

**Cooperation Programme
Interreg V-A — Estonia–Latvia**

PROGRAMME MANUAL

For priority 3 Better network of harbours

Implementation through direct award procedure

**February 2017/May 2017/August 2017/November 2017/September 2018/February 2020/April
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1. INTRODUCTION

This manual is approved by the MC of the cooperation programme “Interreg V-A — Estonia-Latvia” on 28 February 2017. It provides an overview of the planning and managing of a pre-defined project under priority axis 3, which is selected in the frames of a direct award procedure and is financed by the cooperation programme “Interreg V-A — Estonia-Latvia” (hereinafter also referred to as the ‘*Estonia-Latvia programme*’ or the ‘*programme*’).

The text of this manual is the main guide to the applicants and project partners,¹ providing guidance on the process from the preparation and application to implementation, monitoring, reporting and finalisation of the project.

The JS updates the manual throughout the programme period, thus use always the version of your direct award procedure available on the programme’s website.

You are welcome to study also the cooperation programme “Interreg V-A – Estonia-Latvia” as well as EU legislation that is available at the programme’s website <http://www.estlat.eu>

¹ PLEASE NOTE THAT THE AUTHORITATIVE SOURCES OF INFORMATION ON THE PROGRAMME IS THE COOPERATION PROGRAMME AND RELEVANT COMMUNITY AND NATIONAL LEGISLATION.

IF THERE IS ANY CONFLICT BETWEEN INFORMATION PROVIDED IN THIS MANUAL, AND THE COOPERATION PROGRAMME OR COMMUNITY LEGISLATION, THE LATTER TAKE PRECEDENCE.

2. GENERAL PROGRAMME INFORMATION

2.1. Estonia-Latvia programme

This manual is based on the Cooperation Programme “Interreg V-A – Estonia-Latvia” CCI 2014TC16RFCB050, which was approved by the European Commission on 4 December 2015 with its decision No. C(2015) 8926. The programme can be downloaded at www.estlat.eu

The programme is implemented under the European territorial cooperation goal of the cohesion policy and it supports cross-border cooperation. The programme carries on the co-operation 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 Estonia-Latvia programme 2007-2013. It is funded by European Regional Development Fund (hereinafter referred to as the ‘ERDF’), the Republic of Estonia and the Republic of Latvia.

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 ideas that help Estonia and Latvia to grow through neighbourly cooperation.

2.4. Priorities of the programme

The programme has four priorities:

- 1) Active and attractive business environment;
- 2) Clean and valued living environment;
- 3) Better network of harbours;
- 4) Integrated labour market.

2.5. Eligible territory

The eligible area of the programme includes the following NUTS III regions²:

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:



2.6. Programme funding

The programme is financed by the ERDF and co-financed by national partners and participants. The total ERDF budget available for commitments to projects during the period 2014 to 2020 amounts to €36 272 356, 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.

2.7. Programme management

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

Managing Authority (hereinafter referred to as the 'MA') is responsible for efficiency and correctness of management and implementation of the programme. The MA also fulfils certifying functions, thus it is responsible for the accuracy of expenditure statements and compliance of the eligible expenditures with Community and national rules. The tasks of MA are carried out by the State Shared Service Centre, Grants Development Department, Cross-Border Programmes' Managing Authority. The MA signs subsidy contracts, verifies that the co-financed products and services are delivered and that the expenditure declared by the projects has actually been incurred and complies with Community 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.

Audit Authority (hereinafter referred to as the 'AA') is situated at the Financial Control Department of the Estonian Ministry of Finance, in Audit Unit III. 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 (hereinafter referred to as the 'GoA') has a task to assist the Audit Authority. GoA comprises of the representatives of the AA and of the Internal Audit Department of the Latvian Ministry of Environmental Protection and Regional Development.

The Estonian Ministry of Finance secures segregation of functions between abovementioned authorities within the ministry's structure.

Monitoring Committee (hereinafter referred to as the 'MC') is composed of maximum eight 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 projects implementation, making changes in this document, and proposing amendments to the Cooperation Programme.

National Responsible Authorities of the programme are the Estonian Ministry of Finance and the Latvian Ministry of the Environmental Protection and Regional Development. These institutions are responsible for implementation of the programme in their countries, including the correct implementation of national-level (pre-selection) procedures for the involvement of ports to the project in the frames of Priority 3. National responsible authorities establish coordination mechanisms between European territorial cooperation programmes and structural funds' programmes in Estonia and Latvia.

Joint Secretariat (hereinafter referred to as the 'JS') is the most important contact point for project applicants, 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 MC, and, where appropriate, the AA and the GoA in carrying out their respective duties. The JS is located in the State Shared Service Centre, Grants Development Department, in Tartu. The JS is supported by the information and consultation point in Riga (hereinafter referred to as the 'ICP') located at the State Regional Development Agency.

Financial Control (hereinafter referred to as the 'FC') system in Estonia and Latvia is set up by the member states. FC bodies are responsible for verifying on the basis of 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 operational programme and the conditions for support of the project. Partner reports are verified according to national conditions and procedures that are described in this document and national FC reporting guidelines and other legal acts.

In addition, in Latvia a national sub-committee (hereinafter referred to as the 'NSC') is formed, which includes representatives from ministries, regions and NGOs. 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.

2.8. Languages of the programme

The official language of the programme is English, including official correspondence and documents. Project idea form and application have to be submitted in English. Documents related to national-procedures for selecting or involving partners to the pre-defined project may be in Estonian or Latvian.

However, technical documentation and document "Justification of investments" can be in English; or in Estonian or Latvian with a short summary in English. Also partner reports and project progress reports have to be submitted in English, but supporting documentation, e.g. invoices, contracts, tender documentation, etc. can be in Estonian or Latvian.

Project consultations are held in Estonian, Latvian or English. Project partners can report all project related translation costs as eligible costs.

3. PROGRAMME SET-UP AND SUPPORTED ACTIVITIES

The programme has four priorities: 1) Active and attractive business environment, 2) Clean and valued living environment, 3) Better network of harbours, and 4) Integrated labour market.

This manual is the main guide for the implementation of priority axis 3 Better network of harbours, where there is only one specific objective: 3.1 An improved network of small harbours with good levels of service.

Narrower focus of the specific objective defined by two key elements, result indicator and output indicator, both are used for measuring the achievement of the specific objective.

	Indicator (name of indicator)	Measure- ment unit	Baseline value	Baseline year	Target value (2023)	Source of data	Frequency of reporting
Result indicator corresponding to the specific objective	The number of visiting vessels at small harbours	Number of vessels	6 420	2014	16 000	A survey and information from harbour experts	Assessment made at the beginning (2014), in the middle (2018, 2020), at the end of the programme (2023)
Output indicator corresponding to the specific objective	Small harbours with improved services	Number	-	-	23	Project reports	Annual

Table 1. Output and result indicators of the specific objective 3.1.

Please notice that as only one pre-defined project is financed in priority axis 3, this single pre-defined project has to contribute to the full achievement of target values of both output and result indicators.

Survey for setting the baseline value of the result indicator can be downloaded at www.estlat.eu. Examples of supported activities are provided in point 3.1.4.

3.1. PRIORITY 3: Better network of harbours

Total ERDF support: €9 334 080.

Specific objective: 3.1 An improved network of small harbours with good levels of service.

Priority axis 3 Better network of harbours, specific objective 3.1 Improved network of small harbours with good services is financed as a pre-defined project³ in the frames of a direct award procedure.⁴ The aim of the pre-defined project is to support the creation of a network of small harbours on the western coast of Latvia and around the Gulf of Riga for providing services of similar quality. The need arises from the common interest of the member states to improve regional economy and mobility with a network of easily-accessed, active and multifunctional small harbours that provide good conditions and services that are of a similar quality.

The Conception of the Small Harbour Network 2014-2020⁵ in Estonia indicates that the uneven distances between the harbours with good services cause gaps along the coastline, especially between the coastal axes of Salacgrīva/Kuivīži – Pärnu, Kihnu – Kuivastu and Roomassaare – Kuivastu. In addition, the coastline on the route Ventspils – Roja in Latvia is not covered by small harbours with good quality conditions for providing services. Such situation hampers sea travellers from planning balanced travel routes, because it is not ensured that distances between the harbours could be short enough to be covered within a day.

Shorter distances between the improved harbours with better services helps to form well-functioning sea routes that serve to connect the coastal area and activate sea travel within and around the Gulf of Riga; and also provide a better basic level for harbours when preparing for the challenges that are raised by climate change. As a result, coastal areas are better connected, and the network of harbours creates better opportunities for attracting visiting vessels which influence economic growth in both countries.

Result indicator: Number of visiting vessels at small harbours.

Baseline value of the result indicator is 6420 visiting vessels at small harbours in 2013. The programme sets 16 000 visiting vessels as the target value for the indicator for year 2022.

3.1.1. Pre-selection procedure in Estonia

In Estonia, the eligible harbours were only those located on the coastal axes of Salacgrīva/Kuivīži – Pärnu, Kihnu – Kuivastu, Roomassaare – Kuivastu and on the coastline of the Ventspils – Roja⁶ route, which are featured in the Conception of the Small Harbour Network 2014-2020 if they meet the additional criteria:

The harbour is officially registered in the State Port Register⁷ and listed in the Conception of the Small Harbour Network 2014-2020;

³ Pre-defined project: project in the frame of the direct award procedure, whose peculiarities (e.g. objectives, beneficiaries, results, activities etc.) are set together with the Member States in order to achieve specific and strategic objectives in the programme area and must be included under the relevant thematic objective.

⁴ Direct award procedure: the MC can select for funding a pre-defined project without opening a call of proposals in order to fulfil certain output indicators of the programme.

⁵ For further information, please see: www.mkm.ee/et/tegevused-eesmargid/transport/merendus

⁶ Estonian small harbours that are located on the relevant coast of Saaremaa and nearby islands are eligible on the coastline of Ventspils – Roja route.

⁷ Estonian State Port Register, please see: www.sadamaregister.ee

The harbour had to submit additional information during national pre-selection procedure in order to justify the planned necessary investments;

The functions of the harbour must also include ambition and/or ability to provide paid services for the visiting vessels (including foreign visiting vessels);

The harbour is not situated near or within urban areas (e.g. Kuressaare and Pärnu)⁸;

The harbour was ranked with higher priority, if it contributes to the establishment of the compulsory conditions and services. If the harbour already fulfils the compulsory elements, but would like to improve the recommended services, the investment need was ranked accordingly based on the prioritized list of eligible activities below, and could be financed if there are available funds under the priority axis.

In order to rank and prioritize, if necessary, the above-mentioned criteria were taken into account.

