

Norwegian Financial Mechanism 2009-2014

PROGRAMME AGREEMENT

between

The Norwegian Ministry of Foreign Affairs

and

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

together hereinafter referred to as the "Parties"

for the financing of the Programme "Green Industry Innovation "

hereinafter referred to as the "Programme"

Chapter 1

Scope, Legal Framework, and Definitions

Article 1.1

Scope

This programme agreement between the Norwegian Ministry of Foreign Affairs (hereinafter referred to as the NMFA) 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 Norwegian 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 Norwegian Financial Mechanism 2009-2014:

- a. the Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the Agreement);
- b. the Regulation on the implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "Regulation") issued by Norway in accordance with Article 8(8) of the Agreement;
- c. the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2009-2014 (hereinafter referred to as the "MoU"), entered into between the Kingdom of Norway and the Beneficiary State; and
- d. any guidelines adopted by the NMFA 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 Norwegian 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 NMFA 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 EEA 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 NMFA 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 NMFA of such signing.

2. The signed programme implementation agreement shall be identical to the draft programme implementation agreement confirmed by the NMFA 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 NMFA 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 NMFA.
2. Modifications that do not affect the objective, outcomes, outputs, indicators or targets of the Programme are permitted without NMFA'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 NMFA, the National Focal Point shall consult the NMFA 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 NMFA 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 NMFA 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 NMFA shall ensure that the National Focal Point is informed about communication between the NMFA 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 NMFA 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 NMFA 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 Norway.
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 NMFA 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 NMFA 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 NMFA 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 Norwegian Financial Mechanism 2009-2014 to the Programme in accordance with Article 8.8 of the Regulation.

Article 4.5 Irregularities, suspension and reimbursements

The NMFA 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 NMFA 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 NMFA 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 NMFA, 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 NMFA 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 NMFA, 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 NMFA or the FMO any responsibility of any kind for the supervision, execution, completion, or operation of the Programme or its projects.

3. The NMFA 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 NMFA 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 NMFA, its officials or employees, 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

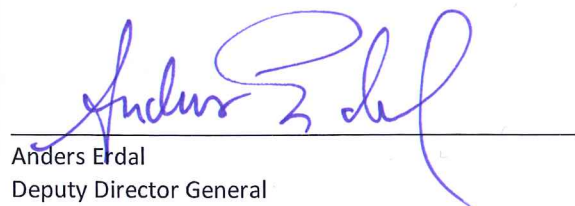
1. This programme agreement shall enter into force on the date of the last signature of the Parties.

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 NMFA

Signed in Ostlo on 29.1.2013


Anders Erdal
Deputy Director General

For the National Focal Point

Signed in RIGA on 21.02.2013


Armands Eberhards
Deputy State Secretary in European Union Structural Funds and Cohesion Fund Affairs

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Realisation of the business opportunities of greening of the European economy

Output

Innovative environmental technologies in industry developed

Output indicator(s)	Baseline	Target	Source of Verification
Number of projects with innovative environmental technologies supported	0	15	Project progress reports, technical specification documents, licences.

Output

Increase investments made by enterprises in „green“ industry area.

Output indicator(s)	Baseline	Target	Source of Verification
Amount of private sector investments made in green industry projects supported in EUR	0	14400000	Financial reports and completion reports.

Expected Outcome(s): Increased green job creation and entrepreneurship

Output

Overarching institution to boost green innovation in Latvia established and operational

Output indicator(s)	Baseline	Target	Source of Verification
Establishment of technology incubator	0	1	Project progress reports.
Number of companies taken up in the incubator and supported under the small grant scheme	0	40	Agreements signed with enterprises taken up in the incubator. Technology incubator reports on progress.

