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Llywodraeth Cymru
Welsh Government

Welsh Books Council - Culture and Heritage Conservation Scheme (Literature)

State aid reference no: SA.49773

1. Member State

United Kingdom

2. Region

Wales

3. Title of aid Scheme

The Welsh Books Council – Culture and Heritage Conservation Scheme
(Literature)

4. UK legal basis

Powers of the Welsh Ministers which allow the Welsh Government (through the Welsh Books Council) to support enterprises under the Scheme are contained in The Government of Wales Act 2006 (sections 61, 70 and 71).

The legislation which gives effect to EC Law in Wales is:

- the European Communities Act (1972) (section 2(1)); and
- the Government of Wales Act 2006 (section 80).

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5. EC legal basis

All aid provided under this Scheme will be within the limits set out in Article 53 of Commission Regulation (EU) No 651/2014 of 17 June 2014 and amended by Commission Regulation (EU) No. 2017/1084 of 14 June 2017 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation). A full version of the Regulation can be found at:

http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.187.01.0001.01.ENG

A full version of the amending Regulation can be found at:

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1084&from=EN>

Summary information relating to the Scheme has been registered with the Commission under reference **SA.49773**.

6. Definitions

In this Scheme, the following expressions have the same meaning attributed to them as in the General Block Exemption. For ease of reference these have been replicated below (definitions are presented alphabetically):

“**aid**” means any measure fulfilling all the criteria laid down in Article 107(1) of the Treaty;

“**aid intensity**” means the gross aid amount expressed as a percentage of the eligible costs, before any deduction of tax or other charge;

“**date of granting of the aid**” means the date when the legal right to receive the aid is conferred on the beneficiary under the applicable national legal regime;

“**fisheries and aquaculture sector**” as covered by Regulation (EU) 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the market in fishery and aquaculture products, amending Council regulations (EC) 1184/2006 and (EC) 1224/2009 and repealing Council regulation (EC) 1004/2000;

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“large enterprise” means any enterprise that is not an SME (as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC))¹;

“operating profit” means the difference between the discounted revenues and the discounted operating costs over the economic lifetime of the investment, where this difference is positive. The operating costs include costs such as personnel costs, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and the costs of financing if these have been covered by investment aid. Discounting revenues and operating costs using an appropriate discount rate allows a reasonable profit to be made;

“primary agricultural production” means production of products of the soil and of stock farming, listed in Annex I to the Treaty, without performing any further operation changing the nature of such products

“reasonable profit” shall be determined with respect to the typical profit for the sector concerned. In any event, a rate of return on capital that does not exceed the relevant swap rate plus a premium of 100 basis points will be considered to be reasonable;

“repayable advance” means a loan for a project which is paid in one or more instalments and the conditions for the reimbursement of which depend on the outcome of the project;

“SME” means an enterprise that falls within the criteria and parameters of the definition of micro, small and medium-sized enterprises contained in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2003/361/EC), which took effect on 1 January 2005²;

“Start of works” means the earlier of either the start of construction works relating to the investment, or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible. Buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered start of works. For take-overs ‘start of works’ means the moment of acquiring assets directly linked to the acquired establishment;

¹ http://europa.eu/eur-lex/pri/en/oj/dat/2003/l_124/l_12420030520en00360041.pdf
See also the New SME Definition User Guide and Model Declaration
http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf

² http://europa.eu/eur-lex/pri/en/oj/dat/2003/l_124/l_12420030520en00360041.pdf
See also the New SME Definition User Guide and Model Declaration
http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf

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“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 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.

7. Objective of the Scheme

To provide funding for English-language publishing with a Welsh cultural focus in order to ensure that a wide range of literature from Wales and about Wales is available to readers. This includes:

1. Distributing grants to publishers to help publish quality materials, ensuring that the products are widely available.
2. Assisting and supporting authors through the awarding of grants/commissions which are channelled through publishers.
3. Providing grants to support posts and infrastructure within the publishing houses to ensure the quality of the material and in order to provide a high standard of service to the reading public.

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8. Government body authorised to implement the Scheme

Welsh Government through the Welsh Books Council

9. Scope of the Scheme

The scheme will be open to all enterprises in Wales excluding those active in the following sectors:

- **Fisheries and aquaculture**
- **Primary agricultural production**
- **The processing and marketing of agricultural products** where (1) the amount of 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 or (2) where the aid is conditional on being partly or entirely passed on to primary producers.

Where an undertaking is active in both an excluded sector and a non excluded sector, aid may be given to fund non excluded activities with the condition that activities in the excluded sector do not benefit from aid granted under this scheme.

