

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Norwegian Ministry of Foreign Affairs

and

The Ministry of Finance,
hereinafter referred to as the "National Focal Point",
representing Estonia ,
hereinafter referred to as the "Beneficiary State"

together hereinafter referred to as the "Parties"

for the financing of the Programme "Green Industry Innovation "

hereinafter referred to as the "Programme"

Chapter 1

Scope, Legal Framework, and Definitions

Article 1.1

Scope

This programme agreement between the Norwegian Ministry of Foreign Affairs (hereinafter referred to as the NMFA) and the National Focal Point lays down the rights and obligations of the Parties regarding the implementation of the Programme and the financial contribution from the Norwegian Financial Mechanism 2009-2014 to the Programme.

Article 1.2

Legal Framework

1. This programme agreement shall be read in conjunction with the following documents which, together with this programme agreement, constitute the legal framework of the Norwegian Financial Mechanism 2009-2014:

- a. the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the Agreement);
- b. the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by Norway in accordance with Article 8(8) of the Agreement;
- c. the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Kingdom of Norway and the Beneficiary State; and
- d. any guidelines adopted by the NMFA in accordance with the Regulation.

2. In case of an inconsistency between this programme agreement and the Regulation, the Regulation shall prevail.

3. The legal framework is binding for the Parties. An act or omission by a Party to this programme agreement that is incompatible with the legal framework constitutes a breach of this programme agreement by that Party.

Article 1.3

Definitions

Terms used and institutions and documents referred to in this programme agreement shall be understood in accordance with the Regulation, in particular Article 1.5 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4

Annexes and hierarchy of documents

1. The programme decision, including the financial plan (Annex I), and the operational rules (Annex II) form an integral part of this programme agreement. Any reference to this programme agreement includes a reference to its annexes unless otherwise stated or clear from the context.

2. The provisions of the annexes shall be interpreted in a manner consistent with this programme agreement. Should the meaning of any provision of the said annexes, so interpreted, remain inconsistent with this programme agreement, the provisions of the former shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the programme proposal are binding for the National Focal Point and the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement.

Chapter 2

The Programme

Article 2.1

Co-operation

1. The Parties shall take all appropriate and necessary measures to ensure fulfilment of the obligations and objectives arising out of this programme agreement.

2. The Parties agree to provide all information necessary for the good functioning of this programme agreement and to apply the highest degree of transparency, accountability and cost efficiency as well as the principles of good governance, sustainable development, gender equality and equal opportunities.

3. The Parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the Programme.

4. In executing this programme agreement the Parties declare to counteract corrupt practices. Further, they declare not to accept, either directly or indirectly, any kind of offer, gift, payments or benefits which would or could be construed as illegal or corrupt practice. The Parties shall immediately inform each other of any indication of corruption or misuse of resources related to this programme agreement.

Article 2.2

Main responsibilities of the Parties

1. The National Focal Point is responsible and accountable for the overall management of the Norwegian Financial Mechanism 2009-2014 in the Beneficiary State and for the full and correct implementation of this programme agreement. In particular, the National Focal Point undertakes to:

a. comply with its obligations stipulated in the Regulation and this programme agreement;

b. ensure that the Certifying Authority, the Audit Authority, the Monitoring Committee and the Programme Operator properly perform the tasks assigned to them in the Regulation, this programme agreement and the programme implementation agreement;

c. take all necessary steps to ensure that the Programme Operator is fully committed and able to implement and manage the Programme;

d. take the necessary measures to remedy irregularities in the implementation of the Programme and ensure that the Programme Operator takes appropriate measures to remedy irregularities in Projects within the Programme, including measures to recover misspent funds;

e. make all the necessary and appropriate arrangements in order to strengthen or change the way the Programme is managed.

2. The NMFA shall, subject to the rules stipulated in the legal framework referred to in Article 1.2 of this programme agreement, make available to the Beneficiary State a financial contribution (hereinafter referred to as "the programme grant") to be used exclusively to finance the eligible cost of the Programme.

Article 2.3

Objective and outcomes of the Programme

1. The programme decision sets out the objective, outcome(s), outputs, indicators and targets for the Programme.

2. The National Focal Point shall ensure that the Programme Operator implements and completes the Programme in accordance with the objective, outcome(s), outputs, indicators and targets set for the Programme.

