

Conditions and procedure for granting investment aid to the shared service and research and development centre

Chapter 1 General provisions

§ 1. Scope of application

(1) The Regulation will be enforced according to subsection 5 (2) of the 2014–2020 Structural Assistance Act (hereinafter the *Structural Assistance Act*) in order to perform the objectives of the activity “Identifying development needs and development activities of enterprises” of the measure “Company development plan assistance measure for enhancing development and export activities and increasing management capabilities” of the priority axis “Growing entrepreneurship and research and development activities supporting thereof” (hereinafter the *measure*) of the “Operational Programme for Cohesion Policy Funding 2014–2020”, approved by the Government of the Republic.

(2) The Regulation is aimed at reaching the objectives of the Estonian research and development and innovation strategy for 2014–2020 “Knowledge-based Estonia”, which has been approved by the decision of the *Riigikogu* of 22 January 2014 on the basis of clause 10 1) of the Research and Development Organisation Act, and the development plan “Estonian Entrepreneurship Growth Strategy 2014–2020” approved by the Order of the Government of the Republic of 31 October 2013, and achieving the objective of “Estonian enterprises offer innovative products and service with higher added value” of the “Operational Programme for Cohesion Policy Funding 2014–2020”.

(3) Under the Regulation, the grant is given in the form of de minimis aid within the meaning of subsection 33 (1) of the Competition Act, and in the form of block exempted state aid within subsection 34² (1) of the Competition Act as follows:

1) the grant for the activities established in clauses 6 (2) 1)–4) of this Regulation is de minimis aid within the meaning of Article 3 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 *de minimis aid Regulation*), which is subject to this Regulation and section 33 of the Competition Act;

2) the grant for the activities established in clause 6 (2) 5) of this Regulation is de minimis aid within the meaning of de minimis aid Regulation or training aid within the meaning of Article 31 of 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, 26.06.2014, pp. 1–78), as amended by Commission Regulation (EU) 2017/1084 (OJ L 156, 20.06.2017, pp. 1–18) (hereinafter the *General Block Exemption Regulation*). Training aid is subject to the General Block Exemption Regulation and section 34² of the Competition Act.

(4) Under this Regulation, an undertaking in difficulty is not supported according to point (d) of Article 3(3) of 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).

(5) Upon granting de minimis aid, this Regulation shall not apply in cases established in Article 1(1) of the de minimis aid Regulation.

(6) Upon granting training aid established in Article 31 of the General Block Exemption Regulation, this Regulation does not apply in cases provided in Article 1(2)–(5) of the General Block Exemption Regulation.

(7) This Regulation shall not apply to an enterprise that is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market, and this order has not been performed.

(8) This Regulation shall not apply to the projects of the following areas of activity, listed in the Estonian Classification of Economic Activities (hereinafter *EMTAK 2008*):

- 1) primary production of agricultural products listed in Annex I of the Treaty on the Functioning of the European Union;
- 2) processing and marketing of agricultural products if aid is provided under the conditions established in point (c) of Article 1(3) of the General Block Exemption Act and point (c) of Article 1(1) of de minimis aid Regulation;
- 3) hunting (*EMTAK 2008*, section A, subsection 01) and forest management (*EMTAK 2008*, section A, subsection 02) and related service activities;
- 4) export-related activities directly associated with the quantities to be exported, the establishment and operation of the distribution network or other current costs arising from export;
- 5) purchasing of means of transport and equipment used for goods transport by road;
- 6) granting aid to the projects contingent upon the use of domestic over imported products;
- 7) manufacture of tobacco products (*EMTAK 2008*, section C, subsection 12) and their marketing;
- 8) wholesale and retail trade (*EMTAK 2008*, section G);
- 9) real estate activities (*EMTAK 2008*, section L);
- 10) activities of head offices, management consultancy, market research, and public opinion polling (*EMTAK 2008*, section M, subsections 70 and 73.2);
- 11) gambling and betting activities (*EMTAK 2008*, section R, sub-section 92).

§ 2. Objective and outcome of providing a grant

(1) The provision of grant aims at increasing international competitiveness, which is based on long-term strategic planning of an undertaking, through the activities of the shared service and research and development centre.

(2) The sub-objective of the grant aims at developing a new product, service, and technology with a higher added value and introducing it to an undertaking by means of performing the project plan.

(3) The provision of a grant contributes to achieving the performance indicator of measure, meaning an increase in sales revenue either from a new or significantly modified product or service.

(4) The project contributes to achieving the following outcome indicators of the measure:

- 1) number of enterprises who have received a grant;
- 2) number of supported undertakings that have introduced a new product or service for an undertaking.

(5) As a result of the grant and execution of the project, the project promoter carries out the innovation activities.