In addition, aid will not be allowed in the following circumstances:

- Aid to export related activities towards third countries or Member States, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current costs linked to the export activity;
- Aid to facilitate the closure of uncompetitive coal mines, as covered by Council Decision No 2010/787;
- Where aid is subject to the obligation for the beneficiary to have its headquarters in the relevant Member State or to be predominantly established in that Member State;
- Where the granting of aid is subject to the obligation for the beneficiary to use nationally produced goods or services;
- Aid contingent upon the use of domestic over imported goods;
- Where the aid measure restricts the possibility for the beneficiaries to exploit the research, development and innovation results in other Member States.

Aid will not be given where the proposed recipient is:

- Subject to an outstanding order for the recovery of aid granted by the same Member State which has been declared by the Commission to be illegal and incompatible with the internal market; or
- Where aid is granted to an undertaking in difficulty (see definition).

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- Aid to press and magazines, published in print or electronically published, shall not be eligible to receive support under this scheme.

10. Duration of the Scheme

Aid under this Scheme may be granted until 31 December 2020. This scheme, registered under the General Block Exemption Regulation, will supersede the current Welsh Government Culture and Heritage Conservation Scheme SA.39449.

11. Budget for aid under the Scheme

The total budget the Welsh Books Council receives from the Welsh Government is estimated at £4m per annum of which 30 % is allocated to this Scheme.

Should the budget for this scheme increase the Welsh Government will inform the European Commission

12. Form of aid

All aid awarded under the Scheme will be transparent and in line with criteria set out in Article 5 of the General Block Exemption Regulation. Aid may be awarded by way of:

- grants
- Interest Rate Subsidies
- Loans

13. Eligible activities to be supported under the Scheme

The Scheme provides support for writing, editing, production, distribution, digitisation and publishing of music and literature, including translations. Detailed descriptions of the eligible activities that can be supported are set out in Schedule 1.

The Welsh Government also provides financial support to the Welsh Books Council that will not be classed as State aid for literature published in the Welsh language. This is because it is considered that there is no effect on trade across the EU. The market for Welsh language literature is small with the majority of Welsh speakers living in Wales. The only other sizable population of Welsh speakers is located in Patagonia.

The Welsh Government will also provide financial support to the Welsh Books Council that will not be classed as State Aid for activities specifically aimed towards improving literacy and reader development programmes.

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14. Incentive effect

The incentive effect will be deemed to met where the aid meets all the conditions set down in Article 53 of Commission Regulation (EU) No 651/2014 of 17 June 2014 and amended by Commission Regulation (EU) No. 2017/1084 of 14 June 2017 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation).

15. Cumulation

In determining whether the individual notification thresholds and the maximum aid intensities are respected, the total amount of public support for the aided activity or project shall be taken into account, regardless of whether that support is financed from local, regional, national or Community sources.

Aid provided under this Scheme will not be cumulated with other forms of aid or with aid classed as de minimis aid in regard to the same eligible costs if the result would breach the applicable aid intensities.

A mechanism is in place as part of the application process to ensure that cumulation of aid does not exceed the maximum allowable intensities of the Scheme. Due diligence checks will be carried out during the awarding process.

16. Monitoring and reporting requirements

All recipients of State aid under the Scheme will be informed that aid has been provided under the Scheme, registered under **SA.49773**, pursuant to Article 53 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 (General Block Exemption Regulation) and its amending Regulation Commission Regulation (EU) No 2017/1084.

Records will be kept for 10 years from the date the last award of aid under the Scheme. Records will be sufficiently detailed to establish that the conditions of the Scheme are met.

Details of any award exceeding €500,000 given under this scheme will be made publicly available via a State aid website within 6 months of granting.

An annual report on the expenditure under this Scheme will be provided to the Commission.

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The Welsh Government shall provide the Commission with all the information and documentation the Commission considers necessary to monitor the application of this Regulation, within 20 days of such request from the Commission.

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Schedule 1: Activities for which State aid can be awarded under the Scheme

Aid can be granted for the following cultural purposes:

Writing, editing, production, distribution, digitisation and publishing of music and literature, including translations.

For the purpose of calculating aid intensities and eligible costs, all figures used shall be taken before any deduction of tax or other charge. The eligible costs shall be supported by documentary evidence which shall be clear, specific and contemporary.

Eligible costs

Costs for publishing music and literature are the cost of publishing of music and literature, including the authors' fees (copyright costs), translators' fees, editors fees, other editorial costs (proofreading, correcting, reviewing), layout and pre-press costs and printing or e-publication costs.

Aid intensities applicable

The maximum aid amount shall not exceed either:

- (a) the difference between the eligible costs and the project's discounted revenues: or
- (b) 70% of the eligible costs.

The revenues will be deducted from the eligible costs ex-ante or through a clawback mechanism.

Individual Notification thresholds

The maximum support that can be provided under this scheme is identified in the table below. Any grant award exceeding these levels will need to be notified directly to the Commission.

Type of support	Notification threshold (€)
Investment Aid	€150 million per project
Operating Aid	€75 million per undertaking, per year