The pre-selection procedure in Estonia was carried out by the Estonian Ministry of Finance and involved:

1. information exchange with small harbours and potential locations for small harbours, which are located on the above mentioned coastal axes. and relevant small harbours' stakeholders about the possibility to participate in the pre-defined project;
2. Prioritization of the suitable locations for small harbours
3. Compilation of the list of locations for small harbours and the table of Estonian investments of compulsory elements of the unified criteria on the basis of the results of the information received, consultations and negotiations with the prioritized (potential) locations for small harbours in the pre-defined project by the Ministry of Finance.

3.1.2. Procedure for involvement of ports⁹ in Latvia

In Latvia all 10 existing operating Latvian ports were given an opportunity to take part in the pre-defined project. The port territories are defined in the decisions of the Latvian government (see footnote)¹⁰.

In addition to the ports, relevant stakeholders from Latvia – Kurzeme Planning Region, Riga Planning Region, Association of Small Harbours and the Ministry of Transport – were involved in the implementation of the pre-defined project, providing coordination functions on different level

Kurzeme Planning Region and Riga Planning Region act as project partners and main regional coordinators of the pre-defined project in Latvia. Development of transport systems, increasing

⁸ Estonian small harbours which are located near or within the urban areas are eligible in regard of joint marketing activities.

⁹ According to Latvian national legal acts the terms “port” and “small port” are used and the same term will be utilised in the description of the “Procedure for involvement of ports in Latvia” in the current Manual. Before and further in the text the terminology of the Programme has been harmonised to use the single term “small harbour”.

¹⁰ Rīga port – <http://likumi.lv/doc.php?id=142524>

Ventspils port – <http://likumi.lv/doc.php?id=204335>

Liepāja port – <http://likumi.lv/doc.php?id=138152>

Salacgrīva port – <http://likumi.lv/doc.php?id=136502>

Roja port – <http://likumi.lv/ta/id/250008-noteikumi-par-rojas-ostas-robezu-noteiksanu>

Engure port – <http://m.likumi.lv/doc.php?id=214323>

Pāvilosta port – <http://likumi.lv/doc.php?id=134799>

Skulte port – <http://likumi.lv/doc.php?id=132355>

Lielupe port – <http://likumi.lv/doc.php?id=104132>

Mērsrags port – <http://likumi.lv/doc.php?id=128922>

mobility and accessibility of transport services including facilitation of small ports development – improving quality of ports services and incorporation of yacht ports into international network – is the integral part and a crucial goal of the of the Planning Regions' Sustainable Development Strategies of both Kurzeme and Riga Planning Regions. Strategic planning documents, approved by Planning Regions Development Councils and by Ministry of Environmental Protection and Regional Development of Latvia, authorize Planning Regions to implement the measures to achieve the set objectives. Moreover, Kurzeme and Riga Planning Regions are members of the Coastal Cooperation and Coordination Group, and are involved in the working groups established for elaboration of the long-term national policy planning documents: "Marine Spatial Planning" and "Coastal Infrastructure Development Plan" representing interests of the both region and coastal municipalities related to marine and coastal planning.

The procedure of involvement of ports into the pre-defined project in Latvia involved:

1. Official information exchange between the Port Administrations and respective regional coordinator about participation in the pre-defined project

3.1.3. Project partnership and technical criteria

In Estonia, the eligible harbours for the pre-defined project are named in the ministerial decision of the Estonian Minister of Public Administration (see footnote)¹¹. In Latvia, the eligible harbours are only those operating in the port territories, which are defined in the decisions of the Latvian government (see footnote)¹².

Project partners' seminar organised by the JS and NRAs is aimed to give more detailed information about preparation and submission of the pre-defined project. Project partners must select a lead partner (hereinafter referred to as the 'LP') for the pre-defined project, which with the assistance of the JS, initiates project preparation and enhance co-ordination of the information between the partners.

As a result of the pre-selection procedures the pre-defined project involves:

- up to 13 Latvian harbours and up to 10 Estonian harbours;
- relevant stakeholders from Estonia¹³ and Latvia¹⁴ in the implementation of the project, providing coordination and assistance functions;
- at least one harbour, which is located on the coast between Salacgrīva/Kuivīži and Pärnu, at least one between Roomassaare and Kuivastu, at least one harbour, which is located on the coastlines of Ventspils to Roja route, at least one between Kihnu and Kuivastu;

¹¹ Estonian small harbours are named in the decision of the Estonian Minister of Public Administration nr.219 of 28 October 2016.

¹² Rīga port – <http://likumi.lv/doc.php?id=142524>

Ventspils port – <http://likumi.lv/doc.php?id=204335>

Liepāja port – <http://likumi.lv/doc.php?id=138152>

Salacgrīva port – <http://likumi.lv/doc.php?id=136502>

Roja port – <http://likumi.lv/ta/id/250008-noteikumi-par-rojas-ostas-robezu-noteiksanu>

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Pāvilosta port – <http://likumi.lv/doc.php?id=134799>

Skulte port – <http://likumi.lv/doc.php?id=132355>

Lielupe port – <http://likumi.lv/doc.php?id=104132>

Mērsrags port – <http://likumi.lv/doc.php?id=128922>

¹³ In Estonia, the national coordinating organization is the Estonian Small Harbours' Development Centre NGO.

¹⁴ In Latvia, the regional coordinating organizations are the Kurzeme Planning Region and Riga Planning Region.

- All small harbours that participate in the pre-defined project must submit all the necessary documentation that is required by legal acts together with the full application form, including building permits (please see the chapter 6.2.1.), permits for the special use of water.

Only those investments are eligible, which are invested in the prioritized activities listed below that allow achieving a certain level of conditions for providing services according to unified criteria:

Compulsory elements, which have to be in place by the end of the pre-defined project:

1. Marking of the port entrance and aquatic area (waters) with proper navigation signs (leading lights, spar and floating lateral buoys, fixed lateral navigation signs);
2. Protection from waves (strengthening of the coast, construction or reconstruction of piers, breakwaters);
3. Ensuring of minimum depth alongside the quays and access way (fairway) 2.5 m;
4. Ensuring at least 10 properly marked visiting mooring places for small crafts;
5. Ensuring of reception of waste and wastewater;
6. Providing electricity and drinking water available on the quay;
7. Ensuring of washing facilities and water toilets.

Recommended elements, which are advised to be in place by the end of the pre-defined project:

1. Installing of safety post (heaving line, boat hook, life buoy, ladder) and fire safety equipment on the quay, ensuring of emergency kit;
2. Ensuring of port data available on the internet in at least 2 languages;
3. Ensuring of tourist information available in the port;
4. Ensuring of free Wi-Fi in the port area;
5. Installing of lighting in the harbour area and quays;
6. Ensuring of 24h security (fencing, video surveillance systems etc.);
7. Installation of 24h phone and information board with the necessary data in a visible place;
8. Elaboration of emergency evacuation plan;
9. Installation of slipway / crane and other yacht lifting equipment, building up of yacht storage facilities (outdoor/indoor).

3.1.4. Examples of expected activities

Examples of expected activities:

- Investments in compulsory or recommended elements of the unified service criteria;
- Other investments supporting similar quality of services at small harbours;
- Joint marketing of Estonia and Latvia as a joint destination of yacht tourism.

Output indicator: Small harbours with improved services.

Programme target: 17 small harbours.

The output indicator is considered to be fulfilled in case 1) the compulsory elements of the unified criteria are in place by the end of the pre-defined project, and 2) the improvement of the services is completely finalised.

3.2. Horizontal principles

The principles of sustainable development, equal opportunities and non-discrimination as well as equality between men and women are assessed in accordance with the nature of the pre-defined project.

Sustainable development

Sustainable development is taken into account as a horizontal principle throughout the whole programme implementation. Projects with a direct negative impact on the environment and sustainable development are not funded.

The programme encourages the application of the principles of sustainability to all aspects related to project management. The LP is asked to consider the most sustainable and nature-friendly use of all resources that are planned for implementing the pre-defined project. 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.

Equal opportunities and non-discrimination

As a general approach, the project is requested to integrate these horizontal issues in their activities or, at least, to consider the project's influence on these.

Project with a direct negative impact on equal opportunities and non-discrimination is not approved.

Equality between men and women

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

4. MAIN FEATURES OF THE PRE-DEFINED PROJECT

4.1. Project size and co-financing rates

The maximum grant size depends on the programme's specific objective that the pre-defined project falls under:

Specific Objective of the Programme	Total ERDF support to the pre-defined project
3.1 Improved network of small harbours with good services.	€9 334 080

Co-financing from the programme can be up to 85% of the total eligible costs for all types of partners, please see chapter 4.7 State aid.

4.2. Project duration

Maximum duration of the pre-defined project is up to 36 months. It is recommended to reserve up to 2 months in the end of the pre-defined project for compiling reports. Other project activities should be finalised by that time.

4.3. Basic project and partnership requirements

The pre-defined project is requested to fulfil the following main principles:

- The pre-defined project has to be developed, written and planned jointly by the partners from both sides of the border;
- The pre-defined project has to follow the principles of joint implementation, as opposed to parallel actions on either side of the border, to achieve mutual benefits from the co-operation;
- Project team, which carries out the pre-defined project, has to involve members from both Estonia and Latvia;
- All partners have to contribute to the pre-defined project financially or in-kind (see chapter 5.6.), which is confirmed by a co-financing statement attached to the application form.
- The pre-defined project has to involve nationally pre-selected groups of partners from Estonia and Latvia (please see the additional project partnership and technical criteria in Chapter 3.1.3.), who are legally registered in the programme area and whose activities in the pre-defined project are for the benefit of the programme area. The MC may in duly justified cases select for funding the pre-defined project with Estonian or Latvian partners from outside the programme area in case their participation is necessary for the successful implementation of the pre-defined project and their activities are targeted to the benefit of the programme area.

Once the pre-defined project is approved, all project partners have to sign partnership agreement (see point 6.3. Contracting).

4.4. Lead partner

LP (please see chapter 3.1.1.) submits the application and is responsible for the whole project. When the pre-defined project is selected for funding, LP signs a subsidy contract with the MA, and takes full

financial and legal responsibility for the pre-defined project. During project implementation, only LP may request payments based on the subsidy contract, and has the responsibility to forward the funds to other project partners.

LP is responsible for timely and correct reporting, ensuring that the EU and national legislation concerning financial management and controls (financial control), public procurement, information and publicity and state aid is respected and observed by the project partners.

LP is also responsible for the division of tasks among the partners involved in the pre-defined project and for ensuring that these tasks are fulfilled. The tasks and deadlines have to be set in the partnership agreement signed by LP and project partners.

In addition, it is LP's task to ensure proper communication with and among the partners, keep everybody informed about the status and plans, and implement the pre-defined project according to the approved application form. LP is assisted by national co-ordinators in carrying out these activities.

LP has to appoint or sub-contract a 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 in order 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.

In addition, LP has to appoint or sub-contract financial manager, who is responsible for the accounts, financial reporting, and internal handling of the ERDF funds and national co-financing. Financial manager has to work in close contact with the project manager and the partners in order to enable efficient overall financial management of the project. Financial manager has to work according to the programme rules, and national laws.