(6) As a result of the grant and execution of the project, the number of full-time employees of the project promoter will increase by at least five employees during the eligibility period, whose average monthly gross wage will be equal to at least 1.25 times the average monthly gross wage of the counties in Estonia, recently published by Statistics Estonia, at the time of submitting an application according to the location of the shared service or research and development centre to be established or already operating.

(7) Upon complying with the requirement for the number of employees established in subsection 6 of this section, the following conditions shall be considered:

- 1) in the event of a part-time or full-time disabled person employed during every eligibility period, the required number of employees shall be reduced by one person;
- 2) the total working time of part-time employees employed during all eligibility periods should be at least equal to the working time of the employees established in subsection 6 of this section.

§ 3. Implementing agency and implementation unit

(1) According to the list of measures of the 2014–2020 Structural Assistance Act, which has been approved by the Government of the Republic on the basis of subsection 12 (3) of the Structural Assistance Act, the implementing agency shall be the Ministry of Economic Affairs and Communications (hereinafter the *implementing agency*).

(2) According to the list of measures of the 2014–2020 Structural Assistance Act, which has been approved by the Government of the Republic on the basis of subsection 12 (3) of the Structural Assistance Act, the implementing agency shall be Enterprise Estonia (hereinafter the *implementation unit*).

§ 4. Definitions

For the purposes of this Regulation the following definitions shall apply:

- 1) “undertaking” – a company or a branch of a foreign company within the meaning of the Commercial Code;
- 2) “shared service centre” – a company or a branch of a foreign company registered in Estonia, which provides shared service to a legal entity belonging to its group and registered either in Estonia or in a foreign country, and the said group should have economic activities at least in two foreign countries;
- 3) “research and development centre” – a company or a branch of a foreign company registered in Estonia, which performs the function of research and development of a legal entity belonging to its group and registered either in Estonia or in a foreign country, and the said group should have economic activities at least in two foreign countries;
- 4) “shared service” – the performance of shared functions related to accounting, financial, staff (except for staff rent) activities, procurement, engineering-technical design, client support and technical service, and IT at the shared service centre;
- 5) “development activities” – the implementation of research targeted at the undertaking’s main area of activity and shared service and of knowledge gained through the undertaking’s current practise to manufacture a new material, product, and device, introduce a process, system, or service or significantly improve them;
- 6) “innovation” – the implementation of a new or significantly updated product, service, and process of an undertaking that is also in line with the definition of innovation determined in the

Oslo Manual, which has been prepared by the Organisation for Economic Co-operation and Development;

7) “innovation activities” – the scientific, technological, organisational, accounting, and marketing activities carried out to enable the emergence of innovation, in line with the innovation activities described in the Oslo Manual prepared by the Organisation for Economic Co-operation and Development;

8) “vocational training” – training in which the acquired knowledge may also be used elsewhere than at the current or future position in the shared service or research and development centre;

9) “e-service” – a portal located on the website of the implementation unit, through which the applicant can submit the required documents to the implementation unit, and for the use of which the applicant enters into an agreement;

10) “growth areas of smart specialisation” – using information and communications technology horizontally through other sectors, health technologies and services, and more efficient use of resources.

11) “urban area of Tallinn” – the City of Tallinn and rural and urban municipalities directly bordering it;

12) “disabled person” – a person referred to in point (3) of Article 2 of the General Block Exemption Regulation, whose disability has been proven in accordance with the relevant legislation;

13) “renovation” – repair work carried out in a building or part of a building that is not considered to be construction within the meaning of the Building Code, including work that does not result in a change in the physical properties of a building or the construction of a new building;

14) “training plan” – a plan of vocational training organised by the applicant, including the training description, volume, duration, and the estimated number of participants.

§ 5. Project plan

(1) Project plan is prepared by the undertaking and includes a set of activities, objectives, and means required to perform them, simultaneously influencing the operation or expansion of the undertaking. Upon performing the activities described in the project plan, an undertaking is obligated to carry out the innovation activities. The project plan is part of the company’s long-term development plan in Estonia.

(2) The project plan should include:

1) the strategic objective of the undertaking;

2) short description of the activity to be performed and innovation activities;

3) the expected result of activity;

4) the budget volume and source of funding of the activity, setting out whether the activity is funded from the undertaking’s own resources, the grant applied on the basis of this Regulation, or other public funds by indicating a specific funding source;

5) the deadline for the performance of the activity;

6) a natural person or structural unit responsible for the activity;

7) the expected long-term and strategic impact of the activities on the operation of the shared service or research and development centre to be created or expanded.

(3) The prerequisite for applying for a grant is a project plan that has been positively assessed by the implementation unit. The implementation unit provides the project plan with a positive response if the information established in subsection (2) of this section has been reflected in the project plan. The assessment given to the project plan shall be valid for six months from the moment it is given.

Chapter 2 Activities that are supported, eligibility of costs and grant rate

§ 6. Activities that are supported

(1) A grant is given to an undertaking whose project activities contribute to achieving the result and output indicators established in section 2 of this Regulation.

