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# Support for knowledge-intensive activities of Ida-Viru enterprises

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The Regulation is established on the basis of subsection 10 (2) of the [2021-2027 European Union Cohesion and Internal Security Policy Funds Implementation Act](#) (hereinafter referred to as the *Act2021\_2027*).

## Chapter 1 General provisions

### § 1. Scope of regulation

(1) The Regulation establishes the conditions and procedure for granting and using support for the implementation of intervention no. 21.6.1.21 “Support for knowledge-intensive activities of Ida-Viru enterprises and enterprises investing in Ida-Viru County” of measure no. 21.6.1.2 “Support for knowledge-intensive activities of Ida-Viru enterprises” of the special objective “Enabling regions and people to contribute to the achievement of the 2030 energy and climate objectives of the Union and the social, employment, economic and environmental impacts of the Union’s transition to the climate-neutral economy by 2050 on the basis of the Paris Agreement” of policy objective no. 6 “Just Transition” of the “Programme for Cohesion Policy Funds 2021-2027” specified in clause 1 (1) 1) of the *Act2021\_2027*.

(2) The Regulation applies to the projects of the following fields of activity published in Annex 16 “Estonian Classification of Economic Activities (*EMTAK*)” (hereinafter referred to as *EMTAK*) to Regulation no. 59 of the Minister of Justice of 28 December 2005 “Procedure for Submission of Documents to Court”;

- 1) mining – section B, except for subsections 05, 06 and 091;
- 2) manufacturing – section C, except for subsections 102, 12, 19, 242, 243, 2446, 2452 and 2591;
- 3) electricity, gas, steam and air conditioning supply – section D, except for subsection 35111;
- 4) water supply; sewerage, waste management and remediation activities – section E.

(3) The Regulation does not apply:

- 1) to projects related to biomass which do not comply with the sustainability criterium provided for in Directive (EU) 2018/2001 of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, pp. 82-209)
- 2) in the cases provided for in Article 9 of Regulation (EU) 2021/1056 of the European Parliament and of the Council establishing the Just Transition Fund (OJ L 231, 30.06.2021, pp. 1-20).

(4) The target area for the support is Ida-Viru County.

(5) Application for support based on the Regulation, requirements concerning the applicant, partner and application, the processing and granting of applications, changing and revoking a decision to grant an application, eligibility of costs, payment and recovery of support, reporting, the obligations of the beneficiary and all other matters included in the Regulation are subject to the Government of the Republic Regulation no. 55 of 12 May 2022 “General conditions for the allocation and use of resources from the operational programmes of the European Union Cohesion and Internal Security Policy Funds for the period 2021-2027” (hereinafter referred to as the *Combined Regulation*) with derogations set out in this Regulation.

(6) Information and documents related to applying, granting, use and recovery of support under the Regulation are submitted via the e-support environment set forth in subsection 21 (3) of the *Act2021\_2027* (hereinafter referred to as the *e-support environment*). If the relevant type of documents cannot be submitted in this environment, the digitally signed document is submitted electronically.

### § 2. State aid

(1) The support constitutes state aid within the meaning of subsection 30 (1) of the Competition Act or de minimis aid within the meaning of subsection 33 (1) of the Competition Act.

(2) The support is granted in accordance with the following legal acts regulating state aid or de minimis aid:

1) support for the activities listed in clauses 1-3 of subsection 7 (1) is aid given to research and development (hereinafter referred to as *R&D*) projects within the meaning of Article 25 of Regulation (EU) no. 651/2014 of the European Commission 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) (hereinafter referred to as the *General Block Exemption Regulation*) and it is subject to the provisions of the General Block Exemption Regulation and section 34<sup>2</sup> of the Competition Act, or de minimis aid within the meaning of Regulation (EU) no. 1407/2013 of the European Commission 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 referred to as the *De Minimis Aid Regulation*) and it is subject to the provisions of the De Minimis Aid Regulation and section 33 of the Competition Act;

2) the support granted for the activity specified in clause 7 (1) 4) is innovation aid granted to small and medium-sized enterprises (hereinafter referred to as *SMEs*) within the meaning of Article 28 of the General Block Exemption Regulation and it is subject to the provisions of said Regulation and section 342 of the Competition Act, or de minimis aid and it is subject to the provisions of the De Minimis Aid Regulation and section 33 of the Competition Act;

3) the support granted for the activity specified in clause 7 (1) 5) is regional investment aid within the meaning of Article 14 of the General Block Exemption Regulation and it is subject to the provisions of said Regulation and section 34<sup>2</sup> of the Competition Act, or de minimis aid and it is subject to the provisions of the De Minimis Aid Regulation and section 33 of the Competition Act;

4) the support granted for the activity specified in clause 7 (1) 6) is state aid within the meaning of the European Commission Communication “Criteria for the analysis of the compatibility with the internal market of State aid to promote the execution of important projects of common European interest” (OJ C 528, 30.12.2021, pp. 10-18) (hereinafter referred to as the *IPCEI Communication*);

5) the support granted for the activities specified in clause 7 (1) 7) is de minimis aid and it is subject to the provisions of the De Minimis Aid Regulation and section 33 of the Competition Act.

(3) The Regulation does not apply:

1) to a beneficiary under the General Block Exemption Regulation who is an undertaking in difficulty within the meaning of Article 2(18) of the General Block Exemption Regulation;

2) to an enterprise which is subject to an outstanding recovery order following a previous European Commission decision declaring an aid illegal and incompatible with the internal market;

3) to a recipient of de minimis aid in the cases established in Article 1(1) of the De Minimis Aid Regulation;

4) to a beneficiary under the General Block Exemption Regulation in the cases provided for in Articles 1(2)-(5) and 13 of the General Block Exemption Regulation;

5) in the cases set out in point 10 of the *IPCEI Communication*.

