

The conditions and procedures for awarding and using the small grants scheme “Climate change mitigation and adaptation plans” for applications of the European Economic Area Financial Mechanism 2014–2021 “Climate Change Mitigation and Adaptation”

The conditions and procedures (hereinafter “current Regulation”) for awarding and using the grant of the small grant scheme of the European Economic Area (EEA) Financial Mechanism 2014–2021 programme “Climate change mitigation and adaptation” (hereinafter “Programme”) governs the application process and the usage of the grant for projects from the small grant scheme.

Grant shall be awarded for the development of the local level climate and energy plans.

GENERAL PROVISIONS

1. Documents supporting the Programme

- 1.1. The Programme is based:
 - 1.1.1. Agreement between the European Union, Iceland, the Principality of Liechtenstein, and the Kingdom of Norway on an EEA Financial Mechanism 2014–2021 concluded on 28 May 2016;
 - 1.1.2. “Regulation on the Implementation of the European Economic Area (EEA) Financial Mechanism 2014–2021” adopted by the EEA Financial Mechanism Committee on 8 September 2016 (hereinafter “EEA Implementing Regulation”);
 - 1.1.3. Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2014–2021 between the Republic of Estonia and Iceland, the Principality of Liechtenstein, and the Kingdom of Norway, concluded on 9 May 2017 (hereinafter “Memorandum”);
 - 1.1.4. “Results Guideline” - Rules and Guidance on How to Design, Monitor and Evaluate Programmes, Manage Risks, and Report on Results, adopted by the Financial Mechanism Committee on 9 February 2017;
 - 1.1.5. Programme agreement between the State Shared Service Centre and the EEA Financial Mechanism Committee, 18 November 2019;
 - 1.1.6. Regulation No 55 of the Government of the Republic of 5 July 2018 “The conditions and procedures for applying and using funds from the European Economic Area Financial Mechanism and the Norwegian Financial Mechanism 2014–2021”;
 - 1.1.7. Program’s implementation agreement between the Ministry of the Environment and the Environmental Investment Centre.
 - 1.1.8. The recovery of the grant is based on the principles of financial correction established in section 45 of the 2014–2020 Structural Assistance Act and Regulation No 143 of the Government of the Republic of 1 September 2014 “The conditions and procedures for the eligibility of costs to be funded from the 2014–2020 structural support, the payment of the grant and the making of financial corrections”.
- 1.2. The determination and interpretation of the definitions shall be guided by EEA Implementing Regulation.

2. Objective of the Programme

- 2.1. The Programme is funded from the EEA Financial Mechanisms 2014–2021, the main objectives of which are to contribute to the reduction of economic and social disparities within the European Economic Area and to strengthen bilateral relations between the Donor States and Beneficiary States.
- 2.2. The overall objective of the Programme is to contribute to climate change mitigation and adaptation in Estonia.

3. Purpose and expected result of the grant

- 3.1. The purpose of the grant is to contribute to the reflection, setting and achievement of local climate and energy goals.
- 3.2. The awarding of the grant will increase the competence of the local municipalities. Local level awareness in the field of climate and energy and goals will increase, and the quality of decisions and activities related to the living, business and natural environment will improve.

4. Participants of the Programme

- 4.1. The Ministry of the Environment of the Republic of Estonia is responsible for the overall coordination of the Programme.
- 4.2. The Programme is implemented by the Environmental Investment Centre (hereinafter “EIC”), which processes grant applications, concludes project contracts, makes disbursements to supported projects, and monitors projects.
- 4.3. The Norwegian Environment Agency (hereinafter “NEA”), a donor partner in the Programme, is involved in the implementation of the Programme, advising on the implementation of the Programme, participating in the Programme cooperation committee and project selection committee and, in cooperation with the EIC, assisting potential applicants in finding donor partners for the project.
- 4.4. The State Shared Service Centre, in accordance with the Memorandum, performs the functions of a National Focal Point and a Certifying Authority.
- 4.5. The Financial Control Department of the Ministry of Finance performs the function of an Audit Authority.
- 4.6. The Financial Mechanism Committee is a management body for the implementation of the EEA Financial Mechanism 2014–2021, consisting of the representatives of Donor States.

5. Definitions

- 5.1. “**Eligible costs**” – the costs that are justified, reasonable and necessary for the performance of the project and that have been incurred in accordance with the current Regulation and the project contract.
- 5.2. “**Period of eligibility**” – a period that is set in the project contract during which project must be implemented and eligible costs made.
- 5.3. “**Report**” – an project report to be submitted to the EIC within the term specified in the project contract, containing a detailed overview of the activities carried out and the results achieved and an overview of compliance with the guidelines on climate and energy plans in the form provided by the Ministry of the Environment.
- 5.4. “**Donor States**” – countries that fund the EEA Financial Mechanism, namely Iceland, Liechtenstein, and Norway.
- 5.5. “**Monitoring**” – the EIC’s control of the eligibility of costs and the achievement of project results by the Project Promoter and the project partner(s).
- 5.6. “**Expense receipt**” – a document certifying that the expense has been incurred and it must

comply with the accounting requirements of generally accepted accounting principles in the country of the Project Promoter and/or the project partner.

