Norwegian Financial Mechanism 2014-2021

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 "Business Development, Innovation and SMEs"

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 2014-2021 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 2014-2021:

(a) Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as the Agreement);(b) the Regulation on the implementation of the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as the "Regulation") issued by Norway in accordance with Article 10(5) of the Agreement;

(c) the Memorandum of Understanding on the Implementation of the Norwegian Financial Mechanism 2014-2021 (hereinafter referred to as the "MoU"), entered into between 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 1.6 thereof, and the legal framework referred to in Article 1.2 of this programme agreement.

Article 1.4
Annexes and hierarchy of documents

1. Annexes attached hereto 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 annexes shall prevail, provided that these provisions are compatible with the Regulation.

3. Commitments, statements and guarantees, explicit as well as implicit, made in the preparation of the programme 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 principles of implementation as set out in the Regulation.

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 2014-2021 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 Irregularities Authority 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. This programme agreement 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 this programme agreement.

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 annexed to this programme agreement shall:

(a) contain a breakdown between the Programme's budget headings;

(b) indicate the agreed advance payment, if any.

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

Article 2.5
Special conditions and programme specific rules

1. This programme agreement shall list any conditions set by the NMFA with reference to paragraph 2 of Article 6.3 of the Regulation. The National Focal Point shall ensure compliance with these conditions and 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 this programme agreement.

Article 2.6
Programme implementation agreement

With reference to Article 6.8 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.

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 9 and Articles 6.11 and 6.12 of the Regulation as well as statistical reporting in accordance with guidelines adopted by the NMFA.

Article 2.8
External monitoring

The external monitoring and audit referred to in Articles 11.1, 11.2, 11.3 and 11.4 of the Regulation shall not in any way relieve the National Focal Point or the Programme Operator of their obligations under the legal framework 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. Programme specific exceptions from paragraph 1, if any, are set in the annexes to this programme agreement.

3. Expenditures incurred in breach of this article are not eligible.

4. 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.

5. Requests for modifications shall be submitted and assessed in accordance with Article 6.9 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. 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.

Article 2.11
Contact information

1. The contact information of the Programme Operator is as specified in this programme agreement.

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 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 connection with the implementation or conclusion of this programme agreement are authentic, accurate and complete.

Chapter 3
Projects

Article 3.1
Selection of projects and award of grants

1. The National Focal Point shall ensure that the Programme Operator selects projects in accordance with Chapter 7 of the Regulation and this programme agreement.

2. Eligibility of project promoters and project partners is stipulated in Article 7.2 of the Regulation and, in accordance with paragraph 4 thereof, subject only to the limitations stipulated in this programme agreement.

3. Pre-defined projects shall be outlined in this programme agreement.

4. The National Focal Point shall take proactive steps to ensure that the Programme Operator complies fully with Article 7.5 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 or the project contract shall comply with Article 7.6 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 1.6 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 7.7 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 8.15 of the Regulation.

5. The National Focal Point shall ensure that the Programme Operator verifies that the partnership agreement complies with this article. A draft partnership agreement or letter of intent shall be submitted to the Programme Operator before the signing of the project contract.

Chapter 4
Finance

Article 4.1
Eligible expenditures

1. Subject to Article 8.7 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.

2. Eligible expenditures of projects are those actually incurred by the Project Promoter or project partners, meet the criteria set in Article 8.2 of the Regulation and fall within the categories and fulfil the conditions of direct eligible expenditure set in Article 8.3 of the Regulation, the conditions regarding the use of standard scales of unit costs set in Article 8.4 of the Regulation as well as indirect costs in accordance with Article 8.5 of the Regulation.

4. The first date of eligibility of expenditures in projects shall be set in the project contract in accordance with Article 8.13 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 6.5 of the Regulation.

5. The maximum eligible costs of the categories referred to in paragraph 1 are set in this programme agreement. Programme specific rules on the eligibility of expenditure set in this programme agreement 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 8.12 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 9.2, 9.3 and 9.4 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 this programme agreement.

4. The National Focal Point shall ensure that payments are transferred in accordance with paragraph 2 of Article 9.1 of the Regulation.