(4) The total amount of de minimis aid provided to one enterprise together with any previously granted de minimis aid may not exceed the amount laid down in Article 3(2) of the De Minimis Aid Regulation over a period of three consecutive financial years.

(5) The rules for cumulation of de minimis aid granted for the various purposes laid down in Article 5 of the De Minimis Aid Regulation are taken into account in the case of de minimis aid. Upon the calculation of de minimis aid, enterprises related according to Article 2(2) of the De Minimis Aid Regulation are considered a single enterprise.

### § 3. Definitions

Within the meaning of the current Regulation:

1) an initial investment is an investment in tangible or intangible assets in relation to the first industrial deployment of new products, services or technologies within the meaning of Article 2(49) of the General Block Exemption Regulation in order to set up a new establishment, extend the capacity of an existing establishment, diversify the output of an establishment into products not previously produced in the establishment or fundamentally change the overall production process of an existing establishment;

2) the ‘do no significant harm’ principle is a requirement pursuant to which no significant harm specified in Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.06.2020, pp. 13-43), is caused to any of the environmental objectives provided for in Article 9;

3) an *IPCEI* project is a project that complies with the provisions of the *IPCEI Communication* and for which a decision of the European Commission is required to authorise the provision of aid;

4) a prior notification of an *IPCEI* project is a project submitted by the Ministry of Economic Affairs and Communications to the European Commission, along with annexes and additional information, in order to obtain a decision from the European Commission authorising state aid on the basis of an *IPCEI Communication*;

5) a medium-sized enterprise is an enterprise that meets the criteria set out in Article 2(1) of Annex I to the General Block Exemption Regulation;

6) a project plan is an action plan that includes the activities carried out through the project and their expected outcomes, novelty and innovation, a market analysis, a marketing and action plan, a project budget and its justification, a description of the project team and a prognosis of the undertaking’s economic indicators;

7) industrial research means planned *R&D* activities or important research within the meaning of Article 2(85) of the General Block Exemption Regulation, aimed at the acquisition of new knowledge and skills for developing new products, processes or services or for bringing about a significant improvement in existing products, processes or services that have a determined practical application and a business customer that will use the new knowledge gained for business purposes;

8) a large enterprise is an enterprise that does not meet the criteria set forth in Article 2 of Annex I to the General Block Exemption Regulation;

9) *R&D* is a systematic activity based on an individual’s freedom of expression which has the goal of obtaining new

knowledge about humans, nature, society and their mutual influence through scientific research and applying that knowledge;

10) a knowledge-intensive pilot infrastructure is an infrastructure consisting of pilot facilities and demonstration plants established for the first industrial deployment of new products, services and technologies created as a result of R&D and innovation and their improvement, or innovative equipment and facilities, the construction and implementation of which involves R&D and innovation and which are used in stages following the testing phase and when setting up batch production, if this does not include mass production or commercial activities;

11) a research and development institution (hereinafter referred to as *R&D Institution*) is a scientific organisation and knowledge-dissemination organisation or research institution that is a university or research institute, technology transfer agency, innovation intermediary, research-oriented physical or virtual collaborative entity according to Article 2(83) of the General Block Exemption Regulation whose primary goal, irrespective of its legal status or way of financing, is to independently conduct fundamental research, industrial research or experimental development or to widely disseminate the results of such activities by way of teaching, publication or knowledge transfer;

12) according to Article 2(87) of the General Block Exemption Regulation, a feasibility study is the assessment and analysis of a project's potential that aims to support the process of decision-making by objectively and rationally uncovering its strengths and weaknesses, opportunities and threats, as well as identifying the resources required to carry it through and ultimately its prospects for success;

13) according to Article 2(86) of the General Block Exemption Regulation, experimental development is the development of new or improved products, processes or services;

14) according to Article 2(39a) of the General Block Exemption Regulation, market conditions are the conditions present during a transaction between two parties that would have also been present between independent entrepreneurs and with respect to which there is no agreement;

15) according to Article 2(90) of the General Block Exemption, effective collaboration means cooperation between at least two independent parties to exchange knowledge or technology, or to achieve a common objective based on the division of labour where the parties jointly determine the scope of the collaborative project, contribute to its implementation and share its risks, as well as its results;

16) a small enterprise is an enterprise that meets the criteria set out in Article 2(2) of Annex I to the General Block Exemption Regulation.

#### **§ 4. Purpose and outcome of granting support**

(1) The aim of the support is to diversify the economy of Ida-Viru County as a result of the implementation of knowledge-intensive activities by enterprises, to help create jobs with high added value in the region and thereby increase the competitiveness of enterprises in Ida-Viru County.

(2) As a result of granting the support:

1) the share of R&D expenditure of Ida-Viru enterprises, which is calculated as a percentage of the gross domestic product, increases;

2) the number of enterprises involved in R&D in Ida-Viru County increases;

3) enterprises in Ida-Viru County or enterprises investing in Ida-Viru County with the help of the support develop internationally competitive new or substantially modified technologies, processes, products or services;

4) enterprises established in or investing in Ida-Viru County participate in value chains linked to IPCEI projects.

(3) The granting of support contributes to the achievement of the following output indicators from the list of measures:

1) the enterprises to be supported;

2) the enterprises to be supported with the support.

(4) The granting of support contributes to the achievement of the following performance indicators from the list of measures:

1) jobs created in supported enterprises;

2) private sector investments that complement public sector support.