(2) The following activities are supported on the basis of this Regulation:

- 1) commencing the activities of the shared service or research and development centre in Estonia and purchasing the required fixed assets for their promotion;
- 2) expenses for renovating a building or part of a building that is used as a seat for the shared service or research and development centre in Estonia;
- 3) recruitment of an employee who is necessary for the activities of the shared service or research and development centre;
- 4) the payment of staff costs for the employees recruited during the eligibility period of the project and established in subsection 2 (6) of this Regulation in the course of the eligibility period;
- 5) vocational training of an employee needed for the activities of the shared service or research and development centre, except for training complying with the mandatory national training standard.

§ 7. Eligibility of costs

(1) Eligible costs mean costs that are necessary for the implementation of the activities that have been confirmed with the decision of approval of an application, and which are in accordance with the conditions established in this Regulation and section 2 of Regulation No 143 of the Government of the Republic of 1 September 2014 “Conditions and procedure for considering eligible the costs to be reimbursed from the structural fund, payment of the grant and applying financial corrections, for the period of 2014–2020” (hereinafter *single Regulation*).

(2) Eligible costs should be paid during the eligibility period of the project or within 45 calendar days of the end of the eligibility period of the project, but no later than on 31 August 2023. Eligible costs may include only those costs incurred during the eligibility period of the project.

(3) The following costs necessary for the activities provided in clauses 6 (2) 1)–4) of this Regulation are eligible:

- 1) costs of purchase, delivery, and installation of fixed assets; leasing payments due during the eligibility period on the basis of a financial lease type leasing contract upon purchasing fixed assets provided that the lessor is a credit or financing institution operating on the basis of the Credit Institutions Act, and the leasing contract imposes the redemption obligation of assets on the project promoter upon termination of the contract, but no later than 31 August 2023;
- 2) costs of renovation of a building or part thereof;
- 3) costs of outsourced recruitment service;
- 4) costs established in clauses 3 (1) 1), 2), 4), and 5) of the single Regulation.

(4) The following costs required for the activities provided in clause 6 (2) 5) of this Regulation are considered to eligible:

- 1) fees of the person who conducts vocational training for the shared service and research and development centre’s staff;

2) remuneration for the full-time employees of shared service and research and development centres who participate in the training, as well as the national taxes and payments payable from the aforementioned remuneration in proportion to the training participation hours if the said employee of the shared service or research and development centre only works on the project to be supported under this Regulation;

3) operating costs of training providers and assignment costs of trainees that are directly related to the training project.

(5) In addition to non-eligible costs listed in section 4 of the single Regulation, the following costs are not eligible:

1) depreciation costs;

2) purchasing costs of an immovable property;

3) purchasing and construction costs of a building;

4) national taxes and state fees, except for taxes and payments related to the employee's remuneration, which are eligible under this Regulation;

5) costs related to the conclusion of a financial lease type leasing contract;

6) payment due on the basis of an operating lease type leasing contract;

7) costs of purchasing mobile machinery established in clause 2 34) of the Traffic Act;

8) costs of purchasing a means of transport;

9) expenses considered as fringe benefit and related tax within the meaning of section 48 of the Income Tax Act;

10) catering service costs;

11) formal education costs related to increasing the general educational level of an employee.

(6) Transactions between people who are defined as associated persons in subsection 8 (1) of the Income Tax Act, are not considered to be part of eligible costs.

(7) The validation of costs is based on subsection 2 (4) of the single Regulation.

(8) All eligible costs must be justified, transparent and described in detail in the application.

§ 8. Eligibility period of a project

(1) The eligibility period of the project is a period set out in the decision to approve the application that determines when the activities of the project start and end and when the costs necessary for the implementation of the project occur.

(2) The eligibility period of the project starts from the date of submitting an application to the implementation unit, or from a later date that has been indicated in the application, and ends on a date that has been set out in the decision to approve the application, but no later than 31 August 2023. The eligibility period of the project should start no later than within one year of submitting an application to the implementation unit.

(3) An applicant is not allowed to start with the project-related activities or take any commitments to perform the said activity before submitting an application to the implementation unit.

(4) The maximum duration of the project eligibility period is 18 months.

(5) The project promoter may request the termination of the project before the date provided in the decision to approve the application if all project activities have been carried out or any

circumstances beyond the control of the project promoter emerge, which do not enable to continue with the project or make the continuation unreasonable.

(6) The project shall be considered to be completed after the final report has been confirmed in the implementation unit and the final payment has been made to the project promoter.

§ 9. Proportion and limit of a grant

(1) The maximum sum of grant paid per project promoter is 200,000 euros.