The tasks of project manager and financial manager may be carried out by the same person.

LP can be:

(1) National, regional or local public authority;

(2) Public equivalent body¹⁵, which means any legal body:

- a) Established under public or private law for the specific purpose of meeting needs in the general interest¹⁶, not having an industrial or commercial character, and
- b) Having legal personality, and
- c) * Either financed, for the most part, by the state, or regional or local authorities, or other bodies governed by public law,

* or subject to management supervision by those bodies,

* or having 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) Non-governmental organisation;

¹⁵ 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.

¹⁶ "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.

(4) Private companies.

4.5. Project partners

Project partners can be all the bodies fulfilling the criteria listed in the chapters 3.1.3 and 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 book-keeper, 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.

In addition, project partners must nominate national coordinators, who are contact points between project partners and the project manager.

4.6. Team-building for project partners

We encourage project partners to plan team-building activities for the first reporting period to “break the ice” and build trust among partners.

Costs related to team-building activities are eligible and can be planned under relevant budget lines.

4.7. State aid and revenue generation

The programme finances pre-defined project in the frames of a state aid scheme, because the aim of the project is the creation of the network of small harbours, which involves cross-border activities and the harbours involved get an advantage over their competitors. Depending on the size of the received grant and the type of activities, project partners may receive either state aid or *de minimis* aid.

The programme authorities have a right to introduce changes to the Manual as regards to the interpretation of the state aid rules, as a result of the consultations with the European Commission.

Legal basis for granting state aid and *de minimis* aid rules.

State aid is granted to the pre-defined project in accordance with Commission Regulation (EU) No 651/2014, so-called General Block Exemption Regulation (hereafter referred to as the GBER).

Article 55. Aid for sport and multifunctional recreational infrastructures of the GBER foresees the following aspects that must be followed by project partners during the preparation and implementation of the pre-defined project:

- Multifunctional recreational infrastructure must consist of recreational facilities with a multifunctional character offering, in particular, cultural and recreational services with the exception of leisure parks and hotel facilities.¹⁷
- Access to the multifunctional recreational infrastructures must be open to several users and be granted on a transparent and non-discriminatory basis.

¹⁷ In the context of development of small harbours it means, that based on the same infrastructure (navigation signs, protection from waves, piers, breakwaters etc) different services are provided for different target groups – guest yachts, local boat owners, both hobby and professional fishermen, as well as for the vessels of the state institutions like environmental inspection or rescue service. Industrial fishing requires different infrastructure, that will not be implemented in the framework of this pre-defined project.

- Any concession or other entrustment to a third party to construct, upgrade and/or operate the sport or multifunctional recreational infrastructure must be assigned on an open, transparent and non-discriminatory basis, following the applicable procurement rules.
- The aid is investment aid, including aid for the construction or upgrade of sport and multifunctional recreational infrastructure, eligible costs shall be the investment costs in tangible and intangible assets.
- The aid intensity shall not exceed the difference between the eligible costs and the operating profit of the investment, but ERDF co-financing rate can be up to 85%. The operating profit must be deducted from the eligible costs ex ante, on the basis of financial analysis that is carried out by the JS for the whole project, all project partners are included.

Article 20. Aid for cooperation costs incurred by SMEs participating in European Territorial Cooperation projects of the GBER foresees the following:

- The eligible costs are the following:
 1. Costs for organisational cooperation including the cost of staff and offices to the extent that it is linked to the cooperation project.
 2. Costs of advisory and support services linked to cooperation and delivered by external consultants and service providers. Eligible services must not be continuous or periodic activities nor relate to the project partner's usual operating costs, such as routine tax consultancy services, regular legal services or routine advertising.
 3. Travel expenses, costs of equipment and investment expenditure directly related to the project and depreciation of tools and equipment used directly for the project.
- ERDF co-financing rate (and aid intensity): up to 50 % of the eligible costs.

The programme grants *de minimis* aid, in accordance with the **Commission Regulation (EU) No 1407/2013**, as follows:

- Co-financing rate for *de minimis* aid is 85%;
- The ceiling of *de minimis* aid is €200 000, only aid given under the *de minimis* regulation during the previous two fiscal years and the current fiscal year, counts towards the ceiling.

Project partners can receive aid from different sources for the same project, but the costs that are financed from *de minimis* aid and state aid or different state aid articles must be clearly separated.

Both state aid and *de minimis* aid are granted on behalf of Estonia-Latvia Programme. The aid is granted on the basis of the country of origin of each respective aid receiver, meaning that aid is always granted by the Member State where the partner is located. Please notice that when the ceiling of *de minimis* aid has been reached in its Member State of origin, project partner cannot apply for additional *de minimis* aid within the threshold of the other Member State, participating in the programme. In such cases state aid may be applied.

Co-financing of the activities of public sector partners that fall under state aid and *de minimis* aid must be covered by loans or income from economic activities, otherwise it is also considered state aid. If the aid intensity is higher than ERDF co-financing, then this difference can be covered from public financing by public sector partners. In such case the respective project partner gives state aid to itself and this must be taken into account and registered in the Member State where the public sector partner is located.

How to take state aid into account during the development of project application form?

During the development of application form all project activities are more concretely defined and therefore it is better to identify how they fall under state aid or *de minimis* aid regulations.

Please note that aid shall be considered to have an incentive effect if the beneficiary has submitted a written application for the aid to the Member State concerned before work on the project or activity starts

As the budget of the pre-defined project is over 1 MEUR, the financial analysis for the whole project will be carried out by the JS. The purpose of the financial analysis is to calculate the operating profit of the partners who receive state aid, which must be deducted from the support. Revenue generation (incl. operational profit) is calculated per project and state aid/*de minimis* aid is calculated per partner. First the analysis of all partners is carried out separately and then the results will be combined together to a joint analysis. The analysis will be carried out before the signing of the subsidy contract between the lead partner and MA.

It is the responsibility of project partners to contact and continue co-operation with the JS in order to ensure the eligibility of the activities, taking into account relevant state aid or *de minimis* aid rules, to identify possible incompatibilities of project activities with state aid rules and to get guidance how to implement the pre-defined project in line with the regulations.

Project evaluation and selection

The JS assesses the project application form with regard to state aid. When selecting a project for co-financing, the MC may decide to ask the project participants to exclude or change certain activities to ensure that the grant is in line with state aid or *de minimis* aid rules.

Signing subsidy contract

The date of signing the subsidy contract is the date of granting the aid.

For Estonian project partners the granted state aid and *de minimis* aid amounts will be inserted into the e-registry by the JS. For Latvian project partners the granted state aid and *de minimis* aid amounts will be inserted into the Latvian System for Accounting *de minimis* aid by Latvian National Responsible Authority.

Project implementation period

Project partners of public sector that receive state aid or *de minimis aid* above ERDF contribution rate to the respective partner are state aid or *de minimis aid* donors for themselves, unless their co-financing comes from other economic activities or loans. If project partners of public sector are granting state aid or *de minimis aid* for themselves then respective project partner is responsible for documenting and reporting granted aid in accordance with national legislation.

During project implementation period all the partners who receive state aid or *de minimis* aid are invited to turn to JS with all the questions they have about the application of activities or rules related to state aid or *de minimis* aid.

All project partners are controlled by FC to verify that the pre-defined project is implemented in line with applicable rules and regulations, including state aid and *de minimis* aid rules. The project may be audited by the AA or responsible authorities at the EU level. During these audits the following of state aid rules is checked.

Period after project implementation

As the pre-defined project receives state aid, all project partners are obliged to 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 under the scheme. Project partners can find out the exact date for keeping records in the subsidy contract between the MA and LP.

4.8. Conflict of interests

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.

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

There is a conflict of interests where the impartial and objective exercise of the functions of any person involved in the pre-defined project 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.

Transactions between project partners are not allowed. Transaction with project partner means that within one project, which is implemented for example by project partner A and project partner B, a representative of the project partner A makes transaction with the representative of project partner B.

Conflict of interest also refers to situations in which:

- a person whose direct or indirect personal interests undermine its independence and impartiality in the preparation or organization of the procurement (incl. public procurement);
- a person whose direct or indirect personal interests undermine its independence and impartiality and influence the outcome of the procurement (incl. public procurement).

Please notice that according to the Programme Manual Annex 6. Guidelines to Financial Corrections 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.

5. PROJECT BUDGET

5.1. Eligibility of expenditure

Only costs related to the pre-defined project are eligible costs. The first costs may occur at the earliest on the day after the selection of the pre-defined project by the MC. Preparation costs, as described in section 5.4., are an exception to this rule.

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.

Expenditure shall be eligible for a contribution from the ERDF if it has been incurred and paid by a project partner during the eligibility period of the project. The last payments must be made by the end date of the pre-defined 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 but not later than the date of the submission of the partner report to the financial control body. Partner can insert into partner report costs that have been incurred before 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 financial control body.

The costs have to be incurred in relation to project activities taking place in the programme area. The costs, which have incurred in relation to project activities outside the programme area, are eligible only in exceptional cases, if these are vital to the success of the pre-defined project as a whole.¹⁸ As a rule, project activities taking place outside the programme area must be specified in the approved application form.¹⁹

The costs must be reasonable i.e. not above the market average or usual prices. The funds must be used in transparent and economical way.

Specific rules on eligibility of expenditure have been stipulated in Commission Delegated Regulation (EU) No 481/2014 of 4 March 2014 supplementing Regulation (EU) No 1299/2013 of the European Parliament and of the Council with regard to specific rules on eligibility of expenditure for cooperation programmes, as regards staff costs, office and administrative costs, travel and accommodation costs, external expertise and services costs and equipment expenditure.

Also, the participating member states in the MC may establish additional rules on eligibility of expenditure for the cooperation programme as a whole. For matters not covered by eligibility rules laid down in, or on the basis of, Articles 65 to 71 of Regulation (EU) No 1303/2013, Regulation (EU)

¹⁸ In accordance with Article 20 of the Regulation (EU) No 1299/2013 of the European Parliament and of the Council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal.

¹⁹ Travelling in Estonia and Latvia outside the programme territory (costs related to budget line "Travel and accommodation costs") does not have to be explained in the application form in case it is necessary for:

- 1) Meeting project partners, who are located outside the programme area;
- 2) Meeting the programme institutions in Tallinn;
- 3) Transporting people and/or materials directly related to project;
- 4) Participating at the events organised by the Estonia-Latvia programme.
- 5) Travelling in Estonia and Latvia outside the programme territory to events, which are not foreseen in the application form, but have a clear link with the activities of the project and are for the benefit of the project (e.g. thematic conferences and workshops), is in general acceptable. However, partners must consult the JS before such trips, to avoid problems during processing of partner and progress reports.

No 1301/2013, in the Commission Delegated Regulation (EU) No 481/2014 or in rules established jointly by the participating member states in the MC, the national rules of the member state in which the expenditure is incurred shall apply.