(5) The project supported takes into account the horizontal principles in Article 9 of Regulation (EU) 2021/1060 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.06.2021, pp. 159-706, hereinafter referred to as the *Common Provisions Regulation*), contributes to upholding the fundamental principles of the Estonian long-term strategy "Estonia 2035" (hereinafter referred to as the *strategy "Estonia 2035"*), which was approved by the decision of the Riigikogu of 12 May 2021, and to the achievement of the objective "The economy of Estonia is strong, innovative and responsible" of this strategy.

(6) The following indicators are used to assess the upholding of the fundamental principles of the strategy "Estonia 2035" and the achievement of the objective referred to in subsection 5 in a way that supports balanced regional development, gender equality, equal opportunities, accessibility, environmental and climate objectives:

1) labour productivity as a share of the EU average;

2) GDP per capita generated outside Harju County in comparison to the EU 27 average;

3) the cost of R&D activities in the private sector;

4) resource productivity;

5) greenhouse gas net emissions as tonnes of CO<sub>2</sub>e;

6) gender equality index;

- 7) measure of caring and cooperativeness;
- 8) accessibility indicator.

#### **§ 5. Implementing body and implementing authority**

- (1) The implementing authority is the Ministry of Economic Affairs and Communications (hereinafter referred to as the *implementing authority*).
- (2) The implementing body is the Estonian Business and Innovation Agency (hereinafter referred to as the *implementing body*).

#### **§ 6. State aid terms for collaborative projects, agreement and principles of sharing rights to intellectual property**

- (1) The terms for carrying out a project collaboratively, the sharing of profits, risks and outcomes, the dissemination of project outcomes and the use and sharing of rights to any intellectual property created as a result of a collaborative project will be stipulated in a cooperation agreement.
- (2) The cooperation agreement sets out the terms and conditions of the fee to be paid to the partner R&D Institution. The fee must be at least equal to the market conditions of the intellectual property rights generated by the partner's activities.
- (3) If a beneficiary and an R&D Institution execute a collaborative project together, the beneficiary cannot receive indirect state aid through the R&D Institution due to collaborative conditions if at least one term set forth in point 28 of the Communication from the Commission of 28 October 2022 'Framework for State aid for research and development and innovation' (OJ C 414, 28.10.2022, pp. 1-45) (hereinafter referred to as the *R&D Framework*) is met.
- (4) Payment made to an R&D Institution for the rights of the intellectual property created through its actions is in accordance with the market conditions if the aforementioned payment will allow the R&D Institution to receive all economic benefit from such rights and if at least one term stipulated in point 29 of the R&D Framework is fulfilled.
- (5) If the exact intellectual property rights or their price corresponding to market conditions are not known before the implementation of the collaborative project, the beneficiary guarantees that the payment stipulated in section 4 will be determined based on cost.
- (6) The cooperation agreement specified in subsection (1) must contain a provision according to which, after the research has been performed, the amount of the payment can be reviewed in accordance with the intellectual property rights created during the research and their price corresponding to market conditions.

## **Chapter 2**

### **Supported activities, eligibility of costs and support rate**

#### **§ 7. Supported activities**

- (1) Activities that help to achieve the objectives and results specified in section 4 are supported:
  - 1) industrial research;
  - 2) experimental development;
  - 3) a feasibility study;
  - 4) applying for the initial protection of intellectual property related to the activity specified in clauses 1) or 2);
  - 5) the establishment of a knowledge-intensive pilot infrastructure for the first industrial deployment of a new product, service or technology;
  - 6) the implementation of an IPCEI project;
  - 7) engineering, infrastructure development, joining networks and its supporting activities.
- (2) The activities specified in clauses (1) 3) and 4) are only supported in conjunction with industrial research or experimental development.
- (3) The activities specified in clause (1) 7) are only supported in conjunction with the establishment of a knowledge-intensive pilot infrastructure for the first industrial deployment of a new product, service or technology.
- (4) The activities specified in clause (1) 1) and 2) may be carried out as effective collaboration.
- (5) A project includes effective collaboration if one of the following terms and conditions has been met:
  - 1) the project is carried out by independent enterprises, at least one of which is an SME, or the project is carried out in at least two Member States or in a Member State and a country party to the Agreement on the European Economic Area and neither enterprise carries over 70% of the eligible costs or
  - 2) the project is carried out by an enterprise and at least one R&D Institution that bears at least 10 percent of eligible costs and has the right to publish the research results.
- (6) The establishment of a knowledge-intensive pilot infrastructure must comply with the initial investment set out in

subsection 3 (1). In the case of a large enterprise, only investments in tangible or intangible assets in relation to an initial investment in favour of new economic activity, as referred to in Article 2(51) of the General Block Exemption Regulation, where the new economic activity must have a different EMTAK code from the existing activity, are eligible.

(7) The applicant may not commence project-related activities or assume obligations for carrying out such activities before submitting an application to the implementing body, unless the aid is granted as de minimis aid.

(8) On the basis of an IPCEI Communication, support can be requested for an IPCEI project, with respect to which the European Commission has made a decision authorising it.

(9) If the location of the activity specified in clauses (1) 1)-4) and 6) is outside Estonia, the activity must comply with the conditions set out in Article 63(4) of the Common Provisions Regulation.

## **§ 8. Eligibility of costs**

(1) Eligible costs are those incurred in carrying out the activities referred to in clauses 7 (1) 1)-3):

- 1) the personnel costs of the applicant's and the partner's staff involved in the project, as provided for in clauses 16 (1) 1), 4) and 5) of the Combined Regulation;
- 2) the costs of contractual scientific research, knowledge and patents as well as consultation services used only for the project and costs of other, similar services purchased from an external source or licensed under market conditions;
- 3) the costs of acquiring tools and machinery bought or rented during the project eligibility period in proportion to their time of use in the project;
- 4) the costs of materials and accessories.

