



Annex 3

System of pre-payments to projects in the Estonia-Latvia programme based on the partner reports submitted to the Financial Control bodies in Estonia and Latvia

The main ideas for introducing the system of pre-payments are the following:

- to speed up reimbursement of costs made by the projects, thus supporting especially those project partners, who do not have significant reserves to finance project activities, do not qualify for state supported bridge financing, have difficulties in receiving a loan from the bank and/or who can credit their activities only to a limited amount;
- pre-reimbursement of costs means more finances for implementing project activities before the costs are reimbursed based on the current procedure, i.e. it will lead to more timely expenditures done by the projects;
- decreasing n+3 risk.

Procedure

- 1) After all the project partners have submitted partner reports to the Financial Control (hereinafter *FC*) bodies, the lead partner has a right to send a pre-payment request to the Joint Secretariat (hereinafter *JS*).

If a partner has no costs to report (so called zero costs report), it must inform the Estonian or Latvian first-level control body as well as the lead partner and JS about it within 10 working days after the end of the reporting period. To do this, the partner must send an email to the first-level control body with a copy to the lead partner and JS. The FC body does not issue its confirmation on zero-costs.

The pre-payment request consists of the request letter from the lead partner. The JS provides a template for the request letter, which is elaborated in cooperation with the Managing Authority (hereinafter *MA*) and JS.

- 2) Lead partner has a right to request pre-payment in amount of up to 50% of the total ERDF request of partner reports.

The request can be submitted only in case all the partner reports for respective period are submitted together with the request.

The request cannot be submitted in the case of the first and last reporting period.

- 3) JS checks, whether the calculation of the request is correct and forwards prepayment application to the MA for payment.
- 4) JS has a right to refuse the requested pre-payment sum, in case:
 - a) the project has not fulfilled the obligations listed in the subsidy contract, or;
 - b) the project has ongoing infringement proceedings, or;
 - c) recovery requests by the MA have not been paid by the lead partner.
- 5) The costs are paid out to lead partner's account without certification.
- 6) The sum of pre-payment is deducted from the total eligible certified ERDF sum of the progress report.
- 7) In case after the pre-payment, the total eligible certified ERDF sum of the progress report is reduced, the difference has to be paid back to the MA according to a recovery note from the MA or the difference will be deducted from the next ERDF request.
- 8) A new pre-payment request can be submitted to the JS after the lead partner has received payment from the MA regarding the previous certified progress report.