The eligibility rules apply for the project partners and also for the programme bodies using technical assistance funding.

5.2. Ineligible expenditure

The following expenditure is considered ineligible expenditure for co-financing from the programme's funds:

- Any costs paid outside the eligible period of the pre-defined project, except preparation costs, as approved by the MC;
- Fines, financial penalties and expenditure on legal disputes and litigation;
- Costs of gifts, except those not exceeding 50 euros per gift where related to promotion, communication, publicity or information;
- Costs related to fluctuation of foreign currency exchange rate;
- 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;
- Recoverable VAT;
- Charges for national financial transactions;
- Consultant fees or other service costs between partners for services and work carried out within the pre-defined project;
- Costs related to subcontracting project partners or employees of partner organisations, who already work for the pre-defined project based on an employment contract;
- Daily travels of project staff from home to office and back;
- Expenditure that is already supported by a European or other international or national grant.

5.3. Budget table and description of the budget lines

The project budget is divided between 6 budget lines, two to four work packages and reporting periods with duration of four months.

The budget table in the application form describes the budget of the whole pre-defined project. In addition, the partners must fill in a more detailed budget table, which shows each partner's budget division between budget lines and work packages.

Each partner's project expenditure must be separated in partner's bookkeeping system.

Before designing the project budget project partners should also study the national level financial control guidelines. The guidelines can be found at www.estlat.eu.

5.3.1. Staff Costs

Definition

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the pre-defined project:

- full-time
- part-time

- part-time with a fixed percentage of time dedicated to the pre-defined project per month
- part-time with a flexible number of hours worked on the pre-defined project per month
- contracted on an hourly basis

“Staff costs” includes staff costs of employees in line with the employment/work contract, and costs of natural persons working for the partner organisation under a contract other than an employment/work contract and receiving salary payments as a form of remuneration. When salary payments are not used for remuneration of natural persons, they are funded from the costs under external expertise and services.

Note: 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’.

NB! The following of national legal acts is relevant for ensuring eligibility when hiring staff and signing contracts with natural persons working for the partner organisation under a contract other than an employment/work contract and receiving salary payments as a form of remuneration.

All partners provide staff to support the project activities and all partners have to define concrete tasks and role to fulfil the project objectives.

General principles

- Staff costs must relate to activities which the partner organisation would not carry out if the pre-defined project was not undertaken.
- Overheads and any other office and administration costs cannot be included under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.
- In case the staff member is working part-time for the pre-defined project and part-time for other tasks in the partner organisation, the actual salary rate must be used, when calculating his/her costs in the project budget. Different hourly rates in the frame of the same employment contract are not allowed.
- Staff member, who is working for the pre-defined project or the programme and remunerated from staff costs, cannot conclude any service contracts that are financed in the frames of the same project or programme.

The programme reimburses staff costs only on the basis of real costs:

- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value.
- The following costs are eligible components of staff costs:
 - a. Salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contract), or by law.
 - b. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions or holiday payments as long as they are fixed in the employment document and they are in accordance with the legislation and standard practices in the country and/or organisation.

Organisation standard practices shall refer to all staff of the organisation and no special rules can be made for project employees.

- The salary payments must relate to responsibilities specified in a job description of the individual staff member.
- Costs of social security including pensions are only eligible, if they are not recoverable by the employer.
- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits.²⁰ They must be directly linked to the salary payments and figure on the payslip.
- Holidays as resulting from normal employer's obligations are eligible. The cost forms part of the gross employment cost.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs and audit trail

Depending on the assignment (full-time, part-time, and contracted on an hourly basis) to work on the pre-defined project, staff costs of each individual are calculated as follows:

Full-time	<p>An individual dedicates 100% of his/her working time to the pre-defined project.</p> <p>Staff costs = total of the gross employment cost</p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> – Employment/work contract or an appointment decision/contract considered as an employment document, which is provided with a clear reference to the project. – Job description providing information on responsibilities related to the pre-defined. – Payslips or other documents of equivalent probative value. – Proof of payment of salaries and the employer's contribution²¹. <p><i>No submission of project time sheets is required.</i></p>
Part-time assignment with a fixed percentage of	<p>An individual dedicates a fixed percentage of his/her working time to the pre-defined project.</p> <p>Staff costs = fixed percentage of the gross employment cost in line with a fixed percentage of time worked on the pre-defined project²²</p>

²⁰ Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.).

²¹ Proof of payment of salaries and the employer's contribution in case it has not been paid out by State Shared Service Centre are verified by the financial controller.

time worked on the pre-defined project per month	<p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> – Employment/work contract or an appointment decision/contract considered as an employment document, which is provided with a clear reference to the project. – Document setting out the percentage of time to be worked on the pre-defined project per month (if not specified in the contract). – Job description providing information on responsibilities related to the pre-defined project. – Payslips or other documents of equivalent probative value. – Proof of payment of salaries and the employer's contribution. <p><i>No submission of project time sheets is required.</i></p>
Part-time assignment with a flexible number of hours worked on the pre-defined project per month	<p>An individual dedicates a flexible share of his/her working time to the pre-defined project.</p> <p>Staff costs = part of the gross employment cost depending on the number of hours actually worked on the pre-defined project per month</p> <p>The basis for calculating staff costs is single²³ monthly hourly rate established based on average monthly working time (number of hours per month) fixed in the employment document. The single monthly hourly rate shall be multiplied by the number of hours actually worked on the project:</p> <p><i>Average hourly rate = monthly gross employment cost/ average number of hours per month fixed in the employment document</i></p> <p><i>Staff costs = hourly rate * number of hours worked on the pre-defined project per month</i></p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> – Employment/work contract or an appointment decision/contract considered as an employment document (including information on the monthly working time), which is provided with a clear reference to the project. – Job description including information on tasks related to the pre-defined

²² Remuneration cannot be laid down in the employment/work contract as a fixed amount, but as a fixed percentage of the employee's working time.

²³ The "single" means that we can use only one hourly rate for one employee per month in accordance with the Programme Manual: in case the staff member is working part-time for the project and part-time for other tasks in the partner organisation, the actual salary rate must be used, when calculating his/her costs in the project budget <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R0693&qid=1585914755870>

Different hourly rates in the frame of the same employment contract must be avoided.

	<p>project.</p> <ul style="list-style-type: none"> – Payslips or other documents of equivalent probative value. – Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the pre-defined project. The time registration system must cover 100% of the actual working time of the individual. – Proof of payment of salaries and the employer's contribution.
Contracted on an hourly basis	<p>An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the pre-defined project.</p> <p>Staff costs = part of the gross employment cost depending on the number of hours worked on the pre-defined project</p> <p>The staff costs are calculated on the basis of an hourly rate fixed in the employment document:</p> <p><i>Hourly rate = fixed in the employment document</i></p> <p><i>Staff costs = hourly rate * number of hours worked on the project</i></p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> – Employment/work contract or an appointment decision/contract considered as an employment document (including information on the hourly rate). – Job description providing information on responsibilities related to the pre-defined project. – Payslips or other documents of equivalent probative value. – Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the pre-defined project and on the tasks performed for the project. – Proof of payment of salaries and the employer's contribution.

5.3.2. Office and administrative expenditure

Definition

Expenditure on office and administration costs. They cover operating and administrative expenses of the partner organisation that support delivery of project activities.

General principles

- No cost item can be taken into account twice, i.e. no double funding is permissible.
- Purchase of office equipment, IT hardware and software, and furniture and fittings cannot be included under this budget line; the cost must be reported as equipment expenditure.
 - This does not include IT system support of an administrative nature; the cost falls under the office and administration budget line.

- The programme uses a flat rate for calculating and reporting office and administrative expenditure. The calculation is done automatically in the application form and partner/progress report forms.

Eligible costs under the office and administration budget line are calculated as a flat rate of 15% of eligible direct staff costs.²⁴ In case there are no staff costs, office and administration costs do 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 budget line.

List of eligible costs:

- Office rent;
- Insurance and taxes related to the buildings where the staff is located and to the equipment of the office (e.g. fire, theft insurances);
- Utilities (e.g. electricity, heating, water);
- Office supplies;
- General accounting provided inside the partner organisation;
- Archives;
- Maintenance, cleaning and repairs;
- Security;
- IT systems (operating/administrative IT services of general nature that support delivery of the pre-defined project. This includes maintenance costs of IT systems, e.g. costs related to the maintenance of a computer used by the project manager to administrate the project) and license fees for the use of software needed for the pre-defined project, in case the software is used for administrative purposes of the project;
- Goods assimilated to office equipment (i.e. equipment is used for administrative purposes), e.g. toner for a printer;
- Communication (e.g. 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.

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 reality.

Please note that in case eligible direct staff costs are deducted, this also causes the deduction of office and administrative expenditure, because as a flat rate they cannot be on a higher level than 15% of the eligible direct staff costs.

²⁴ The only exception to calculating office and administration expenditure as flat rate, are the costs funded from technical assistance of the programme, which are on a real cost basis.

5.3.3. Travel and accommodation costs

Definition

Expenditure on travel and accommodation costs that relate to delivery of the pre-defined project. Only travel costs (e.g. tickets, travel and car insurance, fuel, car mileage, parking fees, car rent), accommodation costs (incl. city tax, voucher for the use of Wi-Fi in a hotel) and daily allowances can be included under this budget line.

General principles

- Travel and accommodation costs must clearly link to the pre-defined project and be essential for effective delivery of the project activities.
- Travel and accommodation costs can be covered only for persons who are directly related to project activities.
- The travel and accommodation expenses of external experts and service providers fall under external expertise and services costs listed in point 5.3.4.
- Direct payment by a staff member of the partner organisation must be supported by a proof of reimbursement from the employer.
- Daily allowances can be paid to persons, who are working in partner organisations based on employment contracts or public service act (e.g. civil servants).
- In accordance with the respective national legislation, daily allowances may be paid also to third parties i.e. persons who are not working in partner organisations based on employment contracts or public service act, but there must be evidence that they have a clear connection to the project.
- Daily travels of project staff from home to office and back are not eligible project costs.
- The principle of sound financial management should apply to the choice of transport and accommodation. In line with the result-oriented policy approach, effectiveness should be the leading principle. In the second instance, cost-efficiency should be ensured, taking into account the entire cost of the mission (travel cost, staff costs related to the travel, etc.).

Budget line specific rules

- Travel and accommodation costs must be justified by activities carried out within the pre-defined project, e.g. participation in project meetings, project site visits, meetings with the programme bodies, seminars, conferences.
- Costs of travel and accommodation related to activities outside the programme area are only eligible, if those activities have been included in the approved application form; except for travelling in Estonia and Latvia outside the programme territory in case it is necessary for
 - a) Meeting project partners, who are located outside the programme area;
 - b) Meeting the programme institutions in Tallinn;
 - c) Transporting people and/or materials directly related to pre-defined project;
 - d) Participating at the events organised by the Estonia-Latvia programme.
 - e) Travelling in Estonia and Latvia outside the programme territory to events, which are not foreseen in the application form, but have a clear link with the activities of the pre-defined project and are for the benefit of the project (e.g. thematic conferences and workshops), is in general acceptable. However, partners must consult the JS before such trips, to avoid problems during processing of partner and progress reports.

