

Issuer:	Minister of Foreign Trade and Entrepreneurship
Type:	regulation
Type of text:	original/consolidated text
In force from:	27.11.2016
In force until:	Valid

Start-up grant

Adopted on 09.03.2015 No 20 the

Regulation shall be enacted on the basis of § 14 of the 2014-2020 Structural

Assistance Act.

Chapter 1 General provisions

§ 1. Scope of application

(1) The Regulation has been established to implement the objectives of the activity “Start-up grant” of the measure „Ettevõtlikkuse kasvatamine, ettevõtluse kasvu soodustamine, ettevõtluskeskkonna arendamine” (“Increasing entrepreneurship, promoting business growth, developing business environment”) of the priority direction “Development of small and medium-sized enterprises and strengthening the competitiveness of regions” of the Operational Programme for Cohesion Policy Funds 2014-2020.

(2) The Regulation is directed at achieving the objectives set out in the Estonian Entrepreneurship Growth Strategy 2014–2020 and accomplishing the objective 2.5.2.1 “SMEs are growth and export oriented” of the Operational Programme for Cohesion Policy Funds 2014-2020.

(3) The support given under this Regulation is *de minimis* aid in the meaning of Commission Regulation (EU) No 1407/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 352, 24.12.2013, pp. 1-8) (hereinafter *DMA Regulation*) and the provision of the abovementioned Regulation and § 33 of the Competition Act shall apply to it.

(4) This Regulation does not apply to enterprises on which a decision to recover the aid has been made under a prior decision of the European Commission deeming the aid unlawful and incompatible with the internal market, and the decision has not been complied with in time.

(5) This Regulation shall not apply to enterprises in difficulty in accordance with Regulation (EU) No 1301/2013 of the European Parliament and of the Council on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 (OJ L 347, 20.12.2013, pp. 289-302), Article 3 (3) (d), and Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, pp. 1-78), Article 2 (18). v

(6) The Regulation shall not apply to projects in the following fields of activity:

- 1) Primary production of the agricultural products listed in Annex I to the Treaty on the Functioning of the European Union;
- 2) Processing and marketing of the agricultural products listed in Annex I to the Treaty on the Functioning of the European Union in cases established in Article 1 (1) (c) of the DMA Regulation;
- 3) fishery and aquaculture in accordance with the provisions of Article 1 (1) (a) of the DMA Regulation;
- 4) agriculture, forestry and fishing (EMTAK 2008 Section A) and processing and preserving of fish, crustaceans and molluscs (EMTAK Section C 102);
- 5) intermediation of sale, wholesale and retail trade (EMTAK 2008 Section G), except maintenance and repair of motor vehicles and motorcycles;
- 6) real estate activities (EMTAK 2008 Section L);
- 7) manufacture of tobacco products (EMTAK 2008 Section C 120);
- 8) gambling and betting activities (EMTAK 2008 Section R 920);
- 9) financial and insurance activities (EMTAK 2008 Section K);
- 10) legal and accounting activities (EMTAK 2008 Section M 69), activities of head offices; management consultancy activities (EMTAK 2008 Section M 70), advertising (incl. online advertising) and market research

(EMTAK
2008 Section M 73);

11) rental and leasing activities and temporary employment agency activities (EMTAK 2008 Section N 77 and EMTAK 2008 Section N 782). A company in which a natural person who has received setting-up aid from the Unemployment Insurance Fund has a holding, cannot apply for a grant under this Regulation if the field of activity of the project overlaps with the field of activity previously supported by the Unemployment Insurance Fund.

(7) The grant cannot be applied for by a company that has previously received start-up or development grant from Enterprise Estonia (hereinafter *EAS*) under the Start-up Programme or Development Programme financed from state budget funds.

(8) Only the applications that comply with at least one of the conditions below shall be processed under the Regulation:

- 1) the applicant is operating or plans to implement the activities stated in the business plan outside the city area of Tallinn and the city of Tartu, creating jobs outside the city area of Tallinn and the city of Tartu in the period after the eligibility period in accordance with § 29 (1) (1) of this Regulation;
- 2) the applicant is operating or plans to implement the activities stated in the business plan within the city area of Tallinn and the city of Tartu, creating jobs within the city area of Tallinn and the city of Tartu in the period after the eligibility period in accordance with § 29 (1) (1) of this Regulation and being directed at internationalisation.

§ 2. The objective and outcome of the grant

(1) The purpose of granting support is to help start-up companies with growth potential.

(2) The Regulation contributes to achieving the performance indicators of the measure that are:

- 1) increasing the number of start-up enterprises with an annual turnover of at least EUR 125,000 on the third economic year after receiving the grant;
- 2) increasing the number of exporting enterprises.

(3) The Regulation contributes to achieving the output indicators of the activity under the measure that are:

- 1) the number of new enterprises receiving the grant;
- 2) an increase of employment in the enterprises that received the grant.

§ 3. Implementing agency and final beneficiary

(1) The implementing agency is according to the Government of the Republic order No. 557 of 15 December 2014 "Perioodi 2014-2020 struktuuritoetuse meetmete nimekirja kinnitamine" the Ministry of Economic Affairs and Communications (hereinafter: *implementing agency*).

(2) The final beneficiary is according to the Government of the Republic order No. 557 of 15 December 2014 "Perioodi 2014-2020 struktuuritoetuse meetmete nimekirja kinnitamine" Enterprise Estonia (hereinafter: *final beneficiary*).