Output

Increased support for green entrepreneurs

Output indicator(s)	Baseline	Target	Source of Verification
Number of green business models defined under free pre-incubation services	0	70	Project progress reports from technology incubator

2. Conditions

2.1 General

- 1) The Open Call Guideline for Applicants shall be discussed in the Cooperation Committee and agreed with the Donor Programme Partner.
- 2) The indicators shall be reviewed and submitted to the NMFA for approval no later than 30 June 2013. The Programme Operator shall ensure that the programme is in-line with the EU Strategy for the Baltic Sea Region. The Priority Areas on Innovation and development of SMEs are especially relevant for this Action.
- 3) Bilateral indicators, outcome indicators and output indicators shall be reported on in the annual programme report.
- 4) The Focal Point shall ensure that any public support under this programme complies with the procedural and material State Aid rules applicable at the point in time when the public support is granted. The Focal Point shall 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 them to the NMFA upon request. The approval of the Programme by the NMFA does not imply a positive assessment of such compliance.
- 5) The Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation:

- keep any equipment purchased under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
- keep any equipment purchased 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
- set aside appropriate resources for the maintenance of any equipment purchased under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be agreed upon between the Programme Operator and the Project Promoter before signing the project contract.

2.2 Pre-eligibility

Expenditures under the Technology Incubator pre-defined project and the Small Grant Scheme shall only be eligible once the NMFA has approved a final description of these activities, accompanied by a report by an external appraiser that verifies the Technology Incubator Predefined Project's and Small Grant Scheme's quality and contribution to the objectives of the Programme as well as compliance with EU and national legislation. The report shall be accompanied by a specific legal opinion, drawn up by an external legal consultant, assessing and concluding on compliance with all State Aid Implications for the entire Programme. Both the report and the legal opinion shall be submitted to the NMFA in English.

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): 20/08/2012-30/04/2017

Eligibility of programme proposal preparation costs: 29/04/2011-19/08/2012

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€12,586,667
Programme estimated eligible cost (€)	€12,586,667
Programme grant rate (%)	90.0000%
Maximum amount of Programme grant (€)	€11,328,000

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

Budget heading	Eligible expenditure	Advance payment*
Programme management	€794,960	€0
Realisation of the business opportunities of greening of the European economy	€7,769,107	€0
Increased green job creation and entrepreneurship	€3,728,600	€0
Fund for bilateral relations	€294,000	€0
Complementary action	€0	€0
Preparation of programme proposal	€0	€0
Reserve for exchange rate losses	€0	€0
Total	€12,586,667	€0

* The advance payment is composed of €0 in grant amount and €0 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€71,546

3.5 Small Grant Scheme

Outcome	Increased green job creation and entrepreneurship
Total Amount Reserved	€2,265,600
Grant Amount at Project Level	€10,000 – 170,000
Duration of the Project	3 – 37 months
Maximum Grant Rate at Project Level	85.00%

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures

The Programme Operator is the Ministry of Economics of the Republic of Latvia (MoE). The Programme Operator may delegate certain tasks to the Latvian Investment and Development Agency (LIAA). Any such delegation shall be without prejudice to the Programme Operator's overall responsibility for the Programme and for the performance of the different tasks of the Programme Operator, as stipulated in the Legal Framework for the Norwegian Financial Mechanism 2009-2014.

The Donor Programme Partner is Innovation Norway.

The objective of the Programme is to increase the competitiveness of green enterprises, including greening of existing industries, green innovation and green entrepreneurship. The Programme shall support projects in the three measures listed below, all of which shall contribute to the realisation of business opportunities of greening the European economy:

1. Open call for proposals for projects (€7,769,107): To support projects by implementing, developing or improving innovative environmental technologies, products or processes within the following eligible measures:

- Production of renewable energy;
- Production of green (energy efficient) products and materials for buildings;
- Clean transportation;
- Water management;
- Waste management;
- Ecodesign;
- Or any other improvements in products, technologies or processes in other fields contributing to energy efficiency, lower emissions or lesser consumption of resources.