5. Chapter 9 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 2014-2021 to the Programme in accordance with Article 9.8 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 13 thereof. The National Focal Point has a duty to take all necessary measures to ensure that the provisions in Chapter 12 and 13 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 13.6 of the Regulation or a decision to suspend payments according to paragraph 1(h) of Article 13.1 of the Regulation has not been lifted within 6 months of such a decision;

(b) a suspension of payments according to Article 13.1 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 13.2 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 13 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.

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

For the Donors	For the National Focal Point
Signed in Oslo on 07/07/2020	Signed in Riga on 14/07/2020
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Niels Engelschiøn Director General, Norwegian Ministry of Foreign Affairs	Armands Eberhards Deputy State Secretary on EU Structural Funds and Cohesion Fund issues, Ministry of Finance of the Republic of Latvia

Annex I to the Programme Agreement

Programme Operators and Partners	
Programme Operator:	Investment and Development Agency of Latvia
Donor Programme Partner:	Innovation Norway (IN)
IPO:	-
Other Programme Partner(s):	-

Programme Objective	Increased value creation and sustainable growth

PA	Outcome/Output	Expected programme results	Indicator	Disaggregation	Unit of measurement	Source of verification	Frequency of reporting	Baseline values	Baseline year	Target value
PA01	Outcome 1	Increased competitiveness for Latvian enterprises within the focus areas green industry innovation, ICT and welfare technologies	Number of jobs created[1]	Gender, Age	Cumulative number	Payroll records, employment agreements	Annually (APR)	0	N/A	50
			Estimated annual growth in turnover	N/A	Percentage	Accounting records - invoices issued, annual financial report.	Annually (APR)	0 %	N/A	10 %
			Estimated annual growth in net operational profit[2]	N/A	Percentage	Accounting records - annual financial report.	Annually (APR)	0 %	N/A	5 %
			Estimated annual CO2 emissions reductions (tons)	N/A	Annual number	Energy audit reports, Energy certificates	Annually (APR)	0	N/A	2,000

[1] Definition of "job": Please see the Core Indicators guidance document, for the definition of jobs created: Additional jobs (positions) created in an organisation targeted by the Programme. A job should be permanent, full-time equivalent and paid. To be treated as permanent, a job should have a life expectancy of at least one year.
[2] Difference between operating income and operating expenses.

			Estimated annual decrease of energy consumption (MWh)	N/A	Annual number	Energy audit reports, Energy certificates	Annually (APR)	0	N/A	1,500
			Number of new products/technologies developed	Sector	Cumulative number	Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements	Annually (APR)	0	N/A	23
			Number of new green/ICT products/technologies applied (new-to-the-enterprise)[3]	Sector	Cumulative number	Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements	Annually (APR)	0	N/A	20
			Level of user satisfaction with business services provided by the Tech Business Centre	N/A	Scale 1-5	Survey results	Annually (APR)	N/A	N/A	4
			Number of supported SMEs still in existence 3 years after received services of Tech Business Centre	N/A	Number	Survey results	Annually (APR)	0	N/A	70
	Output 1.1	Enterprises supported to develop	Number of SMEs supported to develop green products/technologies[4]	N/A	Cumulative number	Copies of contracts signed with	Semi-annually (APR and	0	N/A	7

[3] Definition of "applied": An enterprise is using a solutions/technology/product already developed/available in the market and adjust it to the enterprises' own need. These types of projects can include a R&D component related to adjustment of material, process etc. applicant/enterprise's needs. Refers to green/ICT/welfare products or technologies.