(2) If a grant is given as de minimis aid within the meaning of the Regulation of de minimis aid, the share of the grant from the eligible costs of the project shall be:

1) up to 35% if the seat of the shared service or research and development centre is located in the urban area of Tallinn;

2) up to 65% if the seat of the shared service or research and development centre is located outside the urban area of Tallinn;

(3) Upon granting training aid provided in Article 31 of the General Block Exemption Regulation, the proportion of the grant shall be up to 50% of eligible costs of the project.

(4) The share of own financing must cover all the eligible costs that the grant does not cover. Own financing does not include other grants given by countries, local authorities, EU institutions or funds.

(5) Upon granting de minimis aid to undertakings belonging to a group or to otherwise associated undertakings, one category of undertakings include those undertakings who have relations established in Article 2(2) of the de minimis aid Regulation.

Chapter 3 Applying for grant, requirements for applicant and application

§ 10. Applying for a grant

(1) Applications for a grant are submitted on an ongoing basis. An applicant can apply for a new grant after the end of the previous project supported under the same Regulation.

(2) The implementation unit will notify of the beginning, end and suspension of a call for applications, as well as the financing budget on their website and with a press release.

(3) The application is submitted to the implementation unit via the e-service by the representative of the applicant and it should be digitally signed. The implementation unit publishes the application form on its website.

(4) From the moment that the financial volume of grants applied for becomes equal to at least the budget balance planned for providing grants on the basis of this Regulation (two million euros), the applications shall be processed in the order they are received.

(5) The implementation unit shall suspend the receipt of applications if the volume of pending applications on which a decision on approval or refusal has not yet been made equals to the amount of the budget provided in subsection (4) of this section.

§ 11. Requirements for an applicant

(1) An applicant may be a company or a branch of a foreign company entered in the commercial register of Estonia, meeting the requirements of a shared service or research and development centre, whose group's consolidated turnover was at least 25 million euros in the financial year immediately preceding the submission of an application, and whose project plan has received a positive response from the implementation unit. If more than six months have passed since the project plan was provided with a positive evaluation by the time of submitting an application, the project plan should be presented to the implementation unit once again.

(2) In addition to section 2 of Regulation No 133 of the Government of the Republic of 21 August 2014 "Requirements for granting structural assistance and processing applications, and the conditions for establishing the terms and conditions of granting assistance for the period of 2014–2020" (hereinafter the *Regulation of processing applications*), the applicant should comply with the following conditions:

- 1) the applicant has fulfilled the obligation to submit tax declarations as stipulated in the Taxation Act;
- 2) no liquidation or bankruptcy proceedings have been initiated against or bankruptcy decisions made concerning the applicant or person controlling the applicant;
- 3) the applicant has the required funds for the own financing of the project;
- 4) [Repealed – [RT I, 30.11.2018, 15](#) – entry into force 03.12.2018]
- 5) the total of de minimis aid granted to the applicant according to the Regulation of de minimis aid together with the sum of de minimis aid applied for in the context of this Regulation and other de minimis aid that has been granted according to the regulations of the European Commission, which have not been listed in subsection 1 (3) of this Regulation, within the current financial year and the two previous financial years, cannot exceed 200,000 euros;
- 6) de minimis aid granted to an undertaking that operates in the road transport field by renting or transporting goods for pay, and de minimis aid to be applied for under this Regulation within the current financial year and the two previous financial years, cannot exceed 100,000 euros;
- 7) if the applicant has received de minimis aid within the meaning of de minimis aid granted to enterprises that provide services of general economic interest, which has been established in the Commission Regulation (EU) No 360/2012 about the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union, the (OJ L 114, 26.04.2012, pp. 8–13), then the total sum of de minimis aid granted to the applicant on the basis of the aforementioned Regulation and the Regulation of de minimis aid, along with the grant applied for on the basis of this Regulation, cannot exceed 500,000 euros;
- 8) if an applicant has previously received a grant from the state budget funds, on the basis of the 2004–2006 Structural Assistance Act, the 2007–2013 Structural Assistance Act or the Structural Assistance Act, which is subject to repayment, the repayment should have taken place.

§ 12. Obligations of an applicant

In addition to subsection 21 (2) of the Structural Assistance Act, the applicant is obligated to fulfil other obligations set out in the Structural Assistance Act and legislation that has been enforced on the basis of the Structural Assistance Act and submit information to the implementation unit that may affect the decision on approving the application.

§ 13. Requirements for the application

(1) In addition to the requirements provided in subsection 4 (1) of the Regulation of processing applications, the application should also meet the following requirements:

- 1) the grant is applied for activities that have been set out in subsection 6 (2) of this Regulation and the project is in accordance with objectives that have been set out in subsections 2 (1) and (2) of this Regulation;
- 2) the amount of the applied grant does not exceed the maximum grant amount established in section 9 of this Regulation or the share of the eligible costs of the project;
- 3) the budget of the project includes own contribution to the required extent.

(2) The project included in the application should be targeted at the activities of the shared service or research and development centre, and comply with subsections 2 (5)–(7) of this Regulation.