(2) If tools or machinery referred to in clause (1) 3) are acquired and not used in the project for the entire duration of their service life, the cost of their use will be considered their depreciation charge as stipulated in the internal rules of the beneficiary's accounting which corresponds to the length of the project and is calculated in accordance with generally accepted accounting principles.

(3) Eligible costs are the costs of acquiring, validating and protecting the patents and other intangible assets, other than trademarks, necessary for carrying out the activities referred to in clause 7 (1) 4).

(4) Eligible costs are those incurred in carrying out the activity referred to in clause 7 (1) 5):

- 1) the costs of acquiring and renting tangible assets;
- 2) the costs of acquiring and renting intangible assets.

(5) The cost of setup and transport, and the cost of cargo insurance required for transport of the assets specified in clause (4) 1) is eligible if this is included in the acquisition cost of the respective assets.

(6) For large enterprises, the costs of intangible assets are eligible only up to 50% of the total eligible investment costs of the initial investment.

(7) The costs referred to in subsection (4) are eligible if the assets to be acquired or rented have not previously been used in the course of an economic activity, except where the assets are acquired by a beneficiary who is an SME under conditions set out in Article 2(49)(b) of the General Block Exemption Regulation or a beneficiary who is a large enterprise under conditions set out in Article 2(51)(b) of the General Block Exemption Regulation.

(8) The rental costs set out in subsection 4 are eligible if the applicant is the user of the asset leased under a finance lease during the eligibility period and must buy the asset out after the lease period.

(9) For the assets referred to in subsection 4, the durability requirement laid down in Article 65 of the Common Provisions Regulation must be guaranteed for at least five years from the date of completion of the project and the last payment in the case of a beneficiary who is a large enterprise or three years in the case of an SME.

(10) The costs necessary for carrying out the activity referred to in clause 7 (1) 6), as set out in points (a) to (h) of the Annex to the IPCEI Communication, are eligible, with the exception of land acquisition costs.

(11) The administrative costs of a project receiving support under the IPCEI Communication are eligible if they are calculated on the basis of direct personnel costs using a flat rate, in line with the IPCEI Communication and the European Commission's authorisation decision. The calculation of flat rate is project-based.

(12) If the flat rate for a project receiving support under the IPCEI Communication cannot be established on the basis of the IPCEI Communication or the European Commission's authorisation decision, the flat rate under Article 54(b) of the Common Provisions Regulation is taken as the basis in these projects.

(13) Only expenses paid by bank transfer are eligible, with the exception of the cost related to the use of tools and machinery outlined in clause (1) 3).

(14) The costs of transactions between the following parties are ineligible:

- 1) between persons who are considered related according to subsection 8 (1) of the Income Tax Act, unless such a transaction between the persons indicated is inevitable for completing project goals and does not damage the interests

of other project partners;  
2) between project partners.

(15) The personnel costs provided for in clauses 16 (1) 2), 3), 6) and 7) of the Combined Regulation are not eligible.

(16) VAT is an ineligible cost.

## **§ 9. Project eligibility period**

(1) A project's eligibility period is the time frame stipulated in the decision to grant the application during which project-related activities start and end and expenses necessary for carrying out the project are incurred.

(2) The eligibility period of a project begins as of the date of submission of the application or as of the date specified in the decision granting the application and ends on the date specified in the decision granting the application, but not later than:

- 1) on 31 December 2026 in the case of activities listed in clauses 7 (1) 1)-4) and 6);
- 2) on 31 October 2029 in the case of activities listed in clauses 7 (1) 5) and 7).

(3) The activity specified in clause 7 (1) 6) is eligible as of the date of submission of the prior notification of an IPCEI project to the European Commission.

(4) The eligibility period of a project is up to 36 months. In the case of activities specified in clauses 7 (1) 5) and 7), the eligibility period of the project is up to 60 months.

(5) The beneficiary may apply for an extension of the eligibility period of the project, provided that the result to be achieved is related to the objectives of the measure and the project to be funded. If the eligibility period is extended, it may exceed the duration provided for in subsection (4), but it must end on the dates set out in subsection 2 at the latest.

(6) The beneficiary may request the closure of the project before the date indicated in the decision granting the application, provided that the project activities have been completed. The beneficiary must request the closure of the project before the date indicated in the decision granting the application, if circumstances that do now allow it to continue with the project become evident.

(7) The project ends when the implementing body has approved the final report and made the final payment to the beneficiary.

## **§ 10. Limit and proportion of support**

(1) The minimum amount of support per project is 100,000 euros and the maximum amount is 5,000,000 euros.

(2) The maximum share of support in eligible costs in the case of industrial research is:

- 1) 70 percent for a small enterprise;
- 2) 60 percent for a medium-sized enterprise;
- 3) 50 percent for a large enterprise.

(3) The maximum share of support in eligible costs in the case of industrial research, which includes effective collaboration described in subsection 7 (4), is:

- 1) 80 percent for a small enterprise;
- 2) 75 percent for a medium-sized enterprise;
- 3) 65 percent for a large enterprise.

(4) The maximum share of support in eligible costs in the case of experimental development is:

- 1) 45 percent for a small enterprise;
- 2) 35 percent for a medium-sized enterprise;
- 3) 25 percent for a large enterprise.

(5) The maximum share of support in eligible costs in the case of experimental development, which includes effective collaboration described in subsection 7 (4), is:

- 1) 60 percent for a small enterprise;
- 2) 50 percent for a medium-sized enterprise;
- 3) 40 percent for a large enterprise.