[4] Definition "SMEs": SMEs are enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

		innovative green products or technologies				Project Promoters, Project Promoters' records, Partnership agreements	September IFR)			
			Number of SMEs supported to apply green products/ technologies	N/A	Cumulative number	Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements	Semi-annually (APR and September IFR)	0	N/A	15
			Number of enterprises using external research expertise/research institution to develop innovative green products/technologies	N/A	Cumulative number	Copies of contracts signed between Project Promoters of SGS and research institutions.	Semi-annually (APR and September IFR)	0	N/A	7
	Output 1.2	Enterprises supported to develop innovative ICT products or technologies	Number of SMEs supported to develop ICT products/technologies	N/A	Cumulative number	Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements	Semi-annually (APR and September IFR)	0	N/A	7
			Number of SMEs supported to apply ICT products/ technologies	N/A	Cumulative number	Copies of contracts signed with Project	Semi-annually (APR and	0	N/A	5

						Promoters, Project Promoters' records, Partnership agreements	September IFR)			
			Number of enterprises using external research expertise/research institution to develop innovative ICT products/technologies	N/A	Cumulative number	Copies of contracts signed between Project Promoters of SGS and research institutions.	Semi-annually (APR and September IFR)	0	N/A	7
	Output 1.3	Enterprises supported to develop innovative welfare products or technologies	Number of SMEs supported to develop welfare products/technologies	N/A	Cumulative number	Copies of contracts signed with Project Promoters, Project Promoters' records, Partnership agreements	Semi-annually (APR and September IFR)	0	N/A	9
			Number of enterprises using external research expertise/research institution to develop innovative welfare products/technologies	N/A	Cumulative number	Copies of contracts signed between Project Promoters of SGS and research institutions.	Semi-annually (APR and September IFR)	0	N/A	5
	Output 1.4	Tech Business Centre established	Number of beneficiaries that have received business training[5]	Gender, Roma	Cumulative number	Copies of contracts signed with intrapreneurs, students and	Semi-annually (APR and September IFR)	0	N/A	98

[5] 'Beneficiaries' are defined as intrapreneurs, entrepreneurs and SMEs.

						SMEs, Project Promoters' records				
			Number of prototypes (product/services) developed	N/A	Cumulative number	Copies of contracts signed with intrapreneurs, students and SMEs, Project Promoters' records	Annually (APR)	0	N/A	30
			Number of partnership agreements signed with universities	N/A	Cumulative number	Copies of contracts signed between Project Promoter and Project Partners	Annually (APR)	0	N/A	3
			Number of memorandums of understanding with state-owned enterprises, municipalities and international organizations	N/A	Cumulative number	Copies of memorandums of understanding signed between Project Promoter and cooperation partners	Annually (APR)	0	N/A	4
			Number of hackathons organized in collaboration with partners (universities, municipalities and state-owned enterprises)	N/A	Cumulative number	Project Promoter's records	Annually (APR)	0	N/A	4
			Number of seminars/workshops organized by Tech Business Centre.	N/A	Cumulative number	Project promoter's records	Annually (APR)	0	N/A	15
PA01	Bilateral Outcome	Enhanced collaboration	Share of donor business partnerships which continue	N/A	Percentage	Survey results	Annually (APR)	N/A	N/A	20 %

		between beneficiary and donor state entities involved in the Programme	after project implementation period							
			Share of cooperating organisations that apply the knowledge acquired from bilateral partnership	N/A	Percentage	Survey results	Annually (APR)	N/A	N/A	50 %[6]
			Level of satisfaction with the partnership	N/A	Scale 1-7	Survey results	Annually (APR)	6.21[7]	2023[8]	4.5[9]
			Level of trust between cooperating entities in Beneficiary States and Donor States	N/A	Scale 1-7	Survey results	Annually (APR)	6.14[10]	2023[11]	4.5[12]
	Bilateral Output 1	Donor partnerships projects	Number of projects involving cooperation with a donor project partner	N/A	Cumulative number	Copies of contracts concluded with Project Promoters, Partnership agreements between Project Promoters and project partners	Semi-annually (APR and September IFR)	0	N/A	13
	Bilateral Output 2	Knowledge and technology transfer between donor states entities and Latvian entities promoted	Increased mutual knowledge about bilateral business opportunities among participating entities supported	N/A	Scale 1-5	Survey results	Semi-annually (APR and September IFR)	N/A	N/A	4

[6] Target is minimum 50 %.
[7] Based on the survey carried out on behalf of the FMO
[8] Survey carried out on behalf of the FMO
[9] Target is ≥4.5, and an increase on the baseline value.
[10] Based on the survey carried out on behalf of the FMO
[11] Survey carried out on behalf of the FMO
[12] Target is ≥4.5, and an increase on the baseline value.