(3) In addition to the information and documents listed in subsection 4 (2) of the Regulation of processing applications, the application must also include the following information and documents:

- 1) project plan that has received a positive response from the implementation unit;
- 2) the applicant's business name, commercial registry code, VAT number, postal address, phone number, email address, bank details, data of the person with the right of representation, data of the project manager, information about shareholders, main area of activity and its short description;
- 3) with regard to the financial year of starting with the project: the applicant's sales revenue, the share of export in sales revenue, operating profit or loss, depreciation, labour costs, balance sheet total, the amount of equity capital, the average number of employees, short-term loan liabilities, long-term loan liabilities and interest expenses, if this information is not available on the commercial register;
- 4) the applicant's forecast of economic indicators for the three years following the project start year, including at least sales revenue, the share of export in sales revenue, operating profit or loss, depreciation, the average number of employees, the number of full-time jobs created during the project eligibility period, and the average monthly gross wage of the recruited full-time employees;
- 5) the applicant's balance sheet of the current financial year and an income statement of the quarter preceding the application submission if the applicant has started with the economic activities;
- 6) a copy of the applicant's latest annual report; in case of an applicant subject to auditing obligation with an auditor's report if the report is not available on the commercial register; and a copy of the parent undertaking's latest approved annual report if the report is not available on the commercial register;
- 7) applicant's business plan;
- 8) the purpose of the workplace and tasks of the project-related employee, and the employee's contribution to achieving the objective of the project;
- 9) job descriptions for positions to be created during the eligibility period of the project, if available;
- 10) the CVs of the members of the project team;
- 11) an authorisation document if the applicant's legal representative acts on the basis of authorisation;
- 12) the expected number of trainees, training plan, and budget in case of activities established in clause 6 (2) 5) of this Regulation;
- 13) the scheme of the applicant's group members and the consolidated economic indicators;

- 14) upon applying for a grant and in the event of activities established in clause 6 (2) 5) of this Regulation, information whether the grant is applied as de minimis aid on the basis of de minimis aid Regulation or training aid on the basis of the General Block Exemption Regulation;
- 15) applicant's confirmation about their compliance to the requirements set out in section 11 of this Regulation;
- 16) the applicant's confirmation on the applicant's consent to receive the administrative acts, the information and documents concerning challenge proceedings and the decision on challenge from the implementation unit in an electronic form;
- 17) applicant's confirmation that the data they have submitted is accurate.

(4) If the applicant has applied for a grant for the project or parts of the project simultaneously from several measures or other state budget, local government budget, European Union or external assistance funds, the application shall submit the corresponding information.

Chapter 4 Processing of applications

§ 14. Processing of an application

(1) The implementation unit shall perform the following operations with regard to the applicant and the application submitted by the applicant: registering application, reviewing or returning without reviewing, requesting for explanations and additional information or the additions or amendments of applications, declaring the application and the applicant compliant or non-compliant, assessing the compliant application and the project included in the application, and approving the application or refusing to approve the application.

(2) The deadline for processing the application is up to 20 working days from the registration of the application at the implementation unit.

(3) During the processing of an application, the implementation unit may require explanations and additional information about the information provided in the application, the modification or amendment of the application from the applicant by the deadline determined by the implementation unit if the implementation unit finds that the application is not clear enough or contains shortcomings, also referring to the circumstances that need to be modified. Upon requesting further information or stating the need to eliminate any shortcomings in the application, the implementation unit determines a deadline of up to 10 working days by which the deadline for processing the application will be extended.

(4) The implementation unit shall make the decision on refusal to approve the application without essentially evaluating the application if the applicant has failed to eliminate the shortcomings within the deadline provided in subsection (3) of this section.

§ 15. Registration of the application and initial review

(1) The application will be registered and reviewed in the implementation unit. The deadline of the initial review is three business days from the registration of the application. During the initial review of the application, it is verified whether the application has been duly completed and received with all required Annexes.

(2) If any shortcomings are detected in the application, the applicant shall be notified about this and up to 10 working days shall be given to eliminate these shortcomings, and this extends the deadline of processing the application.

(3) If the application does not need further specification, or if the circumstances listed in subsection 14 (3) of this Regulation occur, the applicant will be notified of the registration of application and the identified circumstances listed in subsection 14 (3) within three business days of the registration of the application.

(4) The implementation unit shall make the decision on refusal to approve the application without essentially evaluating the application if the applicant has failed to eliminate the insufficiencies within the deadline provided in subsection 2 of this section.

§ 16. Declaring the compatibility of the applicant and their application with the requirements

(1) The implementation unit will declare the applicant compliant to requirements if the applicant complies with section 11 of this Regulation.

(2) The implementation unit shall declare the application compliant if all requirements established for an application in this Regulation have been met.

