2. Copy of 3 quotes 3. Outcome Justification Summary of justification for decision made

**Additional rules apply to contracts valued over £181,302 these will be subject to full tender process and handled by exception.*

¹⁰ <https://www.gov.uk/government/publications/european-structural-and-investment-funds-procurement-documents>

Conflict of Interest

ANNEX 6

It is the SME's responsibility to ensure that any activity funded by the grant remains free from conflicts of interest. This is where the awarding of any contracts/grants to third parties could be considered compromised due to a family, emotional, political, national affinity, economic interest or any other shared interest.

Therefore it is the responsibility of the SME to confirm they will not contract with suppliers on the basis of any of the connections identified above.

In addition, if the SME/ employees have any known relationship with the Fund Administrator, members of the DIT Internationalisation Fund Project team, ITAs or if the SME/ employees have any known relationship with DIT, these will need to be declared.

SMEs must also check the professional standing of suppliers and ensure no commercial or family connections to any supplier creates a conflict of interest. They must also ensure there are no connections to the Fund Administrator which create a conflict of interest.

Applicants should discuss any potential conflicts of interest with their ITA.

Suspicion of Fraud

SME beneficiaries, partners or third parties must report suspicion of fraud, corruption or financial malpractice in confidence, through this dedicated email ERDFFRAUD@communities.gov.uk.

In exceptional cases, where SMEs, partners and third parties genuinely believe that reporting through the preferred option of the dedicated email may not be appropriate for reasons of conflict of interest or fear of reprisals, they can report suspicion of fraud, corruption or financial malpractice to:

Ian Boulton-Maughan, Referral & Intelligence Team Manager,
Government Internal Audit Agency,
Counter Fraud and Investigation,
Room M1001, South East Corner,
Durham House,
The Galleries. Washington.
Tyne & Wear.
NE38 7SD; or email at either
ian.boulton-maughan@GIAA.gsi.gov.uk or ReferralIntelligenceTeamCounterFraudandInvestigation@GIAA.gsi.gov.uk.

The GIAA can be contacted anonymously. Precise and detailed information (including documents when available) should be provided wherever possible.