(6) The maximum share of support in eligible costs in the case of a feasibility study is:

- 1) 70 percent for a small enterprise;
- 2) 60 percent for a medium-sized enterprise;
- 3) 50 percent for a large enterprise.

(7) If support is requested for the initial protection of intellectual property indicated in clause 7 (1) 4) of the Regulation, the maximum share of the support in eligible costs is 50 percent.

(8) If support is requested for the activities indicated in clauses 7 (1) 5) and 7) of the Regulation for the purpose of the first industrial deployment of a new product, service or technology, the maximum share of the support in eligible costs

is:

- 1) 45 percent for a small enterprise;
- 2) 35 percent for a medium-sized enterprise;
- 3) 25 percent for a large enterprise.

(9) The maximum share of support in eligible costs for the implementation of an IPCEI project is the share of the maximum amount of state aid provided as a part of the total eligible budget of the IPCEI project, which does not exceed 2/3 of the total eligible budget of the project and has been approved by the European Commission.

(10) The amount of self-financing must cover the part of the eligible costs that the support does not cover.

## **Chapter 3**

### **Requirements for applicants, partners and applications**

#### **§ 11. Requirements for applicants and partners**

(1) Support may be requested by a company entered in the Estonian Commercial Register whose project for which support is requested corresponds to the sections of EMTAK listed in subsection 1 (2).

(2) The applicant may involve a partner who is a private legal entity or an R&D Institution in the project.

(3) No liquidation or bankruptcy proceedings may have been initiated or a bankruptcy order may have been issued against the applicant and the partner.

#### **§ 12. Requirements for application**

(1) An application must comply with the following requirements:

- 1) support is requested for a project that will be implemented or the results of which will be applied in Ida-Viru County;
- 2) the project plan has received a positive preliminary assessment in the pre-consultation completed in accordance with section 15.

(2) The application must contain at least the following information, confirmations and documents:

- 1) the volume of R&D investments of the applicant and their partner who is an enterprise, their sales revenue from new or significantly altered technologies, products or services, the number of employees and R&D staff of the enterprise in the financial year preceding the submission of the application and in the year the support is applied for and the estimated change in these data in the five years following the end of the implementation of the project;
- 2) the information referred to in Article 6(2) of the General Block Exemption Regulation;
- 3) a project plan that has received a positive preliminary assessment;
- 4) the project plan in English, if the need to involve external experts in the evaluation of the application was identified during pre-consultation;
- 5) if a partner is involved, the partner information form signed by the partner's authorised representative;
- 6) written confirmation from the applicant and the partner regarding the existence of self-financing;
- 7) a power of attorney if the applicant's or partner's representative acts on the basis of a power of attorney;
- 8) information on whether the applicant has applied for support for the project or some activities thereof from several measures at the same time, or from other state budget or local government funds or from European Union or other foreign funds;
- 9) information on how the project contributes to the achievement of the objectives of the strategy "Estonia 2035" and the upholding of the fundamental principles;
- 10) the applicant's and partner's balance sheet and income statement as of the last quarter;
- 11) documents proving the right of ownership or use of the applicant's property, if the support is applied for in order to purchase the equipment to be delivered to that property, or data showing that the applicant has at least entered into a written prior agreement with the owner of the property for the acquisition or rental of the property during the eligibility period of the project and for at least three years in the case of an SME applicant and five years in the case of a large enterprise applicant as of the final payment of the project;
- 12) a confirmation that the results of the activities listed in clauses 7 (1) 1)-3) and 6) are implemented in Ida-Viru County;
- 13) a confirmation that the state aid notification submitted to the European Commission for the realisation of the activity referred to in clause 7 (1) 6) has been approved by the European Commission, or a confirmation that a prior notification of an IPCEI project has been submitted to the European Commission, and a confirmation that the first industrial deployment of the IPCEI project and the subsequent production activities take place in Estonia;
- 14) a confirmation that, in the case of applying for support for the activity referred to in clause 7 (1) 6), the implementing body is entitled to submit an enquiry to the public authority that submitted the state aid notification in order to gain access to the relevant documents;
- 15) an assessment that the activity specified in clause 7 (1) 5) complies with the 'do no significant harm' principle;
- 16) a confirmation that the activity specified in clauses 7 (1) 1)-4) and 6)-7) complies with the 'do no significant harm' principle;
- 17) a climate proofing assessment concerning the activity indicated in clause 7 (1) 5) with a duration of at least five years, and the expected results of this activity in terms of climate proofing;
- 18) a confirmation by the applicant that, in the two years preceding the submission of the application, there has been no relocation within the meaning of Article 2(61a) of the General Block Exemption Regulation into an enterprise to

which an investment will be made on the basis of the requested support, and that the applicant must ensure that no relocation will take place within two years of the investment being made on the basis of the requested support;  
19) a description of the R&D and innovation activities and sources of funding involved in the establishment and implementation of the knowledge-intensive pilot infrastructure referred to in clause 7 (1) 5).

(3) The applicant evaluates the compliance of the activity specified in clauses (2) 15) and 16) with the ‘do no significant harm’ principle on the basis of the guidance published on the website of the implementing body, based on the European Commission Communication 2021/C 58/01 “Technical guidance on the application of ‘do no significant harm’ under the Recovery and Resilience Facility Regulation” (OJ C 58, 18.2.2021, pp. 1-30).

(4) The climate proofing assessment referred to in clause (2) 17) is conducted in accordance with the guidance published on the website of the implementing body which is based on the European Commission Communication 2021/C 373/01 “Technical guidance on the climate proofing of infrastructure in the period 2021-2027” (OJ C 373, 16.9.2021, pp. 1-92).