§ 4. Terminology

The terms used in this Regulation are in the following meaning:

- 1) growth potential is the growth in sales revenue in the amount of at least 20% per each financial year within two financial years following the end of the project eligibility period, reaching the sales revenue of 80,000 euros by the end of the second financial year, and the capability to pay remuneration to at least two employees, which amounts to at least 70% of the annual average gross earnings recently published by Statistics Estonia;
- 2) sustainable company is a company that pays remuneration to at least two employees and this remuneration amounts to at least 70% of the annual average gross earnings recently published by Statistics Estonia, at least within two years from the month following the end of the project eligibility period, and with its business activity focused on profitability and internationalisation, and it is not subsidised from the personal funds of the stakeholders at a significantly lower price than the market value;
- 3) financial lease type contract is a lease contract that establishes that upon proper performance of the lease contract, including making all the payments, the ownership of the object of leasing shall transfer from the lessor to the lessee upon expiry of the contract;
- 4) internationalisation is the sales of goods produced in Estonia or provision of services in a foreign country or to foreign citizens in Estonia, whereat the sales of goods or provision of services shall make up at least 10% of the total turnover of the second economic year after the year when the project ended;
- 5) field of activity is the area on which the enterprise operates and which is determined by the sales revenue make-up characteristics of the enterprise. The field of activity determined by the enterprise shall match the EMTAK classifier both in numbers and in essence;
- 6) terms of reference is a document that describes the enterprise's expectations to software development, including the development objective of the expected software together with a description of the requirements;
- 7) business plan is the activity plan of the enterprise, describing the financial forecast of the enterprise, the objectives of the enterprise, the activities needed for their implementation, and the implementation schedule, as a result of which the enterprise's growth potential and international competitiveness will be developed;
- 8) marketing plan is a part of the enterprise's business plan that lists the marketing activities, their expected outcomes, the potential target group, and the schedule of the marketing activities;

- 9) a start-up company is a company that has been entered in the commercial register not earlier than 24 months prior to the submission of an application;
- 10) basic training for business start-ups is a training with an objective to provide people who comply with the requirements set in § 13 (1) of this Regulation the necessary basic knowledge and skills to start operating as an entrepreneur. After the training, the person shall be ready to immediately start operating as an entrepreneur;
- 11) development consultation is a systematic and long-term, at least three-year customer relationship between the development consultant and the grant recipient, supporting the consistent implementation of the activities of the business plan and successful enforcement of the business plan;
- 12) e-service is a portal on the webpage of the final beneficiary, enabling to submit the documents required by the final beneficiary;
- 13) intermediation of sales is an activity of mediators, brokers, and other traders who bring together sellers and buyers, organise business transactions in the name of the other party, including via Internet, and sell on auctions, including Internet auctions;
- 14) Tallinn city area is Tallinn together with the surrounding rural municipalities and towns: Saue and Maardu town, and Harku, Saue, Saku, Kiili, Rae, Jõelähtme and Viimsi rural municipalities;
- 15) project implementation period is the period from the decision to grant application until achieving the grant objectives, which is until the end of third financial year at the latest.

§ 5. County development centre

- (1) County development centre (hereinafter *CDC*) is a development organisation in each county, providing information, consultation, and development activities to entrepreneurs, non-profit associations, and local governments at the support of the State, the European Union, and local partners.
- (2) CDC offers pre-consultation to potential applicants, and development consultation to grant recipients according to the agreement made and procedure agreed with the final beneficiary.

§ 6. Submitting a challenge

Before lodging an appeal to administrative court on an activity of the final beneficiary or an administrative legislation, a challenge shall be submitted to the implementing agency via the final beneficiary in accordance with the § 51 of the 2014-2020 Structural Assistance Act (hereinafter: *Structural Assistance Act*). The challenge shall be reviewed in accordance with the procedure established in the Administrative Procedure Act.

Chapter 2

Activities supported, eligibility of expenses, and the share of grants

§ 7. Activities supported

- (1) Grant shall be given to entrepreneurs whose project activities contribute to achieving the performance and output indicators established in § 2 of this Regulation.
- (2) The following activities are supported under this Regulation:
 - 1) acquisition of tangible assets needed for implementation of the project;
 - 2) carrying out the marketing plan activities for implementation of the activity plan objectives in the business project;
 - 3) acquisition and development of the application software related to the main activity of the project;
 - 4) making the necessary labour costs for starting and operating the enterprise in accordance with § 8 (3) (7).
- (3) The grant shall not be paid if the project activities have been started before submission of the application to the final beneficiary or commitments have been entered into for implementation of the activities, except the activities or commitments serving as a basis for establishment of personnel expenditures set out in § 3 of the joint regulation. In case of personnel expenditures established in § 8 (3) (7) of this Regulation, the eligible expenses made since the submission of the application to the final beneficiary shall be compensated.

§ 8. Eligible and non-eligible expenses

- (1) Eligible expenses are the expenses necessary for carrying out the activities approved with the decision on acceding to the application that are in compliance with the requirements established in § 2 of the Government of the Republic Regulation No. 143 of 1 September 2014 „Perioodi 2014-2020 struktuuritoetusest hüvitataivate kulude abikõlblikuks lugemise, toetuse maksmise ning finantskorrektsioonide tegemise tingimused ja kord" (hereinafter: *joint regulation*), and this Regulation.
- (2) Eligible expenses are paid for during the eligibility period of the project or in 45 calendar days after the eligibility period of the project. Only the expenses emerging during the eligibility period shall be included in eligible expenses.

(3) The following expenses necessary for achieving the grant objective and the performance indicators established in § 2, and the expenses necessary for carrying out the activities stated in § 7 (2) of this Regulation in accordance with the limit set out in § 10 (2) of this Regulation shall be eligible:

- 1) expenses for acquiring tangible assets on the condition that the cost of a single item of the acquired tangible assets is at least EUR 100 and its service life is at least three years;
- 2) capital rent type leasing payments to be made during the eligibility period upon purchasing tangible assets on the condition that the cost of a single item of the acquired tangible assets is at least EUR 100 and its service life is at least three years, and the lessor is a credit or financing institution operating under the Credit Institutions Act;
- 3) the transportation, installation, and set-up costs of the tangible assets mentioned in clauses 1 and 2 of this section;
- 4) expenses for carrying out the marketing activities for performance of the activities stated in the business plan, including advertising expenses, online marketing expenses, trade fair participation expenses with a purpose of finding partners and customers on markets outside Estonia, and one-time activities included in the business plan, aimed at placing a new or existing product on a market of another member state;
- 5) application software acquisition expenses;
- 6) expenses related to programming, introduction, and testing related to development of the application software, except the acquisition and development expenses of the office software (including accounting, customer management, text processing, spreadsheet, and presentation software) that supports the applicant's support functions. These expenses are eligible on the condition that the ownership rights of the intellectual property remain to the applicant;
- 7) the staff costs needed for carrying out an activity in accordance with clauses 3 (1) 1)–4) of the Joint Regulation and the staff costs arising from the contract for services and authorisation agreement concluded with a member of the management board in accordance with subsection 3 (4) of the Joint Regulation. Support for staff costs may amount up to 50% of the support granted with the decision to approve the application;

(4) Purchasing tangible assets and services is eligible when it is done from persons whose field of activity in at least a year from making of the transaction has been sales of the acquired tangible assets or provision of services.

(5) The purchasing of tangible assets is eligible also from the lessor, which is a credit or financial institution operating on the basis of the Credit Institutions Act, and from the bankruptcy estate.

(6) Purchasing tangible assets is eligible when the main location of use of the tangible assets will be at the territory of the Republic of Estonia.

(7) The supplier of an item purchased with the grant, or the service provider shall be a legal person. If the item is purchased or service provided in Estonia with the grant, the supplier or service provider shall be registered in the respective register.

(8) Eligible expenses shall be validated in accordance with § 2 (4) of the joint regulation.

(9) In addition to the non-eligible expenses listed in § 4 of the joint regulation, the following expenses shall not be eligible:

- 1) current assets acquisition expenses;
- 2) immovable property acquisition expenses;
- 3) expenses related to acquisition and renovation of buildings;
- 4) consumer electronics acquisition expenses, except the acquisition of equipment directly needed for service provision;
- 5) expenses on acquisition of office furniture and equipment, except the purchase of computers used in the production process;
- 6) expenses related to acquisition and development of the office software (including accounting, customer management, text processing, spreadsheet, and presentation software) that supports the company's support functions;
- 7) car acquisition expenses;
- 8) non-monetary payments;
- 9) depreciation costs;
- 10) bank guarantee;
- 11) financial and banking expenses;
- 12) state fees;
- 13) transport expenses;
- 14) consultation expenses, including costs for legal assistance;
- 15) expenses on strategy preparation and activity implementation as a bought-in service;
- 16) expenses of conclusion of a capital lease type contract for acquisition of tangible assets, interest expenses, insurance expenses, and other expenses related to the lease contract, except the lease payments stated in § 8 (3) (2) of this Regulation;
- 17) export-related costs, which are directly related to the costs of the volumes to be exported, the costs of establishing and managing a distribution network or other running costs arising from export (including the remuneration of sales manager and any related costs and the establishment of a sales network);
- 18) accommodation and transportation costs and daily allowances related to business trips;

19) expenses that have occurred due to transactions between associated persons under § 8 (1) of the Income Tax

Act. § 9. Project eligibility period

(1) Project eligibility period is a period established in the decision on acceding to the application when the project activities begin and end, and the expenses necessary for the implementation of the project occur.

(2) Project eligibility period starts at the date of submission of an application to the final beneficiary, or the date set in the decision on acceding to the application that may not be later than two months from the submission of the application, and ends on the date set in the decision on acceding to the application, but no later than on 31 August 2020.

(3) The project eligibility period lasts for 12 months.

(4) A project shall be deemed completed after the final report has been approved by the final beneficiary.

(5) The recipient of a grant may apply for the project to be terminated before the date stated in the decision on acceding to the application in case of occurrence of circumstances independent of the recipient that prevent from the project to be continued or make the continuing unjustified.

§ 10. Share and limit of the grant

(1) The maximum amount of the grant is EUR 15,000 per project.

(2) The maximum share of the grant from the eligible expenses of the project is up to 80%.

(3) The share of self-financing shall cover the part of the eligible expenses that the grant does not involve. Other repayable and non-repayable support by the State, local governments, or other European Union institutions or funds shall not be deemed self-financing.

(4) The amount and share of the grant given to a project shall be established in the decision on acceding to the application.

Chapter 3

Applying for the grant and requirements to applicants and applications

§ 11. Preconsultation

(1) Before submission of an application, an entrepreneur complying with the requirements established in § 13 (1) of this Regulation shall participate in preconsultation organised by the final beneficiary, in the course of which an assessment is given to the entrepreneur and the project planned, the implementability of the planned activities, and the capability of the persons having a holding in the applicant to carry out the project.

(2) The company submits a digitally signed electronic business plan to the pre-consultation manager, including financial forecasts and any stakeholders of the applicant, as well as the CVs of the management board members. If the pre-consultation manager considers it necessary to meet with the company, then a management board member will participate in the relevant meeting.

(3) The person carrying out the preconsultation shall compile a digitally signed assessment on the capability of the persons having a holding in the applicant, and of the Members of the Board to carry out the project in one month from the submission of the documents stated in Subsection 2 of this Section at the latest. This assessment verifies passing of the preconsultation and is an assessment on the evaluation criterion established in § 19 (3) (4) of this Regulation. The assessment is not a preliminary administrative act and does not limit the final beneficiary's right of discretion in evaluating the application.

(4) The assessment set out in Subsection 3 of this Section shall be submitted electronically to entrepreneurs who pass the preconsultation, to the e-mail address given to the person who carried out the preconsultation. The assessment is valid for 6 months from being prepared.

§ 12. Applying for a grant

(1) Grants are applied for on an ongoing basis. The grant is issued once.

(2) The final beneficiary shall notify of initiation, closing, and suspension of accepting applications on its webpage.

(3) Applications shall be submitted digitally signed via the e-service of the final beneficiary by a person that has a right to represent the applicant.

(4) From the moment in which the amount applied for in the registered applications on which no decision has been made yet, exceeds the available amount of financing, the applications shall be processed in the order of their submission.

