

# **EU FUNDS CO-FINANCING 2014-2020 (EST) - B**

Finance Contract

*between the*

Republic of Estonia

*and the*

European Investment Bank

Tallinn, 1<sup>st</sup> December 2016  
Luxembourg, 2<sup>nd</sup> December 2016

<b>INTERPRETATION AND DEFINITIONS</b>	<b>7</b>
<b>ARTICLE 1</b>	<b>13</b>
1.1 AMOUNT OF CREDIT .....	13
1.2 DISBURSEMENT PROCEDURE .....	13
1.3 CURRENCY OF DISBURSEMENT .....	14
1.4 CONDITIONS OF DISBURSEMENT .....	15
1.5 DEFERMENT OF DISBURSEMENT .....	16
1.6 CANCELLATION AND SUSPENSION .....	16
1.7 CANCELLATION AFTER EXPIRY OF THE CREDIT .....	17
1.8 SUMS DUE UNDER ARTICLE 1 .....	17
1.9 ALLOCATION .....	17
1.10 REALLOCATION PROCEDURE .....	19
<b>ARTICLE 2</b>	<b>19</b>
2.1 AMOUNT OF LOAN .....	19
2.2 CURRENCY OF REPAYMENT, INTEREST AND OTHER CHARGES .....	19
2.3 CONFIRMATION BY THE BANK .....	19
<b>ARTICLE 3</b>	<b>20</b>
3.1 RATE OF INTEREST .....	20
3.2 INTEREST ON OVERDUE SUMS .....	20
3.3 MARKET DISRUPTION EVENT .....	21
<b>ARTICLE 4</b>	<b>21</b>
4.1 NORMAL REPAYMENT .....	21
4.2 VOLUNTARY PREPAYMENT .....	22
4.3 COMPULSORY PREPAYMENT .....	22
4.4 GENERAL .....	24
<b>ARTICLE 5</b>	<b>24</b>
5.1 DAY COUNT CONVENTION .....	24
5.2 TIME AND PLACE OF PAYMENT .....	24
5.3 NO SET-OFF BY THE BORROWER .....	25
5.4 DISRUPTION TO PAYMENT SYSTEMS .....	25
5.5 APPLICATION OF SUMS RECEIVED .....	25
<b>ARTICLE 6</b>	<b>26</b>
6.1 USE OF LOAN AND AVAILABILITY OF OTHER FUNDS .....	26
6.2 COMPLETION OF PROJECT .....	26
6.3 INCREASED COST OF PROJECT .....	26
6.4 PROCUREMENT PROCEDURE .....	26
6.5 CONTINUING PROJECT UNDERTAKINGS .....	26
6.6 OTHER PROJECT UNDERTAKINGS .....	28
6.7 COMPLIANCE WITH LAWS .....	29
6.8 GENERAL REPRESENTATIONS AND WARRANTIES .....	29
<b>ARTICLE 7</b>	<b>30</b>
7.1 <i>PARI PASSU</i> RANKING .....	30
7.2 ADDITIONAL SECURITY .....	31
<b>ARTICLE 8</b>	<b>31</b>
8.1 INFORMATION CONCERNING THE PROJECT AND BENEFICIARIES .....	31
8.2 INFORMATION CONCERNING THE BORROWER .....	32
8.3 VISITS BY THE BANK .....	33
<b>ARTICLE 9</b>	<b>33</b>
9.1 TAXES, DUTIES AND FEES .....	33

9.2	OTHER CHARGES .....	33
9.3	INCREASED COSTS, INDEMNITY AND SET-OFF .....	33
<b>ARTICLE 10</b>		<b>34</b>
10.1	RIGHT TO DEMAND REPAYMENT .....	34
10.2	OTHER RIGHTS AT LAW .....	35
10.3	INDEMNITY .....	35
10.4	NON-WAIVER .....	36
<b>ARTICLE 11</b>		<b>36</b>
11.1	GOVERNING LAW .....	36
11.2	JURISDICTION .....	36
11.3	PLACE OF PERFORMANCE .....	36
11.4	EVIDENCE OF SUMS DUE .....	36
11.5	ENTIRE AGREEMENT .....	36
11.6	PARTIAL INVALIDITY .....	36
11.7	AMENDMENTS .....	37
11.8	COUNTERPARTS .....	37
<b>ARTICLE 12</b>		<b>37</b>
12.1	NOTICES TO EITHER PARTY .....	37
12.2	FORM OF NOTICE .....	37
12.3	CHANGES TO PARTIES .....	38
12.4	RECITALS AND SCHEDULES .....	38
<b>SCHEDULE A</b>		<b>39</b>
PROJECT SPECIFICATION AND REPORTING .....		39
<b>SCHEDULE B</b>		<b>60</b>
DEFINITION OF EURIBOR .....		60
<b>SCHEDULE C</b>		<b>61</b>
FORMS FOR THE BORROWER .....		61
<b>SCHEDULE D</b>		<b>63</b>
INTEREST RATE REVISION AND CONVERSION .....		63
<b>ANNEX I</b>		<b>64</b>
<b>ANNEX II</b>		<b>65</b>

ht

HK

**THIS CONTRACT IS MADE BETWEEN:**

The Republic of Estonia being represented by Ministry of Finance of Estonia having its seat at Suur-Ameerika 1, 15006 Tallinn, Estonia by the Minister of Finance, represented by Mr Sven Sester, Minister of Finance;

(the "**Borrower**")

of the first part, and

The European Investment Bank having its seat at 100 boulevard Konrad Adenauer, Luxembourg, L-2950 Luxembourg, represented by Ms Hanna Karczewska, Head of Division and Mr Rafał Rybacki, Head of Division;

(the "**Bank**")

of the second part.