(3) The application will not be declared compliant to requirements if at least one of the following circumstances occurs:

- 1) the application does not meet the requirements set out in section 13 of this Regulation and the applicant fails to eliminate the shortcomings in the application within the set term;
- 2) the applicant influences the processing of the application by using unlawful methods;
- 3) the applicant does not allow for the inspection, which has been set out in subsection 21 (7) of the Structural Assistance Act, to be carried out at the applicant's site or at the place where the planned activities are to be implemented.

(4) Upon declaring the application and applicant compliant, the implementation unit shall make a decision on declaring the application and applicant compliant. (5) Upon refusal to declare the application or the applicant compliant, the implementation unit shall make a decision on refusal to declare the application compliant without essentially evaluating the application.

§ 17. Selection criteria and procedure for evaluating the application

(1) The application that has been declared compliant shall be evaluated. The implementation unit has the right to involve experts and form consulting evaluation committees for the evaluation of applications. The implementation unit will coordinate the formation and composition of evaluation committees beforehand with the implementing agency. The implementation unit publishes the composition of evaluation committees on its website.

(2) If any shortcomings are detected during the evaluation of the application, or additional information is needed to evaluate the application, the implementing unit immediately informs the applicant and determines a deadline of up to 10 working days to submit additional information, and this extends the deadline of processing the application. The deadline for processing an application is extended by up to 10 working days also in case of using any experts. The implementation unit will inform the applicant of the extension to the processing deadline immediately.

(3) The selection criteria of the application and their proportions shall be the following:

- 1) project impact in terms of meeting the goals of the measure (55% of the total score);
- 2) the applicant's capabilities in terms of meeting the objectives of the project (25% of the total score);
- 3) the quality of project preparation (10% of the total score);
- 4) the fact that the project is part of the preferences specified in subsection (4) of this section (10% of the total score).

(4) Preference will be given to projects that meet at least one requirement:

- 1) projects that involve cooperation with vocational training institutions, applied higher education schools or universities during the eligibility period in terms of research and development activities;
- 2) projects that fall within the growth areas of smart specialisation.

(5) The evaluation is carried out using the selection methodology approved by the implementation unit. When preparing the selection methodology, the implementation unit will draw from the selection criteria listed in subsection (3) of this section and coordinate the selection methodology with the implementing agency before confirming it. The implementation unit publishes the selection methodology on its website.

(6) The application is evaluated on a scale of 0–4. The total score given during the evaluation is based on the weighted average score of evaluation criteria.

§ 18. Conditions and procedure of approval or refusal to approve an application

(1) The implementation unit will make a decision of approval about approving an application. The approval of an application will be complete, partial or with a secondary condition. If the implementation unit does not approve an application, it will make a decision of refusal to approve the application.

(2) An application that has been declared compliant with requirements will be approved if it complies with all the following requirements:

- 1) has received a total score of at least 2.50 on the basis of selection criteria listed in subsection 17 (3) of this Regulation;
- 2) has not evaluated with a score below 2.0 on the basis of selection criteria listed in clauses 17 (3) 1–3) of this Regulation;
- 3) the amount of funding does not exceed the budget established in subsection 10 (4) of this Regulation.

(3) The decision on approving an application indicates the data established in subsection 8 (4) of the Regulation of processing applications by highlighting the grant amount.

(4) The information that has been listed in subsection 8 (5) of the Regulation of processing applications will be included in the decision to not approve an application.

(5) The decision to approve or refuse to approve an application will be forwarded to the applicant via the e-service within two business days after making the decision.

§ 19. Partial approval of an application or approval with a secondary condition

(1) An application may be partially accepted in cases provided in subsection 9 (1) of the Regulation of processing applications.

(2) Partial approval of an application is allowed only in justified circumstances and under the condition that the project objective is achievable and the applicant agrees with the implementation unit's suggestion to reduce the applied grant or change the project activities. If the applicant does not agree to the implementation unit's suggestions, the implementation unit shall refuse to approve the application.

(3) The decision to approve an application with a secondary condition can be made in accordance to information that has been listed in subsection 9 (3) of the Regulation of processing applications, or in other justified cases, based on section 53 of the Administrative Procedure Act.

(4) In the case of conditional approval of an application, the project promoter does not get the right to receiving grant payments. The project promoter's right to receiving grant payments will arise once the implementation unit has added relevant information about the fulfilment of a secondary condition to the decision of approval of the application.

§ 20. Modification or revocation of a decision of approval

(1) A decision of approval of an application can be modified on the initiative of the implementation unit or on the basis of the relevant application submitted by the project promoter, according to the conditions and procedure stipulated in section 10 of the Regulation of processing applications.

(2) The project promoter is obligated to provide the implementation unit with an application to amend the decision on approving the application, justifying the need for the amendment if the budget amount on the entire project period changes more than 15%, i.e. 7,000 euros.

