

EEA Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Financial Mechanism Committee
established by Iceland, Liechtenstein and Norway

and

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

together hereinafter referred to as the "Parties"

for the financing of the Programme "Conservation and Revitalisation of Cultural and Natural Heritage "

hereinafter referred to as the "Programme"

Chapter 1

Scope, Legal Framework, and Definitions

Article 1.1

Scope

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

Article 1.2

Legal Framework

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

- a. Protocol 38b to the EEA Agreement on the EEA Financial Mechanism 2009-2014;
- b. the Regulation on the implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by the Donor States in accordance with Article 8(8) of Protocol 38b;
- c. the Memorandum of Understanding on the Implementation of the EEA Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Donor States and the Beneficiary State; and
- d. any guidelines adopted by the FMC in accordance with the Regulation

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

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

Article 1.3

Definitions

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

Article 1.4

Annexes and hierarchy of documents

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

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

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

Chapter 2

The Programme

Article 2.1

Co-operation

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

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

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

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

Article 2.2

Main responsibilities of the Parties

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

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

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

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

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

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

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

Article 2.3

Objective and outcomes of the Programme

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

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

Article 2.4

Programme grant

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

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

3. The financial plan shall:

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

b. indicate the agreed advance payment, if any.

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

Article 2.5

Special conditions and programme specific rules

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

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

Article 2.6

Programme implementation agreement

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

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

Article 2.7

Reporting

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

Article 2.8

External monitoring

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

Article 2.9

Modification of the Programme

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

Article 2.10

Communication

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

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

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

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

Article 2.11

Contact information

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

Article 2.12

Representations and Warranties

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

Chapter 3 Projects

Article 3.1

Selection of projects

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

Article 3.2

Project contract

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

Article 3.3

Project partners and partnership agreements

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

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

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

Article 3.4

Reallocation of funds

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

Chapter 4 Finance

Article 4.1

Eligible expenditures

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

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

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

Article 4.2 Proof of expenditure

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

Article 4.3 Payments

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

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

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

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

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

Article 4.4 Transparency and availability of documents

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

Article 4.5 Irregularities, suspension and reimbursements

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

Chapter 5 Final provisions

Article 5.1 Dispute settlement

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

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

Article 5.2 Termination

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

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

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

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

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

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

2. This programme agreement can be terminated by mutual agreement between the Parties.
3. Termination does not affect the right of the Parties to make use of the dispute settlement mechanism referred to in Article 5.1 or the right of the FMC to make use of the remedies provided in Chapter 12 of the Regulation.

Article 5.3
Waiver of responsibility

1. Any appraisal of the Programme undertaken before or after its approval by the FMC, does not in any way diminish the responsibility of the National Focal Point and the Programme Operator to verify and confirm the correctness of the documents and information forming the basis of the programme agreement.
2. Nothing contained in the programme agreement shall be construed as imposing upon the FMC or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.
3. The FMC does not assume any risk or responsibility whatsoever for any damages, injuries, or other possible adverse effects caused by the Programme or its projects including, but not limited to inconsistencies in the planning of the Programme or its projects, other project(s) that might affect it or that it might affect, or public discontent. It is the full and sole responsibility of the National Focal Point and the Programme Operator to satisfactorily address such issues.

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

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

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

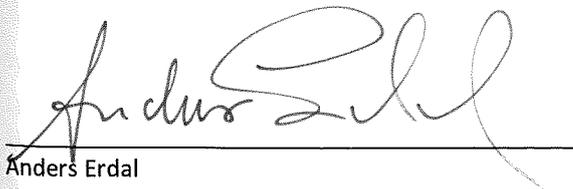
Article 5.4
Entry into force and duration

1. This programme agreement shall enter into force on the date of the last signature of the Parties.
2. This programme agreement shall remain in force until five years have elapsed after the date of the acceptance of the final programme report.