## **Chapter 4**

### **Applying for support**

#### **§ 13. Opening of application round and reception of applications**

(1) Before opening an application round or accepting applications, the implementing body confirms the activities to be supported, the budget for funding, the deadline for submission of applications and the minimum and maximum amounts of the support requested, having obtained the prior approval of the implementing authority.

(2) The implementing body publishes on its website the starting and closing dates for the reception of applications, the suspension thereof, the budget for financing and whether applications are accepted in rounds or on an ongoing basis at least 20 calendar days before the start of the application round or the reception of applications.

#### **§ 14. Pre-consultation**

(1) Before applying for support, the applicant must undergo a pre-consultation.

(2) In the course of pre-consultation, the implementing body explains the basis on which support is granted, draws attention to potential technical and substantive shortcomings of the planned project, giving advice and making suggestions for the elimination thereof.

(3) If the project plan adheres to the objective set out in subsection 4 (1) and contributes to the achievement of at least one performance indicator of a measure specified in subsection 4 (4), the implementing body gives the project plan a positive preliminary assessment as a result of the pre-consultation. A positive preliminary assessment may not be more than six months old at the time of submitting the application for support.

(4) The positive preliminary assessment of the project plan is not binding on the implementing body when making a decision on whether to grant the application.

#### **§ 15. Information submitted for participation in pre-consultation**

In pre-consultation, the applicant submits the documents indicated in clauses 12 (2) 1), 6), 10) and 11) of the Regulation and the project plan containing the following information:

- 1) the applicant’s strategic objective;
- 2) a description of the activities of the project, including the novelty and market analysis of the product, service, process or technology to be developed;
- 3) a timetable of project activities;
- 4) the expected results of the project’s activities and the financial forecast;
- 5) the budget and sources of funding of project activities;
- 6) a list of the members of the project team and, for each member, the knowledge, skills and previous experience needed to carry out the project;
- 7) the expected long-term and strategic impact of the project activities on the applicant’s business activities;
- 8) documents proving that the project is climate-proof and compliant with the ‘do no significant harm’ principle or, in the absence thereof, the applicant’s evaluation of the compliance of the project with the provisions of clauses 12 (2) 15)-17) with an overview of the stage and deadline at which these documents are prepared.

## **Chapter 5**

### **Processing of applications**

#### **§ 16. Terms for processing of applications**

(1) The term for processing applications is 60 working days from the date of closing the application round in the case of application in rounds and 60 working days from the submission of the application in the case of an ongoing application.



(2) The time of processing an application may be extended by up to ten working days in the cases specified in subsection 6 (2) of the Combined Regulation. The implementing body informs the applicant of the extension of the term for processing the application.

(3) If shortcomings are discovered when the compliance of the application is verified, the applicant will be immediately informed about this and given up to ten working days to fix them and the term for processing the application will extend by this time.

(4) The implementing body will make the decision to deny an application without assessing the application substantively if the applicant has not fixed the shortcomings during the term specified in subsection (3).

(5) The decision concerning the application will be sent to the applicant within three working days of making the decision.

#### **§ 17. Declaration of compliance of an applicant, partner and application**

(1) The implementing body assesses the compliance of pending applications, applicants and partners with requirements.

(2) The implementing body declares an applicant, partner and application compliant if they meet the requirements set out in the Regulation.

(3) If the implementing body does not declare an applicant, partner or application compliant, it will make a decision to reject the application without assessing the application substantively.

(4) The implementing body assesses the compliance of the 'do no significant harm' principle indicated in the project, the climate proofing assessment and documents with the guidelines provided in subsections 12 (3) and (4). The implementing body involves experts in the assessment where necessary.

#### **§ 18. Formation of assessment committee and involvement of experts in assessment process**

(1) The implementing body will form an assessment committee to assess the applications, obtaining a prior approval from the implementing authority with respect to the composition of the committee.

(2) The implementing body involves experts in the assessment.

(3) The implementing body publishes the composition of the assessment committee on its website at the latest on the first day of receipt of applications.

(4) Members of the assessment committee and experts confirm their neutrality and independence from the projects, applicants and partners under assessment.

(5) The implementing body gives the applicant up to ten working days to reply to any questions that have arisen in the course of the assessment. The term for processing the application extends by this term.

#### **§ 19. Assessment of projects, selection criteria and selection method**

(1) Applications that are declared compliant are assessed on the basis of the following selection criteria with the following shares in the total score:

1) the compliance of the project with field-specific development plans, impact on the achievement of the special objective of the operational programme and the special objectives of the measure, which includes an assessment of the project's compliance with field-specific development plans, the project's impact on the diversification of the economy of Ida-Viru County and the creation of knowledge-intensive jobs in the county, the project's impact on the increase in enterprises' expenditure on R&D in Ida-Viru County, the project's impact on the growth of enterprises engaged in R&D in Ida-Viru County, the project's impact on the increase in the number of internationally competitive new or substantially modified technologies, processes, products and services of enterprises in Ida-Viru County – share in total score 25 percent;

2) the project's economic justification and the applicant's ability to implement the results of the project for the achievement of the objectives of the measure, which includes an assessment of the project's economic necessity and justification with respect to the applicant and their partners, the financial benefits stemming from the project, the change in the applicant's business model and financial growth stemming from the change in the future, the relevance of the business plan, the ability of the applicant and their partners to carry out the business plan and use the outcomes in a business setting and the applicant's ability to fund the deployment of the project's outcomes – share in total score 35 percent;

