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Estonia – Latvia
Co-funded by the European Union

Interreg VI-A Estonia-Latvia programme 2021-2027

PROGRAMME MANUAL

2nd call for proposals

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1. INTRODUCTION

The Programme Manual is based on the cooperation programme "Interreg VI-A Estonia-Latvia programme 2021-2027" (Programme) and approved by the Monitoring Committee of the Programme.

The Programme Manual is the main guide to the applicants and project partners.[1] It provides guidance on the process from the preparation of the application to implementation, monitoring, reporting and finalisation of the project. The Joint Secretariat (JS) updates the manual throughout the programme period, thus always use the version of your call for proposals available on the Programme's website at www.estlat.eu.

[1] Please note that the authoritative sources of information on the programme is the programme document and relevant EU legislation (https://ec.europa.eu/regional_policy/en/2021_2027/; https://ec.europa.eu/regional_policy/en/information/legislation/guidance/) and national legislation.
If there is any conflict between information provided in this manual, and the programme document or EU legislation, the latter take precedence.

2. GENERAL PROGRAMME INFORMATION

2.1 Estonia-Latvia programme

The Estonia-Latvia programme is a cross-border cooperation programme that is implemented under the European territorial cooperation goal (Interreg). The programme carries on the cooperation relationship between Estonia and Latvia, which started during implementation of the Estonia-Latvia-Russia INTERREG IIIA Priority within the Baltic Sea Region INTERREG III B Neighbourhood Programme in 2004 and the Estonia-Latvia programme 2007-2013 and 2014-2020. It is funded by the European Regional Development Fund (ERDF), the Republic of Estonia and the Republic of Latvia. The ERDF is one of the EU Cohesion Policy funds.

The cooperation programme "Interreg VI-A Estonia-Latvia programme 2021-2027" was approved by the European Commission on 30 November 2022 (decision No C(2022)8951) and amended on 15 December 2023 (decision No C(2023)8978) and 15 November 2024 (decision No C(2024)8069), and it can be downloaded at www.estlat.eu.

2.2 Vision of the programme

Estonia and Latvia are places with excellent opportunities for people to lead successful and fulfilling lives, among the happiest in Europe.

2.3 Mission of the programme

We support sustainable and innovative ideas that help border regions in Estonia and Latvia to grow through neighbourly cooperation.

2.4 Programme area

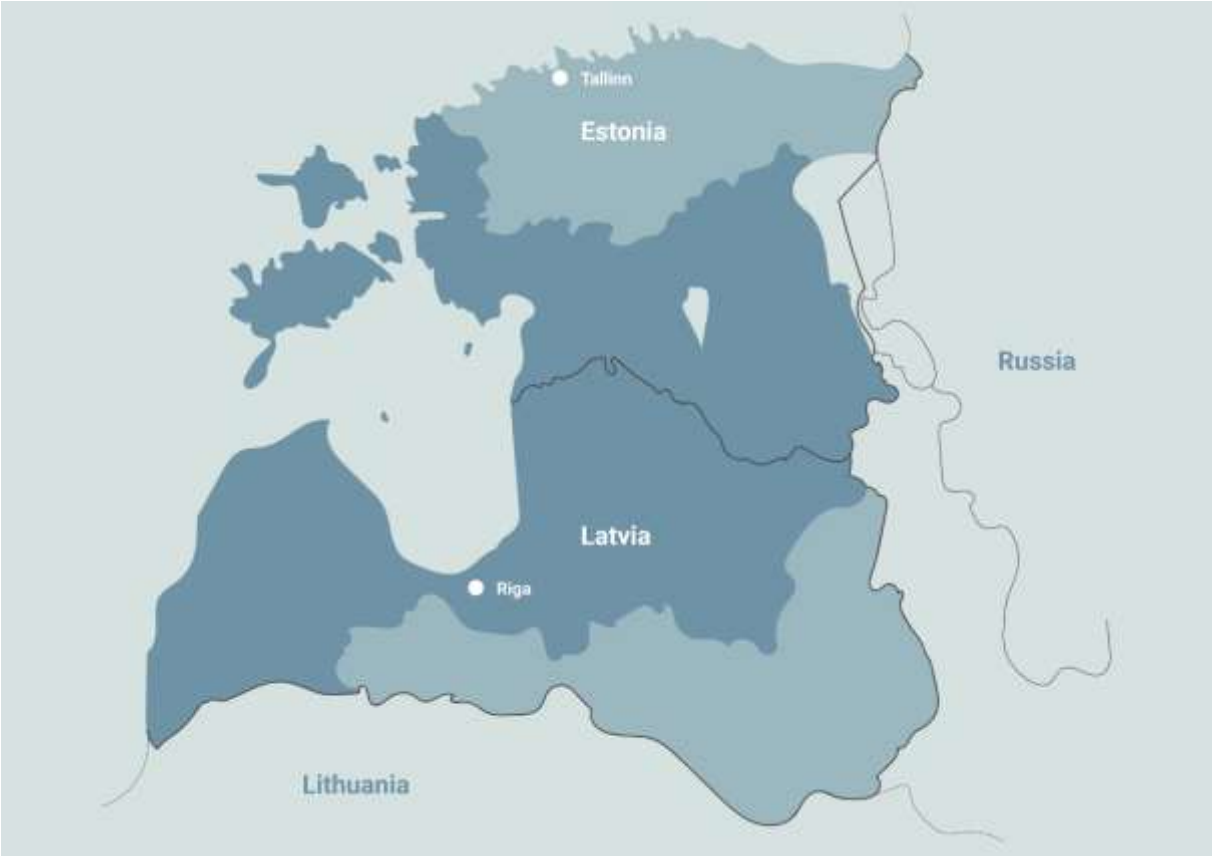
The programme area includes the following NUTS III regions[2]:

Estonia: Lõuna-Eesti (South Estonia), Lääne-Eesti (West Estonia).

Latvia: Kurzeme, Pierīga, Rīga, Vidzeme.

[2] EC division according to the Territorial Units for Statistics – please see www.ec.europa.eu/eurostat/ramon

The programme area is highlighted on the map:



2.5 Project funding

The projects are financed by the European Regional Development Fund and co-financed by national partners and participants. The total ERDF budget available for commitments to projects during the period 2021 to 2027 amounts to €26,044,982.00, which is matched with public and private co-financing. Programme funding availability per priority is published on the programme's website, at www.estlat.eu.

2.6 Programme management

The management structure of the programme consists of the following institutions:

- **Managing Authority (MA)** is responsible for managing the programme with a view to delivering the objectives of the programme. The MA also fulfils accounting function; thus, is responsible for the accuracy of expenditure statements and compliance of the eligible expenditures with European Union (EU) and national rules. The tasks of the MA are carried out by the State Shared Service Centre, Grants Development Department, Cross-Border Co-operation Programmes Management Division and Grants Payment Department. The MA signs subsidy contracts, verifies that the expenditure declared by the projects has actually been incurred and complies with EU and national rules. The MA draws up and submits payment applications for the ERDF funds to the European Commission, receives payments and pays out subsidies to the projects.

- **Joint Secretariat (JS)** is the most important contact point for project applicants and project partners, as it provides daily assistance to applicants and project managers during preparation and implementation of projects. The JS is responsible for the daily implementation and monitoring of the programme, assists the MA and the MC, and, where appropriate, the AA and the GoA in carrying out their respective duties. The JS is part of the MA and is located in the State Shared Service Centre, Grants Development Department, in Tartu and in Tallinn.

- **Audit Authority (AA)** is situated at the Financial Control Department of the Estonian Ministry of Finance, in Audit Unit II. The AA ensures that audits are carried out to verify the effective functioning of the management and control system of the programme, and correctness of the controls carried out on the projects.

- **Group of Auditors (GoA)** has a task to assist the Audit Authority. The GoA comprises of the representatives of the AA and of the Audit Department of the Ministry of Smart Administration and Regional Development of the Republic of Latvia.

- **Monitoring Committee (MC)** is composed of members from both Estonia and Latvia. Members of the MC include representatives of the relevant authorities and partners on the national and regional level, including representatives of the socio-economic partners and civil society partners (e.g. environmental partners, non-governmental organisations etc.) from both Member States. The MC is responsible for selecting operations, monitoring the Programme and projects implementation, amending this document and its annexes, and proposing amendments to the Programme.

- **National Authorities (NA)** of the programme are the Ministry of Regional Affairs and Agriculture of the Republic of Estonia and the Latvian Ministry of Smart Administration and the Environmental Protection and Regional Development of the Republic of Latvia Estonian. These institutions are responsible for implementation of the Programme in their countries. National authorities establish coordination mechanisms between the programmes under the European territorial cooperation goal (Interreg) and structural funds' programmes in Estonia and Latvia.

- **Control body (CB)** in Estonia and Latvia is set up by the Member States. Controllers of the control bodies are responsible for verifying based on partner reports that the co-financed products and services have been delivered, expenditure declared by the beneficiaries has been paid and that it complies with applicable law, the Programme and the Progamme Manual. Controllers verify partner reports according to national legal acts, principles and procedures that are described in this document, Management Verification Methodology, and other legal acts.

- In addition, in Latvia a **national sub-committee (NSC**) is formed, which includes representatives from ministries, regions and NGOs. The NSC meetings are held in order to create the national position on the relevance of the projects' topics to the national planning documents and strategies.

2.7 Languages of the programme

The official language of the programme is **English**. Project consultations are held in Estonian, Latvian or English.

The following documents must be submitted in English:

- Project application.
- Requests for changes.
- Partner and project reports.
- Official correspondence.

The following documents may be submitted in Estonian and Latvian:

- Supporting documents to partner reports, for example invoices, contracts, tender documentation.
- Building documentation.

3. PROGRAMME SET-UP AND SUPPORTED ACTIVITIES

The programme has four priorities:

1. More cooperating cross-border regions and development of joint services.
2. Jointly and smartly growing businesses.
3. Sustainable and resilient programme area.
4. More accessible and sustainable cross-border tourism experience.

Each priority has one specific objective, except for the Interreg-specific objective that has two.

Each priority is characterised by three key elements: specific objective(s), output indicators and result indicator(s). In addition, two priorities (priority 2 and 4) have additional elements: programme specific criteria and related project deliverable(s).

Every project must contribute to fulfilment of target values of the output and result indicators. The programme has chosen the Interreg specific common output and result indicators. They are chosen to reflect the aims of the programme and show best in which direction the challenges identified are addressed and results achieved. **The specific criteria and related mandatory deliverables for projects under priority 2 and 4** demonstrate the expected result more precisely according to the aims of the priority and its specific objective.

It is expected that in the application, the project objective and results are formulated in a way that emphasises the purpose and impact of the project. Output and result indicators, and deliverables are expected to be precise and measurable.

<u>When developing the project idea and preparing to apply for funding, please test the suitability of your idea against the concept, focus and special criteria of the selected specific objective and indicators described in chapter 3.</u>

Table 1

Priority	Specific objective	Output indicator ID	Output Indicator	Target Value of Output Indicator (2029)	Result indicator ID	Result indicators	Target Value of Result Indicator (2029)	Total ERDF Support per Specific Objective (EUR)
1. More cooperating cross-border regions and development of joint services	(ii) enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions, in particular, with a view to resolving legal and other obstacles in border regions.	RCO83	Strategies and action plans jointly developed	10	RCR79	Joint strategies and action plans taken up by organisations	6	2,976,337.00
		RCO84	Pilot actions developed jointly and implemented in projects	6				
		RCO116	Jointly developed solutions	6	RCR104	Solutions taken up or up-scaled by organisations	3	
	(iii) build up mutual trust, in particular by encouraging people-to-people actions.	RCO81	Participations in joint actions across borders	2,673	RCR85	Participations in joint actions across borders after project completion	550	1,240,373.00

2. Jointly and smartly growing businesses	(iii) enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments.	RCO87	Organisations cooperating across borders	34	RCR84	Organisations cooperating across borders after project completion	17	5,700,000.00
		RCO84	Pilot actions developed jointly and implemented in projects	11	RCR104	Solutions taken up or up-scaled by organisations	11	
		RCO116	Jointly developed solutions	11				
3. Sustainable and resilient programme area	(vii) enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution.	RCO84	Pilot actions developed jointly and implemented in projects	6	RCR104	Solutions taken up or up-scaled by organisations	5	9,970,000.00
		RCO116	Jointly developed solutions	6				
		RCO87	Organisations cooperating across borders	50	RCR84	Organisations cooperating across borders after project completion	20	

4. More accessible and sustainable cross-border tourism experience	(vi) enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation	RCO116	Jointly developed solutions	17	RCR104	Solutions taken up or up-scaled by organisations	8	6,158,270.00
		RCO84	Pilot actions developed jointly and implemented in projects	30				
		RCO87	Organisations cooperating across borders	54	RCR84	Organisations cooperating across borders after project completion	32	

3.1 PRIORITY 1: More cooperating cross-border regions and development of joint services

Total ERDF support available for priority 1: € 2,216,224.17.

The aim of the Programme under the Interreg-specific objective is to encourage local level initiatives and joint actions to solve relevant legal and administrative issues and development needs of the border area. In addition, it focuses on enhancing trust-building activities through joint events on community level.

Priority 1 projects' contribution to the European Union Strategy of Baltic Sea Region (EUSBSR) is assessed case by case, using Joint Electronic Monitoring Systems (Jems) information to identify the contribution either during the assessment of project applications or in the reporting phase. The project lead partner is also consulted regarding possible link to the EUSBSR. On deciding whether a project under these priorities is related to the EUSBSR, the following can be considered: the project should have wider impact with a potential that their results will be taken on board by other organisations. The project should also support the achievement of objectives and sub-objectives as specified in the EUSBSR latest adopted Action Plan.

3.1.1 Specific objective (ii): enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular with a view to resolving legal and other obstacles in border regions.

Under this specific objective the Programme supports the development of cross-border strategies and/or action plans, accompanied by pilot actions and solutions and/or development of cross-border public services.

The action plans and strategies do not have to cover the whole territory and all fields of life of the involved municipalities. The partners can choose narrow and specific field and concrete challenges that are relevant for this partnership and region, and can develop both a strategy and action plan, or just an action plan in case the supporting joint strategic document exists.

The developed plans cannot be the only outputs of the projects. The partners must implement pilot actions and develop services and/or joint solutions deriving from/in line with the joint strategies and action plans on local and regional level. It is expected that during the projects the partners develop strong, regular and durable local and regional cross-border cooperation structures between public administration bodies, citizens and institutions. The projects are expected to result in strengthened local and regional cross-border cooperation capacity, clear structures and better governance.

Investments:

Under this specific objective the Programme does not support investments in local infrastructure and equipment. Only in well justified cases the small-scale investments up to 10% of the total project budget are eligible. The investments must directly contribute to and support the development of the cross-border service and/or solution.

Examples of expected indicative activities:

- Enhancing the adaption and provision of joint public services through pilot actions that tackle border area obstacles.
- Encouraging the collection and transformation of regional data into (joint) new services.
- Encouraging the regional and local municipality level cross-border cooperation actions through cross-border networks, strategies and pilot actions.
- Pilot actions and implemented solutions for setting up public services.
- Implementing solutions for development needs other than services.
- Compiling cross-border strategies and/or actions plans followed by joint implementation actions.

Every project must contribute to the following programme indicators under specific objective (ii):

Output indicators and programme target:

1. Strategies and action plans jointly developed (10) and
2. Pilot actions developed jointly and implemented in projects (6), and
3. Jointly developed solutions (6).

Strategies and action plans jointly developed.

Joint strategies or action plans are developed by the supported projects. A jointly developed strategy aims at establishing a targeted way to achieve a goal-oriented process in a specific field. An action plan translates an existing jointly developed strategy into actions: it proposes a sequence of steps that must be taken, or activities that must be performed well, for jointly developed strategy to succeed.

Jointly developed strategy or action plan implies the involvement of organizations from both sides of the border in the drafting process of the strategy or action plan.

Both documents must include the implementation timeframe, the involved parties and funding sources (if any). Strategies and action plans are prepared during the first part of the project, followed by pilot actions and solutions.

Pilot actions developed jointly and implemented in projects.

The pilot actions are developed jointly and implemented by the supported projects. The scope of a jointly developed pilot action could be to test procedures, new instruments, tools, experimentation or the transfer of practices. In order to be counted by this indicator,

- the pilot action needs not only to be developed, but also implemented within the project <u>and</u>

- the implementation of the pilot action should be finalised by the end of the project.

Jointly developed pilot action implies the involvement of organizations from both sides of the border.

Jointly developed solutions.

Jointly developed solutions result from joint pilot actions implemented by supported projects. In order to be counted in the indicator, an identified solution should include indications of the actions needed for it to be taken up or to be upscaled. A jointly developed solution implies the involvement of organizations from both sides from the border.

Result indicators and programme target:

1. RCR79: Joint strategies and action plans taken up by organisations (6).
2. RCR104: Solutions taken up or up-scaled by organisations (3).

Joint strategies and action plans taken up by organisations.

The indicator counts the number of joint strategies and action plans (not individual actions) adopted and implemented by organisations during or within one year after the project completion. At the time of reporting this indicator, the implementation of the joint strategy or action plan need not to be completed but effectively started. The organisations involved in take-up may or may not be direct participants in the supported project. It is not necessary that all actions identified are taken-up for a strategy/action plan to be counted in this context.

Solutions taken up or up-scaled by organisations.

The indicator counts the number of solutions, other than legal or administrative solutions, that are developed by supported projects and are taken up or upscaled during the implementation of the project or within one year after project completion. The organisation adopting the solutions developed by the project may or may not be a participant in the project. The uptake / up-scaling should be documented by the adopting organisations in, for instance, strategies, action plans etc.