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

For the FMC

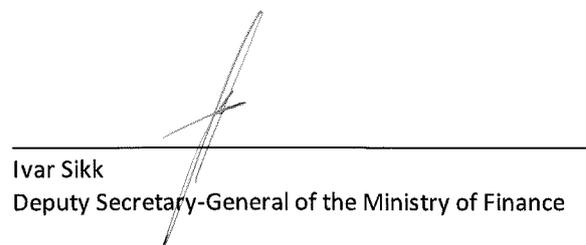
Signed in Ostlo on 11.2.2013



Anders Erdal
Deputy Director General

For the National Focal Point

Signed in Talinn on 25.02.2013



Ivar Sikk
Deputy Secretary-General of the Ministry of Finance

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Cultural heritage restored, renovated and protected

Output

Restored manor schools

Output indicator(s)	Baseline	Target	Source of Verification
Number of restored buildings	20	25	Beneficiary reporting. Baseline: Ministry of Culture records

Output

Counties with restored manor schools

Output indicator(s)	Baseline	Target	Source of Verification
Minimum number of supported counties	0	3	Contracted restoration projects (PO)

Expected Outcome(s):

Local communities further developed and economically sustainable livelihoods established through the revitalisation of cultural and natural heritage

Output

Networking and awareness raising accomplished through pre-defined project

Output indicator(s)	Baseline	Target	Source of Verification
Number of participants in trainings	0	50	Training materials and feedback (project manager)
Number of participants in workshops	0	100	Workshop materials and feedback (project manager)
Conference participants	0	200	Conference materials and feedback (project manager)
Visual identity	0	1	Project documentation and produced results (project manager)
Exhibition	0	1	Exhibition and on-the-spot check
Publication	0	2	Paper book and e-book

Output

Additional activities in manor complexes and international cooperation established

Output indicator(s)	Baseline	Target	Source of Verification
Number of development projects	0	12	Contracted projects (PO)
Number of donor partnership projects	0	6	Project reports (PO)

2. Conditions

2.1 General

1. The Focal Point shall ensure that the Programme Operator takes the activities of the EU strategy for the Baltic Sea Region in EUSBSR Priority Area 12 on tourism into account where applicable.
2. The Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

3. Bilateral, outcome and output indicators shall be reported on in the annual report.
4. The Focal Point shall ensure that the Programme Operator ensures that the partnership seminar under measure "A" of the Bilateral Fund is held before the launch of the open call under the small grant scheme.
5. The Focal Point shall ensure that the Programme Operator ensures that any revenues generated within projects are reinvested into the project's objectives.
6. The Focal Point shall ensure that the Programme Operator ensures that Project Promoters:
 - a) Keep any buildings purchased, constructed, renovated, regenerated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
 - b) Keep any buildings purchased, constructed, renovated, regenerated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
 - c) Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract.
7. No later than 31 March of every year, the National Focal Point shall provide the FMC with a statement of all co-financing provided by project promoters to their projects during the previous calendar year. The National Focal Point shall ensure that it obtains the necessary information in a timely manner from the Programme Operator by way of appropriate provisions in the Programme Implementation Agreement.
8. The Focal Point shall ensure that any public support under this programme complies with the procedural and substantive State Aid rules applicable at the time when the public support is granted. The Focal Point shall, by way of the Programme Implementation Agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with State Aid rules, particularly decisions to award grants and set grant rates, and provides such records to the FMC upon request. The approval of the Programme by the [FMC / NMFA] does not imply a positive assessment of such compliance.
9. A plan on the use of the fund for Bilateral Relations and the fund set-up shall be prepared in consultation with the Donor Programme Partner. This plan shall be submitted to the FMC for approval no later than 1 March 2013. The FMC will communicate its decision within 10 working days from the date of receipt.