- 5.7. **“Own-contribution”** – the financial contribution of the Project Promoter or the project partner to the finance the project.
- 5.8. **“Partnership agreement”** – an agreement between the applicant and the project partner(s) that sets out the obligations and rights associated with a particular project. The agreement governs the relationship between the partners in carrying out the project contained in the application. The agreement sets out the objectives of the project, the plan of activities to be carried out, the budget and financing plan, and the principles of cooperation, the issues related to the management of the project, the exit procedure of partners, and other important issues.
- 5.9. **“Project”** – an activity or set of activities with common objectives defined in time and space, which are in accordance with the current Regulation and are partly financed from the grant.
- 5.10. **“Project contract”** – a contract between the Project Promoter and the EIC for obtaining and using the grant.
- 5.11. **“Project partner”** – a legal entity from Estonia, Iceland, Liechtenstein or Norway specified in clause 14.2, who has a significant role in the implementation of project activities and has a common objective with the Project Promoter, which shall be achieved through project implementation, and who meets the requirements of clause 14. The project partner is actively involved in the implementation of the project and contributes to it effectively. An organisation simply providing service to the Project Promoter cannot be defined as project partner.
- 5.12. **“Application”** – a duly completed application form with relevant Annexes in the e-support environment.
- 5.13. **“Proof of payment”** – an account statement, a copy of the payment order or an equivalent document from the country of the foreign partner.
- 5.14. **“Grant”** – the funds allocated through the EIC for activities contributing to the objectives of the Programme.
- 5.15. **“Grant rate”** – a percentage of the grant which represents the share of the grant in the project’s eligible costs.
- 5.16. **“Grant applicant”** (hereinafter “Applicant”) – a legal person registered in Estonia, according to the requirements specified in clause 14, who applies for grant. If the project is implemented together with project partners, the applicant shall be responsible for the whole project.
- 5.17. **“Project Promoter”** – an applicant whose application for grant has been approved and with whom the EIC has signed a project contract, and who is responsible for the implementation of the project according to the project contract.
- 5.18. **“Outcome”** – Outcomes are the (short and medium-term) effects of a project’s outputs on the direct target groups or end beneficiaries.
- 5.19. **“Selection committee”** – a project selection committee formed by a directive of the Minister of the Environment and comprising at least 3 members, one of whom does not work for the Ministry of the Environment or the EIC.
- 5.20. **“External partner”** – a project partner registered in the relevant register of Iceland, Liechtenstein or Norway.
- 5.21. **“Output”** – Output is a local level climate and energy plan created within the project. Outputs are easy to attribute directly to the resources used and the activities performed. They are usually within the greatest control of the implementing organisation.

SUPPORTED ACTIVITIES AND ELIGIBILITY OF COSTS

6. Supported activity

- 6.1. Given the objective, expected results, and outputs of the Programme, grants shall be awarded for the implementation of the following activities:
 - 6.1.1. involving of climate and energy topics to the local level development documents or the county's development strategy;
 - 6.1.2. developing of the local, regional or county level climate and energy plans.
- 6.2. The implementation of the activities specified in clause 6.1 must include establishing or updating local level climate and energy objectives and developing or updating a plan for their implementation based on the guidelines prepared by the Ministry of the Environment considering climate and energy objectives set in local level development documents (Annex 1).
- 6.3. If a regional or county level climate and energy plan, as mentioned in clause 6.1.2, is developed or a climate and energy topic is included in the county's development strategy, then it must be confirmed in the application that every development document of the local government will be brought in line with the prepared regional or county level climate and energy plan or county's development strategy within one year after the approval of the project report.
- 6.4. Supported activities may also include:
 - 6.4.1. organisation and participation in training sessions and seminars;
 - 6.4.2. development of project-related cooperation, including the organisation of workshops for parties;
 - 6.4.3. implementation of the communication activities;
 - 6.4.4. organisation of study trips;
 - 6.4.5. preparation of guides and information materials.

7. Application of state aid rules

The grant does not constitute state aid because the activities do not affect or threaten the competition between the European Union countries so far as they are by their nature carried out by a public authority in the public interest which does not confer an advantage on any particular entrepreneur. The Project Promoters are not entrepreneurs but local municipal entities which also means that when receiving and using the grant, they do not act as entrepreneurs but instead carry out public policy objectives for public interest by conducting, at a general level in their administrative territory, the implementation of climate change mitigation and adaptation plans. When applicable, local municipalities will carry out previously mentioned activities through their subordinate entities or jointly through regional government associations, but even in such cases, above explanations about state aid must be valid as those organizations belong in exactly the same way to the public sector and carry out the same public activities. Within the project, services could be procured from possible entrepreneurs by local municipalities (Project Promoters) under the rules of public procurement which in turn excludes the state aid at the level of these contractors. According to clauses 14.2 and 14.5 project partners may be environmental organizations when carrying out their non-profit environmental activities with the same aim as the project, support of which is not a state aid under Article 107 of TFEU.

8. Project eligibility period

- 8.1. The project eligibility period shall be defined in the project contract.

- 8.2. The start of the project eligibility period cannot be earlier than the date on which the project ranking is approved by the Minister of the Environment and it cannot be later than 30 April 2024.
- 8.3. The applicant and/or the project partner shall not commence project-related activities or undertake any obligations to carry out such activities (e.g. confirming an order, accepting an offer, entering into a contract or agreement, making an advance payment, using a service, concluding an instrument of delivery and receipt, etc.), except for the conclusion of a partnership agreement, before the Minister of the Environment has approved the ranking list of the applications.
- 8.4. The eligibility period cannot be longer than 8 months.
- 8.5. The EIC may extend the eligibility period of the project at the request of the Project Promoter in justified cases, taking into account the deadline set in clause 8.2.

9. Budget of the call for applications and amount and rate of project grant

- 9.1. The budget of the call for applications is 400,000 euros.
- 9.2. The minimum grant amount per application is 5000 euros and the maximum grant amount is 50,000 euros.
- 9.3. The maximum grant rate is 90% of the eligible costs.
- 9.4. Own contribution shall amount to at least 10% of the eligible costs. Own contribution shall be earmarked for the implementation of the project.
- 9.5. The maximum project grant rate and the total grant amount shall be specified in the project contract.
- 9.6. The grant and own contribution shall be used in proportion to the eligible costs incurred.