Under this specific objective, the MC may decide on the selection of project(s) within the direct award procedure[3] for the implementation on the border of both countries in case the demand for such activities would arise and be justified during implementation of the Programme.

If development of ICT products (e.g., e-systems, databases, mobile applications, etc.) is planned in the project, approval from relevant authorities as stipulated in national legislation on development of such products must be submitted with the application.[4]

3.1.2 Specific objective (iii) build up mutual trust, in particular by encouraging people-to-people actions.

The aim of the Programme under this specific objective is to strengthen and support the cross-border contacts and activities between the communities, involve citizens and establish social networks that would enable further cross-border cooperation and enhance trust-building. Especially in the scarcely populated rural areas regular contacts and joint activities enhance the sense of community. The joint events can be carried out in different fields, e.g., cultural and sports exchange, developing skills, public awareness and knowledge in social justice, participation, responsibility and tolerance. It is encouraged that the projects target societal groups and organizations that are at a bigger risk of exclusion, e.g., people with disabilities, seniors, youth, etc.

Investments:

Under this specific objective the Programme does not support investments in local infrastructure and equipment. Only in well justified cases the small-scale investments up to 10% of the total project budget are eligible.

[3] Direct award procedure – the MC can approve pre-defined project(s) without opening a call of proposals in order to fulfil certain output and result indicators of the programme.
[4] (LV) Cabinet of Ministers regulation No. 597 of 31 August 2021 “Procedures for Supervising Development Projects for State Information Systems”

Examples of expected indicative activities:

- Joint education, training and exchange activities.
- Experience exchange trips and events for municipal and NGO staff.
- Improvement of services in border regions, and capacity building for relevant organisations.
- Skills transfer between communities to promote employment.
- Activities aiming at conservation, preservation and adaptation or development of cultural traditions, heritage, cultural events, meetings, etc.
- Joint sports games; training camps, experience exchange of trainers.

Every project must contribute to the following programme indicators under specific objective (iii):

Output indicator and programme target:

1. RCO81: Participations in joint actions across borders (2,673)

Participations in joint actions across borders.

The indicator counts the number of participations in joint actions across borders implemented in the supported projects. Joint actions across borders could include, for instance, exchange activities or exchange visits organized with partners across borders. Participations (i.e. number of persons attending a joint action across borders - e.g. citizens, volunteers, students, pupils, public officials, etc.) are counted for each joint action organised on the basis of attendance lists or other relevant means of quantification.

A joint action is considered as the action organised with the involvement of organizations from both sides of the border. Participations in public events organized in supported projects should not be counted in this indicator.

Result indicator and programme target:

1. RCR85: Participations in joint actions across borders after project completion (550).

Participations in joint actions across borders after project completion.

The indicator counts the number of participations in joint actions across borders up to one year after the completion of the project, organised by all or some of the former partners or associated organisations within the project, as a continuation of cooperation. Joint actions across borders could include, for instance, exchange activities or exchange visits organized with participants from at least two countries of the Programme area. Participations (i.e. number of persons attending a joint action across borders) are counted for each joint action organised on the basis of attendance lists or other relevant means of quantification.

For the definition of this indicator, the joint action includes training schemes.

3.2 PRIORITY 2: Jointly and smartly growing businesses

Total ERDF support available for priority 2: € 3,013,514.69.

This priority focuses on the SMEs' growth by helping them take up innovation as well as smart and green transformation using the created networks and connections in the cross-border business community. Innovation is a key driver of competitiveness and economic growth.

Priority 2 projects' contribution to the EUSBSR is assessed case by case, using Jems information to identify the contribution either during the assessment of project applications or in the reporting phase. The project lead partner is also consulted regarding possible link to the EUSBSR. On deciding whether a project under these priorities is related to the EUSBSR, the following can be considered: the project should have wider impact with a potential that their results will be taken on board by other organisations. The project should also support the achievement of objectives and sub-objectives as specified in the EUSBSR latest adopted Action Plan.

3.2.1 Specific objective (iii) enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments.

The Programme does not focus narrowly on any economic sector. Digitalization, automation, knowledge transfer that is implemented in cross-border cooperation between SMEs and/or cross-sectoral cooperation, also accompanied by mentoring and training, if relevant, should contribute to the change in the participating SMEs that leads to growth. Combining the training with investing in product development and new technologies is an efficient way to provide the small companies with the needed acceleration/capacity raise.

The key element in the projects must be cross-border knowledge transfer between the competence/research centres and SMEs. The aim of this transfer on project level must be the innovation activities that lead to the growth and higher competitiveness of the companies.

Every benefitting SME in the project must identify the need for the innovation and planned result in the project. An SME can act as competence centre for another SME across the border as well. Please note that all partners must benefit from the cooperation, whereas the identified innovation activity must be carried out in concrete SME. There are two possible ways to build partnerships in the project: 1) at least two direct partners from both sides of the border; 2) group of SMEs/cluster/network under the umbrella of a partner that organises and manages activities with the partner across the border for them. The Programme seeks to add value to businesses in different flexible partnerships that suit more for the capable SMEs, but also, typical to the Programme area outside larger business centres, micro businesses seeking opportunities to enhance their competitiveness.

Investments:

Supporting investments, e.g., equipment in SMEs is eligible, but must be well justified and contribute to and support directly the innovation activity in SME(s). Please see the restriction for Tallinn and Riga partners below.

Participation of entities from Tallinn and Riga:

While projects under priority 2 may have partners from the capital cities of Riga and Tallinn, at least one partner in each project must come from elsewhere in the Programme area. Furthermore, partners from Riga or Tallinn, regardless of their legal type, must not be the entities that implement the innovation but act as a competence centre in the process of knowledge transfer to the SMEs, and the activities carried out within the projects with their participation must contribute to the development of the NUTS 3 border regions (Vidzeme, Kurzeme, Pierīga, West Estonia and South Estonia) of the Programme.

Purchasing of equipment by the partners from Riga and Tallinn within the projects is only possible in well justified cases with the clear benefit to the rest of the partnership represented by the bordering regions (e.g., for the purposes of technology transfer or stimulus for innovation in production).

Total cumulative budget of the partners from Riga and Tallinn together under this specific objective may not exceed 20% of the total allocated budget of the priority 2.

Examples of expected indicative activities:

- Clustering, networking, mentoring and practical (joint) training activities for raising the capacity of SMEs to introduce innovation in product development. Implementing the gained knowledge.
- Joint innovation and development in product/service development/improvement (including studies, existing research-based development process, prototyping).
- Joint marketing to reach new export markets, including market research, attending trade fairs etc.
- Development of cross-border cluster cooperation.
- Joint activities for technology and/or green transfer and introducing innovation in SMEs.
- Collaboration and experience exchange in science-industry technology transfer and joint R&D, mapping scientific services and equipment available for companies in Latvia and Estonia, promotion of cross-border knowledge and technology transfer activities.
- Finding and implementing joint digitalization solutions, e.g., taking up new software, data digitation, digital technologies, AI, automation, robotics etc.

Every project must contribute to the following programme specific criterion under specific objective (iii):

Innovation element adopted by the participating SME that supports its growth and contributes significantly to its competitiveness. By the end of the project demonstrated qualitative change that leads/has led to the SME growth. This requirement applies to the SMEs that are partners and those that are involved in project activities under the umbrella organisations.

Every project must produce the following mandatory deliverable under specific objective (iii):

Innovation of product, process, service or marketing of the SME. Evidence of the qualitative change that leads/has led to/ or supports the SME growth and competitiveness.

Innovation *is understood as open innovation using networks, clusters, competence centres and collaboration with other SMEs to transfer knowledge for improving the products or creating new products, services or processes in order to succeed, compete and differentiate in the market. In addition, open cross-sectoral innovation – e.g., tourism and creative industries, wood and textile, etc. – is encouraged.*

Every project must contribute to the following programme indicators under specific objective (iii):

Output indicators and programme target:

1. RCO87: Organisations cooperating across borders (34)
2. RCO84: Pilot actions developed jointly and implemented in projects (11), and
3. RCO116: Jointly developed solutions (11).

Organisations cooperating across borders.

The indicator counts the organisations cooperating formally in supported projects. The organisations counted in this indicator are the legal entities including project partners as mentioned in the financing agreement of the application.

Pilot actions developed jointly and implemented in projects.

The pilot actions are developed jointly and implemented by the supported projects. The scope of a jointly developed pilot action could be to test procedures, new instruments, tools, experimentation or the transfer of practices. In order to be counted by this indicator,

- the pilot action needs not only to be developed, but also implemented within the project and

- the implementation of the pilot action should be finalised by the end of the project.

Jointly developed pilot action implies the involvement of organizations from both sides of the border.

Jointly developed solutions.

Jointly developed solutions result from joint pilot actions implemented by supported projects. In order to be counted in the indicator, an identified solution should include indications of the actions needed for it to be taken up or to be upscaled. A jointly developed solution implies the involvement of organizations from both sides from the border.

Result indicators and programme target:

1. RCR84: Organisations cooperating across borders after project completion (17)
2. RCR104: Solutions taken up or up-scaled by organisations (11)

Organisations cooperating across borders after project completion.

The indicator counts the organisations cooperating across borders up to one year after the completion of the supported projects. The organisations are legal entities involved in project implementation, counted within RCO87. The cooperation concept should be interpreted as having a statement that the entities have a formal agreement to continue cooperation, after the end of the supported project. The cooperation agreements may be established during the implementation of the project or within one year after the project completion. The sustained cooperation does not have to cover the same topic as addressed by the completed project.

Solutions taken up or up-scaled by organisations.

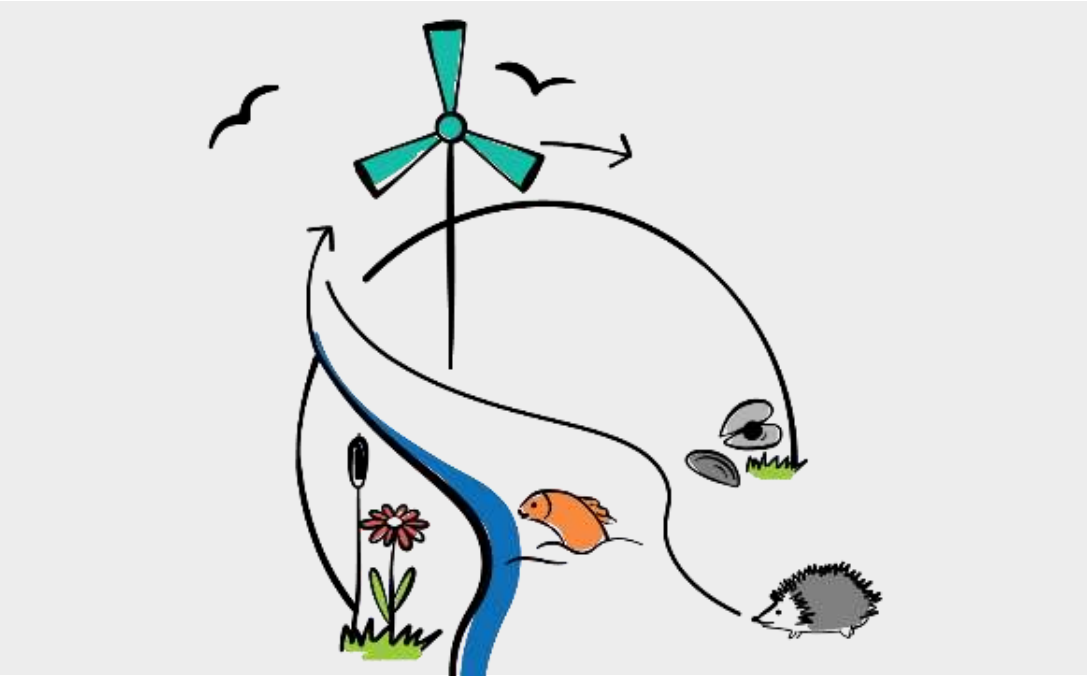
The indicator counts the number of solutions, other than legal or administrative solutions, that are developed by supported projects and are taken up or upscaled during the implementation of the project or within one year after project completion. The organisation adopting the solutions developed by the project may or may not be a participant in the project. The uptake / up-scaling should be documented by the adopting organisations in, for instance, strategies, action plans etc.

3.3 PRIORITY 3: Sustainable and resilient programme area

Total ERDF support available for priority 3: € 7,754,308.00.

The Programme's aim is to preserve and improve the condition of and access to the common natural treasures in the programme area. In addition, the Programme aims at implementing pilot activities and practical solutions for reducing the pollution. Joint actions by the institutions from both countries are needed for ensuring the quality of the ecosystem services with a focus on tackling pollution and fighting the loss of biodiversity. Under this priority, the Programme shall contribute to mainstream biodiversity action in the Union policies and to the achievement of the overall ambition, according to the Regulation (EU) 2021/1060 recital (11).

All projects under Priority 3 are considered to contribute to the EUSBSR objective Save the Sea and to the sub-objective *Clear water in the sea* or *Rich and healthy wildlife*, as they support/promote the sustainable use of natural resources.



3.3.1 Specific objective (vii) enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution.

This specific objective focuses on enhancing protection and preservation of nature, biodiversity, as well as green infrastructure, including in urban areas, and reducing all forms of pollution; also on developing innovative and sustainable strategies aimed at waste prevention and management in border areas.

Investments:

Supporting investments, e.g., equipment is eligible, but must be well justified and contribute to and support directly the jointly developed solutions. The Programme aims to support projects that have wider reach (partners, geographical coverage) and impact (the extent or importance of the challenge) when developing solutions for identified challenges under this objective. Please see the restriction for Tallinn and Riga partners below.

Participation of entities from Tallinn and Riga:

Under this SO, all investments should be concentrated in the NUTS 3 border regions of Vidzeme, Kurzeme, Pierīga, West Estonia and South Estonia. Companies, organisations and institutions from the cities of Riga and Tallinn may participate in the projects only as partners passing on the know-how and best practices of the capital cities to the border regions.

Examples of expected indicative activities:

- Actions aimed at safeguarding, maintaining and restoring of ecosystems and protection and preservation of cross-border biodiversity and key species.
- Data gathering and data-driven biodiversity monitoring, analysing methods of collecting data, designing, adapting methods.
- Testing in field the best measures for protection and restoration of biotopes in bad status.
- Restoration and management of species and habitats, including re-introduction of species (for example freshwater pearlmussel), and taking into account implementation of Prioritized Action Framework (PAF).
- Tackling invasive alien species including promoting common practices between Estonia and Latvia and increased public awareness.
- Establishment of innovative measures for collecting biomass from semi-natural grasslands, residue of forestry, agriculture (for energy, composting, soil structure improvement, secondary products, etc).
- Small-scale pilot actions in urban areas for preserving biodiversity.
- Innovative and best practice measures to increase pollinator and other native animal species richness in urban areas (biodiversity friendly grass management; insect hotels; hedgehog, bat and bird friendly gardens; ponds), raising awareness about nature-friendly urban green areas.
- Joint actions for tackling the cross-border challenges in the programme area such as pollution in shared water bodies; research on and management cross-border green networks; developing nature objects for recreational purposes and sustainable nature tourism; consideration of biodiversity at different levels of planning; development and implementation of solutions for new infrastructure (animal tunnels, pass ways) to avoid fragmentation of animal populations.
- development and implementation of nature-friendly approaches to manage the sides of roads and railways; creating new buffer zones and managing landscape elements important for species and habitats.

Every project must contribute to the following programme indicators under specific objective (vii):

Output indicators and programme target:

1. RCO84 Pilot actions developed jointly and implemented in projects (6), and
2. RCO116: Jointly developed solutions (6), and
3. RCO87: Organisations cooperating across borders (50).

Pilot actions developed jointly and implemented in projects.

The pilot actions are developed jointly and implemented by the supported projects. The scope of a jointly developed pilot action could be to test procedures, new instruments, tools, experimentation or the transfer of practices. In order to be counted by this indicator,

- the pilot action needs not only to be developed, but also implemented within the project, and

- the implementation of the pilot action should be finalised by the end of the project.

Jointly developed pilot action implies the involvement of organizations from both sides of the border.

Jointly developed solutions.

Jointly developed solutions result from joint pilot actions implemented by supported projects. In order to be counted in the indicator, an identified solution should include indications of the actions needed for it to be taken up or to be upscaled. A jointly developed solution implies the involvement of organizations from both sides from the border.

Organisations cooperating across borders.

The indicator counts the organisations cooperating formally in supported projects. The organisations counted in this indicator are the legal entities including project partners as mentioned in the financing agreement of the application.

Result indicators and programme target:

1.RCR104: Solutions taken up or up-scaled by organisations (5)

2.RCR84: Organisations cooperating across borders after project completion (20)

Solutions taken up or up-scaled by organisations.

The indicator counts the number of solutions, other than legal or administrative solutions, that are developed by supported projects and are taken up or upscaled during the implementation of the project or within one year after project completion. The organisation adopting the solutions developed by the project may or may not be a participant in the project. The uptake / up-scaling should be documented by the adopting organisations in, for instance, strategies, action plans etc.

Organisations cooperating across borders after project completion.

The indicator counts the organisations cooperating across borders up to one year after the completion of the supported projects. The organisations are legal entities involved in project implementation, counted within RCO87. The cooperation concept should be interpreted as having a statement that the entities have a formal agreement to continue cooperation, after the end of the supported project. The cooperation agreements may be established during the implementation of the project or within one year after the project completion. The sustained cooperation does not have to cover the same topic as addressed by the completed project.