2.2 Pre-eligibility

Not applicable

2.3 Pre-payment

Not applicable

2.4 Pre-completion

Not applicable

2.5 Post-completion

Not applicable

2.6 Other

Not applicable

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 02/10/2012-30/04/2017

Eligibility of programme proposal preparation costs: 11/06/2011-01/10/2012

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€4,609,529
Programme estimated eligible cost (€)	€4,609,529
Programme grant rate (%)	97.8400%
Maximum amount of Programme grant (€)	€4,510,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€392,161	€45,261
Cultural heritage restored, renovated and protected	€3,099,529	€0
Local communities further developed and economically sustainable livelihoods established through the revitalisation of cultural and natural heritage	€946,000	€25,000
Fund for bilateral relations	€159,000	€15,000
Complementary action	€0	€0
Preparation of programme proposal	€12,839	€12,839
Reserve for exchange rate losses	€0	€0
Total	€4,609,529	€98,100

* The advance payment is composed of €95,981 in grant amount and €2,119 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	0.00%
Retention of management costs - planned Euro value	€0

3.5 Small Grant Scheme

Outcome	Local communities further developed and economically sustainable livelihoods established through the revitalisation of cultural and natural heritage
Total Amount Reserved	€0
Grant Amount at Project Level	€20,000 – 60,000
Duration of the Project	1 – 31 months
Maximum Grant Rate at Project Level	90.00%

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures (sub-measures if any):

The Programme Operator is the Ministry of Culture of the Republic of Estonia. The Norwegian Directorate for Cultural Heritage (RA) is the Donor Programme Partner.

The Programme shall support projects in the measures listed below:

- 1) Restoration of historical manor schools, specifically large and medium scale projects (call for proposals)
- 2) Networking and awareness raising activities (pre-defined project)
- 3) Development and cooperation activities (Small Grant Scheme)

1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation. The following specifications apply to this programme:

- All owners of manor houses operating as schools are eligible applicants under the call for proposals. For the Small Grant Scheme, the following specifications apply:
- All owners of manor houses operating as schools; NGOs as defined in Article 1.5.1(m) of the Regulation; and Small and Medium-sized Enterprises.

1.3 Special rules on eligibility of costs:

In general, costs are eligible in accordance with Chapter 7 of the Regulation with the following exceptions:

- a) In-kind contributions are not considered eligible expenditure

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for under the call for proposals is € 500,000; the maximum amount is € 1,300,000.

Under the Small Grant Scheme the minimum amount of grant assistance applied for is € 20,000; the maximum amount is € 60,000.

2.2 Project grant rate:

Grants from the programme will not exceed 85% of the total eligible project costs, with the exception of private entity applicants, for which the grants from the programme will not exceed 60% of the total eligible project costs, and for NGOs as defined in Article 1.5.1(m), for which the grants from the programme will not exceed 90% of the total eligible project costs. Grant rates will further be determined in accordance with Article 5.4.2 of the Regulation and in particular shall take into account any cost saving or increased profit during project implementation and for three years following project completion. The remaining costs of the project shall be provided or obtained by the Project Promoter.

The project Grant rate shall in all cases be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects.

3. Selection of projects

3.1 Selection procedures:

All selection procedures carried out under this Programme shall be in accordance with the procedures specified in the Regulation. The independent and impartial experts required by Article 6.5.2 of the Regulation shall be independent of and impartial to both project applicants and the Selection Committee.

3.2 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

There shall be at least one open call for applications for the total re-granting amount of € 3,099,529. The call shall be launched no later than in the first quarter of 2013. A second call may be launched in case there are funds uncommitted as a result of the first

call. The call(s) shall be open for at least 2 months.

For the Small Grant Scheme, there shall be at least one open call for applications for the total re-granting amount of € 670,000. The call shall be launched no later than in the second quarter of 2013. A second call may be launched in case there are funds uncommitted as a result of the first call. The call(s) shall be open for at least 2 months.