2. Pre-defined project (€1,463,000) on the establishment of a Green Technology Incubator.

3. Small Grant Scheme (€2,265,600) awarding support for the purchase of services and subsistence grants needed to start-up enterprises during incubation phase.

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:

Small, Medium and Large Enterprises established in Latvia are eligible to apply within the open call for proposals.

1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 7 of the Regulation.

By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new equipment will be eligible if the equipment is an integral and necessary component for the implementation or development of a technology that is essential for achieving the outcome of a project that is selected within the open call for proposals. LIAA will check and verify compliance with this condition.

The following costs are not eligible within projects selected through the open call for proposals:

- a) The cost of purchase and depreciation of second hand equipment;
- b) Purchase of land and real estate
- c) In-kind contributions.

2. Financial parameters

2.1 Minimum and maximum grant amount per project:

The minimum amount of grant assistance applied for within the open call for proposals is €170,000; the maximum amount is €700,000.

2.2 Project grant rate:

Grants from the programme will not exceed 35% of total eligible project costs and will be determined in accordance with Article 5.4.2 of the Regulation. 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:

The selection procedures shall be in full compliance with Article 6.5 of the Regulation. Two external experts will be procured to evaluate the project proposals. These experts will, in accordance with Article 6.5.2 of the Regulation, be external to the Programme Operator, LIAA and the project applicants. By way of clarification, the following summary of the procedure is provided. In case of any inconsistency, the provisions of the Regulation shall prevail.

- LIAA will publish an announcement to submit applications, giving a deadline of three months for the submission of applications.
- LIAA will review applications to ensure they meet the administrative and eligibility criteria.
- Two external experts will score the project applications according to the procedure provided for in Article 6.5.3 and 6.5.4 of the Regulation.
- A Selection Committee will be established according to Article 6.4 of the Regulation. It shall include at least three voting members possessing the relevant expertise, at least one of whom shall be independent of the Programme Operator, Innovation Norway and LIAA.
- The Selection Committee shall review the ranked list of projects based on the scores given by the two independent experts and in accordance with the procedure foreseen in Article 6.5.5 of the Regulation.
- The Programme Operator shall, in accordance with the procedure foreseen in Article 6.5.6, verify that the selection procedure has been conducted in accordance with the Regulation and that the recommendations from the Selection Committee comply with the rules and objectives of the Programme.
- In line with Article 6.5.7 of the Regulation, within four months of the deadline for receipt of applications, LIAA will notify the applicants about the results of the selection process and shall publicise the results.

3.2 Open calls and availability of funds:

For the Project Grants, there shall be one call for proposals. The call shall be launched no later than in the second quarter of 2013 and make available the total re-granting amount of €7,769,107. The call shall be open at least for 3 months.

In case there are funds uncommitted following the conclusion of the first open call, up to two supplementary calls may be launched.

3.3 Selection criteria:

The final selection criteria shall be defined prior to the launch of the open calls, in consultation with the cooperation committee. They shall be based on the following general principles, further detailed in Annex 14 to the programme proposal

- The project applicant's ability to raise the financing necessary for the implementation of the project
- The project application demonstrates preparedness for implementation of planned activities
- The economic sustainability of the project's results
- The project applicant's bilateral cooperation with donor state partner(s)
- The project's impact on the programme 'Green industry innovation'
- The economic impact of the project.

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

4.1 Payment flows

Payments towards the end beneficiaries will be in the form of advance payments, interim payments and payments of the final balance.

The Project Promoters have the possibility to request an advance payment not exceeding 35% of the grant awarded to the project. The request will need to be justified and is subject to approval. The advance payment off-set mechanism will be adapted to each Project Promoter's liquidity and included as part of the Project Contract.

Interim payments will be based upon incurred costs. The Programme Operator has the possibility to withhold up to 10 per cent of the total grant to the project until the payment of the final balance.

4.2 Verification of payment claims

Payments to projects are made on the basis of approved project interim/final reports.