Under this specific objective the MC might decide on the selection of project(s) within the direct award procedure for the implementation on the border of both countries in case the demand for such activities would arise and be justified during implementation of the Programme.

3.4 PRIORITY 4: More accessible and sustainable cross-border tourism experience

Total ERDF support available for priority 2: € 2,392,105.60.

Under this priority, the Programme aims at development of cross-border tourism products that are attractive, sustainable, visible, and accessible for all groups of society. The aim is to add value in terms of accessibility to the existing products and services or to develop accessible new

routes/products/services.

The priority does not focus on physical investments in essential infrastructure (e.g., wheelchair ramps and toilets etc.). Instead, social inclusion and social innovation dimensions must be introduced to the natural and cultural heritage foundation.

All projects should concentrate on the customer journey in its entirety, seeking to improve customers' satisfaction in every stage of their experiences with the product. The partnerships are expected to have wide geographical coverage and innovative solutions, including green and digital, add value to the cross-border tourism brands, products and services. The development activities, while identifying synergies between the tourism products created during the current Programme, should fill the gaps (e.g., thematic, territorial), connecting the different offers and service providers (e.g., accommodation and catering sector with the created products) more.

Participation of entities from Riga and Tallinn:

Under this SO, all investments should be concentrated in the NUTS 3 border regions of Vidzeme, Kurzeme, Pierīga, West Estonia and South Estonia. Companies, organisations and institutions from the cities of Riga and Tallinn may participate in the projects only as partners passing on the know-how and best practices of the capital cities to the border regions.

All projects under Priority 4 are considered as contributing to the EUSBSR objective Connect the Region and sub-objective *Connecting people in the region*.

3.4.1 Specific objective (vi) enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation.

This specific objective focuses on enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation.

The Programme expects to receive new developments as well as improvement of the existing products together with smart and targeted marketing:

1. Improvement of existing cross-border tourism products.

The basis for further cross-border activities is heritage-based thematic (military, industrial, culinary, hiking, cycling, active water tourism, gardens, culture) cross-border routes and brands developed in 2007-2020 within the Estonia-Latvia programme but also within other cross-border cooperation programmes and forms. The created cross-border networks, brands and offers provide a solid foundation for development of competitive tourism products and services with higher added value and (social) innovation element.

The supported activities in relation to the existing products must introduce the improvement of the product or service in terms of accessibility.

2. Creation of new tourism products and services based on cultural and natural heritage.

Projects that aim at creating new tourism products and services must target wider geographical territory and involve larger networks of partners. It is expected that the new tourism products or services will be created based on the already existing sites. Tourism products and services must be developed taking into account the aspects of social inclusion, social innovation and accessibility.

Tourism product is a complete visiting experience, which consists of different tourism services (e.g., accommodation, catering, guide service) that visitor consumes during the travel. The projects are strongly encouraged to consider customer friendly service design when developing the tourism product. The following elements should be thought about:

- How do visitors find information about the product?
- How do visitors get there?
- What is the main reason for going there?
- What are the eating and accommodation options nearby?
- What else is there to see and experience?

Investments:

Supporting investments, e.g., equipment is eligible, but must be well justified and contribute to and support directly to the results and indicators of the project: to the jointly developed solutions and improving the sites of natural or cultural heritage, joint marketing of the created or improved products and services, small scale equipment for project management. Please see the restrictions for Tallinn and Riga partners above.

Examples of expected indicative activities:

- Jointly developing sustainable and accessible tourism products and services based on diverse natural and cultural heritage of the programme area, e.g., tourism routes, joint offers, joint brands, etc.
- The physical improvement of existing sites that are of natural or cultural heritage, which are integral components of joint tourism products or services.
- The improvement of the tourism offers, sites, products and services in terms of accessibility to all groups of society, e.g., the elderly, children, families with children and disabled people.
- Marketing of the created products and services, different types of marketing events and activities: media advertising, participation in fairs, visits, etc.

Every project must contribute to the following programme specific criteria under specific objective (vi):

1. Social inclusion, and
2. Social innovation, and
3. Accessibility.

Social inclusion means recognizing that people and their abilities vary and it is important to provide an enjoyable tourism experience for full spectrum of people (including, but not limited to children, families with children, elderly people, people following special diets, people with (temporary/permanent) mental and/or physical disabilities etc., providing people respect and dignity (including privacy, own way for experiencing).

Social innovation is understood as developing new ideas, services and models to better address social issues with an input from public and private actors, including civil society, to improve social services. Social innovation is recognized as a driver of growth, but also of social inclusion. In this context, social innovations are seen as new social practices that aim to meet social needs in a better way than the existing solutions. It is expected that the project partners take up these practices when developing and improving the products and services. In collaboration, the service providers have access to resources – knowledge, networks – for raising their competitiveness.

Accessibility is understood as a broader concept based on life cycle and not on the narrow perspective of people with disabilities. Accessibility should be taken into consideration over the whole tourism sector: museums, attractions, accommodation, restaurants, active, leisure and nature tourism and public space objects (old town, parks, transport terminals, bus stops etc). Needs of domestic and foreign tourists should be considered (e.g., overcoming language barriers). Accessibility should be analysed and ensured through the whole customer journey, and it should be ensured to people in various stages of their lives and full spectrum of people. Including the latter, the needs of many other target groups such as children, parents of young children, the elderly, and people with disabilities, should also be considered when developing and marketing products.

Every project must produce the following mandatory deliverables under specific objective (vi):

1. The upgraded or new cross-border tourism product or service that is jointly developed taking into account the aspects of social inclusion, social innovation and accessibility must be considered in developing pilot actions and solutions (programme output indicators nr.1 and 2).

2. At least 10 improved natural or cultural heritage sites in both countries combined. The improvement of natural or cultural heritage sites must be based on the aspects of social inclusion, social innovation and accessibility. Every site must be identified as separate deliverable in the application.

Natural heritage sites are for example hiking path in the White Dune of Saulkrasti, and gardens or parks (e.g. Lepiku-Mardi Farm's collection garden, Kokmuiža park).

Cultural heritage sites are for example Räpina paper factory, Ķoņi watermill, Aizpute water tower, Kihnu heritage culture centre, old narrow-gauge railway causeways (e.g., trail section of Viljandi-Mõisaküla line).

Every project must contribute to the following programme indicators under specific objective (vi):

Output indicators and programme target:

1. RCO84 Pilot actions developed jointly and implemented in projects (30), and
2. RCO116: Jointly developed solutions (17), and
3. RCO87: Organisations cooperating across borders (54).

Pilot actions developed jointly and implemented in projects.

The pilot actions are developed jointly and implemented by the supported projects. The scope of a jointly developed pilot action could be to test procedures, new instruments, tools, experimentation or the transfer of practices. In order to be counted by this indicator,

- the pilot action needs not only to be developed, but also implemented within the project, and

- the implementation of the pilot action should be finalised by the end of the project.

Jointly developed pilot action implies the involvement of organizations from both sides of the border.

Jointly developed solutions.

Jointly developed solutions result from joint pilot actions implemented by supported projects. In order to be counted in the indicator, an identified solution should include indications of the actions needed for it to be taken up or to be upscaled. A jointly developed solution implies the involvement of organizations from both sides from the border.

Organisations cooperating across borders.

The indicator counts the organisations cooperating formally in supported projects. The organisations counted in this indicator are the legal entities including project partners as mentioned in the financing agreement of the application.

Result indicators and programme target:

1.RCR104: Solutions taken up or up-scaled by organisations (8)

2.RCR84: Organisations cooperating across borders after project completion (32)

Solutions taken up or up-scaled by organisations.

The indicator counts the number of solutions, other than legal or administrative solutions, that are developed by supported projects and are taken up or upscaled during the implementation of the project or within one year after project completion. The organisation adopting the solutions developed by the project may or may not be a participant in the project. The uptake / up-scaling should be documented by the adopting organisations in, for instance, strategies, action plans etc.

Organisations cooperating across borders after project completion.

The indicator counts the organisations cooperating across borders up to one year after the completion of the supported projects. The organisations are legal entities involved in project implementation, counted within RCO87. The cooperation concept should be interpreted as having a statement that the entities have a formal agreement to continue cooperation, after the end of the supported project. The cooperation agreements may be established during the implementation of the project or within one year after the project completion. The sustained cooperation does not have to cover the same topic as addressed by the completed project.

3.5 Horizontal principles

In accordance with the nature of the project, all projects must respect and are assessed based on their contribution to the horizontal principles of the Programme. These principles are sustainable development, including the Do No Significant Harm principle, equal opportunities and non-discrimination, and equality between men and women.

The same principles are followed by the Programme in all stages of programme implementation. In addition, the Programme contributes to the following principles: Contribution to the UN Sustainable development goal, Biodiversity, New European Bauhaus and E-Cohesion Article (electronic data exchange).

3.5.1 Sustainable development

The Programme encourages the application of principles of sustainability to all aspects related to project management. The lead partners are asked to consider the most sustainable and nature-friendly use of all resources that are planned for implementing projects under all programme priorities. This applies to the dissemination materials, print-outs, meetings, modes of communication, etc. While the travels are an essential part of cross-border activities, beneficiaries of the Programme are encouraged to choose the most sustainable travel mode. The applicants and partners are encouraged to use more quality-related and lifecycle-based criteria when planning activities to minimise negative effects on the environment. When feasible, environmental (e.g., green public procurement criteria) and social considerations as well as innovative solutions should be taken into account.

The project needs to explain how it will prevent or mitigate the negative impact. Projects with direct negative impact on the environment and sustainable development will not be funded.

Programme priorities 3 and 4 relate directly to sustainability. Priority 3 “Sustainable and resilient programme area”, specific objective 3.1 focuses directly on protection and preservation of nature,

biodiversity, and green infrastructure and reducing all forms of pollution. Priority 4 "More accessible and sustainable cross-border tourism experience", specific objective 4.1 aims to enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation. Projects funded under these specific objectives will have to clearly demonstrate a direct positive impact on sustainable development of their regions.

Do No Significant Harm Principle (DNSH) and Strategic Environmental Assessment (SEA)

Based on the preliminary estimate of the strategic environmental assessment of the Estonia-Latvia programme, the programme is unlikely to have significant impact to the environment under any of the POs and SOs. Additionally, a Do No Significant Harm assessment for main activities has been carried out based on the European Commission Notice "Technical guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation", 2021/C 58/01. The types of actions have been assessed as compatible with the Do No Significant Harm principle.

3.5.2 Equal opportunities and non-discrimination

As a general approach, all projects will be requested to integrate these horizontal issues in their activities or, at least, to consider the project's influence on these. Projects with a direct negative impact on equal opportunities and non-discrimination will not be approved.

3.5.3 Equality between men and women

In addition to the general principle of non-discrimination, the Programme will pay attention to the equality between men and women. Projects with a negative impact on equality between men and women will not be approved.

Contribution to the United Nations (UN) Sustainable development goal

The Programme specific objectives, among others, contribute to the implementation of the UN Sustainable Development Goals such as "Clean water and sanitation", "Decent work and economic growth", "Sustainable cities and communities", "Responsible consumption and production", "Climate action", "Life below water", "Life on Land" and "Partnerships for the goals". In addition, by supporting sustainable and innovative ideas, the programme also aims at selecting operations that demonstrate contribution to digitalisation. Projects with a direct negative impact in relation to these principles are not approved.

Biodiversity

The Programme contributes to reaching climate objectives accordingly to Recital 5 of the Regulation (EU) 2021/1059 and Article 6 of the Regulation (EU) 2021/1060, in the total amount of 7,343,831.60 MEUR or 26.80 % of the whole Programme ERDF budget. Likewise, the Programme aims to contribute to mainstream biodiversity action, as stated in the Regulation (EU) 2021/1059, Recital 11. Thus, the Programme will contribute with 9,767,317.00 euros or 35.05% of the whole Programme ERDF budget to reaching biodiversity objectives.

New European Bauhaus[5]

There will be no specific activities foreseen, but the programme promotes the New European Bauhaus as relevant, e.g., under PO2 and PO4 (accordingly priorities 3 and 4). However, the project applicants

[5] https://new-european-bauhaus.europa.eu/index_en

are encouraged to follow the principles of sustainability, aesthetics, and inclusion, laid down in the New European Bauhaus initiative.

E-Cohesion Article (electronic data exchange)

To ensure compliance with e-cohesion goals, all exchanges between project partners and all the programme authorities are carried out by means of fully functional electronic data exchange in accordance with Annex XIV of the Regulation (EU) 2021/1060. The project applications are submitted to, and the feedback is given in the Jems.

3.6 Projects of strategic importance

Projects, which provide a significant contribution to the achievement of the objectives of the Programme and are particularly important for communication purposes, are identified and implemented during the Programme life cycle. The strategic projects will be identified within the calls for proposals.

Planned projects of strategic importance are mainly foreseen under priorities 3 and 4.

Relevant thematic areas under priority 3 include nature protection, biodiversity and green infrastructure; more specifically the actions that are aimed at safeguarding, maintaining and restoring ecosystems, protecting and preserving of cross-border biodiversity and key species through joint actions, establishment of innovative measures, small-scale pilot activities.

As regards sustainable and socially inclusive tourism under priority 4, the relevant areas involve jointly developing sustainable and accessible tourism products and services based on diverse natural and cultural heritage of the programme area, tourism routes, joint offers, joint branding and marketing.

During the Programme implementation other priorities are considered, if projects from these thematic areas have the potential to solve strategic challenges and bottlenecks of the border area and achieve wide communication and recognition of the Programme.

4. PROJECT MAIN FEATURES

4.1 Project size and co-financing rates

Specific Objective of the Programme	Maximum Grant Size (in €)
3.1.1 Specific objective (SO) (ii): enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions, in particular, with a view to resolving legal and other obstacles in border regions.	300,000.00
3.1.2 SO (iii) build up mutual trust, in particular by encouraging people-to-people actions.	70,000.00
3.2.1 SO (iii) enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments.	500,000.00
3.3.1 SO: (vii) enhancing protection and preservation of nature, biodiversity, and green infrastructure, including in urban areas, and reducing all forms of pollution.	1,000,000.00
3.5.1 SO: (vi) enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation.	1,200,000.00

The minimum grant size is not fixed.

Co-financing from the Programme can be up to 80% of the total eligible costs for all types of partners.

Information about state aid is provided in point 4.6.

4.2 Project duration

The eligible period of the project activities and payments ends on 31 December 2028. It is recommended to reserve up to 2 months in the end of the project for compiling reports. Other project activities should be finalised by that time.

4.3 Basic project and partnership requirements

To be eligible, projects are requested to fulfil four **cooperation criteria**:

1. **Joint development**. The projects have to be developed, written and planned jointly by the partners from both sides of the border.
2. **Joint financing**. All partners have to contribute to the project financially, which is confirmed by a co-financing statement attached to the application form.
3. **Joint implementation**. The project has to follow the principles of joint implementation opposed to two parallel actions on either side of the border in order to achieve mutual benefits from the cooperation. The activities, the outputs and results are jointly realised by the partners.

4. **Joint staffing**. Project team carrying out the project has to involve members from both Estonia and Latvia. All partners assume the necessary role to coordinate and take part of the responsibility.

Projects must involve at least one Estonian and one Latvian partner, who are legally registered in Estonia and Latvia and whose activities in the project are for the benefit of the programme area.

In case of private enterprises, the owners of the companies in Estonia and Latvia cannot be the same, nor can they be owned by their close relatives and/or family members. Once the project is approved, all project partners must sign partnership agreement (see point 6.3. Contracting).

4.4 Lead partner

Each project has to appoint a Lead Partner (LP).

LP submits the application. If the project is selected for funding, LP signs a subsidy contract with the MA, and takes full financial and legal responsibility for the project. LP is responsible for:

- the division of tasks among the partners involved in the project and for ensuring that these tasks are fulfilled,
- proper communication with and among the partners, as well as wider public of both countries, and
- timely and correct reporting, ensuring that the partners respect and observe the EU and national legislation concerning financial management and reporting, public procurement, state aid and visibility rules.

Only LP may request changes to the project activities and budget. LP receives payments based on the subsidy contract and has the responsibility to forward the funds to other project partners.

LP must inform the JS at first opportunity about any delays and obstacles that occur during the implementation of project activities and reporting.

LP must appoint or sub-contract:

- project manager, who is qualified to handle the thematic co-ordination of the project activities, be able to act as a driving force in the partnership and mobilise the partners to achieve the objectives laid down in the application. In order to ensure effective and efficient communication with the programme management structures, the project manager has to be fluent in English;
- financial manager, who is responsible for the accounts, financial reporting, and internal handling of the ERDF funds and national co-financing. Financial manager must work in close contact with the project manager and the partners in order to enable efficient overall financial management of the project.
- communication manager, who is qualified to carry out the visibility and communication activities of the project according to the nature of the project. Communication manager must:
    - ensure that the programme's visibility guidelines are followed;
    - identify appropriate communication channels, including social media outreach;
    - highlight the support from the Interreg in a visible manner via communication channels/documents/communication material relating to the implementation of the project, intended for the general public or for participants; and

- produce visual material throughout the project including high-resolution photos, videos, etc.

Project, financial and communication managers do not have to be separate persons i.e., the tasks can be carried out by one or two qualified persons.

Lead partner can be:

1. National, regional or local public authority.
2. Public equivalent body[6], which means any legal body:
   a) Established for the specific purpose of meeting needs in the general interest[7], not having an industrial or commercial character, and
   b) Have legal personality, and
   c) Financed, for the most part, by the state, or regional or local authorities, or other bodies governed by public law, *

      * or is subject to management supervision by those authorities or bodies,

      * or have an administrative, managerial or supervisory board, more than half of whose members are appointed by the state, regional or local authorities or by other bodies governed by public law.
3. Small and medium size and large enterprises.
5. Non-governmental organisation.