3.3 Selection criteria:

The final project selection criteria to be applied shall be detailed in the framework of the calls for proposals in accordance with Article 6.3 of the Regulation and shall be discussed in the Cooperation Committee and shall be subject to the agreement of the Donor Programme Partner. They shall be based on the proposal of the Programme Operator, and as a minimum contain the following general principles:

- feasibility and quality of project plan;
- complete restoration project with all the necessary documentation, including the manor's heritage passport;
- restoration budget;
- observance of the principles of sustainable renovation and development;
- the project's economic and social sustainability; and
- quality of the manor's development plan.

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

4.1 Payment flows

The payments towards the end beneficiaries will be in the form of advance payments, interim pre-payments and payments of the final balance, but will differ depending on whether the project is selected through a call for proposals, a small grant scheme or if it is a pre-defined project

An advance payment for planned expenditures for the first two reporting periods, but not exceeding 30% of the total grant amount, will be disbursed after the Project Contract is signed for projects selected under the call for proposals. For the pre-defined project and projects selected under the Small Grant Scheme, an advance payment of 30% of the total grant amount will be disbursed after the Project Contract is signed. The advance payment will be disbursed within 5 working days after the Project Contract is signed, and the advance payment will be off-set against the subsequent interim pre-payment requests.

The Project Promoters for projects submitted through open calls will report on incurred expenditures on a monthly basis to justify the request for pre-financing. The first interim pre-payment for projects submitted through the Small Grant Scheme and the pre-defined project, will be presented after the advance payment is absorbed. The second interim pre-payment will be presented after the first pre-payment is absorbed. The Programme Operator can decide that the interim pre-payment reports can be presented before the advance payment and the previous interim pre-payments are fully absorbed if the Project Promoter can justify this on the basis of project cash flow prognoses and other relevant information. Interim pre-payments will be made within 5 working days following the approval of the interim pre-payment request.

The advance and interim pre-payments for all projects shall not exceed 90% of the total grant amount. The Programme Operator has the possibility to withhold up to 10% of the total grant amount for the payment of the final balance. The payment of the final balance will be made after the verification and approval of the final report.

4.2 Verification of payment claims

The management and accounting division under the Financial and State Property Department of the Ministry of Culture will verify incurred expenditures reported on in interim pre-payment requests and final reports.

Verification of incurred expenditures for open call projects:

100% of all incurred expenditures included in the first interim pre-payment request will be checked. In the subsequent interim pre-payment request and the final report, expenses will be checked based on a random selection of at least 30% of incurred expenditures and all invoices over € 1,000. The verification of expenditures will be made ex post, with the exception of tender documents that will be checked ex ante. The verification of expenditures will be made within 25 working days after the PO has received the necessary documentation.

In line with Article 7.13.3 of the Regulation, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with this Regulation, the national law and accounting practices of the project partner's country, shall, subject to Article 7.13.5 of the Regulation, be seen as sufficient proof of costs incurred by a project partner whose primary

location is in a Donor State.

The verification procedures for payment claims will be further outlined in the description of the Programme management and control systems according to article 4.8.2 of the Regulation.

4.3 Monitoring and reporting

Project promoters shall submit project progress reports on project implementation and one final report following project completion.

The Programme Operator will monitor the projects by revision of project reports and through on-the-spot checks. On-the-spot checks will be conducted every year on a sample of projects selected on the basis of risk analysis or random sample.

The aim of the on-the-spot checks is to make sure that the project is implemented in accordance with the requirements of the Regulation and the project contracts, to verify procurement procedures and the cost efficiency of incurred expenditures.

On-the-spot checks on an ad-hoc basis will also be carried out when suspicions arise that the information provided by the Project Promoter is incorrect or misleading. On-the-spot checks on an ad-hoc basis can also be organised for other reasons. Information about the date of the ad-hoc on-the-spot checks should normally not be provided to the Project Promoter in advance.

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

Information on Reporting and Monitoring shall be further outlined in the description of the Programme's Management and Control System according to Article 4.8.2 of the Regulation.