(5) The final beneficiary has the right to stop accepting applications when the balance of the financing budget of activity under the measure becomes equal with the volume of pending applications being processed.

§ 13. Requirements to applicants

(1) The applicant for the start-up aid may be a company that has been entered in the commercial register not earlier than 24 months prior to the submission of an application and in which the legal persons may hold up to a total of 25% of the shares.

(2) In addition to the requirements established in §2 of the Government of the Republic Regulation No. 133 of 21 August 2014 „Perioodi 2014-2020 struktuuritoetuse taotlemise ja taotluste menetlemise nõuded ja tingimused toetuse andmise tingimuste määruse kehtestamiseks" (hereinafter: *application processing regulation*), the applicants shall also comply with the following requirements:

- 1) applicants shall perform the obligation established in the Taxation Act and submit tax declarations as required;
- 2) applicants shall have passed the preconsultation established in § 11 of this Regulation;
- 3) [-];
- 4) the number of employees in the applicant shall be less than 10;
- 5) the sales revenue of the applicant's previous economic year, or the balance sheet total, may not exceed EUR 80,000;
- 6) a shareholder of the applicant may not have held or still hold shares in a company operating in the same area of activity as the applicant or operate as a company in the same area of activity as the applicant or until the decision to approve the application within 12 months preceding the submission of the application. A shareholder of the applicant must not be a management board member in another company operating in the same area of activity as the applicant;
- 7) a Member of the Board of the applicant may not have a holding in another enterprise operating the same field of activity as the applicant at the time of submission of the application;
- 8) a Member of the Board of the applicant may not have a holding in an enterprise operating the same field of activity or be a part of a Management Board of an enterprise operating in the same field as the applicant in 12 months before submission of the application;
- 9) repayable grants received from the final beneficiary from other state budget funds shall be repaid in time;
- 10) the applicant's forecast increase in sales revenue for the two years following the eligibility period of the project is at least 20% per economic year, reaching the sales revenue of at least EUR 80,000 by the end of the second economic year;
- 11) support given to an applicant according to the DMA Regulation together with a grant given under this Regulation and *de minimis* aid issued under the Commission Regulation (EU) No 1408/2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agriculture sector (OJ L 352, 24.12.2013, pp. 9-17) and the Commission Regulation (EU) No 717/2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, pp. 45-54) shall not exceed EUR 200,000 in the current economic year and the last two economic years in total;
- 12) *de minimis* road transportation aid granted to an enterprise operating in the field of road transportation and carrying goods for a rental fee or remuneration during the current and two previous economic years in total may not exceed EUR 100,000 together with the grant applied for under this measure, and the grant shall not be used for purchase of vehicles used in road transportation services;
- 13) if the applicant has received *de minimis* aid under the Commission Regulation (EU) No 360/2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid in the agriculture sector (OJ L 114, 26.04.2012, pp. 8-13), the total amount received by the enterprise under that Regulation and the Commission Regulation (EU) No 1407/2013 in the current economic year and the last two economic years, together with the grant applied for under this measure, may not exceed EUR 500,000;
- 14) the persons having a holding in the applicant and the Members of the Board shall be the same as during the preconsultation.

§ 14. Applicant's obligations

An applicant shall:

- 1) pass a preconsultation;
- 2) verify that the information submitted in the application is in compliance with the requirements and conditions established in this Regulation;
- 3) provide additional information or documents at the request of the final beneficiary in a requested from and by the requested time;
- 4) upon the request of the final beneficiary, verify the ability to pay for the self-financing and non-eligible expenses of the project;
- 5) enable to monitor the compliance of the applicant and the application, including making on-the-spot inspections;
- 6) inform the final beneficiary immediately of all changes in the submitted data, or circumstances that impact or may impact the decision on the application or performance of the obligations by the applicant, including changes in the name, address, and legal or authorised representatives, transformation, submission of a bankruptcy petition, or appointment of liquidators, termination of activities, and other similar circumstances, also when the mentioned changes are registered in the commercial register or have been published in media;
- 7) inform the final beneficiary immediately of taking a decision to transfer the applying enterprise or its part, and the related assets or rights;
- 8) submit an authorisation document if the person with the right of representation is acting under an authorisation;
- 9) an applicant shall ensure CDC consultant access to the project data in the e-service;
- 10) perform other obligations established in the Structural Assistance Act and the legislation based on that Act.

§ 15. Requirements to the application

(1) In addition to the provisions of § 4 (1) of the Application Processing Regulation, the application shall comply with the following requirements:

- 1) the project described in the application shall comply with the grant's objective established in § 2 (1) of this Regulation and be aimed at achieving the indicators set out in § 2 (2) and (3) of this Regulation;

- 2) the project budget included in the application shall include the required self-financing.
- (2) In addition to the provisions of § 4 (2) of the Application Processing Regulation, the application shall contain the following data and documents:
 - 1) assessment of the person who carried out the preconsultation, complying with the provisions of § 11 (3) of this Regulation;
 - 2) business plan. If a grant for marketing activities is applied for, the business plan shall also include the planned marketing activities. If the applicant plans to operate on an international market according to the application, the activity plan shall include activities related to improving the international competitiveness. The activities included in the business plan shall support the objectives set by the entrepreneur, be measurable, and submitted for the entire eligibility period of the project at the minimum;
 - 3) financial forecasts for four years, starting from the year of initiation of the project;
 - 4) financial reports (balance sheet and income statement) on the previous economic activity as at the quarter preceding to the date of submission of the application, if the applicant has started the economic activity;
 - 5) an authorisation document if the person with the right of representation is acting under an authorisation;
 - 6) at least one price offer with regard to a product and service to be purchased according to each application if the costs of the product or service to be purchased without VAT remain below 5,000 euros. If the estimated costs of the product or service to be purchased without VAT amount to 5,000 euros or more, then it is required to submit three independent and comparable price offers. The price offers should not date back to more than three months from the application submission date. If it is not possible to submit three independent price offers or if the cheapest offer is not selected, a statement of substantiation should be provided. When purchasing a device, the price offer should include the technical description of said device;
 - 7) upon acquisition of used equipment, a proposal as to the amount of a fee on a similar new equipment, or a reference to public sources the information on the proposal as to the amount of a fee is available on the Internet;
 - 8) if the grant is applied for purchasing application software, terms of reference shall be submitted for the development of the application software;
 - 9) If the support is applied for compensating staff costs, it is required to submit a copy of a contract of employment, a contract for services or an authorisation agreement. If a contract has not been signed, it is necessary to provide the description of the work tasks, job or mandate;;
 - 10) CV of the persons having a holding in the applicant, and of the Members of the Board;
 - 11) information on simultaneous applications for support from other budgetary, European Union, or foreign aid funds for the project or activities of the project;
 - 12) the applicant's verification that it complies with the requirements set in § 13 of this Regulation;
 - 13) the applicant's verification that the submitted information is complete and correct.

Chapter 4 Processing of applications

§ 16. Processing of applications

- (1) Processing of applications consists of their registration, substantial conformity check, accepting or rejecting, verification of the compliance with the requirements of both the application and the applicant, requesting explanations, additional information, or supplementations and amendments to the application, project assessment, and making the decision on acceding or not acceding to the application.
- (2) Applications shall be processed in up to 20 working days from the registration of the application at the final beneficiary.
- (3) The final beneficiary may request for explanations and additional documents from applicants in the course of processing the applications, or supplementation of amendment of the applications if the final beneficiary finds that the application is not clear enough or has shortcomings, while indicating the circumstances that need clarification, supplementation, or additional information. In case of asking for additional information or for removal of shortcomings in the application, the final beneficiary shall give a 10-day deadline that also extends the deadline for processing the application.
- (4) The final beneficiary shall have the right to propose to the applicant to change the amount of the grant applied for and the project activities on the condition that the objectives and the outcomes of the project do not change. If the applicant agrees, the final beneficiary shall it a 10-day deadline for making the changes. The deadline for processing the application shall extend by that time.

§ 17. Registering of applications, and substantial conformity check

- (1) Applications shall be registered and checked for conformity at the final beneficiary. The deadline for a substantial conformity check of applications is three working days from the registration of the application. During the substantial conformity check, applications are controlled for proper drafting and the presence of all required annexes.
- (2) If an application does not need specifying or a circumstance stated in § 12 (4) of this Regulation occurs, the applicant is informed of registration of the application and the circumstance under § 12 (4) in three working days after registration of the application.
- (3) The final beneficiary will reject the application without substantially assessing the application and checking the conformity of the applicant and the application, when:

- 1) the applicant has not eliminated the shortcomings by the time specified in § 16 (3) of this Regulation;
- 2) the applicant has already submitted an application to the final beneficiary under this Regulation, and the application is still pending;
- 3) circumstances stated in § 1 (4)-(6) of this Regulation exist;
- 4) the applicant has not passed the preconsultation established in § 11 of this Regulation.

§ 18. Declaring applicants and applications admissible

- (1) The final beneficiary shall consider an applicant admissible if it complies with all the requirements established in § 13 of this Regulation.
- (2) The final beneficiary shall consider an application admissible if it complies with all the requirements established in § 15 of this Regulation.
- (3) In case of inadmissibility of an application or an applicant, the final beneficiary will reject the application without its substantial assessment.
- (4) An application shall be deemed inadmissible if at least one of the following circumstances occur:
 - 1) the application does not comply with the requirements set out in § 15 of this Regulation, and the applicant has not eliminated the shortcomings within the given deadline;
 - 2) the applicant tries to impact the processing of the application by fraud, threats, or any other unlawful way;
 - 3) the applicant does not enable on-the spot verification established in § 21 (7) of the Structural Assistance Act at the location of the applicant and the planned activities.

§ 19. Assessment criteria and procedure

- (1) Applications deemed admissible are assessed. The final beneficiary shall have the right to establish advisory selection or assessment committees and involve experts to the assessment process of the applications. The establishment and composition of the selection and assessment committees shall be previously agreed with the implementing agency.
- (2) If any shortcomings are detected in assessment of an application or additional information is needed, the applicant shall be informed immediately and up to 10 working days will be given for submitting the information. For that time, processing of the application stops. In case of using experts, the application processing deadline shall extend by the time needed for the expert analysis, but by no more than 10 working days. The final beneficiary shall inform the applicant immediately of the longer processing time.
- (3) The assessment criteria of the projects and shares from the total score are following:
 - 1) project's impact on the achievement of the objectives of the measure (35% of the total score). The project's contribution to the objective of the grant stated in § 2 is assessed, including the expected scope of the project outcomes, the applicant's growth potential, and its capability of operating as an independent sustainable enterprise after the project ends;
 - 2) the deliberateness of the project (25% of the total score), among other things assessing the justification of the objective of the project, including the existence of a potential market, bottlenecks or unused development possibilities; the understandability and impact of the project's intervention logic, including whether the activities provided in the project enable to achieve the planned outputs and results, the connectedness of the activities with the objectives and the understandability of the impact; the realisticness of the schedule of the activities, considering the interdependency of the activities and the quality of the project preparation;
 - 3) cost-effectiveness of the project (15% of the total score), among other things assessing whether the activities and solutions are sufficiently cost-efficient to achieve the planned outputs and results; is the planned budget realistic and clear, and does it contain the necessary amount of self-financing, including the capability of financing additional fixed costs, what are the calculations and evaluations that form a basis to the budget, and are the planned expenses necessary and reasonable;
 - 4) recipient's capability to implement the project (25% of the total score), assessing whether the applicants (including the team implementing the project) has the sustainability and the necessary knowledge, skills, and legal and organisational abilities to implement the project as planned.
- (4) The assessment shall take place in accordance with the assessment methodology approved by the final beneficiary. In compiling the assessment methodology, the final beneficiary shall base on the assessment criteria set in Subsection 3 of this Section, and agree the methodology with the implementing agency before approval. The final beneficiary shall publish the assessment methodology at its webpage on the first day of submission of applications at the latest.
- (5) Applications are assessed on the scale of 0-4. The total score given during the assessment is made up of the weighted average of the scores of the assessment criteria. An application shall be acceded to if the total assessment score is at least 2.50 and the score of each separate criterion at least 2.00. If at least one of the criteria described in Clauses 1-4 of Subsection 3 of this Section is assessed with a score below 2.00, the assessment shall be terminated and the application rejected.