- Maximum daily rates for hotel and daily allowance subsistence should be respected, in accordance with the national legislation or institutional rules applicable to partner organisation. In duly justified cases, accommodation costs above the maximum rates may be accepted.
- Travel and accommodation cost should be properly documented in line with the national legislation or internal policy of the partner organisation. In very exceptional cases national rules concerning missing/lost documents may be accepted.

Audit trail

The following main documents must be available for control purposes:

1. Agenda or similar document of the meeting/seminar/conference.
2. Paid invoices (e.g. hotel bills, travel tickets).
3. Daily allowance claims.
4. Proof of payment.
5. Travel reports, route sheets, and other documents as required by national legislation.

5.3.4. External expertise and services costs

Definition

Expenditure for the financing of external expertise and services provided by a public or private body or a natural person outside of the partner organisation. “External expertise and services” covers costs paid on the basis of contracts or written agreements and against invoices or requests for reimbursement to external experts and service providers that are acquired to carry out certain tasks or activities, linked to the delivery of the pre-defined project.

General principles

- The work by external experts and service providers must be linked to the activities in the project application.
- Each partner organisation is responsible for ensuring that EU and national public procurement rules are respected and that all contracts comply with the basic principles of transparency, non-discrimination and equal treatment as defined in the EC Treaty and the Commission Interpretative Communication on the Community law applicable to contract awards below the EU thresholds²⁵.
- No sub-contracting between project partners is allowed.

NB! Information about public procurement rules is provided in point 5.5. Price offers and procurement.

Budget line specific rules

- All types of costs related to external experts (e.g. travel and accommodation expenses for external experts) must be foreseen in the service contract and recorded under this budget line.
- All costs of external expertise and services that are linked to an investment in infrastructure should be included under this budget line, e.g. feasibility studies etc.

²⁵ http://ec.europa.eu/internal_market/publicprocurement/docs/keydocs/communication_en.pdf

- Costs of external expertise related to activities outside the programme area are only eligible, if those activities have been included in the approved application form.
- Advance payments to the external service providers can be reported in the progress report only after the partial or full delivery of the purchased services/goods, with the exception of a maximum of 1/3 advance payments according to signed contracts with suppliers and contractors.
- Catering must be foreseen in the event agenda otherwise catering costs are ineligible. Alcoholic beverages are eligible only together with a meal and in moderation, forming up to 1/4 of the respective invoice.

Audit trail

The following main documents must be available for control purposes:

1. Evidence of the selection process, in line with national procurement rules or the EU public procurement rules depending on the amount contracted.
2. A contract or a written agreement laying down the services to be provided with a clear reference to the pre-defined project. For experts paid on the basis of a daily fee, the daily rate together with the number of days contracted and the total amount of the contract must be provided. Any changes to the contract must comply with the public procurement rules and must be documented.
3. An invoice or a request for reimbursement providing all relevant information in line with the applicable accountancy rules.
4. Outputs of the work of external experts or service deliverables.
5. Proof of payment.
6. Act of delivery and receipt.

List of eligible costs

Expenditure for external expertise and services category of costs are limited to the following:

- Studies or surveys (e.g. evaluations, strategies, concept notes, design plans, handbooks);
- Training;
- Translations;
- IT systems and website development, modifications and updates, including license fee for the use of software needed for the pre-defined project; **NB!** Where the software is used for administrative purposes of the project, the cost falls under budget line 'Office and administration';
- Promotion, communication, publicity or information linked to the pre-defined project;
- Project management and financial management;
- Services related to the organisation and implementation of events or meetings (including rent, catering or interpretation);
- Participation in events (e.g. registration fees);
- Legal consultancy and notarial services, technical and financial expertise, other consultancy and accountancy services;
- Intellectual property rights;
- Travel and accommodation for external experts, speakers, chairpersons of meetings and service providers, only in case the cost is paid by the external experts;
- Other specific expertise and services needed for the pre-defined project or for the programme.

5.3.5. Equipment

Definition

Expenditure for the financing of equipment purchased, rented or leased by a partner, necessary to achieve objectives of the project. This includes costs of equipment already in possession by the partner organisation and used to carry out pre-defined 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.²⁶

General principles

- Costs of equipment are eligible if they have been approved by the programme.
- Costs of equipment are eligible if no other EU funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible.
- All costs are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected.
- NB! Information about public procurement rules is provided in point 5.5. *Price offers and procurement*.

Budget line specific rules

- Full purchase cost of equipment is eligible, if the equipment is in line with aims of the programme and crucial for the achievement of the pre-defined project's objective, and incurred and paid within the eligible period.
- Depreciation of the equipment purchased from pre-defined project cannot be placed in the project budget.
- For equipment that has been purchased before the project approval, depreciation costs are eligible only when the following conditions are fulfilled:
 - the amount of the expenditure is duly justified by supporting documents having equivalent probative value to invoices for eligible costs were reimbursed in the form referred to in point (a) of the first subparagraph of Article 67(1) Common Provisions Regulation (EU) No 1303/2013²⁷;
 - the costs relate exclusively to the period of support for the operation;
 - public grants have not contributed towards the acquisition of the depreciated assets.
- Equipment cannot be purchased, rented or leased from other project partners.
- Purchase cost of second-hand equipment is eligible, provided the equipment has the technical characteristics necessary for the operation and complies with applicable norms and standards, its price does not exceed the generally accepted price on the market and no other assistance has been received for it from the ESI (The European Structural and Investment Funds) Funds.

Audit trail

²⁶ Compared to 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.

²⁷Article 67.1 (a):

1. Grants and repayable assistance may take any of the following forms:

(a) reimbursement of eligible costs actually incurred and paid, together with, where applicable, contributions in kind and depreciation.

The following main documents must be available for control purposes:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract.
2. Invoice (or a supporting document having equivalent probative value to invoices, in the case of depreciation) providing all relevant information in line with the applicable accountancy rules.
3. Calculation scheme of depreciation.
4. Proof of payment.
5. Act of delivery and receipt.

List of eligible costs

Expenditure for equipment is limited to the following:

- Office equipment;
- IT hardware and software;
- Furniture and fittings;
- Laboratory equipment;
- Machines and instruments;
- Tools or devices;
- Maintenance and repairs of equipment needed for the pre-defined project;
- Goods assimilated to equipment needed for the pre-defined project, e.g. fuel to run the equipment. **NB!** Where the good is assimilated to office equipment (i.e. equipment is used for administrative purposes), the cost falls under '*Office and administration*' (e.g. toner for a printer);
- Other goods and materials needed for the pre-defined project (not necessarily assimilated to equipment), e.g. chemicals, seeds, animals;
- Vehicles;
- Exhibition equipment, e.g. exhibition stands, pop-up displays;
- Other specific equipment needed for the pre-defined project.

5.3.6. Infrastructure and works

Definition

Expenditure for the financing of infrastructure and construction works. "Infrastructure and works" covers costs related to investments in infrastructure that do not fall into the scope of other budget lines. This includes costs for site preparation, delivery, handling, installation, renovation, and purchase of land, when applicable.

General principles

- Costs of infrastructure and construction works are eligible if they have been approved by the programme.
- Costs of infrastructure and construction works are eligible if no other EU funds have contributed towards financing of the same expenditure item, i.e. no double funding is permissible.
- All costs are subject to applicable public procurement rules and each partner organisation is responsible for ensuring that these rules have been respected.
- All investments in infrastructure must comply with the applicable EU and programme information and publicity rules.

- NB! Information about public procurement rules is provided in point 5.5. *Price offers and procurement.*

Budget line specific rules

- Full costs of infrastructure and construction works that form part of the pre-defined project are eligible, i.e. no depreciation is eligible.
- Documents specifying the rights of use and ownership of land and/or buildings where the works will be carried out must be provided.
- Purchase of land cannot exceed 10% of the total eligible expenditure of the pre-defined project. In the case of derelict sites and sites formerly in industrial use which comprise buildings, the purchase price cannot exceed 15% of the total eligible expenditure. In exceptional and duly justified cases, a higher percentage may be permitted only for projects concerning environmental conservation, provided it has been approved by the programme (ref: Article 69.3(b) Common Provisions Regulation (EU) No 1303/2013).
- All compulsory requirements set by the EU and national legislation related to the respective investment in infrastructure must be fulfilled (e.g. feasibility studies, environmental impact assessments, building permission, etc.).

Audit trail

The following main documents must be available for control purposes:

1. Evidence of the procurement process (announcement, selection, award) in line with the national procurement rules or the EU procurement rules depending on the amount of the contract.
2. Contract laying down the works/infrastructure to be provided, with clear reference to the pre-defined project and the programme. For contracts based on a daily fee, such fee together with the number of days contracted and the total amount of the contract must be provided.
3. Invoice providing all relevant information in line with the applicable accountancy rules.
4. Proof of payment.
5. Act of delivery and receipt, or other evidence that proves the existence of the equipment, e.g. photos.

5.4. Preparation costs

Preparation costs are eligible for the pre-defined project only after it has been approved by the managing authority.

Usually the programme covers project preparation costs as a lump sum of 5000 euros, but as the preparation of pre-defined project differs from usual projects, the exact lump sum amount is defined in July 2016, prior to the preparation of project idea. This includes costs that partners have during the project preparation. Usually this sum must be inserted in the LP's budget and it has to be declared in LP's partner report without any calculations and cost documents.

In addition, the programme may cover real costs related to the preparation of technical documentation and other necessary studies, which are required by national laws for projects that are not state aid projects. Real costs are covered only for those infrastructure objects to be constructed/investments to be made within the pre-defined project, except for detailed planning documents. Real costs can be up to 10% of the relevant construction costs in the pre-defined project. Such preparation costs have to follow the rules applicable to the budget line "External expertise and services". Project partners may not buy services from each other. Real costs are eligible if the

payments in question are made no earlier than 24 months before the MC selection date and before the day of the MC selection.

5.5. Price offers and procurement

All project partners, including private partners, must follow public procurement rules.
Joint procurements and cost-sharing (please see chapter 7.3) are strongly encouraged.

5.5.1. Price offers and public procurement in Latvia

Latvian project partners have to 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. Latvian Port Authorities – being Public Service Provider Procurement Law subjects – have to follow the “Procurement Guidelines for the Public Service Providers”²⁸ approved by the Procurement Supervision Bureau on 19 March 2014. Please note that financial control body may ask for explanations in case of purchases below the thresholds provided by Latvian national public procurement rules.