5. Additional mechanisms within the programme

5.1 Funds for bilateral relations

The use of funds for bilateral relations shall be agreed with the DPP and discussed in the Cooperation Committee, and within the parameters below. A plan for the use of the fund for bilateral relations, and the fund set-up, shall be developed further and submitted to the FMC for approval.

Support under the Bilateral Fund will be available for activities under measure "A" (search for partners for donor partnership projects prior to or during the preparation of a project application, the development of such partnerships, and the preparation of an application for a Donor partnership Project), and measure "B" (networking, exchange, sharing and transfer of knowledge, technology, experience and best practices between Project Promoters and entities in the Donor State). Under measure B, the PO shall ensure that funds are set aside for activities that contribute to the objective(s) of the programme with the primary aim of strengthening co-operation between the Programme Operators and similar entities within Estonia and the Donor States, and exchanging experiences and best practices related to the implementation of the programme. Eligible activities shall include the Programme Operator's and other relevant stakeholders' participation in events/seminars/activities organised by the Programme Operator, other Programme Operators or other entities such as (but not limited to) the Council of Europe or the European Union Agency for Fundamental Rights, or in other events or meetings agreed with the FMC.

60% of the total Bilateral Fund financing is channelled to measure "A". 40% of the total Bilateral Fund financing is channelled to measure "B".

The financing distribution between measures "A" and "B" is indicative and it is possible to review these distributions with the approval of the Cooperation Committee.

Costs under the two measures covered by the Bilateral Fund are eligible in accordance with Article 7.7 of the Regulation.

5.2 Complementary action

Not applicable.

5.3 Reserve for exchange rate losses

Not applicable.

5.4 Small Grant Schemes

The Small Grant Scheme is aimed at the development of initiatives to secure the sustainability of the manor houses. Project duration shall be up to 31 months. The Small Grant Scheme shall make available a total of € 670,000 to projects.

The rules applicable to the Small Grant Schemes and in particular, the grant size, grant rates, payment flows, etc., are stipulated in the relevant parts of this Annex.

The final project selection criteria to be applied shall be detailed in the framework of the Small Grant Scheme in accordance with Article 6.3 of the Regulation and shall be discussed in the Cooperation Committee and shall be subject to the agreement of the Donor Programme Partner. They shall be based on the proposal of the Programme Operator, and as a minimum contain the following general principles:

Selection criteria:

- applicant's capability to implement the project;
- sustainability of project results;
- realistic activity plan and budget, and financing plan;
- confirmation of co-financing;
- inclusion of activities to create opportunities for the development of the region and new jobs; and
- inclusion of activities to secure the number of visitors to manor schools.

Additional points will be allocated if the application covers more than one manor school.

6. Pre-defined projects

Project title: 'Active and Attractive Manor School'

Project Promoter: Museum of Estonian Architecture

Partner(s): Association of Estonian Manor Schools

Estimated total eligible project cost is € 324,705

Grant rate: 85%

Maximum contribution from the Programme: € 276,000

Expected outcome: 'Local communities further developed and economically sustainable livelihoods established through the revitalisation of cultural and natural heritage'

Summary description of the Project:

The project objective is to improve the operation of the network of manor schools and to ensure the preservation of manor houses by way of their active use.

The completed Project shall include the following activities:

1. Training for owners of manor houses, SMEs, and NGOs
2. Workshops for teachers, local community members and entrepreneurs
3. Conference to further develop the 'forgotten manors' initiative
4. Involvement of Norwegian experts in the training, workshops and conference
5. Development of a common visual identity and marketing platform
6. Project management
7. Publicity, including an exhibition and publications

7. Modification of the programme

Any modifications of the programme will follow the rules set forth in the Regulation and in Article 2.9 of the programme agreement.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as version signed by the Programme Operator on 3 March 2012 and shall include all subsequent correspondence and communication between the FMC, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable