Text consolidated by Valsts valodas centrs (State Language Centre) with amending regulation of:

3 September 2024 [shall come into force on 6 September 2024].

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. 597

Adopted 17 October 2023

**Regulations Regarding the Implementation of Activity 1.2.1.3 “Support for Enterprise Participation in Capital Markets” of Specific Objective 1.2.1 “Strengthening Research and Innovation Capacity and the Introduction of Progressive Technologies for Enterprises” of the European Union Cohesion Policy Programme 2021–2027**

*Issued pursuant to*

*Section 19, Clauses 6 and 13 of the Law on Management of European Union Funds for the 2021–2027 Programming Period*

**I. General Provisions**

1. The Regulation prescribes:

1.1. the procedures by which Activity 1.2.1.3 “Support for Enterprise Participation in Capital Markets” of Specific Objective 1.2.1 “Strengthening Research and Innovation Capacity and the Introduction of Progressive Technologies for Undertakings” of the European Union Cohesion Policy Programme 2021–2027 (hereinafter – the Activity) shall be implemented;

1.2. the objective of the Activity;

1.3. the funding planned and available for the Activity;

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

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

1.6. the conditions related to the aid for commercial activity;

1.7. the conditions and procedures for the application of simplified costs.

2. The following terms are used in the Regulation:

2.1. merchants – capital companies registered with the Commercial Register of the Republic of Latvia which correspond to the status of a small or medium-sized enterprise in accordance with Article 2(1) of Annex I to 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 (hereinafter – Commission Regulation No 651/2014), or small mid-cap companies that correspond to the definition laid down in Article 2(6) of Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investment;

2.2. trading venue – a regulated or alternative financial instrument market the operator and provider of services related to public circulation of financial instruments of which is a capital company operating in accordance with the Financial Instrument Market Law and under a license issued by Latvijas Banka;

2.3. beneficiary – merchants that receive funding after submission of the project application and approval thereof at the co-operation institution.

3. The objective of the Activity shall be to promote the raising of the funding necessary for the development of merchants in capital markets, thus increasing international competitiveness of enterprises, and also fostering investments in viable and innovative enterprises, allowing them to grow and develop more rapidly.

4. The target group of the Activity shall consist of merchants the operation of which is focused on technological development and growth, and also on investing in research, development, and innovations.

5. The total funding planned for the Activity shall be EUR 1 973 896 (including flexibility funding of EUR 311 334), including the funding from the European Regional Development Fund (hereinafter – the ERDF) of EUR 1 677 811 (including flexibility funding of EUR 264 634), and the funding from the State budget of EUR 296 085 (including flexibility funding of EUR 46 700). The maximum amount of the ERDF funding shall not exceed 85 % of the total eligible project funding.

6. The total eligible funding available for the implementation of the Activity shall be planned in the project applications in the amount of not more than EUR 1 662 562, including the ERDF funding in the amount of EUR 1 413 177 and the funding from the State budget in the amount of EUR 249 385.

7. After a decision by the European Commission on the mid-term review, the responsible institution may propose to increase the total eligible funding available for the Activity up to the planned total eligible funding referred to in Paragraph 5 of this Regulation.

8. The following indicators shall be achieved within the scope of the Activity by 31 December 2029:

8.1. outcome indicators:

8.1.1. aided enterprises (including micro, small, medium-sized, and large enterprises) – 10 merchants;

8.1.2. enterprises aided with grants – 10 merchants;

8.2. result indicator: private investments complementing public aid – EUR 2 000 000 or EUR 1 662 562 if flexibility funding is not granted in the amount of 15 %.

9. The functions of the responsible institution within the scope of the Activity shall be carried out by the Ministry of Economics.

10. The Activity shall be implemented in the form of open selection of project applications:

10.1. the submission of project applications shall be announced once for the entire funding available for the Activity referred to in Paragraph 6 of this Regulation;

10.2. the merchant may submit the project application in accordance with the procedures laid down in the selection regulations by the deadline referred to in Paragraph 38 of this Regulation, but not later than by 31 December 2026;

10.3. evaluation of the project application may be commenced immediately after receipt thereof, and decisions on approval, conditional approval, or rejection of project applications are taken in the order of submission of the project applications.

11. The place of the project implementation shall be the Republic of Latvia.

12. The beneficiary shall plan to implement the project not later than by 31 December 2029 according to a civil contract for project implementation (hereinafter – the civil contract) entered into between the beneficiary and the Central Finance and Contracting Agency (hereinafter – the co-operation institution).

13. Aid within the scope of the Activity is provided in the form of a grant in accordance with Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (hereinafter – Commission Regulation No 2023/2013).

[*3 September 2024*]

14. The beneficiary shall ensure the collection and input of the following Smart Specialisation Strategy (RIS3) data into the Cohesion Policy Fund Management Information System by types of RIS3 fields:

14.1. net turnover (EUR) from the introduction of the project result in economic activity or from the commercialisation thereof;

14.2. export of the merchant (EUR) from the introduction of the project result in economic activity or from the commercialisation thereof.