4.5 Project partners

Project partners can be all the bodies fulfilling the criteria listed in the chapter 4.4. or any other non-profit oriented legal bodies. The JS checks the eligibility of partners based on documents submitted by the partners and information in relevant national registries.

Each project partner must nominate a coordinator, who is the contact point between the project partner and the project manager, and a bookkeeper, who is responsible for project book-keeping in the project partner organisation. The tasks of partner coordinator and bookkeeper may be carried out by the same person.

4.6 State aid

What is state aid?
State aid is support in any form when it is granted to a selected legal entity (undertaking) by public authority and gives an advantage to the undertaking over its competitors. In the Estonia-Latvia

[6] Here, the "public equivalent body" means a "body governed by public law" as defined in Article 2, point 1 (4) of Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement.

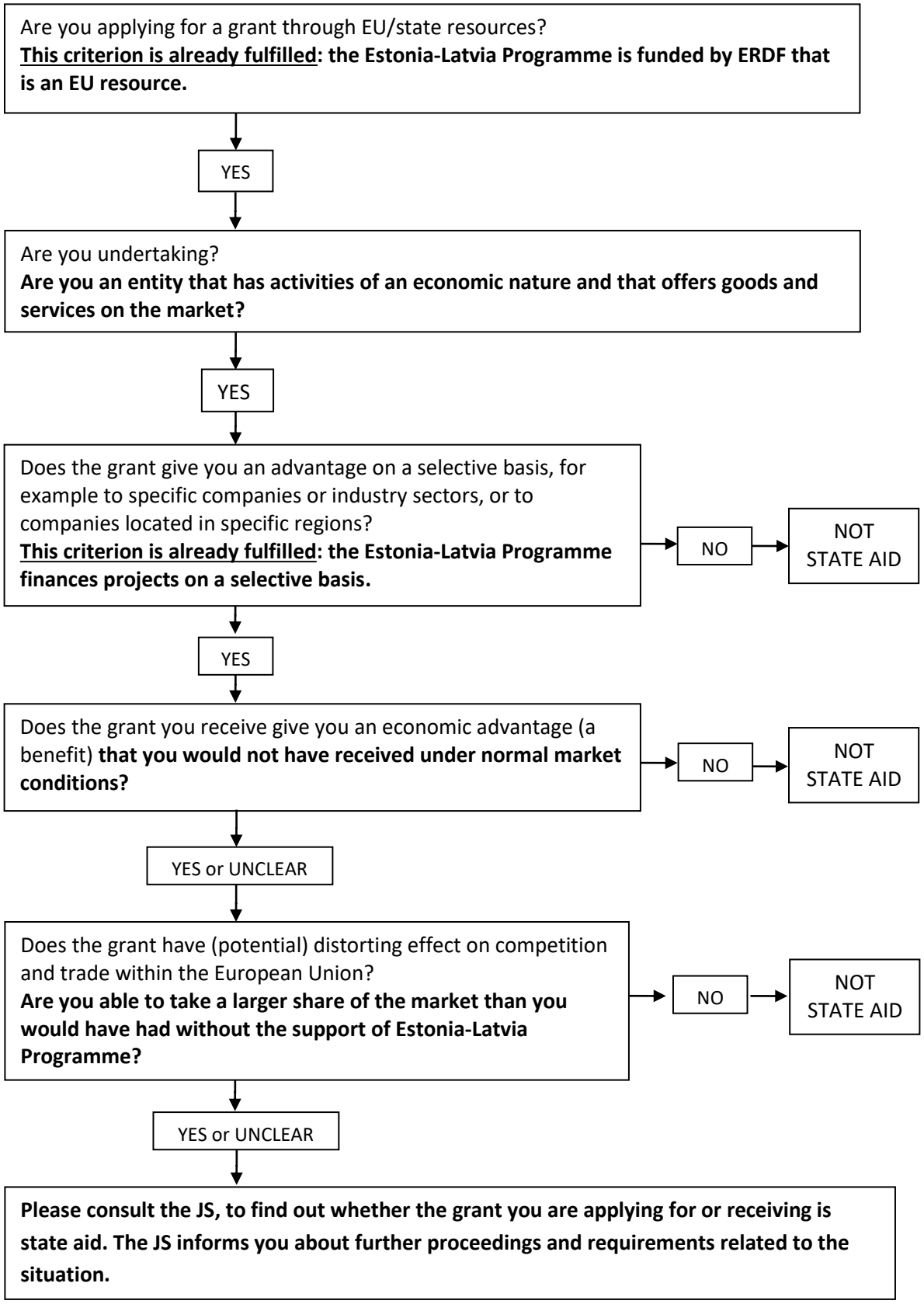
[7] "Needs in the general interest" are defined as needs which are satisfied otherwise than by the availability of goods and services in the marketplace and which, for reasons associated with the general interest, the State or Local Government chooses to provide itself or over which it wishes to retain a decisive influence. Legal bodies, which have objectively taken responsibility for, and have since satisfied such needs, could also be considered fulfilling the above criterion.

Programme, aid is granted directly as funding to project partners or indirectly for participation in project activities.

The programme finances activities of all types of undertakings that have an effect on market in specific fields. All entities that are engaged in economic activity, regardless of their legal status and whether they aim to make profit, are considered according to the Union law to be undertakings and thus could be receivers of the aid from the Programme (direct aid) and from project partners (indirect aid). Economic activity is broadly defined as offering goods or services on a given market.

Indirect State aid is when project activities result in advantages given to undertakings outside the project partnership, which they would not have obtained under normal market conditions, State aid is granted to third parties by project partners – to final beneficiaries of project activities.

To better understand, whether your project or some of the project activities may contain State aid, please follow the scheme below:


Are you applying for a grant through EU/state resources?
This criterion is already fulfilled: the Estonia-Latvia Programme is funded by ERDF that is an EU resource.
YES
Are you undertaking?
Are you an entity that has activities of an economic nature and that offers goods and services on the market?
YES
Does the grant give you an advantage on a selective basis, for example to specific companies or industry sectors, or to companies located in specific regions?
This criterion is already fulfilled: the Estonia-Latvia Programme finances projects on a selective basis.
NO
NOT STATE AID
YES
Does the grant you receive give you an economic advantage (a benefit) that you would not have received under normal market conditions?
NO
NOT STATE AID
YES or UNCLEAR
Does the grant have (potential) distorting effect on competition and trade within the European Union?
Are you able to take a larger share of the market than you would have had without the support of Estonia-Latvia Programme?
NO
NOT STATE AID
YES or UNCLEAR
Please consult the JS, to find out whether the grant you are applying for or receiving is state aid. The JS informs you about further proceedings and requirements related to the situation.

The Managing Authority and the Joint Secretariat evaluate the relevance of the planned activities before the approval of projects.

Legal basis for granting State aid
The legal basis for granting State aid is Article 20 and Article 20a of the Commission Regulation (EU) No 651/2014, of 17 June 2014 declaring specific categories of State aid compatible with Article 107 and 108 of the Treaty (so called the State aid General Block Exemption Regulation, hereafter the GBER).

The Programme enables granting the State aid according to two GBER Articles:

- Article 20 is granted as direct State aid on behalf of the Estonia-Latvia programme.
- Article 20a is granted as indirect State aid by project partners. Indirect State aid cases are described below.

Estonia-Latvia programme does not grant de minimis aid. Where the Programme grants direct aid and project partners indirect aid, it falls under State aid, not de minimis aid.

GBER Article 20, Aid for costs incurred by undertakings participating in European Territorial Cooperation project:

1. Aid for costs incurred by undertakings participating in European Territorial Cooperation projects covered by Regulation (EU) 2021/1059 can be given under this Article, provided the conditions laid down in this Article and in Chapter I of the GBER (such as notification thresholds, exclusions) are fulfilled.
2. To the extent that they are linked to the cooperation project, the following costs, which shall have the meaning ascribed to them in the Articles 38 to 44 of Regulation (EU) 2021/1059, shall be eligible costs:
   (a) staff costs;
   (b) office and administrative costs;
   (c) travel and accommodation costs;
   (d) external expertise and services costs;
   (e) equipment costs;
   (f) costs for infrastructure and works.

3. The aid intensity shall not exceed the maximum co-financing rate provided for in Regulation (EU) 2021/1059.

The aid intensity is equal to the co-financing rate but not higher than 80%.

GBER Article 20a lays down limited amounts of aid to undertakings[8] for participation in European Territorial Cooperation projects:

1. Aid to undertakings for their participation in European Territorial Cooperation projects covered by Regulation (EU) 2021/1059 can be given under this Article, provided the conditions laid down in this Article and in Chapter I of the GBER are fulfilled.
2. The total amount of aid under this Article granted to an undertaking per project shall not exceed EUR 22,000.00.

[8] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.C_.2016.262.01.0001.01.ENG&toc=OJ%3AC%3A2016%3A262%3ATOC,%20notion%20of%20undertaking%20and%20economic%20activity

Chapter I of the GBER – other relevant Articles

GBER Article 4. Notification thresholds

1. This Regulation (GBER) shall not apply to aid which exceeds the following thresholds:
(f) for aid for undertakings participating in European Territorial Cooperation projects: for aid under Article 20, EUR 2.2 million per **undertaking, per project**; for aid under Article 20a, the amounts laid down in Article 20a (2) **per undertaking, per project**.

Restrictions for granting state aid

Please notice that you have to check your activities, because similarly to other programmes that are funded by EU or State budgetary resources, this programme does not grant:

- aid to export-related activities towards third countries or member states.

  NB! The costs of participating in trade fairs, or of studies or consultancy services needed for the launch of a new or existing product on a new market in another EU Member State or a third country are eligible, as they do not normally constitute aid to export-related activities;
- aid contingent upon the use of domestic over imported goods;
- aid to undertaking which is subject to an outstanding recovery order following a previous Commission decision declaring an aid that is considered illegal and incompatible with the internal market, with the exception of aid schemes to make good the damage caused by certain natural disasters;
- aid to undertakings in difficulty[9], with the exception of aid schemes to make good the damage caused by certain natural disasters;
- aid where the grant of aid is subject to the obligation for the beneficiary to have its headquarters in the relevant Member State or to be predominantly established in that

[9] 'undertaking in difficulty' means an undertaking in respect of which at least one of the following circumstances occurs:
(a) In the case of a limited liability company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its subscribed share capital has disappeared as a result of accumulated losses. This is the case when deduction of accumulated losses from reserves (and all other elements generally considered as part of the own funds of the company) leads to a negative cumulative amount that exceeds half of the subscribed share capital. For the purposes of this provision, 'limited liability company' refers in particular to the types of company mentioned in Annex I of Directive 2013/34/EU (37) and 'share capital' includes, where relevant, any share premium.
(b) In the case of a company where at least some members have unlimited liability for the debt of the company (other than an SME that has been in existence for less than three years or, for the purposes of eligibility for risk finance aid, an SME within 7 years from its first commercial sale that qualifies for risk finance investments following due diligence by the selected financial intermediary), where more than half of its capital as shown in the company accounts has disappeared as a result of accumulated losses. For the purposes of this provision, 'a company where at least some members have unlimited liability for the debt of the company' refers in particular to the types of company mentioned in Annex II of Directive 2013/34/EU.
(c) Where the undertaking is subject to collective insolvency proceedings or fulfils the criteria under its domestic law for being placed in collective insolvency proceedings at the request of its creditors.
(d) Where the undertaking has received rescue aid and has not yet reimbursed the loan or terminated the guarantee or has received restructuring aid and is still subject to a restructuring plan.
(e) In the case of an undertaking that is not an SME, where, for the past two years:
(1) the undertaking's book debt to equity ratio has been greater than 7,5 and
(2) the undertaking's EBITDA interest coverage ratio has been below 1,0.

Member State. However, the requirement to have an establishment or branch in the aid granting Member State at the moment of payment of the aid is allowed;

- aid where the grant of aid is subject to the obligation for the beneficiary to use nationally produced goods or national services;
- aid restricting the possibility for the beneficiaries to exploit the research, development and innovation results in other Member States;
- aid to undertaking for which there is an outstanding recovery order issued.

Application phase	Direct State aid	Indirect State aid
Development of project application	Project partners use the table on page 38 to understand whether the project activities fall under the State aid. They can consult the JS.	When planning activities with participation of undertakings (e.g. trainings, mentoring, participation in trade fairs, etc.) or for undertakings (e.g. investments, etc.), the undertakings must be regarded as third parties receiving indirect State aid. Project partners can plan up to 20 000 euros per undertaking per project for indirect aid receivers.
Project implementation period	The date of the selection decision of the monitoring committee is the date of granting the aid. Project partners of public sector that receive State aid above ERDF contribution rate are state aid grantors for themselves because they grant State aid for their self-financing, unless their self-financing comes from other economic activities or loans. If project partners of public sector are granting State aid for themselves, they are responsible for documenting and reporting granted aid in accordance with national legislation. State aid shall not be cumulated with any (*de minimis*) aid in respect of the same eligible costs if such cumulation would result in exceeding allowed aid intensity.	The LP must ensure that project partners are aware that they are responsible for granting indirect State aid for participants of activities according to the GBER Article 20a and the programme rules, set forth in current chapter 4.6 and on the programme's website. When advertising the activity, partners must inform the potential participants, that the indirect State aid will be granted. When calculating the amount of the activity, the project partners have to take into account only costs directly related to the activity (not staff costs), e.g. external expertise services, cost of room rent, catering etc. ,Project partners do not have to report the granted indirect State aid to the FC the project partners must keep an audit trail (including ,However .JS and MA calculations) and ensure that the total amount of aid per undertaking does not Starting from 1 July 2023 project partners can implement .exceed 20 000 euros up to 22 000 euros per undertaking per project for indirect air receivers. The project partners must take into account the costs planned for the project. The granting of indirect State aid may be audited by the AA.
Register of State Aid	State aid amounts granted by the Programme in accordance with GBER Article 20 are inserted into the Estonian Register of State Aid and De Minimis Aid by the JS.	Indirect State aid granted by project partners in accordance with Article 20a is not inserted in the national registries of State aid neither by the JS nor project partners.
Audit trail	Direct State aid receiver must retain for audit purposes all official files, documents, and data about the project at least 10 years from the date on which the last aid was granted. Project partners can find out the exact date for keeping records in the subsidy contract.	The programme has created a specific tool in the form of an Excel table, which helps to follow the requirements for granting the indirect State aid. We recommend using this tool in all cases of granting the aid (participation in events, trade fairs, making investments, etc.). The Excel table is available on the programme's website.

The restrictions for granting the State aid apply in case of granting the direct and indirect State aid. Programme stipulates requirements only for the receivers of the direct state aid. If the participating undertaking has exceeded the total allowed amount, it must pay the exceeded amounts (calculated share of the activities) to the project partner who made the costs.

The amounts of state aid granted to project partners according to the GBER may be increased upon request in case the procurements for the foreseen investments result in higher prices than in the approved project application or in other cases when the legal acts allow it.

4.7 Conflict of interests

Conflict of interest situation has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest, organisational, professional or public interest.

There is a conflict of interests where the impartial and objective exercise of the functions of any person involved in the project or Programme is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with another person. The personal interests of the representative of the LP/project partner must not influence the implementation of the project, including the preparation or organization of the procurement, or influencing the outcome of the procurement.

The LP and project partners must undertake all necessary precautions to avoid conflicts of interest and must inform the JS without delay of any situation constituting or likely to lead to any such conflict.

Where there is a risk of a conflict of interests involving a member of staff of a public sector organisation, the person in question must refer the matter to his or her hierarchical superior. Where a conflict of interests exists, the respective organisation must ensure that the person in question ceases all activity in the matter and that any further appropriate action is taken.

Project partners may not outsource to buy services and goods from each other within the project.

Please notice that according to the Programme Manual Annex: Financial Corrections decision procedure and Commission Decision in 2019 C(2019) 3452, a financial correction of 100% may be applied in the most serious cases, when there is a conflict of interests.

A comprehensive guidance of conflicts of interest is available at
https://ec.europa.eu/info/strategy/eu-budget/protection-eu-budget/conflict-interest_en

5. PROJECT BUDGET

5.1 Eligibility of expenditure

Only costs related to the project are eligible costs. The first costs may occur at the earliest on the day after the selection of the project by the Monitoring Committee. Only costs paid during the duration of the project (between the start and end date) are eligible. Please be aware that if your project is approved with certain conditions then making any expenditure before the MA verifies the fulfilment of the conditions is at your own risk.

All payments must be made by the end date of the project.

As a general principle, costs that are included into partner report must be incurred during the reporting period but can be paid after the end of the reporting period – however, not later than the date of the submission of the partner report to the controller. It is also allowed that costs included in the partner report are incurred during the next reporting period if the controller can get assurance regarding the delivery (services were delivered, event took place, etc.) For example, the reporting period is 01.01.2024-30.04.2024. The partner declares the participation fee for 05.05.2024 conference, the expenditure was paid on 27.04.2024. The expenditure was paid within the reporting period but incurred within the next reporting period. The participation fee can be included in the report if the controller can get assurance that the event took place.

Partner can insert into partner report costs that have been incurred before the particular reporting period, if these costs have not been included to the previous partner reports and if these costs have been paid out by the time of the submission of the report to the controller.

The Programme is using simplified cost options to reduce the administrative burden related to the administration of the projects and the Programme. This includes not only simplifications at the stage of calculating eligible expenditure, but also when verifying (for programme authorities) and reporting (for beneficiaries) the costs. Using simplified cost options means also that the human resources and administrative effort involved in management of the Programme and projects can focus more on the achievement of policy objectives. The descriptions of the simplified cost options are provided in chapter 5.6.