10. Eligible costs

- 10.1. The eligible costs are complying with the following conditions:
 - 10.1.1. the costs have been incurred during the eligibility period specified in the project contract;
 - 10.1.2. these are directly linked to the subject of the project contract and are included in the project budget;
 - 10.1.3. these are justified, reasonable, transparent, proportionate, in accordance with the law and necessary for the implementation of the project and the achievement of its objectives;
 - 10.1.4. these are in line with the principles of economy, efficiency, and effectiveness;
 - 10.1.5. these are used solely to achieve the objective(s) of the project and the expected result(s) in carrying out the activities referred to in clause 6;
 - 10.1.6. these are recorded in the accounting records of the Project Promoter and/or the project partner, are distinguishable from other costs and are verifiable, as well as determined in accordance with the applicable accounting standards of the country where the promoter and/or project partner is established and pursuant to generally accepted accounting principles;
 - 10.1.7. these have been made in accordance with Public Procurement Act so that the Project Promoter or project partner will follow its country's Public Procurement Act;
 - 10.1.8. these comply with the legislation of the country where the Project Promoter or project partner is located.
- 10.2. The costs are considered to have been incurred if an invoice or any other document verifying the costs are presented in terms of such costs, these have been settled and their object has been delivered (goods) or performed (services and work) during the project eligibility period. By way of exception, the eligible costs also include the costs

invoiced in the eligibility period and the activities on which the costs incurred were based have been completed during the eligibility period of the project, and have been paid within 30 calendar days of the final date of the eligibility period.

- 10.3. The following direct costs of the project which are compliant with the conditions set out in clauses 10.1–10.3 and the costs necessary for carrying out the activities referred to in clause 6 are:
 - 10.3.1. the cost of staff assigned to the project, covering actual project-related remuneration, social security contributions and other statutory taxes and statutory costs withheld from the remuneration, provided that it is consistent with the usual remuneration policy of the Project Promoter and the project partner. The employee must have a written contract of employment or an Annex to the contract of employment or a directive or a decision stating the employee's tasks/duties in connection with the project and the amount of remuneration. Unless the contract of employment, its Annex, directive or decision establishes the proportion of the tasks related to the project as a proportion of the total work, the working timetable shall be completed;
 - 10.3.2. the travelling and daily allowances regarding the business trips of the employees participating in the project, provided that these do not exceed the relevant national thresholds;
 - 10.3.3. the costs of outsourced services on market terms (including studies, analyses, access to technical knowledge and data, consultations);
 - 10.3.4. the costs arising directly from the requirements imposed on the project by the project contract (e.g. communication, audits, translations);
 - 10.3.5. VAT (Value added Tax) is an eligible cost if it can be proved that the Project Promoter is the final consumer, who is not entitled to deduct input VAT from VAT paid as part of the project or reclaim VAT or who is not subject to VAT refund in any other way in accordance with the VAT legislation;
 - 10.3.6. the costs of an auditor independent of the project and the external partner, who is engaged in verifying the expenses of the external partner.
- 10.4. In justified cases, the EIC may consider costs above the thresholds provided in clause 10.4.3 to be eligible.
- 10.5. Indirect project costs are eligible costs which cannot be identified directly by the Project Promoter and/or the project partner as directly attributable to the project, but which can be identified and justified in its accounting system as costs incurred directly in relation to the eligible direct costs attributable to the project. If the project budget includes indirect costs, these shall represent 15% of the total eligible direct personnel costs of the project and shall not be eligible for reimbursement on the basis of expense receipts, but will be calculated on the basis of the direct eligible costs submitted in the request for payment.
- 10.6. Indirect costs consist of overheads and staff costs for project administrative staff, mostly:
 - 10.6.1. costs of office supplies;
 - 10.6.2. costs of communication services, including telephone and postal charges;
 - 10.6.3. maintenance and repair costs of information technology (servers and networks) and office equipment;
 - 10.6.4. utilities, including heating, water and electricity consumption, sewerage and cleaning of premises;
 - 10.6.5. rental of premises necessary for the administration of the project;

- 10.6.6. security service;
- 10.6.7. land tax;
- 10.6.8. costs of opening and maintaining bank accounts for the project and the transfer fees, provided a bank account is required for the project;
- 10.6.9. personnel costs of support staff (accountant, human resources specialist, IT specialist, other project assistants).

11. Ineligible costs

The ineligible costs are:

- 11.1. debt interest, debt service charges and interest on arrears;
- 11.2. financial transaction fees and other financial charges;
- 11.3. provisions to cover losses or potential future liabilities;
- 11.4. exchange rate losses;
- 11.5. recoverable VAT;
- 11.6. expenditure for which the grant has been awarded or which has previously been reimbursed from the national budget or from EU or external funds;
- 11.7. fines, financial penalties, and litigation costs;
- 11.8. non-monetary contributions;
- 11.9. cash payments;
- 11.10. daily allowances and expenses for the use of personal transport equipment that exceed the tax-free limit established by the Income Tax Act, except in the case specified in clause 10.5;
- 11.11. the costs that are related to the transactions signed between the applicant and/or partner;
- 11.12. other costs not related to the supported activities and unjustified for the implementation of the project.

ANNOUNCEMENT OF THE CALL FOR APPLICATIONS AND SUBMISSION OF APPLICATIONS

12. Announcement of the call for applications

- 12.1. The EIC shall announce the call for applications by publishing the call for applications in at least one national daily newspaper, on the website of the Ministry of the Environment, and on its own website.
- 12.2. The call for applications shall be announced at least two months before the closing date for applications.

13. Submission of applications

- 13.1. The application shall be submitted to the EIC by April 26, 2021 at 17:00 local Estonian time via the e-support environment and digitally signed by a person authorised to represent the applicant, and it shall be accompanied by the documents required by clause 16.3. The application is based on the data fields of the e-support environment.
- 13.2. An application received after the term for submission of applications shall not be evaluated.
- 13.3. The information and documents related to the application and the use of the grant shall be submitted through the e-support environment. Documents transmitted via the e-support environment are deemed to have been served.

13.4. The applicant shall immediately inform the EIC of any changes in the information provided in the application or of any circumstances, which may affect the decision on the application.