5.5.2. Price offers and public procurement in Estonia

All Estonian project partners are obliged to take competitive price offers to purchases from 5000 euros (excluding VAT) in accordance with Public Procurement Act article 3. This requirement does not apply to purchases that are regarded as exemptions or simplified procedures by Estonian national public procurement rules. Please notice that financial control body may ask for explanations also in case of purchases below 5000 euros (excluding VAT).

As regards public procurement, project partners have to follow Public Procurement Act²⁹:

All Estonian project partners, who are contracting authorities of public sector and contracting entities (võrgustikusektori hankija)³⁰ (jointly referred to as ‘*contracting authorities*’) in accordance with the Public Procurement Act, must follow the procedure provided for in the Public Procurement Act. Pursuant to the Public Procurement Act, contracting authority of public sector is:

- 1) the state or state authority;
- 2) local authority, local authority agencies and association of local authorities;
- 3) another legal person governed by public law and agency of legal persons governed by public law;
- 4) foundation where the state is one of the founders or where more than half of the founders are contracting authorities specified in clauses 2) or 3) of this subsection or where more than half of the members of the supervisory board are appointed by the contracting authorities specified in clauses 1) to 3) of this subsection;

²⁸ http://www.iub.gov.lv/sites/default/files/upload/vadlinijas_SPS_20140319_0_0.pdf

²⁹ Link to Public Procurement Act: <https://www.riigiteataja.ee/akt/113032019145?leiaKehtiv>

³⁰ Contracting entity operates in a network sector, which is among the fields specified in § 146–152 of Public Procurement Act in accordance with § 5 subsection 3 of this Act.

- 5) legal person governed by private law and who is mainly financed by or where more than half of the members of the management body or supervisory body are appointed by or where the management is otherwise jointly or severally controlled by the contracting authorities specified in clauses 1–3 of this subsection (including from the European Economic Area countries) and which has been founded for the purpose of performing, as its primary or ancillary activity, functions in the public interests and has no industrial or commercial character.

Project partners, who are not contracting authorities of public sector in accordance with the Public Procurement Act, may award a contract for the purchase of supplies, services, public works etc. that are above the threshold of a simplified procurement procedure, as stipulated in the Public Procurement Act, only when all the following conditions are fulfilled:

- 1) The purchase is carried out, following the “other acquisition” (toetuse saaja ost) procedure type in the Procurement Register³¹;
- 2) The general principles of public procurement, as stipulated in the Public Procurement Act, must be followed;
- 3) The purchase must be carried out electronically in the e-procurement environment of the Procurement Register.

4) 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 financial controllers and auditors to the list of procurement team members in the e-procurement environment (financial controllers’ role: viewer; auditors’ role: evaluator): when partner report is checked by financial controller or audited by auditor, the respective programme authority (FC body or Audit Authority) 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.

One of the key factors for deciding whether a public body is a contracting authority, is the amount of public financing that body receives. Being “mainly financed” by public financing refers to public financing over 50%, in which case that body is to be regarded as a contracting authority of public sector.

A legal body may be financed from various sources and those funds are provided for a variety of purposes and on various grounds. It is therefore necessary to determine the real nature of each of the forms of financing and the percentage of public financing, for which account must be taken of all of its income, including the income that results from a commercial activity.

³¹

https://www.rahandusministeerium.ee/sites/default/files/Riigihangete_politika/register/juhis_toetuse_saajatele_al_22.10.2018_280619.pdf

Such calculation must be carried out annually on the basis of the figures available at the beginning of the budgetary year, even if they are only provisional. The legal body is expected to retain the status of either being or not being a contracting authority of public sector for 12 months from the beginning of each budgetary year.

More information about defining contracting authority of public sector can be found from the Public Procurement Act and from the portal of e-Procurement Estonia under section Frequently Asked Questions³². Please note that it is the responsibility of each Estonian project partner, governed by the private law, to assess in the beginning of each budgetary year, whether it is a contracting authority of public sector or not.

5.6. In-kind contribution

Only unpaid voluntary work can be regarded as in-kind contribution. Each project partner can report the value of its in-kind contribution only up to the amount of its co-financing to the pre-defined project. Minimum annual official national gross salary level must be followed when calculating the value of in-kind contribution.

The costs of unpaid voluntary work must be included under the budget line staff costs. Employee working on the basis of employment contract cannot do similar work as unpaid voluntary work for the pre-defined project.

Audit trail:

A contract or a written agreement laying down the tasks related to the pre-defined project.

Time sheets, providing information on the number of hours spent per month on the pre-defined project and on the tasks performed for the project. Proof of results or activities (for example photos).

³² Link to the section Frequently Asked Questions: <https://riigihanked.riik.ee/lr1/web/guest/korduma-ippuvad-kusimused>

6. APPLICATION AND SELECTION PROCEDURE

6.1. Pre-submission consultations

The programme strongly encourages selected partners – the applicant and partners to participate in the project seminar, which will be organized by the JS and NRAs, and ask for consultations and advice from the JS. The consultations allow testing the compliance of the activities to the requirements of the programme, for example in case of deciding how state aid affects planned activities and budget of the pre-defined project.

Individual consultations are carried out in the premises of the JS in Tartu and ICP in Riga. Consultations are available by prior booking. The JS is also ready to provide advice by phone or email. The JS contact information is available on the programme's web site at www.estlat.eu.

6.2. Application procedure

Under priority axis 3 the programme uses a targeted direct award procedure, for fulfilling certain output indicators of the programme that can be provided only by a specific partnership.

Direct award procedure consists of submission of the full application. The pre-defined project applicants are obliged to pass through the pre-selection procedure in order to be assessed and to qualify for receiving financing from the programme.

6.2.1 Submission of the project application

The date and time for the submission of the full application is available on the programme website.

LP is welcome to submit the full application form as soon as the document is ready and meets all the requirements of the programme, but no later than indicated at www.estlat.eu

All the necessary documents must first be submitted electronically through the e-Monitoring system for technical eligibility and loose quality check. Technical drawings of construction works should preferably be submitted in electronic format. The programme encourages partners to use digital signature. If it is not possible then signed documents of the application pack have to be scanned and uploaded to the eMS (in case of application form, the confirmation page of the application form must be either digitally signed or scanned, and uploaded to the eMS as attachment).

In case the pre-defined project passes technical eligibility and loose quality check all scanned documents must be submitted on paper. The date and signature have to reflect the final changes in these documents. Detailed instructions on how to fill in the application form in the e-Monitoring system are provided to the applicant.

Where the project activities include construction works or other works that fall under the regulation of the national building legislation, the construction activity must be in line with the national building legislation. One copy of a set of documents required under the national building laws must be submitted to the JS assessment as described below.

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

- 1) Estonian partners must submit documents that comply with the requirements of the preliminary building design (*eelprojekt*), including building permit (*ehitusluba*) when required by the national building laws.
- 2) Latvian partners, depending on the type of building and category of works, must submit:

- Building design in a minimum composition (*būvprojekts minimālā sastāvā*) together with building permit (*būvatļauja*), which includes conditions set by building authority (*būvvalde*);

or

- Certification card (*apliecinājuma karte*) with a note from building authority on acceptance of construction conception. Document may include conditions;

or

- Explanatory memorandum (*paskaidrojuma raksts*) with a note from building authority on acceptance of construction conception.

The following documents must be submitted before launching the procurement:

- 1) Estonian partners must submit documents that comply with the requirements of the principal building design (*põhiprojekt*) according to the requirements set forth in the Estonian building legislation.
- 2) Latvian partners must submit in cases, where the building design in a minimum composition and building permit was required:
 - Building design elaborated according to the requirements set forth in the Latvian building legislation and according to the conditions set by building authority (*būvvalde*);
 - Updated building permit with a note from building authority on the fulfilment of building design conditions.

In other cases, the Latvian partners must submit before the start of construction works:

- Updated certification card (*apliecinājuma karte*) or explanatory memorandum (*paskaidrojuma raksts*) with a note from building authority on the fulfilment of conditions for the actual start of the construction works.

The documents must be submitted via e-Monitoring System.

The JS and construction experts will assess the compliance of the construction documents with the requirements of national building laws.

The applicant must submit at a time of submitting the project application a separate document **“Justification of investments”** in the following cases:

1. Cost of a single piece or a set of equipment in one location exceeds 50 000 euros under the budget line “Equipment”,
2. Construction costs per object/location exceed 50 000 euros under the budget line “Infrastructure and works”,
3. A total cost per object/location under the budget lines “Equipment” and “Infrastructure and works” exceeds 50 000 euros.

The “Justification of investments” document must include at least the following information:

1. Detailed description of the planned investment(s) and construction works, including price calculations. This information must be in line with the submitted building documentation.
2. Justification for the need for equipment/infrastructure and works including an explanation of the functionality and way of use. It must be explained how the equipment/infrastructure and works contribute to the achievement of the project objective(s) and output indicators.
3. Management and financial plan for the future (for a period of at least 5 years following project completion). Information on the following questions should be provided: Who will manage the investment(s) after their completion? What is the amount required for

maintenance costs and what do these include? Which source will be used for covering the maintenance of the investment(s)?

The document “Justification of investments” can be compiled in English; or in Estonian or Latvian with a summary in English.

6.2.1.1. Selection procedure of project application

1) Technical eligibility and loose quality check

At first, the application is checked against the technical eligibility criteria.

Technical eligibility criteria:

1. Pre-defined project involves at least one Estonian and one Latvian partner (please see the additional project partnership and technical criteria in Chapter 3.1.3), who are legally registered in Estonia or Latvia and whose activities in the pre-defined project are for the benefit of the programme area.
 - The pre-defined project involves up to 13 Latvian harbours and up to 10 Estonian harbours;
 - The pre-defined project must also include relevant stakeholders responsible for the development of small harbours;
 - The pre-defined project involves at least one harbour, which is located on the coast between Salacgrīva/Kuiviži and Pärnu, at least one between Roomassaare and Kuivastu, at least one harbour, which is located on the coastlines of Ventspils to Roja route, at least one between Kihnu and Kuivastu;
 - All small harbours that participate in the pre-defined project must submit all the necessary documentation that is required by legal acts together with the full application form, including building permits, permits for the special use of water etc.
2. LP is eligible (type, territory, officially registered prior to the submission of the application).
3. Project partners are eligible (type, territory, officially registered prior to the submission of the application).
4. Project partners are not bankrupt (there is no ongoing bankruptcy proceeding or no bankruptcy decision).
5. Project partners are not in liquidation or in compulsory dissolution.
6. Project partners have repaid any EU or national support to be refunded by the deadline. Latvian partners have submitted respective declaration to confirm that.³³
7. The applicant or his legal representative has not been validly sentenced or penalized³⁴. Latvian partners have submitted respective declaration to confirm that.³⁵

³³ Information about Estonian partners is checked by the JS from relevant national registries.