AK

HK

## WHEREAS:

- (1) The Borrower has stated that it is undertaking a Structural Programme Loan consisting of co-financing with the European Structural and Investment Funds (the "**ESI Funds**") incorporating several multi-sector investment schemes (each a "**Scheme**" and together the "**Schemes**") under the two programmes (together the "**Programmes**"), namely Operational Programme for Cohesion Policy Funds (the "**OP for Cohesion Policy Funds**") and the Rural Development Programme (the "**Rural Development Programme**") under the Estonian Partnership Agreement (the "**Partnership Agreement**") of the 2014-2020 programming period, as approved by the European Commission (the "**Project**"). The Project is aimed at supporting Schemes which, to the extent they will be part-financed by the Bank, shall be approved by the Bank in accordance with the provisions of this contract and eligibility criteria more particularly described in the technical description (hereinafter referred to as "**Technical Description**") set out in Schedule A hereto.
- (2) The Schemes are benefiting from ESI Funds and are based on the provisions of the Partnership Agreement adopted by the European Commission, which, according to the provisions of EU Structural and Investment Funds Regulations, sets out the European Union's framework for ESI Funds grant assistance for the period 2014-2020.
- (3) The implementation of the Programmes is based on a management and control system defined by various EU regulations enacted into Estonian legislation and includes the following allocation of responsibilities between the following national bodies.
- (4) The Ministry of Finance is overall responsible for ensuring the implementation of the Project. With regard to the OP for Cohesion Policy Funds; the Ministry of Finance is overall responsible for the general management and coordination of the Schemes; and the Intermediate Bodies, acting through the line Ministries and implementing agencies, are responsible for the implementation of the Schemes that fall within the OP for Cohesion Policy Funds.

With regard to the Rural Development Programme, the managing authority is the Ministry of Agriculture, which is responsible for coordinating the implementation of the European Agricultural Fund for Rural Development (the "**EAFRD**"). The Ministry of Agriculture will be responsible for supervising and accrediting the paying agency as well as for other duties of a managing authority, including monitoring and evaluation of and publicity with respect to the programme. The paying agency for the Rural Development Programme is the Estonian Agricultural Registers and Information Board (ARIB), who will be accredited by the Ministry of Agriculture before implementing the EAFRD and the respective measures.

- (5) Ministries and State institutions, local government authorities, commercial companies controlled by the State or local government authorities, state and municipal agencies, SMEs and other legal persons registered in Estonia, eligible for EU grant support under ESI Funds, (hereinafter referred to as each a "**Beneficiary**" and collectively the "**Beneficiaries**"), are the bodies and legal persons that benefit from the grant assistance and which will ultimately implement the Schemes.

The selection, preparation, procurement, implementation and monitoring of the Schemes is to be determined within the framework of the European Commission and Council regulations applicable to the Cohesion Fund (the "**CF**"), the European Regional Development Fund (the "**ERDF**"), the European Social Fund (the "**ESF**") and EAFRD covering the programming period 2014-2020.

The total cost of the Project, as estimated by the Bank, is EUR 5,700,000,000.00 (five billion seven hundred million euros) and the Borrower has stated that it intends to finance the Project as follows:

Source	Amount (EUR million)
Other funds:	5,100.00
EIB Funds:	600.00
TOTAL	5,700.00

- (6) In order to fulfil the financing plan set out in Recital (5), the Borrower has requested from the Bank a credit of EUR 600,000,000 (six hundred million euros).
- (7) The Bank considering that the financing of the Project falls within the scope of its functions, and having regard to the statements and facts cited in these Recitals, has decided to give effect to the Borrower's request providing to it a first credit in an amount of EUR 200,000,000 (two hundred million euros) under the terms of the first finance contract between the Bank and the Borrower of 17 December 2014 (the "**Finance Contract – A**") as well as further amount equivalent to EUR 400,000,000 (four hundred million euros) under this Contract (the "**Contract**", which together with the Finance Contract – A shall be jointly referred to as the "**Finance Contracts**"); provided that the amount of the EIB Funds (as such term is defined below) shall not, in any case, exceed (i) 50% (fifty per cent) of the total cost of the Project set out in Recital (5) and (ii) when combined with any ESI Funds available for the Project, 90% of the final total cost of the Project.
- (8) The Borrower is fully authorised to borrow the sum of EUR 600,000,000 (six hundred million euros) represented by this credit on the terms and conditions set out in this Contract in accordance with the applicable laws and procedures.
- (9) The Statute of the Bank provides that the Bank shall ensure that its funds are used as rationally as possible in the interests of the European Union; and, accordingly, the terms and conditions of the Bank's loan operations must be consistent with relevant policies of the European Union.
- (10) The Bank considers that access to information plays an essential role in the reduction of environmental and social risks, including human rights violations, linked to the Schemes it finances and has therefore established its transparency policy, the purpose of which is to enhance the accountability of the Bank's group companies towards its stakeholders and the citizens of the European Union in general.
- (11) The processing of personal data shall be carried out by the Bank in accordance with applicable European Union legislation on the protection of individuals with regard to the processing of personal data by the EC institutions and bodies and on the free movement of such data.