REQUIREMENTS FOR THE APPLICANT, PROJECT PARTNER, AND APPLICATION

14. Requirements for the applicant and project partner

- 14.1. Applications for the project grant may be submitted by the bodies registered in the Republic of Estonia referred to in clauses 14.1.1–14.1.2:
 - 14.1.1. a local authority or a body administered by it;
 - 14.1.2. association of the local authority.
- 14.2. The following organisations registered in Estonia, Iceland, Liechtenstein or Norway may serve as project partners for the applicant:
 - 14.2.1. a local authority or a body administered by it;
 - 14.2.2. association of the local authorities;
 - 14.2.3. environmental non-profit NGOs;
 - 14.2.4. public authorities;
 - 14.2.5. research institutions and universities within the meaning of the § 3 of Estonian Research and Development Act;
- 14.3. If the applicant is a association of the local authority specified in clause 14.1.2, the local authorities that are the direct beneficiaries of the project are involved as project partners.

- 14.4. Requirements for the applicant and a project partner from Estonia:
 - 14.4.1. registered in the Estonian e-business register;
 - 14.4.2. no liquidation or bankruptcy proceedings have been initiated (including in respect of any person exercising a dominant influence over it);
 - 14.4.3. the tax arrears or payments in arrears owed to the state, inclusive of interest, do not exceed 100 euros or it is deferred;
 - 14.4.4. has not previously received a grant from the state budget or from the European Union or foreign aid to cover the same costs;
 - 14.4.5. a grant that has been previously received from the state budget or from EU or external funds, which has become subject to reimbursement, has been repaid on time and in the amount claimed;
 - 14.4.6. there are know-how and resources necessary to carry out the project, including own contribution;
 - 14.4.7. the applicant or its legal representative does not have a valid punishment imposed on the basis of § 209, 210, 260¹, 372, 373, 379 or 384 of the Penal Code.
- 14.5. If the Project Partner is non-profit NGO/ organization mentioned in 14.2.3, its statute must include environmental activities and it must be factually active in the field of the environment and must have been active in this field for at least two year.

15. Obligations of the applicant

The applicant shall:

- 15.1. provide additional information on the applicant, the project partner(s) and the application within the prescribed format and by the term requested by the EIC;
- 15.2. enable the EIC to verify the eligibility of the application, the applicant and the project partner(s), and the correctness of the data provided;

- 15.3. immediately notify the EIC in writing of any changes in the information provided in the application or of any circumstances, which may be relevant to the decision to approve the application;
- 15.4. fulfil other legal obligations and provide the EIC with information that may influence the decision concerning the application;
- 15.5. be convinced and certify that the external partner is credible, competent, capable of participating in the project, and active in the field of the project;
- 15.6. conclude partnership agreement(s) with the project partner(s), if there are any, before signing the Project Contract. Partnership agreement must contain information stated in the EEA Implementing Regulation clause 7.7 article 2.

16. Application requirements

- 16.1. The application shall comply with the following formal requirements:
 - 16.1.1. all applicable fields have been completed in the application form, the application and its Annexes are consistent;
 - 16.1.2. the purpose and activities of the project are in accordance with the activities provided in clause 6;
 - 16.1.3. the project budget includes the eligible costs referred to in clause 10;
 - 16.1.4. the requested grant amount is in accordance with clause 9;
 - 16.1.5. the relevant information has been submitted if the grant or the covering of own contribution is simultaneously requested for the project or individual project activities from the other state budget or EU or external funds;
 - 16.1.6. if the applicant or the project partner has previously carried out similar projects, the application shall include a list of the projects implemented;
 - 16.1.7. the information given in the application is complete and correct;
 - 16.1.8. the time-scheme for the use of the grant is realistic during the project eligibility period;
 - 16.1.9. the application shall include a list of consultants involved in the preparation of the application;
 - 16.1.10. the application is signed by a person authorised to represent the applicant.
- 16.2. The application shall meet the following content requirements:
 - 16.2.1. the purpose of the project is clearly justified and corresponds to the objectives and intended results as stated in clause 3;
 - 16.2.2. if a project partner is involved in the project, its country of location shall be Estonia, Iceland, Liechtenstein or Norway;
 - 16.2.3. the obligations, rights and responsibilities of the project partner in carrying out the activities are described;
 - 16.2.4. the way in which the project seeks to achieve its objective is described;
 - 16.2.5. the activities proposed are feasible, the results are achievable, and the budget of the activities is justified and presented by type of expenditure;
 - 16.2.6. a competent project team has been established and the organisation of project management is appropriate;
 - 16.2.7. the risks of carrying out activities have been objectively assessed and appropriate mitigating measures have been provided;
 - 16.2.8. the recommendations on how to ensure the sustainability of the project after the end of the project are described.
- 16.3. The application shall include the following documents:
 - 16.3.1. if there is a project partner, a confirmation letter, a cooperation agreement or a partnership agreement on ensuring project implementation and sustainability, signed

- by the application and the project partner, stating the responsibilities of the parties and the distribution of activities and costs between the parties to the project;
- 16.3.2. a list that sets out the Project Promoter, the staff of the project partner, and the experts to be involved in the project, their tasks and expected results, as well as their CVs, which must include evidence of experience in participating in similar projects;
 - 16.3.3. comparative quotes for such services, items or work, the estimated value of which exceeds 20,000 euros without VAT, with a reference to the original task or an analysis of the market price, showing the estimated costs of the services, items or work;
 - 16.3.4. a power of attorney if the representative of the applicant is acting on the basis of an authorisation;
 - 16.3.5. the proof of own contribution;
 - 16.3.6. the project budget (Annex 2), the quarterly payment forecast, and the procurement forecast on the given form.

PROCESSING OF THE APPLICATION

17. Processing of the application

- 17.1. The application processing consists of the following activities:
 - 17.1.1. the verification of compliance of the applicant, project partner, and application;
 - 17.1.2. the evaluation of the compliance of the application with the content requirements;
 - 17.1.3. the conclusion of the project contract or the making of a decision not to finance the application.
- 17.2. The term for processing the application is up to 90 calendar days. The EIC may extend the term for processing the application in justified cases.
- 17.3. The processing of the application begins on the working day following the closing date for the submission of applications.
- 17.4. During the processing of the application, the EIC may request clarification and additional information from the applicant concerning the information contained in the application or the improvement or amendment of the application, if it considers that the application is not sufficiently clear, stating also the circumstances that need further clarification, improvement or additional information.
- 17.5. The of the compliance of the application and the assessor of the application must be competent and impartial in relation to the applicant.