(3) If any circumstances provided in clauses 10 (2) 1)–3) of the Regulation of processing applications are changed, the relevance and necessity of the change shall be verified prior to making a decision according to the selection criteria established in subsection 17 (3) of this Regulation, and the impact of the proposed change on the achievement of the project objective shall be evaluated on the basis of the said selection criteria, if necessary.

(4) In the cases not provided in subsections (2) and (3) of this section, the budget of a project approved by a decision of approval of an application of project promoter may be amended without submitting an application to amend the decision of approval of an application by informing the implementation unit before making the amendment.

(5) The implementation unit has the right to refuse to modify a decision of approval of an application if the desired modification calls into question the achievement of the expected outcomes of the project or the completion of the project's activities within the eligibility period, or if the applied amendment does not comply with this Regulation or other legislation regulating the provision of a grant.

(6) The implementation unit will decide on modifying the decision of approval of the application within 20 business days of receipt of the corresponding application.

(7) In addition to subsection 22 (3) of the Structural Assistance Act, the implementation unit shall declare the decision to accept an application partially or fully invalid in the following cases:

- 1) the project promoter has not started with the supported activities within one year of the submission of an application;
- 2) it becomes evident during the implementation of the project that the project activities cannot be completed by 31 August 2023, at the latest.

§ 21. Filing a challenge

Before filing a complaint to an administrative court against an action or administrative act of the implementation unit, a challenge has to be filed to the implementing agency through the implementation unit according to section 51 of the Structural Assistance Act. The challenge shall be processed according to the procedure set out in the Administrative Procedure Act. The decision on challenge shall be submitted to the person who filed the challenge electronically, with their consent.

Chapter 5 Submitting reports and conditions of paying a grant

§ 22. Submission of reports

(1) The project promoter provides the implementation unit with interim reports and a final report. The length of the reporting period is at least six months. The project promoter will submit the final report within one month of the end of the eligibility period of the project.

(2) The implementation unit establishes the report forms and publishes them on its website.

(3) The project promoter submits the interim reports and the final report of the project to the implementation unit by the deadline established in the decision on approving the application through the e-service with a digital signature of the person having the right of representation on behalf of the project promoter.

(4) The implementation unit either approves or refuses to approve the reports within 42 working days of their registration.

(5) The interim report of the project should include at least the following information and documents:

- 1) project data;
- 2) management report that includes a description of the project activities during the corresponding period and the reasons for the differences between the planned and actual results;
- 3) confirmation on the accuracy of the information provided in the report.

(6) The final report of the project should include the applicant's evaluation of the performance of the project activities and the achievement of the result in addition to the provisions in subsection (5) of this section. If an applicant has employed a disabled person during the eligibility period of the project, a final report should include a copy of the employee's disability certificate.

§ 23. Conditions of paying a grant

(1) The implementation unit processes the payment request and pays a grant according to the decision of approval of the application and sections 11–14 of the single Regulation.

(2) A grant is given on the basis of the payment request submitted by the project promoter upon complying with the conditions established in subsection (4) of this section. The project promoter submits an application for payment to the implementation unit through the e-service at least once every six months.

(3) A grant is provided on the basis of real costs in accordance with clause 14 (1) 1) of the single Regulation.

(4) The precondition for payment of a grant is to fulfil all of the following conditions:

- 1) carrying out the project activity, generating and paying eligible costs;
- 2) submitting the documents proving the costs arising from the project activities or copies thereof, and the documents proving the payment of the costs provided in clause 1) of this Regulation or copies thereof to the implementation unit;
- 3) submitting the relevant interim or final report of the reporting period to the implementation unit with the payment request, and their approval in the implementation unit.

(5) The implementation unit processes the payment application up to 42 working days.

(6) The implementation unit may suspend the processing of a request for payment partially or in full, in cases listed in subsection 30 (1) of the Structural Assistance Act.

Chapter 6 Rights and obligations of the project promoter and the implementation unit

§ 24. Rights and obligations of the project promoter

(1) In addition to complying with section 24 of the Structural Assistance Act, the project promoter is obligated to comply with the following obligations:

- 1) use the grant pursuant to the provisions of the decision of approval of the application;
- 2) ensure that the project is managed and its successful implementation is conducted pursuant to the dates and conditions set out in the decision of approval of the application;
- 3) comply with the requirements established in section 26 of the Structural Assistance Act when carrying out project-related procurements;
- 4) submit at least three comparable quotes received from independent tenderers and the description of the tender task in case of all expenses, the amount of the underlying transaction exceeding 5,000 euros (exclusive of VAT), with the payment application, if the project promoter does not have to comply with the Public Procurement Act. If it is not possible to submit three independent price offers, or if the most favourable offer is not selected, a statement of substantiation for this should be attached to the payment application;
- 5) submit the required information and report to the implementation unit on time;
- 6) inform the implementation unit in writing of the changes in the ownership or management of the project promoter. The notification obligation is valid even if the changes are reflected in the commercial register;