[*3 September 2024*]

14.1 The beneficiary shall submit the data referred to in Paragraph 14 of this Regulation:

14.1 1. together with the final payment request in the Cohesion Policy Fund Management Information System;

14.1 2. to the responsible institution within 10 working days after receipt of a request from the responsible institution once a year after submission of the final payment request.

[*3 September 2024*]

**II. Requirements for the Project Applicant**

15. The project applicant is a merchant in accordance with the conditions referred to in Sub-paragraph 2.1 and Paragraph 4 of this Regulation.

16. The project applicant shall, together with the project application, submit the information to the co-operation institution on how it will implement activities in the field of innovations.

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

17.1. conforms to the provisions for the exclusion of project applicants referred to in Section 22 of the Law on Management of European Union Funds for the 2021–2027 Programming Period;

17.2. conforms to the sectors or activities specified in Article 1(1) of Commission Regulation No 2023/2831;

17.3. conforms to the activities specified in Article 7(1) of Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund;

17.4. operates in the primary agricultural sector;

17.5. over the last 24 months has raised capital by issuing debt securities for the total amount exceeding EUR 1 000 000;

17.6. at the time when the project application is submitted to the co-operation institution has not issued all valid shares or bonds indicated in the issue prospectus at the trading venue;

17.7. according to the information available in the database of tax (fee) debtors administered by the State Revenue Service, it is a debtor of taxes or fees, including it has debts of the mandatory State social insurance contributions, the total amount of which exceeds EUR 150, except for tax payments the payment term of which has been extended, divided in instalments, deferred, or re-divided in instalments in accordance with Section 24, Paragraphs one, 1.3, and 1.7 of the law On Taxes and Fees.

[*3 September 2024*]

18. Aid is not granted to the project applicant who concurrently operates in the sector or performs the activities referred to in Sub-paragraph 17.2 of this Regulation.

**III. Conditions for the Aided Activities and for the Eligibility of Costs**

19. The following activities of the beneficiary shall be aided within the scope of the Activity:

19.1. listing of shares at a trading venue if at least EUR 500 000 are raised and the listing of shares at a trading venue occurs between the moment of entering into the civil contract and the time limit referred to in Paragraph 12 of this Regulation;

19.2. listing of debt securities at a trading venue if it occurs between the moment of entering into the civil contract and the time limit referred to in Paragraph 12 of this Regulation.

20. In order to ensure the implementation of the activities referred to in Paragraph 19 of this Regulation, the following costs shall be eligible for the listing of shares or debt securities at a trading venue by including at least one of the following sub-activities in a single project application – initial public offer, private placement, secondary public offer, further public offer, or listing of shares without raising capital, but with a plan of raising it within three years after entering into the civil contract:

20.1. costs of consultancy services provided by external consultants for the activities of the beneficiary referred to in Paragraph 19 of this Regulation:

20.1.1. costs of raising capital and costs of the services of the organiser of issue;

20.1.2. costs of preparation, approval, and publishing of the prospectus (or a registration document, a description and summary of debt securities if the prospectus consists of separate documents), base prospectus, and final regulations in accordance with Articles 6, 7, 8, and 10 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, and also of the offer document or description of the enterprise, or issue regulations;

20.1.3. due diligence and associated costs;

20.2. costs of the engagement and services of a certified consultant at a trading venue until listing of shares and debt securities at the trading venues;

20.3. other financial, tax, consultancy costs of the services of auditors and certified consultants in relation to Paragraph 19 of this Regulation;

20.4. [3 September 2024].

[*3 September 2024*]

21. The costs referred to in Paragraph 20 of this Regulation shall be eligible in accordance with the aid provided in accordance with Commission Regulation No 2023/2831. A single project application may only apply for aid in one of the types of aid referred to in Paragraph 19 of this Regulation.

[*3 September 2024*]

22. The costs indicated in the project application which are not indicated as eligible costs in Paragraph 20 of this Regulations and the costs exceeding the maximum permissible amount of costs in accordance with Paragraph 30 of this Regulation shall be covered by the beneficiary from its own funds which are not related to public aid.

23. Within the scope of the aided activities of the Activity, value added tax shall be eligible for the costs referred to in Paragraph 20 of this Regulation in accordance with the conditions of Article 64(1)(c) Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (hereinafter – Regulation 2021/1060), provided that it is not recoverable in accordance with the laws and regulations in the field of the taxation policy.

24. The costs incurred within the scope of the aided activities and referred to in Paragraph 19 of this Regulation shall be eligible from the moment when the project application is submitted to the co-operation institution.

[*3 September 2024*]

24.1 Indirect project implementation costs for the implementation of the activities referred to in Paragraph 19 of this Regulation shall be eligible within the scope of the Activity. The beneficiary shall plan the indirect eligible costs as a single cost item, applying the flat rate of indirect costs in the amount of 7 per cent of the direct eligible costs indicated in Paragraph 20 of this Regulation in accordance with Article 54(1)(a) of Regulation 2021/1060.