18. Verification of the eligibility of the application, applicant, project partner

- 18.1. The EIC shall review the application within 30 calendar days as of the date of commencement of the processing of the application. During the review of the application, the EIC verifies the compliance of the applicant and the project partner with the requirements established in clause 14 and the compliance of the application with the requirements established in clauses 16.1 and 16.3.
- 18.2. If the EIC identifies any deficiencies during the review of the application, the EIC shall immediately inform the applicant thereof and set a term of up to 10 calendar days for the elimination of such deficiencies. The term for processing an application is extended by the time taken to eliminate the deficiencies.
- 18.3. The application, the applicant and the project partner shall be declared eligible if they meet the requirements set out in clauses 14, 16.1 and 16.3 for the applicant, the project partner, and the application.
- 18.4. An applicant, project partner or application shall be declared ineligible if at least one

of the following circumstances occurs:

- 18.4.1. the applicant or the project partner does not meet the requirements set out in clause 14;
- 18.4.2. the application does not meet the requirements set out in clause 16;
- 18.4.3. the application contains incorrect or incomplete information or the applicant or the project partner affects the processing of the application by fraud, threat or other unlawful means;
- 18.4.4. the applicant or the project partner does not allow verification of the form or content of the application;
- 18.4.5. the applicant has failed to remedy the deficiencies in the application and/or to provide correct documentation within the term specified.
- 18.5. In the event of a non-conforming application, the decision to reject the application shall be made.
- 18.6. The EIC shall forward the requests compliant with the formal requirements to the experts for a substantive assessment in accordance with the content requirements specified in clause 16.2.

19. Evaluation of the application

- 19.1. At least two experts independent of the Ministry of the Environment and the EIC shall evaluate applications that have been verified as conforming to the formal requirements based on the evaluation criteria set out in clause 20. In case the opinions of experts differ by more than 30%, the application shall also be evaluated by a third expert.
- 19.2. Based on the result of the expert evaluation, the EIC shall compile the rankings of the applications where the applications that have received higher score will be placed in the beginning of the rank. Applications with the highest score shall receive funding within the budget of the call.
- 19.3. The ranking of projects based on expert ratings shall be analysed by the selection committee set up by the Ministry of the Environment, who shall propose to the Minister of Environment whether to fund the projects or not.
- 19.4. The EIC, the experts, and the selection committee have the right to make proposals for amending the budget of the applications.
- 19.5. The selection committee shall establish its proposal primarily on the outcome of the expert's review, but may, based on the evaluation criteria in clause 20, re-evaluate the projects when the selection committee does not agree with the evaluation results from the experts' thus proposing additional explanations when the conclusions differ from the expert's review.
- 19.6. In case of equal points, the application with the lower grant amount is preferred
- 19.7. If the budget of the call for application does not allow the grant to be awarded in full, the EIC may propose to the applicant to increase the own contribution rate or to reduce the size of the project, provided that the project objectives are achieved. Such a proposal is made first to the first applicant in the ranking list, whose project would receive a full grant for the project. If the applicant does not want to implement the project under the new conditions, the EIC shall make the same proposal to the next applicant in the ranking.

20. Application evaluation criteria

- 20.1. Application evaluation criteria
 - 20.1.1. project design and sustainability - 25% of the total scoring;
 - 20.1.2. own-contribution rate – 20% of the total scoring;

- 20.1.3. project`s relevance and contribution to the achievement of the Programme's objectives - 15% of the total scoring;
 - 20.1.4. quality of the budget – 10% of the total scoring;
 - 20.1.5. the relevance of the applicant and partners – 10% of the total scoring;
 - 20.1.6. management of the Project – 10% of the total scoring;
 - 20.1.7. Donor partnership project – 10% of the total scoring.
- 20.2. Every evaluation criteria comprise one to several sub-criteria listed in Annex 3.
 - 20.3. The score for each sub-criterion varies 1 to 5.
 - 20.4. Assessment result is the total score of a project application, presented in weighted points as a percentage.
 - 20.5. The final overall score of the application is formed by the arithmetic average of the total scores given by the experts, on the basis of which the ranking list of the applications is compiled.
 - 20.6. A project application that receives 1 point for sub-criteria 1.1 and 1.3 listed Annex 3 shall not be financed.

21. Approval, partial approval, conditional approval, and rejection of the application

- 21.1. Based on the proposal of the selection committee, a decision on the ranking of applications shall be approved by a directive of the Minister of the Environment and submitted to EIC for the funding or rejection of the applications.
 - 21.2. The EIC forwards the project contracts to the applicants of the funded projects for signature.
 - 21.3. If the applicant, whose application is subject to funding, agrees to the terms and conditions of the project contract, the applicant shall return the signed project contract to the EIC within 10 calendar days of the receipt thereof.
 - 21.4. If the applicant fails to return the project contract within 10 calendar days of receipt, the decision on approval of the application shall be declared null and void and, if possible, the next application in the ranking list shall receive funding.
- 21.5. The project contract specifies at least:
 - 21.5.1. the name of the Project Promoter and the name of the project;
 - 21.5.2. the roles and responsibilities of the participants in the project;
 - 21.5.3. the rights and obligations of the Project Promoter;
 - 21.5.4. the name and activities of the project partner, if there are any;
 - 21.5.5. the purpose or result of the project;
 - 21.5.6. the budget of the project, including the maximum grant amount in euros and the grant rate;
 - 21.5.7. the minimum rate of own contribution;
 - 21.5.8. the conditions for obtaining and using the advance payment;
 - 21.5.9. the provisions on the method of calculation of indirect costs and maximum amount thereof;
 - 21.5.10. the conditions and procedures for the payment of the grant;
 - 21.5.11. the project eligibility period;
 - 21.5.12. the reporting obligations of the Project Promoter ;
 - 21.5.13. the conditions and procedures for recovery and repayment of the grant;
 - 21.5.14. the conditions for ex-ante control of public procurements;
 - 21.5.15. the conditions for modifying the project and the project contract which are necessary for the successful implementation and monitoring of the project.
 - 21.5.16. the dispute resolution procedure and jurisdiction.