³⁴ Fraud (Estonian Penal Code § 209 Fraud and § 210 Benefit fraud, Latvian Criminal Law section 177);

Provision of employment for alien staying in either Latvia or Estonia without legal basis (Estonian Penal Code § 260¹; Latvian Administrative Violations Code section 189 (prim), as well as the Criminal Law - section 280);

Economic activities without activity license and prohibited economic activities (Estonian Penal Code § 372; Latvian Criminal Law sections 207 and 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).

³⁵Information about Estonian partners is checked by the JS from relevant national registries.

8. The planned activities help to fulfil the target value of priority 3 of the programme.
9. Project budget is within the set financial limits.
10. Project duration is within the set limits.
11. All partners contribute to the pre-defined project financially or in-kind according to the requirements of the programme and conditions of the given direct award procedure.
12. Co-financing statements are signed and submitted.
13. Document "Justification of investments" is submitted according to the requirements of the programme and contains compulsory information.
14. Co-financing rates have been observed and the sums indicated in the application form and on co-financing statements match.
15. There is no duplication with current or completed projects.
16. Pre-defined 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.
17. Latvian partners who apply for *de minimis* aid have submitted statements on *de minimis* aid³⁶ and the requested sums are within the allowed limits by the time of possible financing decision of the project application.
18. The partners have no tax debts³⁷ or if they do, they are in compliance with a schedule that is in place.

The JS will first check the application against the technical eligibility criteria and in parallel performs the loose quality check. The aim of the loose quality check is to minimize unclear issues related to the content of the application. As the project activities fall under the regulation of the national building legislation, the JS involves construction experts to check whether the application documents comply with the requirements of the national building legislation. If necessary, the JS organises site visits to the sites of the pre-defined project.

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 by email via eMS to the lead applicant to eliminate the shortcomings. The email is sent to all eMS 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 has to submit an updated application to the JS by the deadline given by the JS.

³⁶ Information about *de minimis* aid received by Estonian partners is checked from the national state aid and *de minimis* aid registry.

³⁷ No tax debts based on information in Äriregister (Business Register) and Valsts ieņēmumu dienests (State Revenue Office).

After updating and re-submitting the application, the JS will check the submitted documents. In case there are still shortcomings, the LP must eliminate them in 5 working days.

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

Project application must fulfil all technical eligibility criteria in order to pass on to the quality assessment. This means 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 MC will be informed about it.

2) Quality assessment of project application

The project that fulfils the technical eligibility criteria is subject to quality assessment. This is carried out by the JS following the 4-eye principle with assistance from thematic and financial experts, if necessary. The quality assessment, which is based on the quality criteria below, results in assessment sheets to be submitted to the Monitoring Committee for selection. The quality check is usually completed within 3 weeks after the end of the technical eligibility and loose quality check.

After each indicative question of the quality assessment criteria, the most direct source of information from the application form is indicated. At the same time, information from the entire application form and if relevant, from the document "Justification of investment" is also taken into account.

Quality assessment criteria:

	ASSESSMENT CRITERIA	INDICATIVE QUESTIONS
1.	Objective, approach and activities	<p>Is the project objective in line with the chosen specific objective of the programme? (<i>fields "Project identification", "Objective"</i>)</p> <p>Can the defined objective be achieved using the chosen approach (combination, interrelation and sequence of activities, including investments)? (<i>field "Project approach"; section "Work package list"</i>)</p> <p>What is the quality of the planned project outputs in light of descriptions of output indicators in the programme manual? (<i>section "Work package list"</i>)</p> <p>Are the activities (including project coordination and publicity measures) adequately planned (content and time-schedule) and specified? (<i>section "Work package list"; field "Activities outside the programme area"</i>)</p> <p>Do partners have sufficient capacity to implement project activities? (<i>section "Partners"</i>)</p> <p>How logical and clear is the link between the planned activities and their influence to fulfilment of programme's result indicator's target value? (<i>field "Contribution of the project to the programme result indicator"</i>)</p> <p>The principles of sustainable development, equal opportunities and non-discrimination as well as equality between men and women are addressed in accordance with the nature of the project. (<i>section "Horizontal principles"</i>)</p>

2.	Budget	<p>Are Estonian and Latvian partners financially committed to the project? (<i>section “Project budget overview”</i>)</p> <p>Are the specifications in application form about ‘External Expertise and services’ and ‘Partners’ budgets’ sufficient and detailed enough? (<i>section “Partner budget”</i>)</p> <p>Is there a clear relation between costs of work package “Management” and the complexity of the project: number of partners, number of work packages, and intensity of project activities? (<i>sections “Work package list”; “Partner budget”</i>)</p>
3.	Durability of project achievements	<p>Explanations about financial and institutional durability of the project achievements are realistic and rational. (<i>“Financial and institutional durability of the project’s achievements”</i>)</p>

6.2.1.2. Decision-Making

The MC carries out the strategic assessment of submitted project application. It is based on the results of the quality assessment, the analysis of the existing portfolio of approved projects, the assessment of the achievement of target value of programme output indicator and the availability of funds under the priority.

Based on the strategic assessment, the MC selects the pre-defined project for support from the programme funds. Based on the MC selection, the financing decision is made by the MA. There are three options:

- To approve the project application;
- To approve the project application with certain conditions that must be fulfilled before the subsidy contract can be signed. The MC may change the ERDF co-financing rate of the project or the total project budget; or
- To reject the project application.

The MA sends out financing decision to the LP within 15 working days after the MC meeting. In case the pre-defined project was approved, the letter provides the total ERDF funding allocated by the programme, and if relevant, specific preconditions that must be fulfilled for decision to come into force. In case the pre-defined project was rejected, 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, may file a complaint as described in annex 4.

6.3. Contracting: partnership agreement and subsidy contract

If the MA approves the pre-defined project and makes the financing decision without conditions, the LP must submit a partnership agreement signed by all project partners to the MA. It must be submitted within 1 month after receiving the approval letter from the JS.

If the MA approves the pre-defined project with certain conditions, these must be fulfilled within 1 month after receiving the financing decision from the JS. If a reasoned request is provided, the MA may extend the time limit for fulfilling the conditions. The MA and MC, if necessary and guaranteeing that any MC member who has a conflict of interest is not involved in verifying the fulfilment of conditions, assisted by the JS, verify the fulfilment of 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 submit the partnership agreement signed by all project partners to the MA.

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

The MA sends the subsidy contract 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 in every stage of the proceedings – from the submission of project application to the project end – to check whether the partners have no tax debts or if they do, they are in compliance with a schedule that is in place.

7. PROJECT IMPLEMENTATION

7.1. Start and end date of the project

The start and end date of the pre-defined project are fixed in the application form before signing the subsidy contract. During submission of the application only pre-defined project's total 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 pre-defined project by the MC. Preparation costs, as described in section 5.4., are an exception to this rule. Please be aware that if the pre-defined project is approved with certain conditions then making any expenditure before the MA verifies the fulfilment of the conditions is at your own risk.

The latest, a project has to start within 3 months 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. Publicity requirements

As the programme is financed by the European Union all project partners have to follow the publicity requirements, and promote both the programme and the EU. The guidelines, that every project partner of the approved project has to follow, are published on the programme's website at www.estlat.eu. If these requirements are not followed or only partly followed, the related events, publications, etc. may become partly ineligible for ERDF co-financing and a financial correction decision is made based on the Annex 6. Guidelines to Financial Corrections.

7.3. Cost-sharing

Partners who plan to use cost-sharing have to sign a cost-sharing agreement. Otherwise, the cost-sharing is not eligible.

Shared costs are eligible only in case those are paid out from project partners' accounts. A cost-sharing, where LP is withholding a certain amount of partners' expenditure after receiving payment from the MA, is not eligible.

Cost-sharing agreement templates can be downloaded at www.estlat.eu.

7.4. Project Revenue

In case the pre-defined project generates net revenue, project eligible costs will be reduced in the amount of net revenue. Procedure for deducting net revenue from the project eligible costs is set forth in annex 2.

7.5. Payments to the projects and use of euro

Payments to the pre-defined project are made on a reimbursement basis and no advance payments are available. Progress report, which is approved by the JS, serves as a basis for transferring the ERDF co-financing to the account of the LP by the MA.

Payments to the lead partners will be made in euro.

Expenditure incurred in a currency other than euro shall be converted into euro by project partners using the monthly accounting exchange rate of the European Commission in the month during which that expenditure was submitted for verification to the financial control body (for the reference please see the website:

http://ec.europa.eu/budget/contracts_grants/info_contracts/infoeuro/index_en.cfm).

It is the responsibility of the LP to distribute the funding among all the project partners after receiving the payment from the MA. It has to 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 pre-defined project, as they are not eligible expenditure.

7.6. Accounting for expenditure and storing of documents

LP and project partners must ensure that all accounting documentation related to the pre-defined project is 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 ensures that an adequate audit trail is documented on all levels of the pre-defined project, including project partners' expenditure.

The documents must 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.

LP and project partners must ensure that all documents related to project costs and activities are safely and orderly kept at least 4 years after the final payment has been made by the MA to the LP.

When a project partner has received state aid, all documents related to project costs and activities must be 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.

When a project partner has received state aid, all documents related to project costs and activities must be safely and orderly kept for 10 years from the date on which the aid was granted. MA informs all projects about the exact length of storing all the documents related to project costs and activities in the subsidy contract.

7.7. Budget surplus

In the case of the project budget surplus, it will be subject to de-commitment after all the partner reports of the last reporting period have been submitted to financial control.

If there will be surplus in the project budget, the programme will apply one of the following two options:

- 1) The surplus will be granted via call for proposals to new projects;
- 2) The surplus will be granted via call for proposals for the completed projects for implementing follow-up activities.

7.8. Budget reallocation, request for changes and prolongation

There is 10% of budget line flexibility at the total project level i.e. it is allowed to overspend budget lines up to 10% without submitting an official request for changes for budget re-allocations (**10%**

budget flexibility rule). NB! A project's total budget and the partners' total budgets may not be exceeded.

In the following cases the decision on the submitted request for changes, budget re-allocation or prolongation is taken by the JS:

- Request includes changes in activities, which do not negatively affect the fulfilment of the target value(s) of the chosen programme output indicators.
- Budget re-allocation requests that exceed the 10% budget flexibility rule and do not negatively affect the achievement of the project objectives.
- Request to change the project start date.
- Request to prolong the project up to 6 months.
- Request to change a partner's total budget up to 30 %. If the change relates to a budget decrease, the submission of a new co-financing statement is not required.

NB! Budget division between work packages is indicative, therefore it is not required to submit a request for changes for re-allocating finances between work packages.

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.

In the following cases the decision on the request for changes or prolongation is taken by the MC:

- Request includes major changes in activities, which negatively affect the fulfilment of the target value(s) of the chosen programme output indicators.
- Request includes changes to the project objectives.
- Request includes changes in partnership of the project.
- Request includes adding, cancelling or having major changes in activities outside the programme area.
- Request to prolong the project for more than 6 months.
- Request to change a partner's total budget more than 30 %. If the change relates to a budget decrease, the submission of a new co-financing statement is not required.