Specific rules on eligibility of expenditure have been stipulated in the Regulation (EU) 2021/1059 of the European Parliament and of the Council of 24 June 2021 on specific provisions for the European territorial cooperation goal (Interreg) supported by the European Regional Development Fund and external financing instruments.

5.2 VAT (value added tax)

VAT that cannot be recovered is eligible cost and can be included to the project budget.

VAT that can be recovered is not eligible cost and must be excluded from the project budget.

5.3 Sound financial management

Project must be implemented in accordance with the principles of sound financial management, that is, following the three principles:

- **economy** – all funds for the project implementation are available in due time, in appropriate quantity and for activities that have high enough quality, and are used at the best price;
- **efficiency** – the best relationship between the used resources, the carried-out activities and the achieved objectives;
- **effectiveness** – the extent to which the aimed objectives are achieved through the carried-out activities.

By signing the partnership agreement with the other partners, the LP lays down implementation arrangements of the project that guarantee the sound financial management.

5.4 Ineligible expenditure

The following costs are not eligible:

- costs that exceed the total partner or project budget;
- any costs paid outside project duration;
- fines, financial penalties and expenditure on legal disputes and litigation;
- costs of gifts;
- costs related to fluctuation of foreign exchange rate;
- consultant fees or other service costs between partners for services and work carried out within the project;
- costs related to subcontracting project partners or employees of partner organisations, who already work for the project based on an employment contract;
- expenditure that is already supported by a European or other international or national grant;
- charges for national financial transactions;
- interest on debt;
- purchase of land not built on or land built on in the amount exceeding 10% of the total eligible expenditure of the project.

5.5 Preparation costs

Preparation costs are eligible only for projects with whom the Managing Authority signs the subsidy contract.

The Programme covers project preparation costs as a lump sum of 6000 euros (total cost). This includes costs that partners have during the project preparation i.e. costs that occurred before the selection of the project by the Monitoring Committee. This sum must be allocated to the LP in Jems. The division of the lump sum between the partners is agreed upon by the partnership.

5.6 Budget set-up and description of the cost categories

5.6.1 Staff costs

Definition:

Staff costs cover costs of staff members employed by the partner organisation who are directly working on the project. Staff costs include salary payments and other costs directly linked to salary payments, and paid by the employer (such as employment taxes and social security, including pensions) in line with the employment/ work contract[10] or other documents[11].

The Programme is using simplified cost option for staff costs - unit costs (single hourly rate). This is a programme-specific unit cost based on the established hourly rate per Member State in the Programme. Depending on the location of the project partners, the following specific hourly rate is used:

The hourly rate for the Estonian project partners is €29 and for the Latvian project partners €26.

General principles

- The use of the hourly rate for staff costs is mandatory and will be applied to all partners of all projects.
- The single hourly rate is standard for each employee who works for a project, regardless of the position.
- Unit cost calculation sum covers all staff costs that are borne by the partner organisation. The unit cost calculation sum may not match the real costs of the employee actually paid by the institution.
- Principles of sound financial management and cost-efficiency should be applied.
- Reported hours must relate to activities which the partner organisation undertakes due to project implementation.
- A project partner can report only actual (productive) hours that were worked and that were dedicated to project related tasks. Non-productive hours relating to holidays, sick leave, maternity leave, etc. are not eligible.
- Costs of staff are eligible if no other EU funds have contributed towards financing of the same expenditure item; i.e., no double-financing is permissible (Article 63(9) CPR).

Calculation of the staff costs

The sum of staff costs is calculated as: number of hours worked for project x unit cost (single hourly rate).

[10] Both the employment/work contract and an appointment decision/contract of natural persons working for the partner organisation and receiving salary payments are hereinafter referred to as 'employment document'.

[11] Payments to natural persons working for project under a contract other than an employment or work contract may be assimilated to salary payments and such a contract shall be considered to be an employment document.

Checks during management verifications

- A project partner cannot declare more than 1,720 hours per full time employee per calendar year. This maximum number of hours is reduced to a pro-rata of 1,720 hours for employees working part-time.
- If an employee is working on multiple projects, it is important to ensure that the total number of productive hours reported across all projects does not exceed 1,720 hours per year (or the applicable pro-rata for a calendar year or 12-month period).
- Project partners must keep the "Report of hours" for the number of hours declared for work in the project.
- There is a clear distinction between the cost categories to which the simplified cost option is applied:
    - Clear distinction between staff who is reimbursed in the frames of unit costs of standard hourly rates under staff cost category and external experts, who are reimbursed on the basis of real costs under external expertise cost category.
    - Clear distinction between the travel and accommodation costs of the staff, which is on the basis of flat rate, and travel costs of external experts etc, which is reimbursed as real costs and falls under external expertise.
- The management verifications to reimburse the staff costs and ensure the absence of double financing include:
    - The number of working hours.
    - The amount declared is justified by the "Report of hours" and employment document(s).
    - The sum is calculated as: number of hours worked for project x unit cost (single hourly rate).
    - Confirmation that other reported project expenditure is not already covered by the unit cost.

Audit trail

The following main documents must be available for control purposes:

- Employment document(s) which show(s) that the person is employed by the partner organisation and is working for the project.
- Project job description including the content of the tasks, if the project job description is not part of employment document.
- The "Report of Hours" template which defines that the person is working for the project and includes the times actually worked for the project.

5.6.2 Office and administrative expenditure

Definition:

Office and administrative costs cover general office and administration expenditures related to the project. This covers, for example, the maintenance of the office, stationery, postage, etc.

The Programme uses a simplified cost option - flat rate - for calculating office and administrative expenditure. Eligible costs under the office and administration cost category are calculated as a flat rate of 15% of staff costs. The calculation is done automatically in the application form and reports in Jems. In case there are no staff costs, office and administration costs will not appear in the budget. An all-inclusive list of cost categories covered by the flat rate is defined below. These cost items cannot be reported under any other cost category.

The flat rate covers the following office and administrative costs:

- office rent;
- insurance and taxes related to the buildings where staff are located, and to the equipment of the office (such as fire or theft insurance);
- utilities (such as electricity, heating, water);
- office supplies;
- accounting;
- archives;
- maintenance, cleaning and repairs;
- security;
- IT systems;
- communication (such as telephone, fax, internet, postal services, business cards);
- bank charges for opening and administering the account or accounts where the implementation of an operation requires a separate account to be opened;
- charges for transnational financial transactions.

The flat rate covers all office and administration costs, i.e. there is no distinction between direct and indirect costs.

Cost category-specific rules

Depending on the partner's organisation set-up or project specificity, some types of costs might belong either to this cost category or to others (e.g., staff costs, external expertise and service costs or equipment costs). For example:

- **Services:** In some projects there may be a justified need for an accountant to be part of the project team (under staff costs), whereas in other projects, support from internal accounting service will suffice and can be included in the office and administrative cost category.
- **Office equipment, IT hardware and software, and furniture and fittings should** be included under the equipment cost category. This does not include IT system support of an administrative nature; such costs fall under the office and administrative costs cost category.

Audit trail

By applying the 15% flat rate, partners do not need to document that the expenditure on office and administration costs has been incurred and paid, or that the flat rate corresponds to the real costs incurred.

5.6.3 Travel and accommodation costs

Definition

Travel and accommodation costs cover travel costs, accommodation costs, costs of meals, visa costs and daily allowances of staff of the partner organisation that relate to the project's delivery.

Partner organisation's employees', who are not directly project staff, travel and accommodation costs fall under travel and accommodation costs because they are related to the project's delivery and contribute to achieving the project's goals.

The Programme uses a simplified cost option - flat rate - for calculating travel and accommodation costs. Eligible costs under this cost category are calculated as a flat rate of 10% of staff costs. The calculation is done automatically in the application form and reports by Jems. In case there are no staff costs, travel and accommodation costs will not appear in the budget. An all-inclusive list of cost categories covered by the flat rate is defined below. These cost items cannot be reported under any other cost category.

The flat rate covers the following travel and accommodation costs:

- travel costs (such as tickets, travel and car insurance, fuel, car mileage, tolls and parking fees);
- the cost of meals;
- accommodation costs;
- visa costs;
- daily allowances.

Cost category-specific rules

Travel and accommodation budget must be justified by activities carried out within the project; e.g., participation in project meetings, site visits, meetings with programme bodies, seminars, conferences, etc.

Audit trail

By applying the 10% flat rate, partners do not need to document that the travel and accommodation costs have been incurred and paid, or that the flat rate corresponds to the real costs incurred.

5.6.4 External expertise and services costs

Definition

External expertise and services costs cover expenditures paid by the partner organisation for the support in the project implementation provided by a public or private body, or a natural person outside of the partner organisation. These costs should be based on contracts or written agreements concluded with external experts and service providers, or paid based on invoices or equivalent requests for reimbursement.

The Programme uses real costs for calculating and reporting external expertise and service costs.

General principles

- All external expertise and services costs are reported as actually incurred and paid.
- Costs must be borne by the partner organisation.
- Principles of sound financial management and cost-efficiency should be applied.
- The work by external experts and service providers must be essential to the project.
- All costs are subject to EU and national public procurement rules. EU, national and programme thresholds have to be considered to determine the applicable public procurement procedure[12], and ensure that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment[13].
- Costs of external expertise and services are eligible if no other EU funds have contributed towards the financing of the same expenditure item; i.e., no double- financing is permissible (Article 63(9) CPR).
- All services must comply with other applicable EU and Programme information and visibility rules.
- Advance payments are eligible only after full or partial delivery.

Cost category-specific rules

- All costs are deemed necessary for project implementation. Where costs are deemed not necessary or excessive (e.g., during assessment or later, during the implementation stage), they should be removed from the calculation basis or adjusted to the justifiable level.

[12] For more information on the public procurement procedures, check Roadmap for public procurement, August 2019.

[13] EU procurement and concession rules were introduced on 18 April 2016: https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/

- All costs of external expertise and services which are not part of an infrastructure contract (e.g., feasibility studies, environmental impact assessments, climate-proofing, building permissions, etc.) but which are linked to an investment in infrastructure should be included in this cost category.
- Costs related to subcontracting project partners or employees of partner organisations, who already work for the project based on an employment contract are not eligible.
- In case the travel and accommodation services are used by representatives of target groups and project staff, the costs must be split, as travel and accommodation costs for staff are covered by a flat rate of cost category "Travel and accommodations costs". The cost per person must be calculated and the costs of project partners' staff must be excluded from cost category "External expertise and services costs". List of participants, who used travel and accommodation services must be submitted with the partner report.

List of eligible costs:

- studies or surveys (such as evaluations, strategies, concept notes, design plans, handbooks);
- trainings;
- translations;
- development, modifications and updates to IT systems and websites;
- promotion, communication, publicity, promotional items and activities or information linked to an operation or to a programme as such;
- financial management;
- services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- participation in events (such as registration fees);
- legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- intellectual property rights;
- the provision of guarantees by a bank or other financial institution, where required by Union or national law, or in a programming document adopted by the Monitoring Committee;
- travel and accommodation for external experts, speakers, chairpersons of meetings and service providers and representatives of the target groups;
- technical documentation and other necessary studies, except for detailed planning documents, if they are not part of construction procurement/contract;
- other specific expertise and services needed for operations.

Audit trail
The following main documents must be available for control purposes:

- evidence of the procurement process (announcement, selection, award) in line with the legal status/national procurement rules/Programme rules or the EU procurement rules depending on the amount of the contract and programme-specific rules;
- a document laying down the services to be provided with a clear reference to the project;
- any changes to the contract must comply with the public procurement rules and must be documented;
- an invoice or a request for reimbursement providing all relevant information in line with the applicable accounting rules;
- outputs of the work of external experts or service deliverables;
- list of participants, who used travel and accommodation services in case the travel and accommodation services are used by representatives of target groups and project staff;
- proof of payment.

5.6.5 Equipment costs

Definition

Equipment costs cover the eligible expenditure for expenditures paid by the partner organisation for equipment purchased, rented, or leased, necessary to achieve the objectives of the project. This also includes costs of equipment already in possession by the partner organisation and used to carry out project activities. In the case of investment activities, 'equipment' covers costs of fixed investments in equipment, and costs of equipment that forms part of an investment in infrastructure[14].
The Programme uses real costs for calculating and reporting equipment costs.

General principles

- Costs must be borne by the partner organisation.
- Principles of sound financial management and cost-efficiency should be applied.
- All costs are subject to EU and national public procurement rules. EU, national and programme thresholds have to be considered to determine the applicable public procurement procedure[15], and ensure that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment[16].

[14] Compared to the equipment that supports delivery of project activities, fixed investments in equipment and investments in infrastructure refer to outputs of the project, which remain in use by the partners and/or target groups after completion of the project.
[15] For more information on the public procurement procedures, check Roadmap for public procurement, August 2019.
[16] EU procurement and concession rules were introduced on 18 April 2016: https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/

- Costs of equipment are eligible if no other EU funds have contributed towards the financing of the same expenditure item; i.e., no double-funding is permissible (Article 63(9) CPR).

Cost category-specific rules

- Purchase cost of equipment purchased, rented or leased is eligible if it is used solely for the purpose of the project or the target group in line with objectives of the project and incurred and paid within the eligible period.
- Depreciation costs for which no payment supported by invoices has been made are eligible where the following conditions are fulfilled:
  a) the amount of the expenditure is duly justified by supporting documents having equivalent probative value to invoices for eligible costs where those costs were reimbursed in the form referred to in point (a) of Article 53(1)[17];
  b) the costs relate exclusively to the project period;
  c) public grants have not contributed towards the acquisition of the depreciated assets.
- The cost must be calculated in accordance with the legislation and general accounting policy of the partner organisation.
- Full purchase cost of equipment that is not depreciable (e.g., low-value asset) is eligible.
- Purchase cost of second-hand equipment is eligible, provided the equipment complies with applicable norms and standards; its price does not exceed the generally accepted price on the market; it has the technical characteristics necessary for the operation.
- In the case of fixed investments in equipment and when equipment forms part of an investment in infrastructure, the full cost of equipment as approved by the Programme is eligible; i.e., no depreciation is eligible.
- Equipment cannot be purchased, rented or leased from other project partners.

Reimbursement:

- All equipment costs are reported as actually incurred and paid.
- All costs are deemed necessary for the project implementation. Where costs are deemed not necessary or excessive (e.g., during assessment or later, during the implementation stage), they should be removed from the calculation basis or adjusted to the justifiable level.

Programme-specific information:

- Under this cost category productive investments may be also co-financed. Productive investment is an investment in the production of goods and services that contribute to added-value, sales or employment. Such an investment can be both physical fixed assets and intangible assets.

[17] Article 53.1 (a):
1. Grants provided by Member States to beneficiaries may take any of the following forms:
(a) reimbursement of eligible costs actually incurred by a beneficiary or the private partner of PPP operations and paid in implementing operations, contributions in kind and depreciation.

List of eligible costs:

- office equipment;
- IT hardware and software;
- furniture and fittings;
- laboratory equipment;
- machines and instruments,
- tools or devices;
- vehicles;
- other specific equipment needed for projects.

Audit trail

The following main documents must be available for control purposes:

- evidence of the procurement process (announcement, selection, award) in line with the legal status/national procurement rules/programme rules or the EU procurement rules, depending on the amount of the contract and programme-specific rules;
- the technical characteristics have to be in line with the project purposes;
- any changes to the contract must comply with the applicable public procurement rules and must be documented;
- a document laying down the services to be provided with a clear reference to the project (e.g., technical specifications);
- an invoice or a request for reimbursement providing all relevant information, in line with the applicable accounting rules;
- actual equipment and evidence of equipment purchased, rented or leased;
- calculation scheme of depreciation, if applicable according to national legal acts;
- consent protocol/certificate, if required or needed by applicable specific rules;
- proof of payment;
- act of delivery and receipt.

5.6.6 Costs of infrastructure and works

Definition

Costs for infrastructure and works cover eligible expenditures for infrastructure and works[18] necessary to achieve the objectives of the project. In the case of investment activities, 'infrastructure and works' cover the costs of fixed investments.[19] These costs must be based on contracts or written agreements concluded with external experts and service providers, and paid based on invoices or requests for reimbursement.

The Programme uses real costs for calculating and reporting costs of infrastructure and works.

General principles

- Costs must be borne by the partner organisation.
- Principles of sound financial management and cost-efficiency should be applied.
- All costs are subject to EU and MS public procurement rules. EU, national and programme thresholds have to be considered to determine the applicable public procurement procedure[20] and ensure that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment[21].
- Costs of infrastructure and works are eligible if no other EU funds have contributed towards the financing of the same expenditure item; i.e., no double-funding is permissible (Article 63(9) CPR).

Cost category-specific rules

- Full costs of infrastructure and works that form part of the project are eligible if they are used solely for the purpose of the project or the target group in line with objectives of the project, and incurred and paid within the eligible period.
- Depreciation costs for which no payment supported by invoices has been made are eligible where the following conditions are fulfilled:

[18] Investments in infrastructure refer to outputs of the project which remain in use by the partners and/or target groups after completion of the project.
[19] Fixed investment is the accumulation of physical assets such as machinery, land, buildings, installations, vehicles, or technology.
[20] For more information on public procurement, check Roadmap for public procurement, Interact August 2019.
[21] EU procurement and concession rules were introduced on 18 April 2016: https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/

a) the amount of the expenditure is duly justified by supporting documents having equivalent probative value to invoices for eligible costs where those costs were reimbursed in the form referred to in point (a) of Article 53(1)[22];

b) the costs relate exclusively to the project period;

c) public grants have not contributed towards the acquisition of the depreciated assets.