- 21.6. The EIC shall make a decision to reject an application if the applicant, the project partner or the application does not meet the requirements of this Regulation, application receives one point for sub-criteria 1.1 or 1.3 or the project applied does not fit into the project funding budget after the evaluation of the proposals and the preparation of the ranking, and for which the Minister of the Environment makes a proposal on rejection in accordance with clause 21.1.
- 21.7. The decision rejecting the application shall state at least:
 - 21.7.1. the decision-maker;
 - 21.7.2. the date of the decision and the number of the decision;
 - 21.7.3. the details of the applicant;
 - 21.7.4. the factual and legal basis of the decision;
 - 21.7.5. the reason for the rejection of the application;
 - 21.7.6. the procedure for contestation of the decision;
- 21.8. the EIC shall immediately forward the decision rejecting the application to the applicant through the e-support environment.

22. Project modification

- 22.1. The EIC may amend the project contract in duly justified cases based on the application submitted by the Project Promoter through the e-support environment.
- 22.2. The grant amount shall not be increased.
- 22.3. The EIC evaluates the justification of the application for modifying the project within 20 calendar days of the receipt of the application.
- 22.4. The application shall be rejected if the proposed change is not sufficiently substantiated or if the change calls into question the achievement of the project objective.
- 22.5. If the Project Promoter needs to submit additional information in order to evaluate the application or the EIC needs to commission an expertise analysis, the processing time of the application shall be extended by the time required for the submission of additional documents or expertise.
- 22.6. Upon approval of the application for modification of the project, the project contract shall be amended.
- 22.7. If the EIC does not approve the application, the Project Promoter shall implement the project in accordance with the project contract.
- 22.8. If the Project Promoter does not agree to implement the project in case of rejection of the modification application, it shall inform the EIC thereof without delay. The EIC may declare the project contract null and recover the paid grant.
- 22.9. If the Project Promoter requests to extend the eligibility period of the project up to two months in accordance with clause 8.4, the relevant information shall be provided along with a justification via e-support environment. In this case, the project contract shall not be modified.

USE OF THE GRANT

23. Procurements related to the use of the grant

- 23.1. Upon purchasing goods or services as part of the project, the Project Promoter and the project partner(s), if they are considered as suppliers, shall comply with the obligations set out in the national public procurement regulations and EU directives of the country

- of location.
- 23.2. The Project Promoter shall not publish the contract notice on the implementation of the project before the directive of the Minister of the Environment provided in clause 8.2.
 - 23.3. The Project Promoter shall submit draft procurement documents to the EIC for review before announcing the procurement.
 - 23.4. The EIC representative shall be added to the respective procurement as an “observer” in the public procurement register.
 - 23.5. If the Project Promoter is not a contracting authority within the meaning of the Public Procurement Act, it shall:
 - 23.5.1. use financial resources economically and expediently to procure the supplies and services needed to carry out the project and, in case of numerous tenderers, ensure the use of the service or product with the best value for money in their project by exploiting competition and follow other general principles of Public Procurement;
 - 23.5.2. provide a description of the terms of reference and take at least three quotes from independent bidders in writing if the Project Promoter purchases services, supplies or rights in excess of 20,000 euros, excluding VAT, for the purpose of carrying out the project. Comparable quotes shall be in a format that can be reproduced in writing. Where three independent quotes cannot be obtained, the report must state an appropriate justification;
 - 23.5.3. carry out the procurement in the public procurement register if the threshold 30,000 euros is exceeded;
 - 23.6. After signature of the procurement contract, it shall be entered into the e-support environment under the appropriate module for the EIC review.

24. Payment and refusal of the grant

- 24.1. The EIC shall make grant payments to the Project Promoter through the e-support environment in accordance with the EEA Implementing Regulation, current Regulation, and the project contract.
- 24.2. The grant payment will take place after the submission of payment application and based on the expense receipts.
- 24.3. In justified cases, the EIC shall pay the grant as advance payments upon the submission of the payment applications in the following stages:
 - 24.3.1. the first advance payment of 10–30% of the grant shall be made not earlier than 20 working days of the conclusion of the project contract;
 - 24.3.2. subsequent advance payments in the amount of 10–30% of the grant shall be paid to the Project Promoter, provided that the usage of the previous advance payment has been verified on the basis of paid expense receipts to the extent of 60% and the preceded advanced payments have been verified to the extent of 100% on the basis of paid expense receipts.
- 24.4. The final payment shall be at least 10% of the grant and it shall be paid to the Project Promoter after all previous payments have been verified on the basis of paid expense receipts, and the EIC has approved the final report. If the grant has been paid as advance payments, then the use of advance payments must be justified based on the paid expense receipts by the time of requesting the final payment.
- 24.5. Organizations, who can use bridge financing, will not get the advance payment, their payments of the project grant shall take the form of reimbursement requests based on actual costs incurred.

- 24.6. The EIC shall refuse payment of all or part of the grant if the payment application, report is not approved or if the financial situation of the Project Promoter is such that the use of the grant or the implementation of the project is endangered.