3) the project's technological justification, the applicant's ability to implement the project from a technological perspective, which includes an assessment of the novelty and technological advantages of a product, service, technology or process in comparison with similar products and the technological level of the development plan along with the descriptions of activities that will be carried out and the relevance of the schedule, the method by which the project will be implemented and its feasibility, the knowledge, skills and earlier experience of the research team in relation to industrial research and experimental development and the existence of infrastructure required for implementing the project – share in total score 30 percent;

4) cost-effectiveness of the project, which includes an assessment of the justification and cost-effectiveness of the project budget and the applicant's ability to finance the fixed costs of the project after completion – share in total score 5 percent;

5) compliance of the project with the fundamental principles and objectives of the long-term development strategy of Estonia, which includes an assessment of how the project contributes to the achievement of the objectives of horizontal principles related to the fundamental principles and objectives of the strategy "Estonia 2035", thereby contributing to the corresponding indicator of the strategy "Estonia 2035" – share in total score 5 percent.

(2) The project selection process is carried out in accordance with the selection methodology approved by the implementing body. The implementing body will compile the assessment methodology on the basis of the selection criteria set out in subsection (1).

(3) The implementing body obtains the implementing authority's approval for the selection methodology referred to in subsection (2) prior to its approval and publishes it on its website on the date of the start of the reception of applications at the latest.

(4) The applications will be evaluated on a scale of zero to four using the selection criteria indicated in subsection (1).

(5) If the weighted average score of the experts involved in the assessment of the application for at least one of the selection criteria specified to in clauses (1) 1), 3) and 4) is less than 2.00 points or the weighted average score of the selection criteria referred to in clause (1) 2) is less than 2.50 points, the implementing body will make the decision to deny the application without involving the assessment committee and the processing of the application is terminated.

(6) If the experts have evaluated the project with a higher score than provided for in subsection (5), the project is evaluated by the assessment committee, which proposes to the implementing body that the application be granted, partially granted, granted with a secondary condition or rejected. In justified cases, the assessment committee may make proposals to the implementing body to modify the project's objectives, action plan or budget or to impose additional conditions on the project.

(7) If the weighted average score of the assessment committee for at least one of the selection criteria specified to in clauses (1) 1), 3) and 4) is less than 2.00 points or the weighted average score of the selection criteria indicated in clause (1) 2) is less than 2.50 points or if the total score of the project is under 2.50 points, the implementing body will make the decision to deny the application.

(8) In the case of an ongoing application, applications are processed in the order in which they are submitted. In the case of application in rounds, the implementing body will rank the applications on the basis of the total scores of projects. In the case of projects with equal indicators, the application where the amount of the requested support is smaller will be placed higher in the rankings.

## **§ 20. Terms and conditions of and procedure for approving an application**

(1) An application is approved unless a decision to reject the application is made on the basis of the scores awarded to the project in accordance with subsection 19 (5) or (7). An application may be granted in part, in full or with a secondary condition.

(2) In the case of application in rounds, applications are granted based on a ranking list.

(3) The total amount of approved applications must not exceed the support budget of the application round.

(4) The decision to grant the application states, in addition to the provisions of subsection 8 (4) of the Combined Regulation:

- 1) the terms and conditions of implementing the project;
- 2) the reporting periods, deadlines and procedure for submission of reports.

## **§ 21. Terms and conditions of and procedure for refusing an application**

(1) The implementing body may reject an application if evaluating the information submitted in the application and collected in the course of processing the application in aggregate indicates that the objectives of the project can be achieved without the support.

(2) A decision to deny an application will be made for pending applications whose financial volume exceeds the available balance of the budget for the financing of the applications of the measure and which cannot be partially granted.

(3) A decision to refuse an application sets out:

- 1) the person who made the decision;
- 2) the date and number of the decision;
- 3) the business name of the applicant;
- 4) the name and number of the project;
- 5) the legal and factual bases for the decision;
- 6) the reasons for rejecting the application;
- 7) the grounds and deadline for challenging the decision.

## **§ 22. Grant of application in part and with secondary condition**

(1) An application may be partially granted in accordance with subsection 9 (1) of the Combined Regulation and under the condition that the applicant agrees with the proposal of the implementing body for reducing the amount of the support applied for or amending the activities planned in the project. If the applicant does not consent to the proposal of the implementing body, the implementing body makes a decision to reject the application.

(2) On the basis of a decision to grant an application conditionally, the beneficiary has no right to payments of the support. The beneficiary becomes entitled to the payment of the support after the secondary condition has been fulfilled.

## **Chapter 6**

### **Amendment of decision to approve application**

#### **§ 23. Amendment of decision to approve application**

(1) If the circumstances stipulated in clauses 12 (2) 1)-3) of the Combined Regulation are changed, the relevance and necessity of the changes will be checked before a decision is made and, where necessary, it is done on the basis of the project selection criteria referred to in subsection 19 (1), involving experts or the assessment committee where necessary.

(2) The distribution of the amount of support allocated to a project between the different grounds for providing state aid listed in subsection 2 (2) may be changed as needed in the course of the implementation of the project.

(3) The amount of support may be increased if a justified need for additional expenses arises during the implementation of the project. The increase in the amount of support must be in line with the limits set out in section 10 and the state aid rules set out in section 2, and the balance of the budget for financing projects must allow for an increase in the amount of support.

(4) The implementing body decides on the amendment of the decision to approve the application within 30 working days of receiving the respective application.

(5) The decision to grant an application may be amended retroactively if it helps to achieve the project results and the change is founded and in accordance with the terms and conditions of state aid.

(6) The implementing body has the right to refuse to change the decision to grant the application if the change casts doubts over the possibility of achieving the project's expected results or the possibility of the project activities being completed during the project's eligibility period.