- 7) immediately inform in writing about the high likelihood or inevitability of a negative result of the project, or about the dubious feasibility of continuing the project, which has occurred during the implementation of the project;
- 8) ensure the preservation and intended use of the assets required for achieving the project's objective at least within five years of the end of the eligibility period of the project;
- 9) tangible assets may be replaced with assets fulfilling the same function within five years of the end of the eligibility period of the project if tangible assets have outdated due to technological changes provided that the undertaking of the project promoter retains the economic activities by means of replaced assets at least within five years of the end of the eligibility period of the project;
- 10) immediately inform the implementation unit in writing the approval of decision to transfer an undertaking or its part and any items or rights related to these, which serve as the location for the implementation of the project during the implementation of the project;
- 11) indicate that this is structural assistance by using the predefined insignia to do so when using the grant in accordance with the requirements and procedure established in Regulation No 146 of the Government of the Republic of 12 September 2014 "Requirements and procedures for notifying the public of structural funding in the period of 2014–2020, marking objects that have received funding and referencing European Union participation";
- 11¹⁾ indicate with clause 11) while using the grant that the grant has been obtained through the implementation unit by using the logo of the implementation unit for notification purposes, and the logo may not be bigger than the Structural Funds logo presented according to clause 11);
- 12) maintain the number of employees recruited during the eligibility period of the project and complying with subsection 2 (6) of this Regulation at least within five years of the end of the eligibility period, except in the event of unforeseen or substantiated circumstances;
- 13) to repay the grant in the amount and by due date provided in the recovery decision;
- 14) carry out other activities that have been stipulated in the Structural Assistance Act and Regulations established pursuant to that Act;

(2) The project promoter has the right to:

- 1) receive information and explanations from the implementation unit regarding the requirements and obligations of a project promoter that have been stipulated in the Structural Assistance Act and Regulations established pursuant to that Act;
- 2) to submit the view in accordance with subsection 23 (2) of the Structural Assistance Act.

§ 25. Rights and obligations of the implementation unit

(1) In addition to obligations provided in subsection 8 (2) of the Structural Assistance Act, the implementation unit is obligated to:

- 1) publish the application and report forms, and relevant guidance materials in the e-service;
- 2) forward application, project monitoring and other data to the registry of the structural assistance;
- 3) verify the performance of the project;
- 4) carry out the monitoring of the financial resources of the measure and submit relevant reviews to the implementing agency, if necessary;
- 5) maintain information concerning the provision of state aid and de minimis aid and necessary additional documents for 10 years after the last individual aid granted;
- 6) review and approve or reject project reports at least within 42 working days of their registration in the implementation unit, and submit them to the structural assistance register;
- 7) submit data necessary for providing a grant and reporting use of a grant;
- 8) prepare and disclose overviews of giving and using a grant;
- 9) notify the implementing agency of any obstacles of using a grant;

- 10) prepare the monitoring report and final report of the measure, confirm the accuracy of information in the report and submit the report to the implementation agency;
- 11) reduce the grant amount applied with the payment request according to subsection 30 (3) of the Structural Assistance Act by the grant amount provided in the decision of financial correction.

(2) The implementation unit has the right to:

- 1) conduct inspections of the expense receipts and the implementation of the activities of the project at the place of operation of the project promoter according to section 42 of the Structural Assistance Act;
- 2) get acquainted with the preparations for the project and the documents that are compiled during the implementation of work;
- 3) conduct inspections of the eligibility of costs;
- 4) request additional information and document about the duration, activity, objective, outcome and costs of the project described in the application, which prove that the project is implemented in accordance with set requirements and the applicant is fulfilling its obligations;
- 5) refuse to pay the grant if the economic situation of the project promoter has deteriorated in a way that endangers the purposeful use of the grant or the performance of the project;
- 6) stop paying the grant and request partial or full repayment of the grant, if the project promoter violates the Structural Assistance Act, Regulations set out on the basis of that Act or requirements set out in this Regulation, or deviates from what has been set out in the application or decision of approval of application in any other way;
- 7) decrease the amount of grant proportionally to the decrease of costs of the supported activity fixed in the decision of approval of application;
- 8) carry out other activities that have been stipulated in the Structural Assistance Act and Regulations established pursuant to that Act;

§ 26. Financial correction

- (1) Decisions regarding financial corrections shall be made based on sections 45–47 of the Structural Assistance Act and sections 21–23 of the single Regulation.
- (2) The grant is recovered on the basis of section 48 of the Structural Assistance Act and section 23 of the single Regulation. The repayment of a grant can be done in instalments based on the conditions stipulated in section 24.
- (3) Upon failure to repay the grant in a timely manner, the project promoter is obligated to pay a fine for delay according to section 49 of the Structural Assistance Act.