25. Requirements for expense receipts

- 25.1. With the payment application, except in the case of advance payment and expenditure of the usage of advance payment, Project Promoter provides the EIC with the following documents regarding the eligible costs incurred by the Project Promoter and the project partner(s):
- 25.1.1. the supporting documents confirming the purchase if they are not available in the public procurement register;
 - 25.1.2. the expense receipts, including the copies of the invoices issued for the item, service or work, accompanied by copies of the documents certifying the delivery and receipt of the item, service or work, serving as the supporting documents;
 - 25.1.3. the copies of documents verifying the payment of invoices provided in clause 25.1.2;
 - 25.1.4. the contracts for the implementation of the project or copies thereof;
 - 25.1.5. in terms of certifying of the expenditure of the external partner, it is sufficient for the Project Promoter to submit to the EIC an audit report on the eligibility of the expenditure of the external partner carried out by an independent and certified auditor of the same country, stating that the costs of this partner have been incurred in accordance with the EEA Implementing Regulation, the current Regulation, local legislation, and generally accepted accounting principles;
 - 25.1.6. developing documents, analyses, documents and other material produced in connection with the project;
- 25.2. If the procurement, mentioned in clause 25.1.1 has not been carried out in the public procurement register, at least three comparative offers shall be presented to the EIC together with the concept which was submitted to the tenderers according to clause 23.5. If three independent comparative offers cannot be submitted, an appropriate justification will be presented instead.

26. Submission and processing of payment and advanced payment applications, expenditure of the usage of advance payment and report

- 26.1. Payment and advanced payment requests and the expenditure of the usage of advance payment shall be submitted to the EIC through the e-support environment. The first advance payment application shall be submitted to the EIC after the conclusion of the project contract and subsequent advance payment applications shall be submitted through the e-support environment at a time suitable for the Project Promoter. Payment and advanced payment applications and expenditure of the usage of advance payment shall be processed within 30 calendar days of submission of a compliant document.
- 26.2. Upon receipt of a request for payment or expenditure of the usage of advance payment, the EIC verifies whether:
- 26.2.1. the activities of the Project Promoter and the project partner(s) and their result comply with the application and the project contract;
 - 26.2.2. the expense receipts are compliant;
 - 26.2.3. the data provided in the expense receipts is in accordance with the signed project contract;
 - 26.2.4. the costs are eligible.

- 26.3. If deficiencies appear during the examination of the payment application, expenditure of the usage of advance payment or report, the EIC shall set a deadline for the elimination of deficiencies, which shall extend the time for processing the request for payment, expenditure of the usage of advance payment or the report.
- 26.4. Payment shall not be made and the usage of advance payment shall not be considered as certified, if:
- 26.4.1. the costs are not eligible;
 - 26.4.2. it appears during the examination of the expense receipts that the expense receipts do not comply with the requirements laid down in this Regulation;
 - 26.4.3. the expense receipts do not correspond to the project eligibility period, activities or purpose;
 - 26.4.4. the Project Promoter has not carried out the project or has not incurred costs in accordance with the application or the project contract, or the activities indicated by the Project Promoter have not been proved;
 - 26.4.5. the Project Promoter has not requested modification of the project, although it is required under clause 22;
 - 26.4.6. the Project Promoter has not remedied the deficiencies within the term specified in clause 26.3.
- 26.5. The Project Promoter shall submit a report with the last request for payment within 45 calendar days of the end of the project eligibility period via the e-support environment and these shall be processed within 60 calendar days of the submission of a compliant report.
- 26.6. The report covers both the costs incurred by the Project Promoter and the partners in the project, as well as information on the fulfilment of the objectives of the project, including the activities carried out, their results, the justification for the difference between planned and actual activities, and results and also an overview of compliance with the guidelines on climate and energy plans in the form provided by the Ministry of the Environment (Annex 4).
- 26.7. The project shall be considered completed after approval of the report in the e-support environment and after the final payment from the EIC.

27. Rights of the Project Promoter

The Project Promoter has the right:

- 27.1. to extend the project eligibility period by up to two months, notifying the EIC before making the change;
- 27.2. to submit a project modification request in accordance with clause 22.1;
- 27.3. to receive information and advice from the EIC relating to the performance of the duties of the Project Promoter specified in current Regulation.

28. Rights of the EIC

The EIC has the right:

- 28.1. to carry out or arrange for expertise and monitoring of the project;
- 28.2. to monitor the use of the grant;
- 28.3. to monitor the activities of the Project Promoter and/or the project partner(s) in carrying out their obligations under the project contract;

- 28.4. to require additional information and documentation on the duration, activities, purpose, and costs of the project, demonstrating the proper implementation of the project and the proper fulfilment of the obligations of the Project Promoter ;
- 28.5. to suspend payment of the grant until an infringement has been rectified, if the Project Promoter fails to comply with the conditions laid down in this Regulation or the decision on approving the application;
- 28.6. to reduce the amount of the grant paid in proportion to the reduction in the Project Promoter 's own contribution;
- 28.7. to request partial or full repayment of the grant in accordance with clause 31 of the current Regulation.
- 28.8. to perform other acts prescribed by law.

29. Obligations of the Project Promoter

The Project Promoter shall comply with the requirements established in the EEA Implementing Regulation, current Regulation, the project contract, and the partnership agreement(s), including:

- 29.1. be responsible for initiating, preparing, implementing, and achieving the objectives and results of the project;
- 29.2. be responsible for the monitoring and reporting on the progress towards achievement;
- 29.3. carry out the project within the terms and conditions specified in the application and the project contract;
- 29.4. be responsible for ensuring that project costs are eligible and, if the costs prove to be ineligible, repay the grant in the amount and at the time prescribed;
- 29.5. comply with the provisions of the Public Procurement Act regarding a contracting authority, including carry out a proper procurement, if necessary;
- 29.6. conclude contracts in writing with the service provider, the contractor or the supplier of items required for the implementation of the project;
- 29.7. conclude partnership agreement(s) with the project partner(s);
- 29.8. be responsible for any actions or omissions of project partner(s), which do not comply with the current regulation;
- 29.9. not use the grant allocated for the realisation of the project, either directly or indirectly, for earning income, and ensure that the project partner complies with the same requirement;
- 29.10. submit to the EIC relevant information related to the project in the given format and by the specified terms through the e-support environment, considering that all documents submitted to the EIC must be in Estonian or English;
- 29.11. enable the EIC to carry out expertise and monitoring activities;
- 29.12. enable the EIC, the Ministry of the Environment, the Ministry of Finance, the National Audit Office, and the representatives of the Donor States to verify the conformity of the implementation of the project, including carrying out on-site inspections and staying at their premises and on their territory;
- 29.13. make available to the auditor or supervisor all information and documents related to the implementation of the project within three working days of the submission of the auditor's or the supervisor's request through the e-mail or e-support environment;
- 29.14. organizes at least 2 information activities on progress, achievements and results in the project, such as a seminar or a conference with stakeholders, a press conference or press event, including a launch activity and/or a closing activity for the project; launches a project web-site in Estonian either through a dedicated website or through a dedicated webpage on the organization's existing website with linking between the pages;