§ 20. Conditions and procedure for acceding or not acceding to an application

(1) The final beneficiary shall make a decision on acceding to the application. In case of non-acceding to the application, the final beneficiary shall make a decision not to accede. The application will be acceded to in full, partially, or with secondary conditions.

(2) The applications to be acceded to are compliant and correspond to all of the following requirements:

- 1) have received a total score of at least 2.50 under the assessment criteria listed in § 19 (3) of this Regulation;
- 2) has not been assessed by a score lower than 2.00 in any of the assessment criteria of § 19 (3) (1)-(4).

(3) In addition to the provisions of § 8 (2) of the Application Processing Regulation, an application shall also be not acceded to in the following cases:

- 1) in assessment of the applicant's data and the information in the applications, it becomes evident that the project objectives can be achieved without a grant;
- 2) it emerges during the assessment that false data has been used in the application;
- 3) the volume of applications processed exceeds the application financing budget's balance and the application cannot be partially acceded to in accordance with § 9 (1) of the Application Processing Regulation and § 21 (2) of this Regulation.

(4) The decision on acceding to the application shall specify the rights and obligations of the recipient. (1) In addition to the provisions of § 8 (4) of the Application Processing Regulation, the decision also establishes the following:

- 1) the minimum performance indicators to be achieved under the project and set out in § 29, or higher performance indicators described in the project;
- 2) the date of achieving the performance indicators set out in Subsection 1 of this Section;
- 3) recipient's obligation to participate in a development consultation organised by the final beneficiary at least once in every six months;
- 4) terms and conditions for payment of the grant;
- 5) reporting obligation;
- 6) the final beneficiary's right to request reports after the implementation of the project.

(5) The decision to reject the application shall include the data established in § 8 (5) of the Application Processing Regulation.

(6) The decision to accede or not to accede to the application shall be sent electronically and via the e-service in two working days from making of the decision.

§ 21. Acceding to applications partially or with secondary conditions

(1) Partial acceding of an application is allowed only on justified cases and on the condition that the project's objective can be achieved also with a partial grant. Upon partial acceding to the application, the amount of the grant can be reduced upon agreement of the applicant, and the supporting activities changed. If the applicant does not agree with the final beneficiary's suggestion, the final beneficiary shall make a decision not to accede.

(2) In addition to the provisions of § 9 (1) of the Application Processing Regulation, partial acceding to the application is justified when:

- 1) grant has been applied for activities or expenses that are not eligible or important, necessary, or justified as to the implementation of the project;
- 2) ensuring self-financing in the amount of the budget in the application is not possible or real;
- 3) project objectives can be achieved also with a partial grant.

(3) In accordance with the provisions of § 9 (3) of the Application Processing Regulation, a decision on acceding to the application can also be made with secondary conditions.

(4) A recipient does not have a right to payments under a decision on conditional acceding to the application. The applicant will get the right to the grant payments after the final beneficiary registers the information on the arrival or performance of the secondary conditions and adds it to the decision on acceding to the application.

(5) A decision on partly acceding to the application or acceding with secondary conditions shall be prepared based on § 20 (4) of this Regulation.

§ 22. Amending and repealing a decision on acceding to the application

(1) A decision on acceding to the application is amended upon the initiative of the final beneficiary or by request of a recipient submitted via e-service.

(2) In addition to the provisions of § 10 (2) of the Application Processing Regulation, a recipient shall apply for an amendment to a decision on acceding to the application when the recipient wants to change the project's budget (on the condition that the amount of the grant does not increase) and the budget change exceeds more than 30% of the volume of the budget line for the specific actions.

(3) A recipient can apply for an extension of the eligibility period of the project once and by six months at the most, whereas the eligibility period shall end on 31 August 2020 at the latest. The respective application shall be submitted during the eligibility period of the project.

(4) If an applicant wishes to amend the circumstances of the decision on acceding to the application stated in § 10 (2) (1)-(3) of the Application Processing Regulation, the final beneficiary shall verify the circumstances, check the relevance and necessity of the amendment, and if it is necessary, also view the assessment criteria established in § 19 (3) before making the decision.

(5) The final beneficiary shall have the right to refuse to amend a decision on acceding to the application, if the amendment requested puts into question achieving the expected results of the project or completion of the project activities in the eligibility period.

(6) The final beneficiary shall decide on amending the decision in 20 working days after receiving the respective application.

(7) The final beneficiary shall deem the decision on acceding to the application completely or partially invalid if at least one of the grounds established in § 22 (3) or § 47 (3) of the Structural Assistance Act exists, or the recipient did not achieve the performance indicators established in § 29 of this Regulation, or the higher performance indicators described in the project and established in the decision on acceding to the application.

Chapter 5

Terms and conditions of reporting and payment of the grant

§ 23. Submission of reports on the use of the grant

(1) A recipient shall submit the final beneficiary the interim and final reports of the project via s-service and in accordance with the terms and conditions established in the decision on acceding to the application. A recipient shall submit reports after the implementation of the project upon request by the final beneficiary.

(2) The report forms and the data submitted on these forms shall be established by the final beneficiary and published at the e-service.

(3) A recipient shall submit a balance sheet and an income statement as at the last quarter at least once in six months when participating in a development consultation.

(4) A recipient shall submit an interim report in 45 calendar days after the eligibility period of the project.

(5) A recipient shall submit a final report in 30 calendar days after 24 months have passed from the end of the eligibility period of the project.

(6) The interim report of the project shall include at least the following information:

- 1) information on the state of the project (works and activities carried out);
- 2) the recipient's verification of the correctness of data, the signature and the date of submission of the report.