[*3 September 2024*]

**IV. Conditions for the Implementation of the Project and Receipt of the Funding**

25. When implementing activities of the Activity, the beneficiary shall ensure:

25.1. communication and visual identity measures in accordance with Articles 47 and 50 of Regulation 2021/1060, the procedures by which the authorities involved in the management of the European Union funds shall ensure the introduction of these funds for the 2021–2027 programming period, and also the Communication and Design Guidelines for the 2021–2027 Programming Period of the European Union Funds and the Recovery Fund;

25.2. posting of up-to-date information on the project implementation on its website at least every six months;

25.3. records of the financing related to the project implementation (including private co-funding);

25.4. collecting and recording of data to measure the progress towards the achievement of project indicators.

26. The beneficiary shall perform procurements necessary for the project implementation in accordance with the laws and regulations regarding the procurement procedure and the procedures for the application thereof to projects financed by the contracting authority, ensuring an open, transparent, non-discriminatory, and competitive procedure.

27. [3 September 2024]

28. The beneficiary shall, together with the project application, provide a declaration that the “do no significant harm” principle will be adhered to as a result of the activity and that no significant harm will be caused in relation to:

28.1. greenhouse gas (GHG) emissions;

28.2. fossil fuels (including secondary use);

28.3. planned activities according to the emissions trading scheme for planned CO₂ equivalent emissions;

28.4. an increase in adverse effects of the current and future climate on the activity itself or on people, nature, or assets;

28.5. harm to the good status or good ecological potential of water bodies (including surface water and groundwater) or the good environmental status of maritime waters;

28.6. inefficiency in the use of materials or direct or indirect use of natural resources;

28.7. waste generation, incineration, or disposal, no investments will be planned for waste disposal facilities in landfills, mechanical biological treatment and incineration facilities, and also activities where long-term waste disposal can cause long-term environmental damage (for example, nuclear waste);

28.8. pollutant emissions to air, water, or soil;

28.9. damage to the good condition and resilience of ecosystems or the conservation status of habitats and species (including habitats and species of European Union importance).

28.1 Upon submission of the project application, the beneficiary shall certify that the received aid will be aimed at increasing export volume and productivity within five years after the shares or debt securities of the beneficiary are listed at a trading venue.

[*3 September 2024*]

29. The beneficiary shall sign a certification confirming the absence of a conflict of interests, and also confirming that, throughout the implementation of the project, measures are taken to prevent any conflicts of interests and, if necessary, identified risks or an established conflict of interests are addressed or rectified in accordance with the requirements laid down in Article 61 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

**V. Conditions Related to the Receipt of Aid**

30. The maximum permissible public funding aid intensity from the total eligible project costs shall be as follows:

30.1. in the case of the issue of shares, it shall not exceed 50 % but not more than EUR 200 000;

30.2. in the case of the issue of debt securities, it shall not exceed 50 % but not more than EUR 120 000.

31. Such day shall be considered as the day of the allocation of aid when the co-operation institution has taken the decision to approve the project application or has provided an opinion on the conformity with the conditions specified in the decision if the decision on the conditional approval of the project application has been taken previously.

32. The co-operation institution shall ensure the storage and accessibility of information for 10 years, starting from the day when the last aid is allocated within the scope of the aid programme, but the beneficiary shall ensure the storage and accessibility of information for 10 years, starting from the day of the allocation of aid.

[*3 September 2024*]

32.1. The responsible institution shall verify the increase in export volume and productivity of the beneficiary after the shares or debt securities of the beneficiary are listed at a trading venue and for five years thereafter.

[*3 September 2024*]

33. Aid provided within the scope of this Regulation in accordance with Commission Regulation No 2023/2831 may not be combined with the aid for the same eligible costs which is provided within another State aid programme or individual project.

[*3 September 2024*]

**VI. Conditions Related to the Receipt of Aid for Commercial Activity**

34. Aid shall be granted to the project applicant on the basis of Commission Regulation No 2023/2831 if the requirements of the abovementioned Regulation and the laws and regulations regarding the procedures for accounting and granting *de minimis* aid are conformed to.

[*3 September 2024*]

35. When granting aid in accordance with Commission Regulation No 2023/2831, the aid provider shall, prior to granting the aid, verify whether the planned *de minimis* aid for the applicant, together with the aid granted in the previous three years, does not exceed the maximum amount specified in Article 3(2) of Commission Regulation No 2023/2831 at the level of a single undertaking.

[*3 September 2024*]

36. A single undertaking shall be an undertaking which conforms to Article 2(2) of Commission Regulation No 2023/2831.

[*3 September 2024*]

37. If the conditions of Commission Regulation No 2023/2831 are violated, the beneficiary has an obligation to repay to the co-operation institution the *de minimis* aid unlawfully received within the scope of the project, together with interest, from funds that are free from aid for commercial activity, in accordance with the conditions of Chapter IV or V of the Law on Control of Aid for Commercial Activity.

[*3 September 2024*]

38. The decision of the co-operation institution to grant the *de minimis* aid in accordance with Article 7(3) and Article 8 of Commission Regulation No 2023/2831 may be taken until the end of operation of the abovementioned Regulation.

[*3 September 2024*]

Prime Minister E. Siliņa

Minister for Economics V. Valainis