- 29.15. mark the objects to be installed as part the project in the required manner in order to indicate the European Economic Area Financial Mechanism and the Republic of Estonia as co-funders of the project;
- 29.16. distinguish in its accounts the costs of the project from other expenditure;
- 29.17. submit supporting documents for the procurement procedure with the payment application;
- 29.18. ensure the transmission of payments to the project partner(s);
- 29.19. forward to the EIC all project results (including the prepared studies) and outputs;
- 29.20. immediately notify the EIC of any change in the Project Promoter 's data or of any circumstances affecting or likely to affect the performance of the Project Promoter 's obligations or the achievement of the results of the project, including any changes in the name, address, and legal or authorised representatives, transformation of the Project Promoter , VAT registration or deletion from the register, bankruptcy proceedings or appointment of a liquidator, and the termination of operations, even where such changes are recorded in an appropriate register or are made public through the media;
- 29.21. immediately notify the EIC in writing of any obstacles to the implementation of the project during the performance of the project, as well as litigation or the possibility of litigation related to the project and disputes related to public procurements conducted by the Project Promoter or the project partner;
- 29.22. immediately inform the EIC of any circumstances that have arisen during the implementation of the project, in which case it is not expedient to continue the project;
- 29.23. inform EIC in writing of the need to modify the project;
- 29.24. keep the documentation related to the grant application and project implementation for at least seven years after the end of the project;
- 29.25. ensure that the acquired fixed assets are used for the same purpose as described in the project for at least five years after the approval of the project report;
- 29.26. fulfil other obligations laid down in the relevant legislation.

30. Obligations of the EIC

The EIC shall:

- 30.1. publish relevant guidance material on its website;
- 30.2. inform Project Promoters immediately of any changes in the documents governing the use of the grant;
- 30.3. immediately inform the Project Promoter of any shortages in the submitted payment applications or reports;
- 30.4. make the following information available on its website after the conclusion of the project contract: name of the Project Promoter , name of the project receiving the grant, amount of the grant, total volume of the project;
- 30.5. keep confidential any information, which has come to light in the course of the processing of the grant application. The information specified in clause 30.1.4 is not considered confidential, and in cases provided by law, the obligation of confidentiality may be waived;
- 30.6. inform the applicant through the e-support environment of the approval or rejection of the application, and the decision to modify the project.

31. Recovery of the grant

- 31.1. If the Project Promoter fails to comply with its obligations under current Regulation and the project contract, the EIC has the right to recover all or part of the grant.

- 31.2. The EIC may cancel the project contract and/or recover the grant, in whole or in part, depending on the gravity of the breach, if:
- 31.2.1. any circumstances emerge in which case the application would not have been approved;
 - 31.2.2. the Project Promoter and/or the project partner has failed, in part or in full, to fulfil an obligation or claim and this has had an impact on the eligibility of the costs;
 - 31.2.3. the Project Promoter or the project partner fails to comply with the provisions of the project contract or legislation or does not use the grant under the conditions laid down;
 - 31.2.4. it appears that the project objective cannot be achieved or the terms of the project activities have not been met;
 - 31.2.5. the Project Promoter's application for amendment of the decision approving the application is not accepted and the Project Promoter is not able to continue to use the grant under the conditions laid down;
 - 31.2.6. the Project Promoter submits a declaration of withdrawal from the grant;
 - 31.2.7. the Project Promoter and/or the project partner has breached the law on public procurements in its country of location;
 - 31.2.8. false or incomplete information has been knowingly provided in the application or during the implementation of the project, or information has been knowingly omitted.
- 31.3. In the event of grant recovery, EIC shall withdraw from the project contract to the corresponding extent.
- 31.4. If it becomes apparent during the implementation of the project that the project cannot be carried out, the EIC will withdraw from the project contract and the entire grant paid shall be recovered. If the purpose of the project is partially achieved, the grant shall be recovered on a pro rata basis.
- 31.5. The recovery of the grant is based on the principles of financial correction established in section 45 of the 2014–2020 Structural Assistance Act and Regulation No 143 of the Government of the Republic of 1 September 2014 “The conditions and procedures for the eligibility of costs to be funded from the 2014–2020 structural support, the payment of the grant and the making of financial corrections”.
- 31.6. The EIC may charge interest on the balance of the amount of the grant to be recovered at the rate established by EEA Regulation article 13.5.
- 31.7. If the Project Promoter has incurred lower eligible costs than the amount of the grant received as an advance payment by the end of the project, the Project Promoter shall reimburse any unused amount to the EIC. Overpaid grant will be recovered if it is not voluntarily repaid.
- 31.8. The grant to be recovered shall be repaid within 60 days of receipt of the claim through the e-support environment.
- 31.9. The EIC has the right to recover the grant within five years of the approval of the project report.

32. Handling of complaints

Before filing an appeal with the administrative court, a challenge procedure may be done by filing a challenge with the EIC. The EIC reviews the challenge in accordance with the procedure provided by the Administrative Procedure Act

33. Information

- 33.1. The EIC organises information days to introduce the calls for applications, the more detailed information on which is published on its website at www.kik.ee.
- 33.2. During preparation of projects, the applicant may contact the EIC or the Ministry of the

Environment for information and support in finding potential external partners.

- 33.3. Additional information can be found from the web page of EIC www.kik.ee and inquiries can be sent via email to the address info@kik.ee. The inquiries will be replied as soon as possible but not later than within 30 working days.