(7) The final report of the project shall include at least the following information:

- 1) information on the implementation of the project, including the works and activities carried out, the performance level of results and indicators;
- 2) the recipient's assessment on the performance and implementation of the project;
- 3) the recipient's verification of the correctness of data, the signature and the date of submission of the report.

(8) The final beneficiary shall approve or reject the interim and final reports in 20 working days from their registration at the final beneficiary at the latest.

§ 24. Requirements for payment of the grant

(1) Submission and processing of the payment applications, and payment of the grants shall take place in accordance with the §§ 11 to 14 of the joint regulation, and the terms and conditions established in the decision on acceding to the application.

(2) Payment applications can be submitted only until submission of the interim report on four times at the most, at the frequency chosen by the recipient.

(3) The grant shall be paid according to the actual expenses in accordance with § 14 (1) of the joint regulation. A grant for personnel expenditure shall be paid only according to § 14 (1) of the joint regulation.

(4) The preconditions for paying out the grant based on the actual expenses are:

- 1) performance of the project activities, occurrence of the eligible expenses, and their payment either in full or at the extent of the self-financing;
- 2) submission of a payment application and documents verifying the expenses arising from the project activities (expense receipts).

(5) No prepayments of the grant shall be made.

(6) The final beneficiary shall process the payment application for up to 20 working days.

- (7) The final beneficiary shall have the right to suspend the processing of a payment application either fully or in part in the event established in § 30 (1) of the Structural Assistance Act.
- (8) Documents verifying the expenses are original accounting documents (including invoices, accompanying documents, instruments on acceptance of work, contracts, pay slips) and the grant shall be paid only when the recipient has paid the eligible expenses by a bank transfer.
- (9) The following documents shall be added to the payment application:
- 1) if the recipient has fully paid the eligible expenses, copies of the documentation of the expenses (invoice, agreement, instrument of delivery and receipt), and the documents verifying their payment (including VAT);
 - 2) if the recipient has paid the eligible expenses in the amount of self-financing, copies of the documentation of the expenses (invoice, agreement, instrument of delivery and receipt), and the documents verifying their payment (including VAT and non-eligible expenses) in the amount corresponding to the self-financing established in the decision on acceding to the application.
- (10) If the grant was applied for acquisition of used tangible assets, documents shall be added to the payment application, verifying that the cost of the tangible assets does not exceed its market value and is lower than similar new tangible assets, and the tangible assets have the technical qualifications needed for the implementation of the project and complying with the valid provisions and standards (if necessary, submit a proposal as to the amount of a fee on similar new tangible assets, or a reference to public sources where this information is freely available, if it can be found on the Internet), and a declaration filled by the seller of the equipment in which the recipient verifies that:
- 1) in the previous seven years, no European Union, state budget, or foreign aid means have been used to purchase tangible assets;
 - 2) the cost of the tangible assets does not exceed its market value and is lower than the similar new devices;
 - 3) the tangible assets have the technical specifications necessary for the implementation of the project, and they comply with the valid provisions and standards.
- (11) If, during processing of a payment application, a shortcoming appears in the application that can be eliminated, the final beneficiary shall set a deadline for eliminating the shortcoming in accordance with § 30 (2) of the Structural Assistance Act.
- (12) Upon paying the grant under the procedure established in § 14 (1) (2) of the joint regulation, the recipient shall submit the final beneficiary copies of the payment documents in 10 calendar days from the receipt of the payment.
- (13) Before submission of a new payment application, a recipient shall have performed all the requirements established in Subsection 4 of this Section. The final beneficiary shall not pay the grant to the recipient if the requirements have not been met.
- (14) The final beneficiary shall not pay the grant amount stated in the payment application if at the moment of submission of the payment application, the recipient's tax or payment arrears to the State together with the interests is more than EUR 100 and it is not paid in instalments. In case of payment of tax arrears in instalments, the payments shall have been made in time. Applicants shall perform the obligation established in the Taxation Act and submit tax declarations as required.
- (15) The final beneficiary shall have the right to refuse the payment of the grant either partially or in full if:
- 1) the submitted payment application, expense or payment documents do not comply with the requirements;
 - 2) the submitted expense receipts do not comply with the project's activities and objectives set out in the grant application budget.

§ 25. Development consultation

- (1) The purpose of development consultations is to advise the grant recipients and gather information on the project-related activity, project implementation, and the success related to the project.
- (2) A recipient shall participate in a development consultation organised by the final beneficiary. The final beneficiary shall notify of the people carrying out the consultations and other important information at its webpage.
- (3) The development consultation period shall last from the entry into force of the decision on acceding to the application until the end of the implementation period.
- (4) Development consultations are provided to the recipients at the frequency requested, but recipients shall attend a development consultation no longer than once in six months.
- (5) Recipients shall attend a development consultation more frequently than once in six months upon a respective invitation by CDC.
- (6) At development consultations, the recipient shall always submit its balance sheet and income statement as at the end of the previous quarter.
- (7) Development consultations shall be deemed completed upon submission of the interim report, as well as the eligibility period of the project.