Conditions

General

Not applicable

Pre-eligibility

Not applicable

Pre-payment

Not applicable

Pre-completion

Not applicable

Post-completion

Not applicable

Eligibility of costs - period	**First date**	**Final date**
Eligibility of costs	15/12/2017	30/04/2025
Grant rate and co-financing		
Programme eligible expenditure (€)		€ 12,971,449
Programme grant rate (%)		85.00 %
Maximum amount of Programme grant - EEA Financial Mechanism (€)		-
Maximum amount of Programme grant - Norwegian Financial Mechanism (€)		€ 11,025,732
Maximum amount of Programme grant - Total (€)		€ 11,025,732

PA	Budget Heading	Norway Grants	Total grant	Programme grant rate	Programme co-financing	Programme eligible expenditure	Advance payment
PA01	Programme management	€ 1,113,919	€ 1,113,919	85.00 %	€ 196,574	€ 1,310,493	n/a
PA01	Outcome 1 (Norway Grants)	€ 9,911,813	€ 9,911,813	85.00 %	€ 1,749,143	€ 11,660,956	n/a
Total		**€ 11,025,732**	**€ 11,025,732**	**85.00 %**	**€ 1,945,717**	**€ 12,971,449**	**€ 0**

Retention of management costs	
Retention of management costs - Percentage of the management costs	10.00 %
Retention of management costs - Planned Euro value	€ 131,049

Business Development, Innovation and SMEs

Operational rules (Annex II)

1. **Programme summary**

This Annex sets out the operational rules for the Business Development, Innovation and SMEs programme (hereafter – the programme). The programme agreement is based on the Memorandum of Understanding on the implementation of the Norwegian Financial mechanism 2014-2021 between the Republic of Latvia and the Kingdom of Norway (hereinafter – MoU), the concept note, and comments made by the Financial Mechanism Committee (hereafter – FMC). Commitments, statements and guarantees, explicit as well as implicit, made in the concept note, are binding for the Programme Operator unless otherwise explicitly stipulated in the annexes to this programme agreement

The Programme Operator is the Investment and Development Agency of Latvia (hereinafter – LIAA). The Donor Programme Partner is Innovation Norway. LIAA is, together with the Ministry of Economics of Latvia, responsible for the preparation of the Programme. LIAA shall operate autonomously and independently from the Ministry of Economics of Latvia.

The programme shall support the outcome "Increased competitiveness of Latvian enterprises within the focus areas Green Industry Innovation, ICT and Welfare technology" by way of at least two calls for proposals, two small grant schemes (SGS) and a predefined project.

The two calls for proposals and the small grant schemes (SGS 1 and 2) will support a wide range of project initiatives aimed at improving the economic performance in Latvian enterprises in order to contribute to increased value creation and sustainable growth. The call no. 1 will support application of green products and technologies (production facilities with reduced environmental impact), while call no. 2 will support application of ICT products and technologies(digitalization of production facilities). The SGS 1 will support the development of green and ICT innovations, products and technologies. The SGS 2 will support development of welfare technologies. The predefined project will support the establishment and operational costs of the Tech Business Centre.

2. Eligibility

2.1 Eligible applicants:

The rules on eligibility of applicants and project partners are set in Article 7.2 of the Regulation. The following limitations shall be placed:

	Eligible applicants	**Eligible Partners**
Main call, SGS 1 and SGS 2.	SMEs[1] established as legal persons in Latvia	Any public or private entity, commercial or non-commercial, and non-governmental organisations, established as a legal person in Latvia or Norway

[1] Definition according to COMMISSION RECOMMENDATION of 6 May 2003, C (2003) 1422 of 6 May 2003.

2.2 Special rules on eligibility of costs:
Costs are eligible in accordance with Chapter 8 of the Regulation. The following exceptions are made:

In accordance with Article 8.5.4 of the Regulation, indirect costs shall be identified in accordance with paragraph 1(c) of Article 8.5 of the Regulation. Indirect costs in the pre-defined project for the project promoter and project partners shall be identified in line with paragraph 1(b) of Article 8.5 of the Regulation.

Purchase of land and real estate pursuant to Article 8.3.1.d of the Regulation is not eligible;

3. Bilateral relations
3.1 Bilateral relations
The Programme shall contribute to strengthening bilateral relations between Latvia and Norway.

The Programme shall, as appropriate, facilitate donor partnership projects by carrying out, inter alia, match-making events and activities in conjunction with launching calls for proposals, as well as by encouraging donor partnership projects in call texts.

LIAA shall organise a bi-annual Cooperation Committee meeting, to advise on the preparation, implementation and progress of the programme, as well as on the use of the bilateral fund. LIAA and Innovation Norway shall constitute the Cooperation Committee. The National Focal Point (hereafter – NFP), the Ministry of Economy of the Republic of Latvia, the Norwegian Embassy, the Donor States and the Financial Mechanism Office (hereafter – FMO) shall be invited to be observers in the Cooperation Committee.

The use of the funds for bilateral relations allocated to the Programme shall be agreed in the Cooperation Committee.

4. Selection of projects and financial parameters
4.1 Open calls and availability of funds (including number of calls, duration of calls, and estimated size):

Outcome	Modality	Calls	Indicative timing	Total available amount	Maximum/ Minimum grant applied for
Outcome 1 Increased competitiveness for Latvian enterprises within the focus areas green industry innovation, ICT and welfare technologies.	Call for proposals (Main call)	Call 1 with focus area GII	Q3 2021	€ 6 411 211,32	€ 600 000 / € 200 000
		Call 2 with focus area ICT	Q3 2021	€ 2 229 267,99	€ 600 000 / € 200 000
	SGS 1 with focus area GII and ICT	Call 1 with focus area GII	Q3 2021	€ 805 297,24	€ 130 000 / € 10 000
		Call 2 with focus area ICT	Q3 2021	€ 859 472,61	€ 130 000 / € 10 000
	SGS 2 with focus area welfare technology	Call 1 with focus area welfare technology	Q3 2021	€ 1 090 139,84	€ 130 000 / € 10 000

Any amounts uncommitted may be transferred between focus areas and to other calls within the same outcome.

4.2 Selection procedures:
The project evaluation and award of grants shall be in accordance with Article 7.4 of the Regulation.

The Programme Operator shall be responsible for project evaluation, selection and the award of grants.

The Programme Operator shall review the applications for compliance with administrative and eligibility criteria. Applicants whose applications are rejected at this stage shall be informed and given a reasonable time to contest that decision.

Each application that meets the administrative and eligibility criteria shall be reviewed by at least two independent experts appointed by the Programme Operator. The experts shall separately score the project according to the selection criteria published with the call for proposals. For the purposes of ranking the projects, the average of the scores awarded by the experts shall be used. If the difference between the scores given by the two experts is more than 30% of the higher score, a third expert, shall be commissioned by the Programme Operator to score the project independently. In such cases, the average score of the two closest scores shall be used for the ranking of the projects.

The Programme Operator shall establish a Selection Committee for the selection of projects. The Selection Committee shall consist of three voting members, with representatives from the Programme Operator, the Donor Programme Partner and one external expert.

The NMFA, the NFP and FMO shall be invited to participate in the Selection Committee meetings as observers.

The Programme Operator shall provide the Selection Committee with a list of the ranked projects. The Selection Committee shall review the ranked lists of projects. The decision of the Selection Committee shall be taken by consensus of all voting members. The Selection Committee may modify the ranking of the project applications in justified cases based on transparent criteria, in such cases the detailed justification will be included in the minutes of the meeting.

The Selection Committee shall prepare a list of projects recommended for support or to be approved with conditions. The Programme Operator, based on the recommendation of the Selection Committee, shall make the decision on which projects shall be supported. The Programme Operator may modify the decision of the Selection Committee in justified cases. The decision will be documented, in particular, if the decision does not fully reflect the recommendations of the Selection Committee.

Within the SGS 2 for welfare technology there will be four voting members in the Selection Committee, with representatives from the Programme Operator, the Donor Programme Partner and one external expert, as well as one member from the Ministry of Culture of Latvia.

4.3 Project grant rate:
Call for proposals (Main call) will provide grants with aid intensity up to 45% for medium-sized enterprises and 55% for small-sized enterprises.

SGS 1 (for GII and ICT) and SGS 2 (for welfare technology) will provide grants with aid intensity up to 70% for small and medium-sized enterprises.

The grant rate for the pre-defined project is set in section 5.1.

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. Any remaining costs of the project shall be provided or obtained by the project promoter.

The State Aid provided shall be granted by a decision of the Programme Operator. The date of the positive decision or the conclusion on fulfillment of conditions shall be deemed to be the moment when the State Aid is granted.

5. Additional mechanisms within the Programme

5.1 Pre-defined projects

There will be one pre-defined project implemented under the programme.

1) "Tech Business Centre (TBC)"

Project Promoter:	Investment and Development Agency of Latvia
Other project partner(s):	University of Latvia Riga Technical University Riga Stradins University
Total maximum eligible costs:	€ 2,000,000
Project grant rate:	100.00 %
Maximum project grant amount:	€ 2,000,000
Estimated duration:	46 months

The pre-defined project shall contribute to the programme's outcome "Increased competitiveness of Latvian enterprises within the focus areas Green Industry Innovation, ICT and Welfare technology" by being a pilot project to establish a Tech Business Centre in Riga. The aim of establishing this new platform is to support and grow entrepreneurial skills, knowledge and innovative thinking in Latvian tech intensive SMEs. By providing in-depth knowledge on establishing innovative enterprises and development of a prototype of a tech intensive/innovative product or service for each beneficiary, the Tech Business Centre will contribute to increased competitiveness in private enterprises in Latvia. After the end of the pilot project phase, it is expected that the platform will serve as the basis for further knowledge and experience transfer or for continuation for similar project, new business incubators or regional innovation centres or other types of relevant support schemes with support of other financial sources when available.

The Tech Business Centre team will build partnerships by bringing together leading universities, risk capital representatives, government and corporates. The best practices and experience exchange will be provided by building partnerships with organizations from industry and academia from around the world in order to provide best possible consultations to entrepreneurs in Latvia.

The Tech Business Centre will consist of a physical meeting place and a network to help businesses to accelerate the development of innovative and tech intensive enterprises. The physical meeting place will rotate on a yearly basis between the three project partners, that are leading universities in Latvia (University of Latvia, Riga Technical University (RTU) and Rīga Stradiņš University). Establishing a Tech Business Centre close to or within the existing structure of research organization gives easy access to their competences and equipment and facilitates mutual collaboration between Tech Business Centre and structures existing at the universities, such as student business incubators and prototyping facilities.

The project partners have the best expertise in natural sciences, engineering, medical and social sciences. Moreover, they can provide fast prototyping services in time, but also participate in the R&D process by scientists and laboratories. University of Latvia will focus on expertise in natural sciences (physics, biology, chemistry, medicine, environmental sciences) including interdisciplinary expertise in biomedicine, chemical physics, biotechnology etc. RTU is the only polytechnic university in Latvia and the largest university in the country. RTU will provide expertise in engineering, social sciences and humanities. Such competencies as expertise, scientific and technical support in medicine, public health and social sciences will be provided by Rīga Stradiņš University.

The daily running of the center will be carried out by LIAA, which will have five LIAA employees working full-time with the center, and project management will be provided by the Director of the Business Incubators Department at LIAA with 30% full-time position equivalent. LIAA and the partners will support the running of the center as well as delivering services to the users. In order to enhance the exchange of best practice and foster cooperation with partners abroad, there are envisaged business travels for the staff of Tech Business Centre. Most services provided to the beneficiaries of the Tech Business Center will be ensured by LIAA experts and staff from the project partners. However, some services as i.e. mentors from industry, research and prototyping providers and event organizers, will be outsourced and procured by public procurement procedure. The project partners expenses for provided services to the clients of Tech Business Centre will be covered by Tech Business Centre budget.