Article 2.4

Programme grant

1. The maximum amount of the programme grant, the programme grant rate, and the estimated eligible cost of the Programme shall be as specified in the programme decision.

2. In case the Programme is also supported by the EEA Financial Mechanism, this programme agreement shall be interpreted in conjunction with the agreement regulating that support.

3. The financial plan shall:

a. contain a breakdown between the Programme's budget headings using the description put forward in the template for the programme proposal;

b. indicate the agreed advance payment, if any.

4. The management cost of the Programme Operator shall not exceed the amount specified in the programme decision.

Article 2.5

Special conditions and programme specific rules

1. The programme decision shall list any conditions set by the NMFA with reference to paragraph 3 of Article 5.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and, in a timely manner, take the necessary steps to ensure their fulfilment.

2. The National Focal Point shall ensure compliance with any other programme specific rules laid down in the operational rules.

Article 2.6

Programme implementation agreement

1. With reference to Article 5.8 of the Regulation and without prejudice to paragraph 2 thereof, the National Focal Point shall, before any payment is made to the Programme, sign a programme implementation agreement with the Programme Operator. The National Focal Point shall notify the NMFA of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the NMFA in accordance with paragraph 5 of Article 5.8 of the Regulation with regard to the content required according to paragraph 3 thereof. The National Focal Point shall inform the NMFA of any deviation from that confirmed draft which may be subject to a new confirmation according to paragraph 5 of Article 5.8 of the Regulation prior to any payment to the Programme.

Article 2.7

Reporting

The National Focal Point shall ensure that the Programme Operator provides financial reports, annual programme reports and a final programme report in accordance with Chapter 8 and Articles 5.11 and 5.12 of the Regulation as well as statistical reporting in accordance with the Programme Operator's Manual (Annex 9 to the Regulation).

Article 2.8

External monitoring

The external monitoring and audit referred to in Articles 10.1, 10.2, 10.3 and 10.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of its obligations under the programme agreement regarding monitoring of the Programme and/or its projects, financial control and audit.

Article 2.9

Modification of the Programme

1. Unless otherwise explicitly stipulated in this programme agreement, any modification of the Programme is subject to prior approval by the NMFA.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without NMFA's prior approval provided that they are limited to the following:
 - a. cumulative transfers between budget headings related to outcomes of an amount less than 10 % of total eligible expenditure of the Programme or € 1,000,000, whichever is higher, and
 - b. changes of internal practices of the Programme Operator that are not stipulated in the programme agreement.
3. Programme specific exceptions from paragraphs 1 and 2, if any, are set in the operational rules.
4. Expenditures incurred in breach of this article are not eligible.
5. Should there be a doubt as to whether the proposed modifications require approval by the NMFA, the National Focal Point shall consult the NMFA before such modifications take effect.
6. Requests for modifications shall be submitted and assessed in accordance with Article 5.9 of the Regulation.

Article 2.10

Communication

1. All communication to the NMFA regarding this programme agreement shall take place in English and be directed to the Financial Mechanism Office (hereinafter referred to as the FMO), which represents the NMFA towards the National Focal Point and the Programme Operator in relation to the implementation of the Programme.

2. To the extent that original documents are not available in the English language, the documents shall be accompanied by full and accurate translations into English.

3. The National Focal Point shall bear the responsibility for the accuracy of the translation that it provides and the possible consequences that might arise from any inaccurate translations.

4. The NMFA shall ensure that the National Focal Point is informed about communication between the NMFA and the Programme Operator that is relevant for the responsibilities of the National Focal Point under this programme agreement.

Article 2.11

Contact information

1. The contact information of the National Focal Point and the Programme Operator is as specified in the programme proposal.
2. The contact information for the NMFA and the Financial Mechanism Office are:
Financial Mechanism Office
Att: Director
EFTA Secretariat
Rue Joseph II, 12-16
1000 Brussels
Telephone: +32 (0)2 286 1701
Telefax (general): +32 (0)2 211 1889
E-mail: fmo@efta.int
3. Changes of or corrections to the contact information referred to in this article shall be given in writing without undue delay by the Parties to this programme agreement.

Article 2.12

Representations and Warranties

1. This programme agreement and the awarding of the programme grant is based on information provided by, through, or on behalf of the National Focal Point to the NMFA in the programme proposal or other communication prior to the signing of this programme agreement.
2. The National Focal Point represents and warrants that the information provided by, through, or on behalf of the National Focal Point in the programme proposal, in connection with the programme proposal, the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3 Projects

Article 3.1

Selection of projects

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 6 of the Regulation and the operational rules.
2. Eligibility of applicants is stipulated in Article 6. 2 of the Regulation and, in accordance with paragraph 3 thereof, subject only to the limitations stipulated in the operational rules.
3. Pre-defined projects shall be outlined in the operational rules.
4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 6.6 of the Regulation.

Article 3.2

Project contract

1. For each approved project a project contract shall be concluded between the Programme Operator and the Project Promoter.
2. . In cases where a project contract cannot, due to provisions in the national legislation, be made between the Programme Operator and the Project Promoter, the Beneficiary State may instead issue a legislative or administrative act of similar effect and content.
3. The content and form of the project contract shall comply with Article 6.7 of the Regulation.
4. The National Focal Point shall ensure that the obligations of the Project Promoter under the project contract are valid and enforceable under the applicable law of the Beneficiary State.

Article 3.3

Project partners and partnership agreements

1. A project may be implemented in a partnership between the Project Promoter and project partners as defined in paragraph 1(w) of Article 1.5 of the Regulation. If a project is implemented in such a partnership, the Project Promoter shall sign a partnership agreement with the project partners with the content and in the form stipulated in Article 6.8 of the Regulation.
2. The partnership agreement shall be in English if one of the parties to the agreement is an entity from Norway.
3. The eligibility of expenditures incurred by a project partner is subject to the same limitations as would apply if the expenditures were incurred by the Project Promoter.

4. The creation and implementation of the relationship between the Project Promoter and the project partner shall comply with the applicable national and European Union law on public procurement as well as Article 7.16 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article before the signing of the project contract.

Article 3.4

Reallocation of funds

1. Reallocation of unused or cancelled financial contributions to projects shall be made in compliance with Article 6.9 of the Regulation.
2. Project grants not reallocated shall be reimbursed to the NMFA in accordance with Article 6.9 of the Regulation.

Chapter 4 Finance

Article 4.1

Eligible expenditures

1. Subject to Article 7.6 of the Regulation, eligible expenditures of this Programme are:
 - a. management costs of the Programme Operator in accordance with the detailed budget in the financial plan;
 - b. payments to projects within this Programme in accordance with the Regulation, this programme agreement and the project contract;
 - c. expenditure of funds for bilateral relations in accordance with Article 7.7 of the Regulation;
2. Expenditure related to the categories referred to in subparagraphs (d), (e) and (f) of Article 7.1 of the Regulation are eligible in accordance with Chapter 7 thereof if such expenditures are explicitly approved by the NMFA in the programme decision. The implementation of the activities under these categories shall be in compliance with the operational rules.
3. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 7.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 7.3 of the Regulation as well as indirect costs in accordance with Article 7.4 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 7.14 of the Regulation. The first date of eligibility of any pre-defined projects shall be no earlier than the date on which the National Focal Point notifies the NMFA of a positive appraisal of the pre-defined projects by the Programme Operator in accordance with paragraph 3 of Article 5.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraphs 1 and 2 are set in the programme decision. Programme specific rules on the eligibility of expenditure set in the programme decision or in the operational rules shall be complied with.

Article 4.2 Proof of expenditure

Costs incurred by Programme Operators, Project Promoters and project partners shall be supported by documentary evidence as required in Article 7.13 of the Regulation.

Article 4.3 Payments

1. Payments to the Programme shall be made when all relevant conditions for payments stipulated in this programme agreement and the Regulation have been fulfilled.

2. Payments to the Programme shall take the form of an advance payment, interim payments and payment of the final balance and shall be made in accordance with Articles 8.2, 8.3 and 8.4 of the Regulation.

3. Payments of the project grant to the Project Promoters may take the form of advance payments, interim payments and payments of the final balance. The level of advance payments and their off-set mechanism is set in the operational rules.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 8.1 of the Regulation.

5. Chapter 8 of the Regulation shall apply to all aspects related to payments, including currency exchange rules and handling of interests on bank accounts.

Article 4.4 Transparency and availability of documents

The National Focal Point shall ensure an audit trail for financial contributions from the Norwegian Financial Mechanism 2009-2014 to the Programme in accordance with Article 8.8 of the Regulation.

Article 4.5 Irregularities, suspension and reimbursements

The NMFA has the right to make use of the remedies provided in the Regulation, in particular Chapter 12 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 11 and 12 of the Regulation regarding irregularities, suspension of payments, financial corrections and reimbursement are complied with.

Chapter 5 Final provisions

Article 5.1 Dispute settlement

1. The Parties waive their rights to bring any dispute related to the programme agreement before any national or international court, and agree to settle such a dispute in an amicable manner.

2. If a demand for reimbursement to the NMFA is not complied with by the Beneficiary State, or a dispute related to a demand for reimbursement arises that cannot be solved in accordance with paragraph 1, the Parties may bring the dispute before Oslo Tingrett.

Article 5.2 Termination

1. The NMFA may, after consultation with the National Focal Point, terminate this programme agreement if:

a. a general suspension decision according to Article 12.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 12.1 of the Regulation has not been lifted within 6 months of such a decision;

b. a suspension of payments according to Article 12.1 of the Regulation, other than under paragraph 1(h), has not been lifted within one year of such a decision;

c. a request for reimbursement according to Article 12.2 of the Regulation has not been complied with within one year from such a decision;

d. the Programme Operator becomes bankrupt, is deemed to be insolvent, or declares that it does not have the financial capacity to continue with the implementation of the Programme; or

e. the Programme Operator has, in the opinion of the NMFA, been engaged in corruption, fraud or similar activities or has not taken the appropriate measures to detect or prevent such activities or, if they have occurred, nullify their effects.

2. This programme agreement can be terminated by mutual agreement between the Parties.

3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the NMFA to make use of the remedies provided in Chapter 12 of the Regulation.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the NMFA, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.

2. Nothing contained in the programme agreement shall be construed as imposing upon the NMFA or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The NMFA does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

4. Neither the National Focal Point, the Programme Operator, entities involved in the implementation of projects, nor any other party shall have recourse to the NMFA for further financial support or assistance to the Programme in whatsoever form over and above what has been provided for in the programme agreement.

5. Neither the European Free Trade Association, its Secretariat, including the FMO, its officials or employees, nor the NMFA, its officials or employees, can be held liable for any damages or injuries of whatever nature sustained by the National Focal Point or the Beneficiary State, the Programme Operator, Project Promoters or any other third person, in connection, be it direct or indirect, with this programme agreement.

6. Nothing in this programme agreement shall be construed as a waiver of diplomatic immunities and privileges awarded to the European Free Trade Association, its assets, officials or employees.

Article 5.4
Entry into force and duration

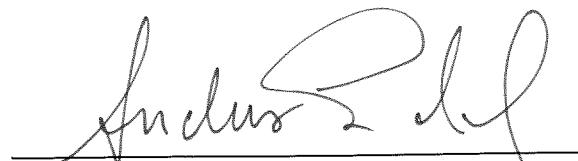
1. This programme agreement shall enter into force on the date of the last signature of the Parties.

2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

This programme agreement is drawn up in two originals in the English language.

For the NMFA


Signed in Ostlo on 11.2.2013



Anders Erdal
Deputy Director General

For the National Focal Point

Signed in Tallinn on 25.02.2013



Ivar Sikk
Deputy Secretary-General of the Ministry of Finance

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Realisation of the business opportunities of greening of the European economy

Output

Improvement of processes and smart solutions with ICT

Output indicator(s)	Baseline	Target	Source of Verification
Processes developed/improved	0	10	Project completion reports.

Output

Development of innovative services for citizens and businesses with ICT

Output indicator(s)	Baseline	Target	Source of Verification
Services developed/improved	0	10	Financial Reports and completion reports

Output

Green business ideas developed and assessed

Output indicator(s)	Baseline	Target	Source of Verification
Assessment reports on green business ideas	0	70	Reports from beneficiaries of the small grants scheme.
Number of project applications in main calls originating from the small grant scheme	0	50	Applications received in the open call

2. Conditions

2.1 General

- 1) The Focal Point shall ensure that any public support under this programme complies with the procedural and material State Aid rules applicable at the point in time when the public support is granted. The Focal Point shall, by way of the Programme Implementation Agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with State Aid rules, particularly decisions to award grants and set grant rates, and provides them to the NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.
- 2) The Focal Point shall ensure that all intellectual property rights arising out of the business development ideas submitted as a result of the Small Grant Scheme, remain in the ownership of the Small Grant Scheme beneficiaries.
- 3) The outcome indicators should be reviewed and submitted to the NMFA for approval prior to the first disbursement to projects selected in the main open calls.
- 4) The Focal Point shall ensure that the Programme Operator ensures that the programme is in-line with the EU Strategy for the Baltic Sea Region. The Priority Areas on Innovation and development of SMEs are especially relevant for this Action.
- 5) Bilateral, output and outcome indicators shall be reported on in the annual report.
- 6) A methodology on the calculation of the flat rate to be applied to indirect eligible costs (overheads) in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO no later than two weeks prior to the deadline for providing to the NMFA the text of the call for proposals, as required by Article 6.3.4 of the Regulation.
- 7) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):
 - Keep the excepted equipment in their ownership for a period of at least 5 years following the completion of the project and

continue to use that equipment for the benefit of the overall objectives of the project for the same period;

- Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract;

provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

2.2 Pre-eligibility

Not applicable.

2.3 Pre-payment

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

2.6 Other

Not applicable.

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 30/10/2012-30/04/2017

Eligibility of programme proposal preparation costs: 09/06/2011-29/10/2012

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€7,058,824
Programme estimated eligible cost (€)	€7,058,824
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€6,000,000

3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€689,376	€158,376
Realisation of the business opportunities of greening of the European economy	€6,248,566	€62,653
Fund for bilateral relations	€105,882	€48,970
Complementary action	€15,000	€0
Preparation of programme proposal	€0	€0
Reserve for exchange rate losses	€0	€0
Total	€7,058,824	€269,999

* The advance payment is composed of €229,499 in grant amount and €40,500 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€58,597

3.5 Small Grant Scheme

Outcome	Realisation of the business opportunities of greening of the European economy
Total Amount Reserved	€829,118
Grant Amount at Project Level	€5,000 – 20,000
Duration of the Project	1 – 9 months
Maximum Grant Rate at Project Level	75.00%

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures

The Programme Operator is the Estonian Ministry of Economic Affairs and Communications (MoEAC). Certain tasks of the Programme Operator may be delegated to the Enterprise Estonia (EE), however this does not in any way reduce or restrict the responsibility of the Programme Operator.

The Donor Programme Partner is Innovation Norway.

The objective of the Programme is to increase competitiveness of green enterprises, including greening of existing industries, green innovation and green entrepreneurship. The Programme shall support projects in the two measures listed below, all of which shall contribute to the realisation of business opportunities of greening the European economy by using ICT to optimize processes and develop smart solutions and/or creating innovative services in an environmentally friendly way.

1. Call for proposals for projects (€ 5,419,448) within the following focus areas:
 - a) energy management systems;
 - b) transport and logistics;
 - c) manufacturing and trade;
 - d) e-health;

2. Small Grant Scheme (€ 829,118) in the form of a seed money fund to support the development of business ideas with a view to submitting project applications under the open call.

1.2 Eligible applicants

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. By way of derogation from the general rules on eligibility of applicants, public entities are not eligible applicants under the call for proposals or the Small Grant Scheme.

1.3 Special rules on eligibility of costs

The eligibility of costs is determined by reference to Chapter 7 of the Regulation. The rules on eligibility of costs shall apply equally and without limitation to both Project Promoters and project partners.

In accordance with Article 7.3.2 of the Regulation, the following costs are not eligible in projects selected under the call for proposals:

- a) In-kind contributions.

In accordance with Article 7.4.1(b) of the Regulation, indirect eligible costs may only be claimed by Project Promoters and project partners of projects selected through the call for proposals. Indirect costs are not eligible under the Small Grant Scheme. Indirect eligible costs can be claimed by the application of a flat rate of up to 20% of total eligible direct costs. The Programme Operator shall describe a methodology that shall ensure the fair apportionment of the overall overheads in the open call text. All Project Promoters or project partners must apply the methodology established by the Programme Operator when setting the precise level of this flat rate.

By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new and second hand equipment may be eligible if the equipment is an integral and necessary component for the implementation or development of a technology that is essential for achieving the outcome of the project.

2. Financial parameters

2.1 Minimum and maximum grant amount per project

The minimum amount of grant assistance applied for is € 170,000; the maximum amount is € 700,000.

2.2 Project grant rate

The project grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects. The remaining costs of the project shall be provided or obtained by the Project Promoter.

3. Selection of projects

3.1 Selection procedures

The selection procedures shall be in accordance with Article 6.5 of the Regulation.

3.2 Open calls and availability of funds

There shall be at least one open call for applications. The first call shall be launched no later than in the first quarter of 2013 and make available at least € 2,709,724. The call shall be open for at least for 2 months. A second open call may be launched no later than in the first quarter of 2014 and shall make available any remaining funds for re-granting, including any funds uncommitted under the Small Grant Scheme and/or under the first open call.

3.3 Selection criteria

The final selection criteria shall be defined prior to the launch of the open calls, in consultation with the cooperation committee. They shall be based on the following general criteria:

General selection criteria for open call project:

- 1) Harmony with focus areas.
- 2) Environment effect and sustainability.
- 3) Innovation level and degree of novelty.
- 4) Market potential nationally and internationally.
- 5) Feasibility of the projects.
- 6) Whether the grant will trigger an innovation process which otherwise would not have commenced.
- 7) Added value from Norwegian partnership.

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 Payment flows

The payments towards the end beneficiaries will be in the form of advance payments, interim payments and payments of the final balance.

In the open call the Project Promoters have the possibility to request an advance payment not exceeding 30% of grant amount. The request will need to be justified and is subject to approval by Enterprise Estonia. The advance payment off-set mechanism will be adapted to each Project Promoter's liquidity and included as part of the Project Contract.

The interim payments will be based upon incurred costs. The Programme Operator has the possibility to withhold up to 10 per cent of the total grant for the final balance.

4.2 Verification of payment claims

Payments to projects are made on the basis of approved payment claims. The payment claim, submitted as part of the interim and final progress reports, will be reviewed by Enterprise Estonia (EE). Verification and approval of the payment claim will be based on information on incurred expenditure, financial status and project's progress contained in the interim reports, and on additional information to be submitted together with the reports.

EE will finish verification of the payment claim within 46 working days after receipt of the payment claim. In case any inaccuracies are identified upon inspecting the report, the Project Promoter shall be immediately informed and given a deadline for elimination of faults. The time for verification of the report shall be extended by the time of elimination of faults.

The verification of costs will be based on sample methods taking into account results of the project implementation risk analysis.

After approval of the payment claim the disbursement of the grant to the Project Promoter is made within 5 working days.

The final procedure for verification of payment claims, periodicity of reporting periods, and deadlines for reporting will further be outlined in the description of the Programmes management and control systems according to article 4.8.2 of the Regulation.

In case of verification of expenditure incurred by a project partner whose primary location is in Norway or in a Beneficiary State of the Norwegian Financial Mechanism 2009-2014 other than Estonia, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the project partner's country, shall be seen as sufficient proof of costs incurred.

4.3 Monitoring and reporting

Project Promoter shall submit interim and final reports which will include information on progress of implementation and payments made. Final report shall include information on activities and payments and show that the project has been completed according to the project agreement conditions.

The rules and frequency of interim reports submitted by the Project Promoter will be set in the Project Contract. In the open call interim reporting period should be minimum 3 months and maximum 9 months long.

Monitoring will be carried out as specified in the Regulation article 4.7.1, subparagraph f. Site visits, normally carried out by the EE, will be conducted based on an assessment of risk elements in the project. Site visits may also be carried out for projects based on random selection.

Information on Reporting and Monitoring will further be outlined in the description of the Programme's management and control systems according to article 4.8.2 of the Regulation.

Irregularities will be handled in accordance with article 11 of the Regulation.

5. Additional mechanisms within the programme

5.1 Fund for bilateral relations

The Programme Operator will set aside not less than 1.5% of the total programme budget for a Fund for bilateral relations.

The use of the Fund for bilateral relations shall be agreed with the DPP and discussed in the Cooperation Committee, within the parameters below.

- Two contact match making seminars in Norway after the opening of each call. The aim is to establish contacts between Estonian enterprises (potential applicants) and Norwegian enterprises (who are interested in Estonian partners) and to help them to generate joint project ideas. Planned budget is € 38,280.
- Two study trips for Estonian Enterprises to Norway. The aim is to facilitate the establishment of new contacts and to introduce selected Norwegian companies to Estonian enterprises. Planned budget is € 59,660.
- Best practice sharing event where the aim is to publicize good ideas and to promote further development of partnerships between Estonia and Norway. Planned budget is € 7,942.

Support for participation in the seminars can be covered with up to €1,800 per participant with a grant rate up to 100%.

Applications will be handled by Enterprise Estonia.

Selection of projects will be carried out by Enterprise Estonia with assistance from Innovation Norway based on the project applicant's motivation and possibility to find and establish partnership relations with Norwegian entities.

5.2 Complementary action

Complementary actions in line with the Regulation shall be organised by the Programme Operator, in line with the objectives of the Programme, in order to strengthen co-operation between the Programme Operator and similar entities within the Donor States and the Beneficiary States. These will include the exchange of experience and best practice related to the implementation of the Programme.

5.3 Reserve for exchange rate losses

Not applicable.

5.4 Small Grant Schemes

The Small Grant Scheme shall provide support for the development of business ideas, with a view to submitting a project application under the main Open Call(s). The Small Grant Scheme will support innovative approaches to complex project themes and the development of new partnerships created for the purpose of designing quality projects for the open call. Recipients of support under the Small Grant Scheme shall describe a business idea and results of the project in the report following the conclusion of their activities.

The Small Grant Scheme will be administered by Enterprise Estonia, and the same financial management procedures as mentioned in section 4 of this Annex, with the exception of procedures that only apply to projects selected under the call(s) for proposals. In the Small Grant Scheme in general no interim reports shall be submitted and no advance payment shall be allowed.

In accordance with Article 6.5.8 of the Regulation, the following selection procedures shall apply to the Small Grant Scheme:

Applications received shall be subject to an eligibility check, conducted by the Enterprise Estonia.

Applications that meet the eligibility check will be analysed by two experts from the Enterprise Estonia, who will each prepare a separate assessment report on the application. The two experts will sign a declaration of independence from the application under consideration. The two experts, following the preparation of the assessment report, will have no further role in the decision to support or reject the application.

On the basis of the two assessment reports, the Board of Enterprise Estonia will make a decision to support or reject the application.

The minimum amount of grant assistance applied for under the Small Grant Scheme is € 5,000; the maximum amount is € 20,000. The maximum grant rate shall not exceed 75% of the total eligible costs of the applicant.

There shall be one call for applications under the Small Grant Scheme. The call shall be launched no later than in the first quarter of 2013 and make available the total re-granting amount of € 829,118. The call will remain open until a reasonable amount of time prior to the launch of the final call for proposals for projects referred to in point 3.2 above, so as to allow for the re-allocation of any uncommitted amounts from the Small Grant Scheme to the final call for proposals for projects. The call for applications under the Small Grant Scheme may close earlier should the entire amount be committed. Applications are received and evaluated on an on-going basis.

Applications under the small grant scheme shall contain at least the following information:

- 1) Objective of the project including a description of the problems that the project will solve;
- 2) Description of the expected result;
- 3) Description of new or renewed services or products that will be prepared in the open call;
- 4) List of activities scheduled for implementation of the project including self-financed activities;

The selection criteria for the small grant scheme will ensure that the small grants awarded support the development of projects that are in harmony with the four focus areas supported under the main Open Call. The specific selection criteria for the Small Grant Scheme shall be included in the call for applications and approved by the Cooperation Committee.

The eligibility of costs is determined by reference to Chapter 7 of the Regulation. The rules on eligibility of costs shall apply equally and without limitation to both Project Promoters and project partners.

In accordance with Article 7.3.2 of the Regulation, the following costs are not eligible in projects selected under the Small Grant Scheme:

- The purchase of new or second hand equipment;
- In-kind contributions;
- Indirect costs/overheads.

6. Pre-defined projects

Not applicable.

7. Modification of the programme

Any modifications of the programme will follow the rules in Article 2.9 of the programme agreement.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as version signed by the Programme Operator on 8 February 2012 and shall include all subsequent correspondence and communication between the NMFA, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.