Payment claims prepared by Project Promoter's will be reviewed and approved by LIAA. Verification and approval of payment claims will be based on the information on incurred expenditure, financial status and project progress contained in the interim and

final reports, and on any additional information required to be submitted together with the interim and final reports.

LIAA will finish the verification process within 30 working days after receiving all necessary supporting documents linked to the payment request.

The detailed rules on the submission of payment requests provided by the Project Promoter will be set in the Project Contract. Project payment claims should not be submitted more frequently than every 3 months.

The final procedure for the verification of payment claims, the periodicity of reporting periods, and the deadlines for reporting will be further outlined in the description of the Programme's management and control system according to Article 4.8.2 of the Regulation.

In case of verification of expenditure incurred by a donor project partner, a report by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the national law and accounting practices of the project partner's country, shall be seen as sufficient proof of costs incurred.

4.3 Monitoring and reporting

On the spot checks of projects will be conducted every year on a sample of projects selected on the basis of a risk analysis. The analysis shall take into account, among other things, the material and financial progress of a project, the time remaining to project completion, and the correctness of prepared reporting documentation.

On the spot checks can also be conducted on an ad-hoc basis when considered necessary.

Information on Reporting and Monitoring will further be outlined in the description of the Programme's management and control systems according to Article 4.8.2 of the Regulation.

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

5. Additional mechanisms within the programme

5.1 Fund for bilateral relations

The details of the use of the bilateral fund, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the PO in cooperation with the DPP and will be subject to the approval of the Cooperation Committee, within the following parameters:

Measure A: Approximately 50% of the bilateral fund will be allocated to the 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 donor partnership projects. Travel costs will be eligible, up to a limit of €1,500 per person per travel.

Measure B: Approximately 50% of the bilateral fund will be allocated to activities related to networking, exchange, sharing and transfer of knowledge, technology, experience and best practice between Project Promoters and entities in the Donor States. Selection procedures and criteria for awarding support from the fund will be further developed by the PO and the Donor Programme Partner and be published together with the calls. Payments will be made by LIAA, if possible standard scale of unit costs will be applied to reduce the administrative burden. Travel costs will be eligible, up to a limit of €1,500 per person per travel. Under Measure B, the PO can set aside funds for activities that contribute to the objective(s) of the programme with the primary aim of strengthening co-operation between the Programme Operator and similar entities within Latvia, Norway and other beneficiary 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, or in other events or meetings agreed with the NMFA.

All costs under the bilateral fund are eligible in accordance with Chapter 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

For the small grant scheme only SMEs are eligible applicants.

The Small Grant Scheme will provide support for SMEs taken up in the planned incubator. Accepted enterprises will receive grants

to verify their business ideas, to conduct market research, to pay salary to management personnel and to fund other necessary activities.

The minimum amount of grant assistance applied for under the Small Grant Scheme is €10,000; the maximum amount is €170,000. The maximum grant rate shall not exceed 85% of the total eligible costs of the applicant.

In accordance with Article 7.3.2 of the Regulation, the following costs are not eligible in projects selected under the Small Grant Scheme:

- The purchase of new or second hand equipment;
- In-kind contributions;
- The purchase of land and/or real estate.

6. Pre-defined projects

A technology incubator will be established under the programme. This incubator will serve as a bridging facility between „green” entrepreneurs and the market place and will help start-up companies with a green profile to develop their business ideas by offering practical and technical advice and also help in obtaining financing.

The technology incubator will be established and operated by a non-profit organisation to be established together by the University of Latvia, Riga Technical University and SIVA.

7. Modification of the programme

Any modifications of the programme will follow the rules 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 referring to the version signed by the Programme Operator on 01 March 2012, and shall include all subsequent correspondence and communication between the Financial Mechanism Office, the National Focal Point and the Programme Operator, including the revised proposals submitted on 19 July 2012.

9. Miscellaneous

Not applicable.