- The cost must be calculated in accordance with the legislation and general accounting policy of the partner organisation.
- Documents proving the ownership of land and/or buildings, where the works will be carried out, must be submitted with the application.
- All compulsory requirements set by the EU and national legislation related to the respective investment in infrastructure must be fulfilled (e.g., feasibility studies, revenue generation, environmental impact assessments, incl. climate change mitigation, climate-proofing, building permissions, etc.).
- NB! All costs related to fulfilment of all compulsory requirements should be included in the external expertise and services cost category, unless they are part of an infrastructure contract.

Ineligible costs under ERDF:

The following investments are considered as ineligible under ERDF[23]:

- purchase of land and real estate;
- the decommissioning or the construction of nuclear power stations;
- investment to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC[24];
- the manufacturing, processing and marketing of tobacco and tobacco products;
- investment in airport infrastructure, except for outermost regions or in existing regional airports as defined in point (153) of Article 2 of Regulation (EU) No 651/2014[25], in any of the following cases:
    - in environmental impact mitigation measures; or
    - in security, safety, and air traffic management systems resulting from Single European Sky ATM Research;
- investment in disposal of waste in landfill, except:
    - for the outermost regions, in duly justified cases only; or

[22] Article 53.1 (a):
1. Grants provided by Member States to beneficiaries may take any of the following forms:
(a) reimbursement of eligible costs actually incurred by a beneficiary or the private partner of PPP operations and paid in implementing operations, contributions in kind and depreciation.
[23] Article 7(1) ERDF/CF Regulation 2021/1058 (EU).
[24] Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003.
[25] Commission Regulation (EU) No 651/2014 of 17 June 2014.

- for investments for decommissioning, reconverting or making safe existing landfills provided that such investments do not increase their capacity;

- investment increasing the capacity of facilities for the treatment of residual waste, except for:
  - the outermost regions in duly justified cases only;
  - investment in technologies to recover materials from residual waste for circular economy purposes;

- investment related to production, processing, transport, distribution, storage or combustion of fossil fuels, with the exception of:
  - the replacement of solid fossil fuels fired, namely coal, peat, lignite, oil-shale, heating systems with gas-fired heating systems for the purpose of:
    (i) upgrading district heating and cooling systems to the status of 'efficient district heating and cooling as defined in point (41) of Article 2 of Directive 2012/27/EU[26];
    (ii) upgrading combined heat and power installations to the status of 'high-efficiency co-generation as defined in point (34) of Article 2 of Directive 2012/27/EU;
    (iii) investment in natural gas-fired boilers and heating systems in housing and buildings replacing coal-, peat-, lignite- or oil shale-based installations;
  - investment in the expansion and repurposing, conversion or retrofitting of gas transmission and distribution networks provided that such investment makes the networks ready for adding renewable and low carbon gases, such as hydrogen, biomethane and synthesis gas, into the system and allows to substitute solid fossil fuels installations;
  - investment in:
    (i) clean vehicles as defined in Directive 2009/33/EC of the European Parliament and of the Council[27] (22) for public purposes; and
    (ii) vehicles, aircraft and vessels designed and constructed or adapted for use by civil protection and fire services.

Reimbursement:

- All costs for infrastructure and works are reported as actually incurred and paid.
- All costs are deemed necessary for project implementation. Where costs are deemed not necessary or excessive (e.g., during assessment or later, during the implementation stage), they should be removed from the calculation basis or adjusted to the justifiable level.

[26] Directive 2012/27/EU.
[27] Directive 2009/33/EC of the European Parliament and of the Council.

List of eligible costs:

- purchase of land[28] in accordance with point (b) of Article 64(1) CPR[29];
- technical documentation and other necessary studies, except for detailed planning documents, in case they are part of construction procurement/contract;
- building permits;
- building material;
- labour;
- specialised interventions (such as soil remediation, mine-clearing).

Audit trail

The following main documents must be available for control purposes:

- evidence of the procurement process (announcement, selection, award) in line with the legal status/national procurement rules/programme rules or the EU procurement rules, depending on the amount of the contract and programme-specific rules;
- any changes to the contract must comply with the applicable public procurement rules and must be documented;
- a document laying down the works to be provided with a clear reference to the project (e.g., technical specifications);
- an invoice or request for reimbursement providing all relevant information in line with the applicable accounting rules;
- outputs of the work of external experts or service deliverables (if they are part of an infrastructure contract);
- calculation scheme of depreciation, if applicable;
- evidence of infrastructure, work, consent protocol/certificate (if required or needed by applicable specific rules);
- proof of payment.

[28] 'Purchase of the land' implies the purchase of the land not built or built on.
[29] Article 64(1)(b) CPR: 'The following costs shall not be eligible for a contribution from the Funds: /-/ The purchase of land for an amount exceeding 10 % of the total eligible expenditure for the operation concerned; for derelict sites and for those formerly in industrial use which comprise buildings, that limit shall be increased to 15 %(…)'.

Durability of investments

Within 5 years of the final payment to the beneficiary or within the period set out in State Aid rules, where applicable, a project cannot [30]:

- cease or transfer a productive activity outside the NUTS level 2 region in which it received support;
- change ownership of any piece of infrastructure which gives an undue advantage to a firm or a public body;
- substantially change its nature, objectives or implementation conditions which would result in undermining its original objectives.

The durability of the maintenance of investments or jobs created by SMEs is 3 years from the final payment to the beneficiary or within the period set out in State Aid rules.

5.7 Price offers and procurement

Where the implementation of a project requires procurement of service, supply or works contracts by a project partner who is a contracting authority or a contracting entity, national laws, regulations and administrative provisions must be applied.

Each project partner implementing an infrastructure project, or a part of it, must apply the applicable public procurement rules.

Information about the programme's support on carrying out public procurements can be found on the Programme webpage.

Where contracts below the EU thresholds have potential cross-border interest, project partner must take adequate publicity measures to give the possibility to participate in the procurement for potential tenderers from both sides of the border. In these cases, the project partner must communicate information about the public procurement through procurement register and adequate[31] media channels to ensure equal coverage of information in both Member States.

[30] Article 65 CPR – Durability of operations.

[31] Adequate means of publicity means that the contract notice was published in a way that ensures that an undertaking located in another Member State has access to appropriate information regarding the public procurement before it is awarded, so that it would be in a position to submit a tender or express its interest to participate in obtaining that contract. In practice, this is the case when the contract notice was published at national level (following the national legislation or rules in that regard) and/or the basic standards for the advertising of contracts were respected. See more details on these standards in section 2.1 of the Commission interpretative communication no 2006/C 179/02.

5.7.1 Price offers and public procurement in Latvia

Latvian project partners must follow Latvian national public procurement rules. Persons who are not subjects of the Public Procurement Law and the Law on the Procurement of Public Service Providers should act according to the Rules of the Cabinet of Ministers No 104 of 28 February 2017. Please notice that the controller may ask for explanations in case of purchases below the thresholds provided by Latvian national public procurement rules.

5.7.2 Price offers and public procurement in Estonia

All Estonian project partners are obliged to take competitive price offers to purchases from 10,000.00 euros (excluding VAT) following the general principles of the Public Procurement Act article 3. This requirement does not apply to purchases that are regarded as special rules or simple procedures (*erisused või lihthankemenetlused*) by Estonian national public procurement rules.

As regards public procurement, project partners must follow Public Procurement Act[32]. More detailed instructions are available on the SSSC website https://www.rtk.ee/.

Project partners, who are not contracting authorities of public sector, may award a contract for the purchase of supplies, services, public works etc. that are above the threshold of a simplified procurement procedure (*lihthanke piirmäär*) following the general principles of public procurement. The purchase must be carried out electronically, following the "other acquisition" (*toetuse saaja ost*) procedure type in the Procurement Register[33].

If it is necessary to invite tenderers to participate in the procurement from abroad:

- The project partner who carries out the procurement fills in the fields in the e-procurement environment in Estonian. The information in the fields must be translated into English and added either to the same fields or attached as a separate file to the procurement in the e-procurement environment.
- It is recommended that the project partner who carries out the procurement sends to potential tenderers by email a link to the procurement in the e-procurement environment and to the instructions in English on the use of the e-procurement environment.
- Tenderers from abroad can register themselves as users in the procurement environment and submit their tender through the register, but they will not sign their tender in the e-procurement environment. The tenderer may submit all the documentation in English.

The partner who carries out the procurement in e-procurement environment must add controllers and auditors to the list of procurement team members in the e-procurement environment (controllers' role: viewer; auditors' role: evaluator): when partner report is checked by controller or audited by auditor, the respective Programme authority (CB or AA) will send an email to the project partner, informs about the person who will carry out the check or audit and requests adding this person to the procurement team.

More information about defining contracting authority of public sector can be found from the Public Procurement Act. Please note that it is the responsibility of each project partner, to assess where the partner falls as regards obligation to carry out procurements.

[32] Link to Public Procurement Act: https://www.riigiteataja.ee/akt/104082022010.
[33]Link to Register: Riigihangete register 4.10.5 (riigihanked.riik.ee)
All related guidelines: Riigihangete registri kasutusjuhendid | Rahandusministeerium (fin.ee)
Guidelines to partners, who are not contracting authorities of public sector: https://fin.ee/media/397/download

The SSSC provides preliminary consultation on public procurements for the Estonian project partners based on the provided documents before the publication of tender notice based on the draft procurement documents, before making decisions based of the draft decisions and before amending the procurement contract on the basis of the draft contract amendment agreement. As a result of the preliminary consultation on public procurement, there will be proposals to the beneficiary to bring the basic public procurement documents, decisions or projects for amending the procurement contract into compliance with the Public Procurement Act.

The preliminary consultation is optional and none of the proposals made during this process are mandatory for the recipient of the support and it is not an act of supervision. The beneficiary is responsible for the legality of conducting the public procurement procedure and amending the procurement contract.

6. APPLICATION AND SELECTION PROCEDURE

6.1 Pre-submission consultations

The individual consultation with the JS on the potential project idea is compulsory for the applicant, i.e., representative(s) of the lead applicant's organisation. The communication between the applicant and the JS qualifies as a consultation if:

1. The representative(s) of the LP's organization are present – face to face or virtually.

2. The eligibility and financial capacity of partners, project objective(s) and expected results, content, cross-cooperation principle, eligibility of the planned activities, planned budget and indicators is discussed.

Such consultations are needed for testing the compliance of the idea to the requirements of the Programme.

The JS carries out face to face consultations in their offices in Tartu and Tallinn and organises consultation and information days in Latvia. Such events are promoted beforehand on the Programme website, in newsletter and social media. Individual consultations must be booked in advance.

We provide advice also by phone or email. Our contact information is available on the Programme's web site at www.estlat.eu.

6.2 Application procedure

6.2.1 Call for proposals

The Programme uses mainly open calls. Under specific objectives ISO1 (ii) and PO3(vii) the MC may decide on the selection of project(s) within the direct award procedure for the implementation on the border of both countries in case the demand for such activities would arise and be justified during implementation of the Programme. The call for applications is opened for predefined time. Detailed information on the opening and closing times (date and time) is available on the Programme website https://estlat.eu/en.

Application procedure consists of compulsory consultation and submission of application.

6.2.2 Submission of the application

The guidance on how to create an account and start an application in Jems is provided at estlat.eu. The detailed instructions on the required information in different parts of application is provided in Jems.

The application form and all necessary documents listed in the technical eligibility criteria in chapter 6.3.1 must be submitted electronically in Jems for technical eligibility and loose quality check. The Programme accepts only digital/electronic signature. If level of electronic signature is lower than 1 or

2 of eIDAS Regulation[34], additional document confirming that the signature is correct and valid must also be submitted by the signatory.

The following documents must be submitted together with the application form:

1. Lead partner's confirmation of the application form.

2. Partners' (including lead partner) co-financing statements.

3. Declaration by Latvian partners (including lead partner) confirming that

- the project partner has repaid any EU or national support to be refunded by the deadline.
- the project partner or his legal representative has not been validly sentenced or penalized.

4. Document from NGOs indicating their co-financing sources (for example, communication with banks, evidence of the income from services, letter of confirmation by the creditors/investors, including private parties and municipalities, etc.)

5. SME's balance sheet and income statement as of the date of submission of the application or 31.12.2023, whichever is earlier.[35]

6.3 Selection procedure of project applications

6.3.1 Technical eligibility and loose quality check

Technical eligibility criteria:

1. Project partners have consulted their project with the JS at face-to-face or virtual consultation before the submission of the application.
2. Project involves at least one Estonian and one Latvian partner who meet the requirements of the Programme, described in chapter 3; who are legally registered in Estonia or Latvia, and whose activities in the project are for the benefit of the programme area.
3. Project partners from Riga and Tallinn are involved according to the Programme requirements, described in chapter 3.
4. Lead partner's confirmation is signed and submitted.
5. Co-financing statements are signed and submitted.
6. Document from the NGOs about self-financing as described in the chapter 6.2.2 point 4 is signed and submitted.
7. Lead partner is eligible (type, territory, officially registered by the application submission date of the given call)[36].

[34] Regulation - 910/2014 - EN - e-IDAS - EUR-Lex
[35] If the submission of annual reports of participating SME is not mandatory according to the Latvian legislation (e.g. in case of zemnieku saimniecība), other respective documents providing information of finances for the year 2021 and 2022, which are required by national law, must be submitted together with the application form.
[36] In case of private enterprises, the owners of the companies in Estonia and Latvia cannot be the same, nor can they be owned by their close relatives and/or family members.

8. Project partners are eligible (type, territory, officially registered by the application submission date of the given call)[37].
9. Project partners have sufficient financial capacity to implement the project.
10. Project partners are not bankrupt (there is no ongoing legal protection[38] or bankruptcy proceeding or no bankruptcy decision).
11. Project partners are not in liquidation or in compulsory dissolution.
12. The partners have no tax debts[39] on the day of the submission of the application or if they do, they are in compliance with a schedule that is in place.
13. Project partners have repaid any EU or national support to be refunded by the deadline. Latvian partners have submitted respective declaration to confirm that.[40]
14. The applicant or his legal representative has not been validly sentenced or penalized.[41] Latvian partners have submitted respective declaration to confirm that.[42]
15. The planned activities help to fulfil the target value of the output indicators and result indicators as required in chapter 3 of the Programme Manual.
16. The participating SME must have at least 50,000.00 EUR for annual turnover for the year 2022.
17. The annual reports of participating SME-s for years 2021 and 2022 are submitted to the relevant national registries.[43]
18. Requested ERDF support for an SME can be maximum 50% of the SME's annual turnover of 2022.
19. Balance sheet and income statement as of 31.12.2023, of the participating SMEs are uploaded to the Jems.
20. Project budget is within the set financial limits.
21. The simplified cost options for the relevant cost categories are chosen correctly according to the programme rules.

[37] In case of private enterprises, the owners of the companies in Estonia and Latvia cannot be the same, nor can they be owned by their close relatives and/or family members.
[38] Insolvency Law: https://likumi.lv/doc.php?id=214590
[39] No tax debts based on information in Äriregister (Business Register) and Valsts ieņēmumu dienests (State Revenue Office).
[40] Information about Estonian partners is checked by the JS from relevant registries.
[41] Fraud (Estonian Penal Code § 209, § 209[1] Procurement fraud affecting financial interests of the European Union and § 210 Benefit fraud; Latvian Criminal Law Section 177 Fraud; Benefit fraud: Section 177 and Section 218 (Evasion of Tax Payments and Payments Equivalent Thereto);
Provision of employment for alien staying in either Latvia/or Estonia without legal basis (Estonian Penal Code § 260[1]; Section 68.[4] of the Immigration Law of the Republic of Latvia and Section 280 of the Latvian Criminal Law);
Economic activities without activity license and prohibited economic activities (Estonian Penal Code § 372; Latvian Criminal Law Section 207 and Section 208);
Violation of prohibition on business or prohibition to work in particular profession or position (Estonian Penal Code § 373; Latvian Criminal Law Section 208 and Section 296);
Causing insolvency (Estonian Penal Code § 384; Latvian Criminal Law Section 213).
[42]Information about Estonian partners is checked by the JS from relevant national registries.
[43] If the submission of annual reports of participating SME is not mandatory according to the Latvian legislation (e.g., in case of *zemnieku saimniecība)*, other respective documents providing information of finances for the year 2021 and 2022, which are required by national law, must be submitted together with the application form.

22. All partners contribute to the project financially according to the requirements of the Programme and conditions of the given call for proposals.
23. There is no duplication with current or completed projects.
24. Project is in line with the relevant EU and national legislation and policies and with the principles of sustainable development, equal opportunities and non-discrimination, and equality between men and women.

The JS conducts the technical eligibility and loose quality check by the following steps:

First the JS checks if the required documents are signed and uploaded to the application in Jems. These documents are requested under technical criteria No 4-6, 13-14 and 19. If they are missing, the lead partner is given 3 working days to submit them.

The JS will then continue checking the application against the other technical eligibility criteria and the loose quality check. Under the technical eligibility criterion number 9 the self-financing capacity, short-term solvency[44] of the participating company and being undertaking in difficulty as defined in point (18) of Article 2 of the Commission Regulation (EU) No 651/2014 is checked.

The aim of the loose quality check is to minimize unclear issues related to the content of the application.

These checks take approximately 2 weeks for each individual project. The exact deadline depends on the number of applications submitted during the call for proposals.

In case an application does not meet the technical eligibility criteria and/or includes unclear issues related to the content, the JS will send a request via email to the lead applicant to eliminate the shortcomings. No changes can be made in the submitted balance sheet and income statement documents of the participating company (criterion No 19). The message will be sent to all contact persons of the application. The level of detail of the questions related to the content of the application depends on the level of detail of the application.

In case any of the partners do not meet the technical eligibility criteria, it is allowed to continue without this partner if the LP and project partners decide so and if the project application with the remaining partners meets all technical eligibility criteria. **No other changes can be made in the application form, except for those requested by the JS and those resulting in the changes in the partnership.**

The LP must ensure the fulfilment of the technical criteria in 10 working days and submit an updated application in Jems.

After updating and re-submitting the project application, the JS will check the submitted information and documents. In case there are still shortcomings, the LP must eliminate them in 3 working days.

After that, the JS will finalise the technical eligibility and loose quality check.

Project applications must fulfil all technical eligibility criteria to pass on to the quality assessment. This includes that missing information/documents must be submitted to the JS within the given deadlines. If a project does not fulfil the technical eligibility criteria, the MA will take a decision to reject the project application. The JS shall send the decision to the LP. The JS informs the MC about such project applications.

[44] For checking the short-time solvency the programme is assessing, among other available financial information the following three indicators: Current ratio (current assets/ current liabilities), Cash ratio (cash/ current liabilities) and net working capital (or working capital).

6.3.2 Quality assessment

Projects that fulfil the technical eligibility criteria are subject to quality assessment.

Quality assessment is carried out by the JS with assistance from thematic experts, if necessary. The quality assessment is carried out by the JS following the 4-eye principle i.e., at least two members of the JS staff will assess each project application. The quality assessment is usually completed within 3 weeks after the end of the technical eligibility and loose quality check. It is based on the quality criteria results in JS assessment sheets to be submitted to the MC for selection of projects. The concrete time for completing the quality assessment depends on the number of applications submitted in the given call for proposals.

There are 5 criteria in the quality assessment. Each criterion gives a certain weight to the total scoring and the weights are indicated in the 1st column in the table below. There are indicative questions for each criterion that are used for assessment. Indicative questions are listed in the order of importance. Assessment result (total scoring of a project) is presented as weighted score on the scale of 1 to 5 in JEMS.

The assessors use the following thresholds for grouping the projects:

1. Projects receiving total scoring at least 3.9 are recommended to be selected by assessors.
2. Projects receiving total scoring at least 3.65, but less than 3.9 are recommended for discussion by assessors.
3. Projects receiving total scoring less than 3.65 are recommended not to be selected by assessors.

Each criterion must be given a score on a 5-point scale, where:

“5”: **Excellent**: the project fulfils the conditions of a given criterion on an excellent level and provided information is sufficient, clear and coherent for assessing the criterion.

“4”: **Good**: the project in general fulfils a given criterion and/or provided information includes certain shortcomings.

“3”: **Satisfactory**: the project only partly fulfils a given criterion and/or important aspects of the given criterion have not been explained in sufficient clarity or detail.

“2”: **Weak**: the project has serious shortcomings in fulfilling a given criterion and/or provided information is of low quality.

“1”: **Unsatisfactory**: the project does not fulfil a given criterion and/or information required is missing, making it impossible to assess the criterion.

The assessors must justify and explain the scoring of each criterion.

In case a project receives “1” for any of the criterion, the project is automatically recommended not to be approved regardless of the total scoring.

The most direct source of information from the application form is indicated after each indicative question of the quality assessment criteria. At the same time, information from the entire application form is considered in the assessment as well.

Quality assessment criteria:

WEIGHT OF THE CRITERIA	ASSESSMENT CRITERIA	INDICATIVE QUESTIONS
25%	Relevance of the project, cooperation.	1) Does the project objective address a common cross-border challenge or is it using the joint potential of the programme area? (AF C.2.1 and C.2.2) 2) Is the cross-border cooperation essential for achieving the project objective and delivering the results? (AF C.2.3) 3) Does the project have clear effect and mutual benefits for project partners, target groups and programme area on both sides of the border? (AF C.2.3). 4) Does the project fulfil the cooperation criteria of joint development, joint implementation, joint staffing and joint financing? (AF C.4, C.7)
30%	Objective, approach, activities, and achievement of the indicators.	1) Does the project objective contribute to the chosen specific objective and priority of the Programme? (AF C.1) 2) Can the defined project objective be achieved using the chosen approach (combination, interrelation, and sequence of activities, including investments)? (AF C.4, AF C.6) 3) What is the quality of the planned project outputs and deliverables considering the focus and requirements of the programme priorities and specific objectives that are described in Chapter 3? (AF C.2.2, C.4) 4) Are the proposed activities and deliverables relevant, adequately planned and lead to achievement of the planned programme output and result indictors? (AF C.4, C.5) 5) Are communication activities adequate to make the project and Interreg brand visible to the identified target groups and wider public in both countries? (AF C.2.4, C.4, C.7.3) 6) Is the time plan realistic? (AF C.6) 7) Are the principles of sustainable development, equal opportunities and non-discrimination as well as equality between men and women addressed in accordance with the nature of the project? (C.7.6)

10%	Partnership	1) Are the partners relevant and necessary (including knowledge and experience) for implementing the described activities? (AF C.3). 2) Do the activities carried out within the project with participation of the partners from Riga and Tallinn contribute to the development of the NUTS 3 border regions? (AF B.1.6, C.3, C.4). 3) Are the tasks and responsibilities clearly defined among the project partners and in line with partners' role in the project? (AF B.1.6, C.3, C.4) 4) Is the quality and intensity of cooperation inside the project partnership sufficient to reach the results of the project? (AF C.3, C.4) 5) Do partners have sufficient human (managerial) capacity to implement project activities? (AF B.1.6)
20%	Budget	1) Is the project budget proportionate to project's contribution to fulfilment of programme output indicator(s)? (AF D.2, E.3) 2) Does the planned budget correspond to the planned activities? (AF D.2 E.3) 3) Does the share of the budget of Estonian and Latvian partners follow the principle of joint implementation of the project? (AF D) 4) Are the specifications in application form about 'Staff costs', 'External Expertise and services' and 'Investments' sufficient and detailed enough? (AF B, C.4, D)
15%	Durability of project achievements	1) Are the explanations about financial and institutional durability of the project outputs/deliverables realistic and rational? (AF C.8.1) 2) Are the project achievements sustainable? (AF C.8.2, C.8.3)

6.4 Decision-making

The MC selects the projects based on the results of the quality assessment and the strategic assessment. Strategic assessment takes into account the project compliance with the national legislation and strategies of the Member States, technical and legal feasibility of the project, financial capacity and financial stability of the project partners. In addition, it is based on the analysis of the existing portfolio of approved projects, the assessment of the achievement of target values of programme output indicators and the availability of funds under each priority.

There are four options for the MC decision:

1. To select the project application for financing.

2. To select the project application for financing with certain conditions that must be fulfilled before the subsidy contract is signed. The MC may change the ERDF co-financing rate of the project or the total project budget.
3. Not to select the project application for financing.
4. To select the project application to reserve list.

The JS sends out a letter with information about the MC selection decision to each LP within one month after the MC meeting. In case the project is selected, the letter provides information about the total ERDF funding allocated by the Programme, and if relevant, specific conditions that must be fulfilled for decision to come into force. In case the project is not selected, the letter provides grounds on which the application failed.

Project partners, who find that their rights are violated by the decisions made by the programme authorities, including the selection decisions made by the Monitoring Committee, may file a complaint as described in chapter 7.16.

6.5 Contracting: partnership agreement and subsidy contract

If the MC selects the project without conditions, the LP must upload a partnership agreement signed by all project partners in the Jems. It must be submitted within 1 month after receiving the selection letter from the JS.

If the MC selects the project with certain conditions, these must be fulfilled within 1 month after receiving the selection decision from the JS. If a reasoned request is provided, the JS may extend the time limit for fulfilling the conditions. The MA, assisted by the JS, verify the fulfilment of the conditions. Upon its decision, the MC can verify the conditions. When the conditions are fulfilled, the JS sends respective letter to the LP. After receiving this letter, the LP has 1 month to upload the partnership agreement signed by all project partners to the Jems. The time for signing can be extended by the JS if requested and justified by the LP.

Template for the partnership agreement and subsidy contract are available at www.estlat.eu.

The subsidy contract is a final approval of the project application by the managing authority. The subsidy contract is sent via document handling system of the SSSC to the LP within 1 month after receiving the signed partnership agreement. The LP has 1 month to sign and return the contract.

Please note that the JS has the right to check the tax debt in every stage of the proceedings. The partners must not have tax debts as of the day of the selection decision and when signing the Subsidy Contract, or if they do, they are in compliance with a schedule that is in place. The applicants of the selected projects will be given three working days to eliminate this shortcoming.

7. PROJECT IMPLEMENTATION

7.1 Start and end date of the project

The start and end date of the project will be fixed in the application form in Jems before signing the subsidy contract. During submission of the application only project's duration in months must be indicated.

The earliest date on which the activities can start, and the expenditure can incur is the day after the selection of the project by the MC. Preparation costs, as described in section 5.4., are an exception to this rule. Please be aware that if the project is approved with certain conditions, then making any expenditure before the fulfilment of the conditions and conclusion of the subsidy contract is at project's own risk.

The latest, a project must start within 1 month after signing the subsidy contract. It is recommended to reserve up to 2 months in the end of the project for compiling reports. Other project activities should be finalised by that time.

7.2 Visibility requirements

As the Programme is financed by the European Union, all project partners must follow the visibility requirements, and promote both the Programme, Interreg brand and the EU. The visibility guidelines are published on the Programme's website at www.estlat.eu.

If these requirements are not followed or only partly followed, the related activities may become partly ineligible for ERDF co-financing according to Annex "Procedure for making financial correction decisions".

7.3 Cost-sharing

Partners can share costs that fall under cost categories "External expertise and service costs", "Equipment costs" and "Costs for infrastructure and works". Costs can be shared only as follows: one partner carries out tendering and/or contracting, but invoices are paid by each partner separately to the service provider, based on the invoices submitted by the service provider. Partners can report only their own shares. Shared costs are eligible only in case those are paid out from project partners' accounts. Programme rules must be followed for reporting the costs.

Partners who plan to use cost-sharing must sign a cost-sharing agreement. Otherwise, the cost-sharing is not eligible. A template for the cost-sharing agreement is available on the Programme's website at www.estlat.eu.

7.4 Payments to the projects

Payments to the projects are made on a reimbursement basis and no advance payments are available. Project report serves as a basis for transferring the ERDF co-financing to the account of the lead partner by the MA.

Failure to fulfil the planned project outputs may lead to reduction or repayment of subsidy payments.

LP is responsible for ensuring that there is correct bank account and contact information in Jems.

Reports of all partners are submitted, and payments to the lead partners are made in euro. Expenditure incurred in a currency other than euro is converted into euro by project partners using the monthly accounting exchange rate of the European Commission in the month during which that expenditure is submitted for verification to the control body (for the reference please see the website: https://ec.europa.eu/info/funding-tenders/procedures-guidelines-tenders/information-contractors-and-beneficiaries/exchange-rate-inforeuro_en).

It is the responsibility of the LP to distribute the funding among all the project partners after receiving the payment from the MA. It must be decided among the partners, which partner(s) cover(s) the currency-exchange risks and costs related to the national transfer of funds within the project, as these are not eligible expenditure.

Payments to the lead partners are made by the MA within 20 working days after receiving the confirmed project report from the JS. The deadline may be interrupted, if information submitted by the lead partner/project partner must be clarified or in relation to a possible (financial) error, or irregularity.

The MA can make payments after the European Commission has made the funds available to the Programme. In case the funds are not available, the MA makes payments to projects as soon as possible when the funding becomes available.

7.5 Partial reimbursement payments

Lead partner has a right to request partial reimbursement in the amount of up to 50% of the total ERDF request of partner reports. This can be done after all the project partners have submitted partner reports to the controllers. The request cannot be submitted in the case of the first and last reporting period. The template to apply for the partial reimbursement is available on the Programme's website www.estlat.eu.

The JS checks, whether the calculation of the request is correct and forwards partial reimbursement application to the MA for payment. The JS has a right to refuse the requested partial reimbursement sum, in case:

- the project has not fulfilled the obligations listed in the subsidy contract, or;
- the project has ongoing financial correction procedure, or;
- recovery requests by the MA have not been paid by the lead partner.

The costs are paid out to lead partner's account without certification.

The sum of partial reimbursement is deducted from the total eligible certified ERDF sum of the project report.

In case after the partial reimbursement, the total eligible certified ERDF sum of the project report is reduced, the difference must be paid back to the MA according to a recovery note from the MA or the difference will be deducted from the next ERDF request for payment.

A new partial reimbursement request can be submitted to the JS after the LP has received payment from the MA regarding the previous certified project report.

7.6 Changes to the project

The project partners may apply for changes if it necessary for successful implementation of the project.

Budget flexibility rule:
There is 10% flexibility of a cost category at the level of the **total project budget**. It is allowed to overspend a cost category up to 10% without submitting an official request for changes for budget re-allocations. The overspending is only allowed if the expenditure exceeds the planned costs (for example, the costs turn out to be higher after procurement). The additional activities that may lead to overspending must be communicated with the JS (see below in this chapter). LP must monitor the expenditure of all the partners **to ensure that the project's total budget and the partners' total budgets are not exceeded.**

The LP must submit an official change request (document "Request for changes") in the following cases:

1) the decision is taken by the JS/MA:

- Budget re-allocation requests that exceed the 10% budget flexibility rule.
- Request to change the project start date.
- Request to change the project's duration.
- Request to change a partner's total budget up to 50 %. If the change relates to a budget decrease, the submission of a new co-financing statement is not required.

2) the decision is taken by the MC:

- Request includes major changes in activities, which affect the fulfilment of the target value(s) of the chosen Programme output and result indicators.
- Request includes changes in partnership of the project.
- Request to change a partner's total budget more than 50 %. If the change relates to a budget decrease, the submission of a new co-financing statement is not required.

Request for changes form is available on the programme's website at www.estlat.eu.

The approved changes will be inserted in the project application form in the Jems by the LP.

The prolongation request must be submitted to the JS at the latest one month before the end date of the project. All other requests can be submitted to the JS at the latest before approval of the last project report by the JS.

According to the subsidy contract, the official valid version of the project application form is in the Jems. Thus, all changes that are approved via Request for Changes procedure must be inserted in the Jems.
The subsidy contract is amended only in case of the changes in the preamble and/or in the Article 2 "Award of Subsidy".

In all other cases, if changes in project activities or budget are deemed necessary, the LP must contact the JS's programme consultant. The LP must send an email with a copy to the project partner(s) affected by this change, with a description and justification of the changes. The programme consultant will communicate with the LP and informs whether the changes can be accepted, or not. In case the changes are accepted, the JS uploads the email communication to the Jems for the official reference for the project, the JS and all the programme bodies. The application will be amended in the Jems upon the agreement between the JS and LP.

In case of changes in the official name of the LP or other project partners, the LP or respective project partners must notify the JS by sending a signed letter.

7.7 Submission of partner and project reports

Reporting has to be done in English, both on partner and project level. Supporting documentation, e.g. invoices, contracts, tender documentation may be in Estonian or Latvian.

Partner and project reports must be submitted via Jems after every 4 months. The exact reporting deadlines depend on project starting date.

The description of reporting procedure and deadlines:

1) After signing the subsidy contact, the preparation costs lump sum is paid out to the LP.

2) Each project partner (including lead partner) must submit a partner report with expenditure and activity description within 10 working days after the end of each reporting period. The report will be checked by Estonian or Latvian controller. In Estonia, the controllers are located at the State Shared Service Centre, and in Latvia at the Ministry of Smart Administration and Regional Development.

For example, if the project starts on 1 October 2023, the first report covers the period 1 October 2023 – 31 January 2024, and project partners must submit partner reports to the controllers within 10 working days after 31 January 2024.

For those cost categories where reporting is based on real costs (cost categories "External expertise and service costs", "Equipment costs" and "Costs for infrastructure and works"), partner report must be submitted with all the supporting bookkeeping documents[45] (e.g. receipts, invoices, bills, service contracts, lists of participants) and additional materials – proof of project outputs and deliverables. The supporting documents must be provided electronically and uploaded to the report. Please note that each project partner's project related expenditure must be separated in the partner's bookkeeping system.

For those cost categories where reporting is based on simplified cost options (cost categories "Staff costs", "Office and administrative costs", and "Travel and accommodation costs"), specific rules apply depending on the cost category. In case of staff costs, additional documents must be submitted, as specified in chapter 5.6.1 (Audit trail). For "Office and administrative costs" and "Travel and accommodation costs", no supporting documents are required.

[45] The clients of State Shared Service Centre bookkeeping service do not need to submit bookkeeping statements and supporting documents with partner report, but Estonian FC has the right to ask for these documents, if they find it necessary.

Controllers check the partner report and provide their first set of questions and comments in 30 working days from the date of receiving the partner report. The total time period for checking the partner report is three months from the submission of the report.

If a partner has no costs to report, it must still submit an activity and 0-cost report. Controllers issue the certificate to the 0-costs report.

3) After receiving last confirmations of the partner reports, the LP must submit the project report of the whole project with supporting documents in 10 working days. The project report is checked by the JS. If a project partner has not managed to get its report verified in due time, the LP may submit the project report without the costs of that partner. In such case, the costs of that partner can be added to the next project report.

The project report must be submitted with additional materials, e.g., examples of project outputs.

4) The JS checks the project report. In case of questions and/or comments, the JS provides these to the LP by email in 10 working days after receiving the project report. After confirming the project report, the JS forwards it to the MA.

5) MA reviews the project report and makes payment to the account of the LP. Usually, it is made in 20 working days after receiving the confirmed project report from the JS.