## **Chapter 7**

### **Rights and obligations of beneficiary, partner and implementing body**

#### **§ 24. Rights and obligations of beneficiary and partner**

(1) The beneficiary and the partner have the right to receive information and explanations from the implementing body on the requirements set forth in the Regulation and the obligations of the beneficiary.

(2) The beneficiary must comply with the obligations laid down in sections 10 and 11 of the Combined Regulation.

(3) An SME that has received support for an activity set out in clause 7 (1) 5) ensures that, in the event of replacement of tangible assets, it will continue economic activities for three years from the date of the last payment of the project, and a large enterprise that has received support ensures that, in the event of replacement of tangible assets, it will continue economic activities for five years from the date of the last payment of the project. When implementing this subsection, the beneficiary complies with the conditions set out in Article 14(5) of the General Block Exemption Regulation.

(4) The beneficiary of support for the activity set out in clause 7 (1) 6) ensures that the total amount of support from different budget sources does not exceed the maximum amount of state aid as laid down in the Commission decision authorising it.

#### **§ 25. Rights and obligations of implementing body**

(1) The implementing body has the right to:

- 1) audit the source accounting documents (hereafter referred to as *cost documents*) and carry out supervisory activities;
- 2) check the use of the support and self-financing;
- 3) request the submission of additional data and documents on the duration, activities, objectives and expenses of the project indicated in the application;

- 4) suspend payouts to the beneficiary until the amount to be recovered has been repaid;
- 5) suspend or end the payout of the support and demand the repayment of the support in part or in full if the beneficiary breaches the terms and conditions of the Regulation or otherwise deviates from the provisions of the application or the decision to approve the application;
- 6) refuse to pay the support if the beneficiary's economic situation has deteriorated to such an extent that the use of the support or implementation of the project is compromised;

(2) The implementing body is obligated to:

- 1) make the application and reporting forms and guidance materials available to applicants and beneficiaries;
- 2) after the decision to grant the application has been made, publish on the website of the State Shared Service Centre the name of the beneficiary, the name of the project receiving the support, the amount of the support, the total volume of the project, the objective and duration of the project;
- 3) after providing support, publish the data of the supported IPCEI project in the register of state aid or de minimis aid in accordance with the requirements set out in point 48 of the IPCEI Communication;
- 4) not disclose any information or documents obtained in the course of the processing of the application, except information which must be disclosed in accordance with clause 2);
- 5) retain the data concerning the provision of state aid and de minimis aid with the information and relevant additional documents for ten years from the decision granting the application.

## **Chapter 8**

### **Submission of reports**

#### **§ 26. Submission of reports**

(1) The beneficiary submits an interim and final report of the project to the implementing body by the due dates specified in the decision to grant the application. If the period between the submission of the interim report and the final report is less than six months or the project duration is less than six months, only the final report is submitted.

(2) The interim report includes a description of the executed activities compared with the information provided in the project application, and the results achieved.

(3) The final report of the project includes at least the following information:

- 1) a description of the main activities of the entire project;
- 2) information about the achievement of the project outputs and results;
- 3) a description and assessment of the contribution to the fundamental principles and objectives of the strategy "Estonia 2035";
- 4) information on compliance of the activity indicated in clause 7 (1) 5) with the 'do no significant harm' principle;
- 5) information on the results of the activity indicated in clause 7 (1) 5) with a duration of at least five years in climate proofing;
- 6) information on the use of intellectual property, patent applications and publications.

(4) The implementing body may involve the assessment committee or experts in making an evaluation of the interim and final report.

(5) The implementing body approves the interim and final reports within 30 working days of their submission. The implementing body has the right to request that the report be supplemented.

(6) To assess the impact of the Regulation, information can be collected through follow-up reports of projects. The form and questions of the follow-up report are drawn up and forwarded to the beneficiary by the implementing body. The implementing body has the right to require the beneficiary to submit a follow-up report within a maximum of five years of the last payment.

## **Chapter 9**

### **Terms and conditions for payment of support**

#### **§ 27. Terms and conditions for payment of support**

(1) The support is paid to the beneficiary in accordance with subsection 27 (1) of the Combined Regulation, or directly to the supplier or contractor in accordance with subsection 27 (2) of the Combined Regulation under the conditions laid down in the decision granting the application.

(2) Payment of support is based on the detailed terms and conditions and procedure for making payments provided in the decision to approve the application.

(3) For the purposes of certifying eligible costs and self-financing, only costs paid on the basis of cost documents and by bank transfer are taken into account, except for costs related to the use of tools and machinery indicated in clause 8 (1) 3), which are calculated on the basis of depreciation.

(4) The payment of the support is subject to the submission of an interim or final report on the respective reporting

period and approval thereof by the implementing body.

- (5) The documents and supporting evidence required to receive the payment are not submitted more frequently than quarterly.
- (6) The total eligible expenses of a cost document must be at least 100 euros without VAT.

## **Chapter 10**

### **Financial corrections and challenges**

#### **§ 28. Financial corrections and repayment of support**

(1) The decision on financial correction is made and the support is repaid in accordance with sections 28-30 of the Act2021\_2027 and sections 34-38 of the Combined Regulation.

#### **§ 29. Processing of challenges**

(1) According to section 31 of the Act2021\_2027, a challenge against an activity or a decision of the implementing body is submitted to the implementing body before the submission of a complaint to an administrative court.

(2) Challenges are settled by the implementing body, except in the case of a challenge against a decision relating to a support application, which is settled by the implementing authority.

(3) The challenge will be examined in accordance with the procedure established by the Administrative Procedure

Act.

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