The project will finance the activities of Tech Business Centre. The beneficiaries will not receive any funding as grants but as services provided by the center. The beneficiaries will not have to pay for the services and all the expenses a beneficiary will have for business training, prototyping, mentoring etc. will be covered by the budget of the pre-defined project. This support will be provided as *de minimis* state aid.

The main activities provided by Tech Business Centre staff and project partners will include:

1. Scouting for innovative, tech-intensive ideas, teams and SMEs. Under this activity, the LIAA experts will search for innovative ideas using existing network of business incubators, technology "scouts", other LIAA divisions working with innovation. LIAA experts will also work on promoting the upcoming calls for business training at least once a year (*Innovation academy*). Project partners will search for teams and tech intensive ideas within universities.
2. *Innovation academy*. The RTU Riga Business School (RBS) will provide these business training to the beneficiaries in the Innovation Academy. Activities will be i.e. topics business modelling, product development, sales and rapid prototyping throughout the learning process. The training will be done by way of lectures, as well as interaction with mentors and experts provided by Tech Business Centre and partners.
3. Prototyping.
4. Mentoring, expertise and consultations. The Tech Business Centre will provide this service in close collaboration with LIAA consultants in export, investment and innovation, as well as LIAA representatives in more than 20 countries to help beneficiaries enter into the market, assist in fundraising processes. Tech Business Centre will provide guidance through the whole process of commercialization and product development;
5. Networking, learning and social events.

5.2 Financial Instruments

Not applicable

6. Programme Management

6.1 Payment flows

The Programme Operator, shall ensure that payments to projects are made in a timely manner. Interim and final payments to the projects shall be based on approved project reports.

Payments of the project grant shall take the form of advance payments, if any, interim payments and a final payment and will be set out in the project contract. The payment flow will be defined in the project contract. The level of advance payment to projects shall be set out in the project contract. The maximum level of advance payment shall be linked to the project budget and the type of Project Promoter as follows:

Project promoter	Advance Payment	Interim Payment	Final balance payment
SME	Up to 25%	Up to 90% (including advance payment)	No less than 10%
LIAA Tech Business Centre (State budget institution)	-	Up to 90%	No less than 10%

The advance payment, if any, shall be paid following the signature of the project contract. Subsequent payments shall be paid after the approval of project interim reports. The final payment will be paid after approval of the final report.

The approval of project interim and final reports shall take place within the terms and deadlines determined in national regulations.

The periodicity of reporting periods, and deadlines for reporting will be further detailed in the description of the Programme Operator's management and control systems.

6.2 Verification of payment claims

Verifications to be carried out by the Programme Operator shall cover administrative, financial, technical and physical aspects of the project, as appropriate and be in accordance with the principle of proportionality.

Verifications shall include the following procedures:

- administrative verifications in respect of incurred expenditures reported by Project Promoter to be carried out before approval of each interim and final project report;

- on-the-spot verifications.

The requirements for proof of expenditures shall be set out in the project contract.

The procedures for administrative and on-the-spot verifications shall be further detailed in the description of the Programme Operator's management and control systems.

6.3 Monitoring and reporting

The Programme Operator shall monitor, record and report on progress towards the Programme's outcomes in accordance with the provisions contained in the legal framework. The Programme Operator shall ensure that suitable and sufficient monitoring and reporting arrangements are made with the project promoters in order to enable the Programme Operator and the NFP to meet its obligations to the donors.

When reporting on progress achieved in Annual and Final Programme Reports, the Programme Operator shall disaggregate results achieved as appropriate and in accordance with instructions and templates received from the FMO.

6.4 Programme administrative structures

The tasks of the Programme Operator shall be carried out by LIAA, which is subordinated to the Minister for Economics. LIAA shall operate autonomously and independently from the Ministry of Economics within the Programme. In order to perform the functions of the Programme Operator, LIAA has established the Norwegian Financial Mechanism Department, that is responsible for the implementation of the Programme.

Independence and functional separation from the Business Incubators Department within LIAA acting as project promoter for the pre-defined project shall be ensured.

7. Communication

The Programme Operator shall comply with Article 3.3 of the Regulation, the Information and Communication Requirements in Annex 3 of the Regulation and the Communication plan for the programme.

8. Miscellaneous

Not applicable