6) LP makes payments to the accounts of the project partners.

The project report consists of an activity report and financial report. The project report serves as a basis for payments and is used for reporting on the Programme's progress to the MC and the European Commission.

The activity report includes information on the project's progress towards the achievement of the project output indicators and project objective(s).

The financial report contains project related costs that were incurred during the current reporting period or during the previous reporting periods if they were left out from the previous reports. The report must contain information on both cash and in-kind expenditures. Costs not accounted for or not reported in due time are not reimbursed. The LP ensures that the expenditure stated in the financial report has not been included in a previously submitted financial report(s). The LP must ensure that at the total project budget level the total amounts of the cost categories do not exceed the amounts indicated in the application form, except where the budget flexibility rule allows it. Also, the total amount of each partner's budget may not exceed the amount indicated in the approved application form.

7.8 Final report

Final report must be submitted to the JS together with the last project report. This report provides information about the results of the projects, communication activities and general feedback from the project to the Programme authorities.

Approval of the final report by the JS is a pre-condition for confirming the last project report. A form of the final report is published at www.estlat.eu.

7.9 Reporting result indicators/project closure report

LP must report on result indicators related to cooperation, joint strategies and action plans, participations in joint actions and solutions taken up or upscaled during or within one year after the project completion. It should address the result indicators that were not achieved by the end of the project and were not reported in the final project report. The report must be submitted no later than 10 working days after one year from the date of completion of the project. The report must be submitted vis the Jems.
When Lead Partner fails to meet the obligation to report on data and evidence on the fulfilment of the result indicators as specified in chapter 3, the MA may apply a financial correction 5% from the project's certified expenditure.

7.10 Accounting for expenditure and storing of documents

Lead partner and project partners must ensure that all accounting documentation related to the project are filed separately, and that all project related payments have a clearly distinguishable book-keeping code. Project reports must be accounted in euros and each expenditure row must include file(s) of the document(s) to prove the eligibility of the respective cost. As regards the clients of State Shared Service Centre bookkeeping service, bookkeeping statements and supporting documents are not part of the partner report, because these are stored and available in other information systems. The LP and PPs ensures that an adequate audit trail is documented on all levels of the project.

The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only.

Project partners must ensure that all documents related to project costs and activities are safely and orderly kept for a 5-year period from 31 December of the year in which the last payment by the MA to the beneficiary is made.

Project partners who receive State aid must ensure that all documents related to project costs and activities are safely and orderly kept for 10 years from the date on which the aid was granted.

All the documents must be made available to the Programme authorities, European Commission and the European Court of Auditors upon request.

In line with Regulation (EU) 2021/1060, any processing of personal data by Programme authorities responsible for the management and control of the Programme funds is in accordance with Regulation (EU) 2016/679 or Regulation (EU) 2018/1725 of the European Parliament and of the Council, whichever is applicable.

Privacy policy is described on the Programme's website at estlat.eu

7.11 Project performance and budget surplus

In case of project budget surplus, the project is subject to de-commitment after all the partner reports of the last reporting period have been submitted to controllers.

If there is surplus in the project budget, the Programme may apply one of the following two options:
1. The surplus is granted via call for proposals to new projects.

2. The surplus is granted via call for proposals for the completed projects for implementing follow-up activities.

In case of low performance - failure to meet the project disbursement schedule - the MA has the right to reduce project budget or end subsidy payments when under-spending of the funds is 60% or more of the first-year budget of the project.

7.12 On-the-spot verifications and visits

7.12.1 On-the-spot verifications

The controllers conduct on-the-spot verifications at the premises of the project partners to verify the eligibility of the expenditure, the existence of co-financed services, supplies and works, that visibility measures are taken and confirm that all expenditures requested for reimbursement are related to project activities. On-the-spot verifications can be also conducted online.

During such checks, the controllers request that the project partners make available documentation and records that could not be checked during administrative verifications. The controllers also request access related to the project and examine the object created by means of the support, make inventories of the goods, materials and other property and take photographs or otherwise record the territory, buildings and objects observed to verify the costs, monitor compliance and progress in line with the approved project.

After the on-the-spot verifications, the controller(s) draw up a check-list containing the findings and any corrective measures resulting from the check.

7.12.2 On-the-spot visits

The JS carries out the on-the-spot visits of the activities of the approved projects. Consultants usually attend the project kick-off meeting or other project events. The frequency and timing of visits are determined by the risk of each project. In case severe deviations are identified, also the related costs may be declared ineligible by the JS. More specifically, the JS checks:

The additional purpose of the on-the-spot visits is to provide support and help the project partners in implementation and understanding the rules. Therefore, the on-the-spot visits are always agreed beforehand with the representatives of the organisation that is most relevant for the event/investment to be checked.

The consultant fills in the on-the-spot visit form that will be signed by the consultant and project representative(s), during two weeks after the visit.

7.13 Audit and other possible checks

The Audit Authority will carry out system audits on the proper functioning of the management and control system of the programme. To formulate annual opinion on the functioning of the management and control system the European Commission will draw an appropriate sample of projects on the basis of the declared expenditure. The audit checks all costs and original supporting documents for the respective period of time. The audit reporting procedure will have two phases: draft and final audit report. The organisation audited can comment on the results and findings of the draft audit report. The respective national member of the GoA will circulate the final report to the auditee.

Audit trail

The audit trail is of vital importance for the assessment of the project reports and it can be described as the records that show how the funding of the project has been spent. The LP and project partners have to retain for audit purposes all files, documents and data about the project at least five years

from 31 December of the year in which the last payment by the managing authority to the beneficiary is made.

Direct State aid receiver must retain for audit purposes all official files, documents, and data about the project at least 10 years from the date on which the last aid was granted.

The LP is obliged to co-operate with the auditing bodies by providing all documents for the audit and giving access to its business premises.

All the partners involved in the project selected for controls must facilitate audit and control activities that might be performed at the initiative of the EU Member States, the European Commission or the programme management structures.

7.14 Decommitment rule

Timely spending and reporting of the projects are one of the keys to successful programme implementation and contributes to efficient use of the EU funds. When the projects do not meet their spending plans, the Programme may also not meet its own. In the event of the Programme not meeting its spending plan, it will be subject to decommitment, this means that the Programme budget would be reduced accordingly.

Performance checks of the Programme are done on both on financial implementation and performance in relation to the achievement of results and outputs. In case the Programme funds are decommitted, the projects, which are under-spending or have serious delays with reporting, might lose part of their approved project budget.

7.15 Errors and Irregularities

Costs may become ineligible when project partners do not follow EU, Programme rules or national legislation.

Whether ineligible costs are identified before or after declaration to the European Commission, a financial correction is initiated. The nature of this correction depends on when the ineligible expenditure is detected.

Financial errors

If ineligible expenditure is discovered and deducted before the Managing Authority includes it in the payment application to the European Commission, it constitutes a financial error. In such cases usually ineligible costs are identified and corrected before payment to the project. Importantly, a financial correction of an error does not reduce the project budget. The ineligible expenditure is deducted from the payment in the respective project report and is not declared to the European Commission.

Irregularities

In contrast, if ineligible expenditure is detected and deducted after it has been submitted to the European Commission in a payment application or if part or the entire public contribution to the project is cancelled, it qualifies as an irregularity. In such cases, the financial correction reduces the project budget, and reusing these funds for the same project is not possible.

An 'irregularity' refers to any violation of applicable law resulting from an act or omission by an economic operator. This violation could harm the Union's budget by charging unjustified expenditure to it.

In cases of detection of unlawful or misused State aid, the right to make a decision to recover the support is within ten years from the date of granting the State aid. In case of recovery of unlawful and misused State aid, the provisions of § 42 (recovery of unlawful state aid or misused state aid) of the Competition Act of the Republic of Estonia is used, unless otherwise determined by European Union law.

When error has been detected after related expenditure has been submitted to the European Commission with payment application or in case of cancellation of part or the entire public contribution to a project and the reuse of funds in the same project is not possible.

Examples of irregularities include:

- Items of ineligible expenditure that have been previously claimed and paid as Programme grant;
- Project has failed to implement the requirements on publicity or public procurement;
- Project has failed to make progress in the delivery of the agreed outputs or results;
- Project partners have not set up adequate systems to control and monitor the project expenditure;
- Evidence of fraud.

Irregularities can be identified in several ways:

- By lead or project partners;
- By controllers or auditors;
- By national authorities;
- By the JS or MA on the basis of project reports and payment claims.

In case of irregularities, the MA makes the recovery decisions in cooperation with other Programme authorities according to the Procedure for making financial correction decisions and notifies the LP about the decision. The amount of recovery is deducted from future payments, or the LP is obliged to reimburse the amount requested.

Fraud

Fraud is the obtaining of a material advantage by unfair or wrongful means. Fraud in respect of project implementation is defined as any intentional act or inactivity relating to:

1. the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of Programme funds;

2. non-disclosure of information in violation of a specific obligation, with the same effect;

3. the misapplication of project budget for purposes other than those for which they were originally granted.

All Programme authorities contribute to the prevention and detection of fraud. In order to prevent any errors and to ensure proper implementation of the projects, they carry out annual risk assessments.

For interested parties, there is contact information at https://estlat.eu/en/about-programme/programme-management for notifying Programme authorities about potential irregularities and fraud, as well as guidance and link for approaching OLAF (https://ec.europa.eu/anti-fraud/olaf-and-you/report-fraud_en). Also, there is an e-mail address on the Programme's website – cbc_ma@rtk.ee – that is foreseen for reporting irregularities, suspected fraud, fraud and corruption.

7.16 Submission of the complaint procedure

A person, who finds that his or her rights are violated or his or her freedoms are restricted by an administrative act or during administrative proceedings, may file a complaint. The purpose of the complaint procedure described in this document is to ensure the equal treatment, transparency and justice by effective examination of such complaints.

A complaint shall be filed to the Managing Authority of the Programme within **30 calendar days** as of the day when a person becomes or should become aware of the challenged administrative act or administrative proceedings.

Complaint proceeding is a mandatory pre-trial procedure, which must be completed before filing a complaint to administrative court. This pre-court procedure does not apply to complaints that appeal administrative decisions made based of audit reports.

Complaints against a decision or action of the Monitoring Committee or Managing Authority are resolved by the Managing Authority. Complaints related to financial control must be lodged in Estonia to the State Shared Service Centre and in Latvia to the Ministry of Smart Administration and Regional Developmen.

Submitted complaints are proceeded in accordance with the current chapter; and in matters not regulated in Programme level in accordance with §31 and §44-§45 of the 2021–2027 European Union Cohesion and Internal Security Policy Funds Implementation Act[46] and the Estonian Administrative Procedure Act[47], where chapter 5 §71-§87 describe challenge proceedings.

Object of the complaint

The following may be applied for in the frames of complaint proceedings:

1. repeal of an administrative act, excluding administrative decisions made on the basis of audit reports;
2. repeal of a part of an administrative act, unless partial challenge of the administrative act is restricted by law;
3. issue of a prescription to:
    - the issue of an administrative act;
    - new resolution of a matter – reviewing of a previously issued administrative act;
    - taking a measure;
4. measures taken by any programme authority: delay, omission, refusal to remove an official, return of an application for issue of the administrative act, other acts provided by programme rules and law etc.

[46] https://www.riigiteataja.ee/akt/111032022001
unofficial translation https://www.riigiteataja.ee/en/eli/530062022001/consolide
[47] https://www.riigiteataja.ee/akt/113032019055,
unofficial translation https://www.riigiteataja.ee/en/eli/527032019002/consolide

Lodging the complaint and formal requirements

The complaint must be submitted in English and in writing, including:

- the name of the Programme authority with which the complaint is filed;
- the name, postal address, telephone number and email address of the person filing the complaint;
- project ID of the application, which is a subject of the complaint;
- the content of the challenged administrative act or the course of administrative proceedings;
- the reasons why the person finds that the administrative act, the course of administrative proceedings or measure taken by a programme authority violates the rights of the person: clearly indicated reasons for the complaint, including listing of all elements of which are being complaint and/or failures in adherence with the procedures or measures taken;
- the clearly expressed claim of the person filing the complaint;
- certification by the person filing the complaint that no judgement has entered into force and no court proceedings are being conducted concerning the matter subject to the complaint;
- a list of documents annexed to the complaint.

A complaint must be signed by the person lodging the complaint or by the representative of such person. When signed by the representative, the complaint must include the authorisation document of the representative, unless such document has been submitted before.

The complainant submits documentation for the sole purpose of supporting the complaint and it does not alter the quality or content of the assessed application or other decision of the Programme authority. No other grounds for the complaint are taken into account during the complaint procedure.

Within 7 working days after the receipt of the complaint the Managing Authority confirms to the complainant having received the complaint and notifies the Monitoring Committee.

Deficiencies in complaint

If a complaint does not comply with the above-mentioned requirements, the Managing Authority asks the complainant to eliminate the deficiencies in 10 working days.

Return of a complaint

The Managing Authority returns the complaint without examination and explains the complainant the complaint procedure in the following cases:

- the person has no right to file the complaint;
- the person filing the complaint has failed to eliminate the deficiencies in the complaint within the designated term;
- the term for filing the complaint has expired and is not restored;
- a court judgement has entered into force concerning the same matter;
- judicial proceedings are being conducted concerning the same matter.

Review and decision on the complaint

A complaint is reviewed within 30 calendar days as of the filing of the complaint. The term for review of the complaint may be extended pursuant to subsection 2 of § 84 of the Estonian Administrative Procedure Act[48].

NB! The three periods –7 working days for confirming the receipt and notifying the Monitoring Committee, 10 working days for eliminating deficiencies in the complaint and 30 calendar days for review of the complaint – are applied one after the other.

The Managing Authority issues an administrative act, that includes the resolution of the complaint. The Managing Authority upon review of the complaint, has the right to:

1. satisfy the complaint and repeal an administrative act either wholly or partially and eliminate the factual consequences of the administrative act;
2. issue a precept for issue of an administrative act, for taking a measure or for new resolution of a matter;
3. issue a precept for reversal of a measure;
4. dismiss the complaint.

The administrative act is final, binding to all parties and is not subject of any further complaint proceedings within the programme based on the same grounds. **A person whose complaint is dismissed or whose rights are violated in complaint proceedings has the right to file an appeal with the administrative court of Estonia.**

Legal disputes in Estonia

Legal disputes between governmental authorities and other state authorities in Estonia must be settled by way of subordination. Legal disputes of state authorities within different areas of government must be settled by the appropriate ministers. If no agreement is reached, the dispute must be settled by the Government of the Republic of Estonia.

[48] https://www.riigiteataja.ee/akt/113032019055
unofficial translation https://www.riigiteataja.ee/en/eli/527032019002/consolide

8. EU STRATEGY FOR THE BALTIC SEA REGION

The territory of the Estonia-Latvia Programme is part of the area that is covered by the European Union Strategy for the Baltic Sea Region (EUSBSR). The EUSBSR is the Macro-regional Strategy in Europe and is focussed at tackling common challenges for the Baltic Sea Region. The EUSBSR and Interreg Programmes identify common needs, problems and opportunities that can be fully exploited only by building and strengthening cooperation that goes beyond borders, sectors and governance levels. The EUSBSR was approved by the European Commission in June 2009 following an update in 2012. For the implementation, an Action Plan has been compiled, which is updated in case of need.

The newest revised Action Plan takes into account emerging and increasingly pressing global challenges (i.e. climate change, pandemics, demographic changes and migration), the EU´s new strategic frameworks and the EU budget, as well as the governance challenges of the EUSBSR.

The EUSBSR has three overall objectives:

1. Save the Sea;
2. Connect the Region;
3. Increase Prosperity.

The Programme focuses on a limited number of EUSBSR Policy Areas for which effective cross-border cooperation adds value to local, national and regional policies and covers most important elements for the EE-LV border area. In the implementation of the Programme, the EUSBSR will be taken on board as relevant and as much as possible.

All projects under Priority 3 are considered to contribute to the **EUSBSR objective Save the Sea** and to the sub-objective *Clear water in the sea* or *Rich and healthy wildlife*, as they support/promote the sustainable use of natural resources.

All projects under Priority 4 are considered as contributing to the **EUSBSR objective Connect the Region** and sub-objective *Connecting people in the region*.

For the partners of the projects implemented under these Priorities, cooperation in the framework of the EUSBSR is obligatory. It implies contacts and coordination with Policy Area Coordinators (PACs) in order to identify the contribution to the EUSBSR. The project partners should also distribute the information on the contribution to the EUSBSR wherever possible thus extending their contacts and maximising the projects' results. In this way other relevant organisations can also benefit from the results of the Estonia-Latvia programme. This helps to diversify the range of the created products, build on and further develop the existing products and avoid double financing to list the most obvious benefits.

As regards the projects under Priorities 1 and 2, contribution to the EUSBSR is assessed case by case, using Jems information to identify the contribution either during the assessment of project applications or in the reporting phase. The project LP is also consulted regarding possible link to the EUSBSR. On deciding whether a project under these priorities is related to the EUSBSR, the following can be considered: the project should have wider impact with a potential that their results will be taken on board by other organisations. The project should also support the achievement of objectives and sub-objectives as specified in the EUSBSR latest adopted Action Plan.

Contribution to the EUSBSR will not give any extra points in the project assessment. However, it gives the project broader visibility, may help the beneficiaries to find new partners outside the programme area, which in turn may widen the scope of activities and increase the capacity of the organisation.

The project partners are invited to provide information on the contribution to the EUSBSR in the project reports. They should add a link to the EUSBSR on their project-related website and promote the EUSBSR and its contribution to it where relevant.