Chapter 6

Achieving the performance indicators of the project; rights and obligations of a recipient and the final beneficiary

§ 26. Recipient's obligations

If legislation does not provide for a longer term, the support recipient will ensure the implementation of the project until the end of the period pursuant to the deadlines and terms and conditions established in section 24 of the Structural Assistance Act and fixed in the decision to approve the application on the implementation of the project, including:

- 1) use the grant in accordance with the decision on acceding to the application;
- 2) shall achieve the performance indicators of the project by the date established in the decision on acceding to the application;
- 3) participate in development consultations at least once in every six months;
- 4) submit the required information and data to the final beneficiary in time;
- 5) inform the final beneficiary in advance of the need to amend the project activities, budget, and the deadlines;
- 6) submits price offers if the product or service to be purchased has changed and also the price of the product or service to be purchased compared to that submitted in the application has changed. If the transaction amount exceeds 5,000 euros without VAT, at least three price offers will be submitted, which are prepared by mutually independent tenderers and comparable in terms of content. If it is not possible to submit three independent price offers or if the cheapest offer is not selected, a statement of substantiation should be provided.
- 7) previously informs the implementation unit in writing or in a format enabling written reproduction about the disposal, encumbrance or transfer of assets or rights in the possession or use of the support recipient if the mentioned activity may influence the implementation of the project;
- 8) previously informs the implementation unit in writing or in a format enabling written reproduction about the planned changes among the circle of the shareholders of the support recipient, except in the case of a company admitted to official listing;
- 9) ensure that in the accounting of the recipient, the expenses of the supported project and their expense and payment documents are clearly distinguishable from the other expenses and expense and payment documents of the recipient;
- 10) reply to questions of the final beneficiary regarding the performance of the project in a timely manner;
 - 11) repay the grant recovered by the final beneficiary in the amount and by the date established in the recovery decision;
 - 12) ensures the durability requirement in accordance with clause 24 (14) of the Structural Assistance Act within three years and does not give the assets acquired by means of the support to the use of third persons during the term applied to the durability requirement;
 - 13) inform the final beneficiary immediately of all changes in the submitted data, or circumstances that impact or may impact the performance of the obligations by the applicant, including changes in the name, address, and legal or authorised representatives, transformation, submission of a bankruptcy petition, or appointment of liquidators, termination of activities, and other similar circumstances, also when the mentioned changes are registered in the commercial register or have been published in media;

§ 27. Rights of a grant recipient

(1) A recipient shall have the right to receive information on the requirements established by legislation and the obligations of a recipient.

(2) A recipient shall have a chance to submit their statements on cases established in § 23 (2) of the Structural Assistance Act.

§ 28. Rights and obligations of the final beneficiary

(1) In addition to what is provided in § 8 (2) of the Structural Assistance Act, the final beneficiary shall also have the following obligations:

- 1) to submit information to an applicant or recipient on the decisions taken on them in two days after making of the decision;
- 2) to send information on the applications, monitoring and other data of the projects to the structural aid register;
- 3) to monitor the proper implementation of the project;
- 4) to ensure constant monitoring of the balance of the measures, and if necessary, submit a report to the implementing agency;
- 5) to save the information on granting *de minimis* aid together with the information and the necessary additional documents for ten years from issuing the last grant;
- 6) to prepare a monitoring report and a final report of the measure, verify the correctness of the data (by the Head of the final beneficiary), and submitting the information to the implementing agency;
- 7) to review and approve project reports and send them to the structural aid register;
- 8) to provide explanations of recipients on the matters concerning receiving and using the grant;
- 9) to submit the information needed for the report on the issuing and use of grants;
- 10) to prepare and publish overviews on the issuing and use of grants;
- 11) informing the implementing agency of circumstances that prevent the use of grants;
- 12) to carry out a posteriori monitoring of the projects in five years after the end of the eligibility period at the latest, to ensure that the assets acquired as a result of the project are used as intended;

- 13) to inform a recipient of the requirement of durability established in § 24 (14) and 17 of the Structural Assistance Act, and the beginning and the end of the deadline for preserving the documents and proof;
- 14) informing of a recipient of being granted *de minimis* aid;
- 15) upon justified request of a county development centre carrying out the development consultations, submitting information on the issues regarding the implementation of the project;
- 16) organising base training for starting entrepreneurs and a preconsultation to potential applicants, and publishing the respective information at the webpage;
- 17) preparing an assessment on the enterprise and the business plan after the preconsultation, and sending it to the enterprise;
- 18) monitoring the performance of the objectives agreed in the enterprise's activity plan and in case of non-performance informing the recipient immediately.

(2) The final beneficiary shall have the right to:

- 1) make inspection on the expense receipts and project implementation at the territory of the recipient according to § 42 of the Structural Assistance Act;
- 2) see the documents on project preparation and the documents compiled in the process of the works;
- 3) request of additional information and documents on the duration, activities, objectives, results, and expenses of the project, verifying the proper performance of the project and the obligations of the recipient;
- 4) terminate the payment of grant and request for its partial or full return if the recipient violates the terms and conditions of the Structural Assistance Act, the regulations based on that Act, and this Regulation, or deviates from the provisions of the application or the decision on acceding to the application in any other way;
- 5) reduce the amount of the grant proportionally when the expenses stated in the decision on acceding to the application decrease;
- 6) refuse the payments if the economic situation of the recipient has worsened to the position in which the use of the grant or implementation of the project is uncertain.

Chapter 7

Performance indicators and financial corrections of the project

§ 29. Achieving the performance indicators of the project

The recipient shall achieve the following performance indicators:

- 1) from the month following the end of the project eligibility period, at the latest, the support recipient has at least two employees during two consecutive years, whose remuneration is at least 70% of the annual average gross earnings recently published by Statistics Estonia;
- 2) the sales revenue has increased by at least 20% per economic year in the two economic years after the eligibility period of the project;
- 3) the sales revenue of the second year after the end of the eligibility period of the project shall be at least EUR 80,000.

§ 30. Financial corrections

- (1) A financial correction decision shall be made in accordance with the provisions in §§ 45-47 of the Structural Assistance Act and §§ 21-23 of the joint regulation.
- (2) A grant shall be recovered in accordance with § 48 of the Structural Assistance Act and § 23 of the joint regulation. Grant can be repaid in instalments on the terms and conditions established in § 24 of the joint regulation.
- (3) If the grant is not repaid by the deadline, the recipient shall pay a fine for delay in accordance with the provisions in § 49 of the Structural Assistance Act.
- (4) Upon not achieving the performance indicators established in § 29 of this Regulation and the decision on acceding to the application, the final beneficiary shall have the right to recover the grant fully or in part.

Chapter 8

Implementation of regulation

§ 31. Implementing provision

The amendments of section 26 of this Regulation that entered into force in November 2015 are applied retroactively from 13 March 2015.”.