

## **Micro-Financing Application Guide**

This guide provides an overview of the application process related to micro-financing projects funded by the Estonian Ministry of Foreign Affairs (MFA), and seeks to assist prospective applicants in submitting a successful proposal.

Micro-financing refers to support granted by the Estonian Ministry of Foreign Affairs for the implementation of a small-scale development cooperation project in that country. The purpose of micro-financing is to respond quickly to short-term needs of priority countries, and to enhance the capacity of their governmental, local government institutions, non-governmental organizations (NGO's), as well as foundations acting in the public interest.

Micro financing can be applied for by:

- A governmental or a local government authority of Armenia and institutions managed by thereof;
- Non-profit organisations and foundations registered and continuously operating in Armenia ;
- Estonian juridical persons can participate in the project only as partners, in cooperation with Armenian entities, which fit with the above-mentioned categories.

An applicant shall submit its project proposal in Estonian or English language to the Embassy of Estonia in Armenia.

It is vital that the project's goals, activities, and geographic focus are consistent with the needs and preferences of the target country. The project proposal should therefore take into account all the necessary activities to meet the targets, and ensure they are feasible within the planned time framework.

### **Required Documentation**

A project proposal must contain the following documents:

- Project application
- Project budget

If necessary, the following documentation may need to be included (depending on the nature of the project):

- A summary of the report on, and conclusions of, the environmental impact assessment if legislation provides for the requirement to carry out an environmental impact assessment for the implementation of the project;
- If the project includes supply of the applicant's proprietary product to the target country, a valuation report regarding the value of the proprietary product, signed by the legal representatives of the applicant, must be appended to the application. The components of the price of the product must be reflected in the valuation report.

### **Budgetary Constraints**

It is necessary to compile a detailed budget (in euros) about the expected expenses related to the project. Only those expenses can be reflected in the budget, which are planned for the period of the project's eligibility for funding.

The maximum amount of support from the Estonian Ministry of Foreign Affairs for a micro-financing project is 15 000 euros. The grant may account for up to 100% of total eligible expenditure of a project. The share of personnel costs can account up to 20% of the MFA's contribution to the project. The share of office and other overhead costs can account up to 7% of the MFA's contribution to the project.

Accommodation expenses are eligible up to 128 euros per night. Daily allowance expenses are eligible up to 32 euros per day. Travel insurance should also cover trip interruptions.

### **Eligible Expenditure**

All eligible expenses must meet the following requirements:

- 1) The expense is incurred during the project's eligible period of expenditure.
- 2) The expense is directly related to the project.
- 3) The expense is transparent.
- 4) The expense is described in detail; if necessary, an explanatory note is added about individual budget lines.
- 5) The expense is indispensable to the implementation of the project.
- 6) The expense meets the requirements of the decision to approve a project proposal and the contract for the use of state budget allocation.
- 7) It is possible to provide evidence of the expense with proper expense receipts.

An expense may be deemed eligible if it is incurred during the project's eligible period of expenditure, or during 30 calendar days following that period, in case the actions that necessitated the expenditure occurred during the project's eligible period.

The following costs may be deemed eligible:

- Remuneration paid to persons working for the project under an employment contract, a directive or order regarding the appointment of a public servant or a contract under the law of obligations. In the event that a final recipient or partner has paid remuneration to an employee in a period preceding the project and continues to do so during the project, the employee's additional duties relating to the project shall be evidenced;
- Employees' holiday pay calculated in accordance with the Employment Contracts Act, in proportion to the time worked on the project;
- Benefits paid under law upon release from office and termination of employment contracts, in proportion to the time worked on the project;
- Benefits for temporary incapacity for work paid by the employer under the Health Insurance Act;
- Remuneration paid to experts engaged in the project;
- Taxes payable on the expenditure specified in clauses 1)-5) of the *Conditions and Procedure for the Provision of Development Assistance and Humanitarian Aid* (including laws of foreign countries);
- Employees' travel costs (including accommodation and travel expenses, travel insurance for assignments abroad) and daily subsistence allowances associated with the project;
- Employees' travel costs subject to the presentation of public transport tickets or taxi bills or payment documents and calculations certifying fuel consumption, or on the basis of the internal conditions and benefits for use of personal means of transport;
- Employees' parking costs associated with the project, certified by expense receipts enabling the time and place of parking to be established;
- Costs of procuring supplies and services directly associated with the objectives of the project;
- Costs of organizing seminars and training associated with the project;
- Costs of subcontracts associated with the project;
- Costs of issuing printed and digital materials associated with the project;
- Costs of environmental impact assessment, if such assessment is required for the implementation of the project;
- Costs of advocacy activities associated with the project;
- Bank fees associated with the project;

- Overhead costs of the project;
- State taxes and duties that Estonia or a foreign country does not refund (including Value Added Tax);
- Costs of non-monetary contributions, on the conditions prescribed in *Conditions and Procedure for the Provision of Development Assistance and Humanitarian Aid*;
- Other direct costs relevant to the implementation of the project (including contingencies) which cannot be indicated on other budget lines.

The following expenses are considered ineligible expenditure:

- Staff costs related to the management of a final recipient, not including the case specified in clause 16 (2) 61 of *Conditions and Procedure for the Provision of Development Assistance and Humanitarian Aid*;
- Daily subsistence allowances and costs of using personal means of transport which exceed the non-taxable limit established in the Income Tax Act, as well as accommodation expenses which exceed the limit established by the Regulation, unless such expenditure is indispensable to the implementation of the project;
- Costs of travelling in Business Class;
- Costs related to benefits paid to employees in addition to remuneration for work;
- Expenditure related to transactions made between associated persons as defined in section 8 of the Income Tax Act, unless such expenditure is indispensable to the implementation of the project;
- Representation expenses and costs of gifts made, unless such expenditure is incurred at the expense of self-financing and is indispensable to the implementation of the project;
- Fines, late payment interest, other financial sanctions and legal costs;
- Reserves to cover contingencies;
- Expenditure previously reimbursed from the state budget, funds of the European Union or foreign aid; and
- Other expenditure which is not related to eligible activities and is not indispensable to the implementation of the project.

### **Overhead Costs**

Overhead costs must be indicated in project proposals by type; in addition, the methodology of recognizing overhead costs as project costs needs to be indicated. The eligible portion of overhead costs is calculated as a proportion of the total amount of overhead costs of a project, based on:

- 1) The area of the premises used; and/or

2) The expenditure incurred

The following overhead costs directly related to a project can be deemed eligible:

- Costs of acquiring office supplies. Office supplies shall not include office facilities;
- Costs of taking office equipment on operating lease. The total cost of operating lease commitments shall not exceed the acquisition cost of the office equipment;
- Costs of communications services, including monthly fees and subscription charges for telephone and fax services, current expenses of using these services, and current costs of using postal services and electronic data communications services;
- Information technology (servers and networks) and office equipment maintenance and repair costs;
- Utilities, including the costs of heating, water and electricity consumption, and cleaning of premises;
- Costs of renting premises; and personnel expenses related to managing the person specified in clause 7 (3) 3) of *Conditions and Procedure for the Provision of Development Assistance and Humanitarian Aid*, unless the person receives activity support;
- Costs of guarding services, excluding the cost of false alarms.

Overhead costs not listed above are deemed ineligible expenditure.

Additional information can be found from the *Conditions and Procedure for the Provision of Development Assistance and Humanitarian Aid*, available on the Ministry of Foreign Affairs' website.<sup>1</sup>

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<sup>1</sup> <http://vm.ee/sites/default/files/content-editors/Conditions%20and%20procedure%20for%20the%20provision%20of%20development%20assistance%20and%20humanitarian%20aid%20.pdf>