The approved changes must be indicated in the project application form. The subsidy contract will be amended only in case of the changes in the main part of the contract. The prolongation request has to be submitted to the JS the latest one month before the end date of the pre-defined project.

All other requests can be submitted to the JS the latest before approval of the last progress report by the JS. Request for changes form is available on the website of the programme at www.estlat.eu. LP modifies the Application Form on eMS. Once the request is approved, the modified Application Form is the new official reference for the project, the FC and all the Programme bodies.

7.9. Submission of partner and progress 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 progress reports must be submitted via eMS after every 4 months. The exact reporting deadlines depend on project starting date.

Detailed guidelines for reporting in eMS are available on the programme's website at www.estlat.eu.

The description of reporting procedure and deadlines:

1) Each project partner (including LP) 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 financial control bodies. In Estonia, the financial control is carried out by the State Shared Service Centre, and in Latvia by the Ministry of Environmental Protection and Regional Development.

For example, if the pre-defined project starts on 10 March 2017, the first report covers the period 10 March 2017 – 9 July 2017, and project partners have to submit partner reports to the financial control bodies within 10 working days after 9 July 2017.

Partner report must be submitted with all the supporting bookkeeping documents³⁸ (e.g. receipts, invoices, bills, employment contracts, service contracts, lists of participants) and additional materials, e.g. examples of project outputs. The supporting documents must be provided electronically and uploaded to the report. It has to be remembered that each project partner's project related expenditure must be separated in the partner's bookkeeping system.

The financial control body checks the partner report and provides its first set of questions and comments in 30 working days from the date of receiving the partner report.

It is not possible to create new report until previous report is not submitted.

If a partner has no costs to report (0-cost report), it must still submit a partner report, but in this case, the partner report must be submitted to the lead partner. FC does not issue certificate to the 0-costs report.

NB! If a partner exceeds in the partner report the total amount of any budget line of its budget, it must inform the LP. The LP has to either accept or reject the overspending. The LP must inform the partner of its decision by sending a reply email with a copy to the Estonian or Latvian financial control body.

2) After receiving last confirmation of the partner reports, the LP has to submit the progress report of the whole pre-defined project with supporting documents in 10 working days. The progress report will be checked by the Joint Secretariat.

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

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

4) MA reviews the progress report and makes payment to the account of the LP. Usually it is made in 1 month after receiving the confirmed progress report from the JS.

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

The progress report consists of an activity report and financial report. The progress 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 pre-defined 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

³⁸ 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.

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 budget lines 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.

There are the following programme specific rules for reporting:

- 1) Project partners can have more meetings between themselves than indicated in the application form, if the meetings are linked with the project activities and for the benefit of the pre-defined project. **NB!** Please note that this exception does not apply to meetings outside the programme area. Project activities taking place outside the programme area must be specified in the approved application form (see points 5.1. and 5.3.3. of the programme manual).
These meetings do not have to be explained or justified in the progress report.
- 2) Travelling in Estonia and Latvia outside the programme territory (costs related to budget line "Travel and accommodation costs") is acceptable without further explanations in the following cases:
 - a) Meeting project partners, who are located outside the programme area;
 - b) Meeting the programme institutions in Tallinn;
 - c) Transporting people and/or materials directly related to pre-defined project;
 - d) Participating at the events organised by the programme.
 - e) Travelling in Estonia and Latvia outside the programme territory to events, which are not foreseen in the application form, but have a clear link with the activities of the pre-defined project and are for the benefit of the project (e.g. thematic conferences and workshops), is in general acceptable. However, partners must consult the JS before such trips, to avoid problems during processing of partner and progress reports.
- 3) Changes in the number of planned purchases in the budget line „Equipment“: If the final number of purchases is different from the planned amount in the application form, it must be explained and justified. In case the difference is +/- 20% of the planned amount, usually it is enough to explain the case in the progress report. However, the partners must consult the JS before making the expenditure, to avoid problems during processing of partner and progress reports. If the difference is more than +/- 20% of the planned amount, it must be decided in cooperation between the LP and the JS, whether it is enough to explain the situation in the progress report or request for changes in the pre-defined project should be prepared by the LP.
- 4) Number of participants: if the difference is more than 1/3 of planned number of participants (applies also to proportion of LV/EE participants, if indicated in AF), please justify the deviation. If it is less than 1/3, no need to explain deviations.
- 5) Publicity: if more press releases, articles etc. (which are not related to costs) are produced than planned, there is no need to provide the reasons. But in case of less publicity outputs are produced by the end of pre-defined project/serious deviations are noticed during the project, please provide justification.

The financial controllers have to verify that the reported activities have taken place, the delivery of sub-contracted supplies, work and goods is in progress or has been completed.

Project partners have five working days to reply to the questions of the controllers and when controllers have not received the replies in time, they verify only the costs FC has no questions about.

Costs which are withdrawn by the FC from respective partner report for additional clarification are automatically transmitted in the eMS-system into the next partner report. These open items from previously certified reports also referred to as “sitting ducks”, **must be clarified during the verification of the penultimate partner report.**

The basis of verification is desk-based check on the basis of random sampling or on-the-spot check that is carried out at least once during the project's lifetime.

Financial Control certificate is independent decision made by Financial Controller and the decision can be appealed to the National Responsible Authority.

For the overall coherence and quality of the report, it is crucial that the information provided in the report must be correctly filled. Financial controller has right to send the report back to the project partner for improvement.

Programme Authorities have the right to suspend proceedings of partner and progress reports when a partner's solvency is in question because this is a risk that the project is not sustainable

7.10. Pre-payments

LP has a right to request pre-payment in 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 FC bodies. The request cannot be submitted in the case of the first and last reporting period.

Please refer to annex 3 for the description of the pre-payment procedure and the application template.

7.11. Final report

Final report has to be submitted to the JS together with the last progress report. This report provides information about the achievement of the project objective and outputs as well as project's results and impact. The LP is also requested to give 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 progress report. A form of the final report is published in the programme's eMS at <https://ems.estlat.eu>.

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

7.12. Durability and ownership of project outputs

The ownership of the outputs having the character of investments in infrastructure and productive investments, produced during the project implementation, must remain with the LP or project partners for at least five years from the final payment to the lead partner.

The pre-defined project may have to repay the ERDF contribution if, within five years of the final payment to the LP, one of the following happens:

- A cessation or relocation of a productive activity outside the programme area;

- A change in ownership of an item of infrastructure, which gives to a firm or a public body an undue advantage;
- A substantial change affecting its nature, objectives or implementation conditions, which would result in undermining its original objectives.

The LP must inform the JS of such changes beforehand so that the JS can assess the situation and needed actions.

The programme has reduced the time limit described above to three years in cases concerning the maintenance of investments made by SMEs.

7.13. Audit and other possible checks

In addition to the financial control, all projects funded by the EU Structural Funds are subject to audits performed by national auditing institutions. The amount of programme funds, which are the subject to the second-level audit, is defined by the Audit Authority.

Moreover, sample checks on projects' accounts are carried out at even intervals. The responsible auditing bodies of the EU and, within their responsibility, the auditing bodies of Estonia and Latvia are entitled to audit the proper use of funds on the project level.

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.

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. The LP and project partners have to retain for audit purposes all files, documents and data about the project at least four years after the final payment has been made by the MA to the LP.

7.14. Decommitment rule

The programme funds are subject to the decommitment rule. ERDF budget commitments at the programme level are made on a yearly basis. If this money or part of it is not spent by the end of the third year following the year of the commitment (n+3), it is withdrawn by the European Commission.

Regular reporting and timeliness of projects are therefore crucial factors in ensuring regular cash flow to the programme and to the projects, and avoiding loss of the EU funds. In case the programme has to decommit funding, the project, which is under-spending and/or has serious delays with reporting, might lose part of the approved project budget.

7.15. Irregularities

The definition of irregularity given in Article 1 of Council Regulation 2988/95 states:

“Irregularity shall mean any infringement of a provision of Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from resources collected directly on behalf of the Communities, or by an unjustified item of expenditure.”

Examples of irregularities include:

- An incorrectly calculated payment claim received by the JS that is corrected before payment is made;

- Evidence indicating that items of ineligible expenditure have been included in the calculation of an ERDF grant previously claimed and paid;
- Evidence that a project has failed to implement the European Commission's requirements on publicity or public procurement;
- Evidence that a project has failed to make progress in the delivery of the agreed outputs and/or results for which the ERDF grant was awarded;
- Evidence that the partnership has not set up adequate systems to control and monitor the project expenditure;
- Evidence of fraud.

Irregularities can be identified in several ways:

- By the LPs;
- By financial control bodies or auditors;
- By national authorities;
- By the JS or MA on the basis of progress reports and payment claims.
- In case of irregularities, MA is responsible for making the recovery decision in cooperation with JS and FC and notifying the LP, the JS, the FC and national responsible authorities of the decision. The amount of recovery is deducted from future payments, or the LP is obliged to reimburse the amount requested.

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 (hereafter the EUSBSR or the Strategy). The need to solve common problems jointly in order to have a wider and more sustainable impact was the main impetus for elaborating the EUSBSR. The Strategy 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 Strategy addresses the key challenges of the Baltic Sea Region like sustainable environment, prosperity, accessibility, safety and security. It has to reflect the Europe 2020 objectives of smart, sustainable and inclusive growth.

The EUSBSR has three overall objectives:

1. to save the sea;
2. to connect the region;
3. to increase prosperity.

As the Programme area is covered by the EUSBSR, in the implementation, the Strategy will be taken on board as relevant and as much as possible. As the Programme is of rather modest size and the impact of the majority of the projects is probably of quite a local nature, **the applicants do not have to describe any possible link to the EUSBSR in the project application and contribution to the EUSBSR will not give any extra points in the project assessment.**

However, contribution to the EUSBSR gives the project broader visibility, may help project beneficiaries to find new partners outside their country, which in turn may widen the scope of activities and increase the capacity of the organisation.

The contribution to the EUSBSR will be established as follows:

During the assessment of **full project applications** the JS and the MA analyse whether, on the basis of the latest adopted Action Plan, a particular project may contribute to the EUSBSR. In case it is decided that the project contributes to the Strategy, the project Lead partner will be notified and respective notification is also made on Programme web-site.

The Lead partner and partners can add a link to the EUSBSR to their project-related website. The project partners may promote the Strategy and its contribution to it where relevant. They may also include this information into the project reports.

The MA and/or JS will notify the MC of such decision. The Programme bodies are entitled to include the contribution of the particular project to the Strategy in the reports submitted to the European Commission or other relevant authorities.

The criteria to be taken into account while assessing the contribution to the EUSBSR are the following:

1. The project should have an impact in the whole programme territory and possibly beyond it;
2. The project should create new development potential in the area in which it is implemented, with the possibility of using the results outside the programme area;
3. The project should support the achievement of objectives and sub-objectives as specified in the EUSBSR latest adopted Action Plan.