**NOW THEREFORE** it is hereby agreed as follows:

## **INTERPRETATION AND DEFINITIONS**

### **Interpretation**

In this Contract references to:

- (a) Articles, Recitals, Schedules and Annexes are, save if explicitly stipulated otherwise, references respectively to articles of, and recitals, schedules and annexes to this Contract;
- (b) a provision of law are references to that provision as amended or re-enacted; and
- (c) any other agreement or instrument are references to that other agreement or instrument as amended, novated, supplemented, extended or restated.

### **Definitions**

In this Contract:

**"Acceptance Deadline"** for a notice means:

- (a) 16h00 Luxembourg time on the day of delivery, if the notice is delivered by 14h00 Luxembourg time on a Business Day; or
- (b) 11h00 Luxembourg time on the next following day which is a Business Day, if the notice is delivered after 14h00 Luxembourg time on any such day or is delivered on a day which is not a Business Day.

**"Allocation Letter"** has the meaning given to it in Article 1.9A.

**"Allocation Procedure"** means the procedure established in accordance with Article 1.9A.

**"Allocation Request"** is the request submitted to the Bank pursuant to Article 1.9A.

**"Attorney"** has the meaning given to it in Article 12.2B.

**"Authorisation"** means an authorisation, permit, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

**"Beneficiary"/"Beneficiaries"** has the meaning given to it in Recital (5).

**"Birds Directive"** means directive 2009/147/EC of the European Parliament and Council on the conservation of wild birds as amended, supplemented and consolidated from time to time.

**"Business Day"** means a day (other than a Saturday or Sunday) on which the Bank and commercial banks are open for general business in Luxembourg.

**"CF"** has the meaning given to it in Recital (5).

**"Change-of-Law Event"** has the meaning given to it in Article 4.3A(3).

**"Contract"** has the meaning given to it in Recital (7).

**"Credit"** has the meaning given to it in Article 1.1.

**"Criminal Offence"** means any of the following criminal offences as applicable: fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism.

**"Deferment Indemnity"** means an indemnity calculated on the amount of disbursement deferred or suspended at the percentage rate (if higher than zero) by which:

- (a) the interest rate that would have been applicable to such amount had it been disbursed to the Borrower on the Scheduled Disbursement Date exceeds
- (b) EURIBOR (one month rate) less 0.125% (12.5 basis points), unless this value is less than zero, in which case it will be set at zero.

Such indemnity shall accrue from the Scheduled Disbursement Date to the Disbursement Date or, as the case may be, until the date of cancellation of the Notified Tranche in accordance with this Contract.

AK

HK

**"Disbursement Date"** means the date on which actual disbursement of a Tranche is made by the Bank.

**"Disbursement Notice"** means a notice from the Bank to the Borrower pursuant to and in accordance with Article 1.2C.

**"Disbursement Request"** means a notice substantially in the form set out in Schedule C.1.

**"Disruption Event"** means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with this Contract; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of either the Bank or the Borrower, preventing that party:
  - (i) from performing its payment obligations under this Contract; or
  - (ii) from communicating with other parties,

and which disruption (in either such case as per (a) or (b) above) is not caused by, and is beyond the control of, the party whose operations are disrupted.

**"EAFRD"** has the meaning given to it in Recital (4).

**"EIB Funds"** means the loans made available by the Bank to the Borrower for the purpose of the Project under the Finance Contract – A and this Contract.

**"Environment"** means the following, in so far as they affect human health and social well-being:

- (a) fauna and flora;
- (b) soil, water, air, climate and the landscape; and
- (c) cultural heritage and the built environment,

and includes, without limitation, occupational and community health and safety.

**"Environmental Approval"** means any Authorisation required by Environmental Law.

**"Environmental Claim"** means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

**"Environmental Impact Assessment"** or **"EIA"** means each environmental impact assessment required to be performed in connection with the Project pursuant to EU law, and in particular the Environmental Impact Assessment Directive, and its implementing legislation or instruments in the Republic of Estonia, each as amended from time to time.

**"Environmental Impact Assessment Directive"** means Council Directive No.85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private Schemes on the environment, as amended by directives 97/11/EC, 2003/35/EC and 2009/31/EC codified by directive 2011/92/EU and subsequently amended by directive 2014/52/EU and as further amended, supplemented and consolidated from time to time.

**"Environmental Law"** means:

- (a) European Union law, including principles and standards;
- (b) Estonian laws and regulations; and
- (c) applicable international treaties,

of which a principal objective is the preservation, protection or improvement of the Environment.

**"ERDF"** has the meaning given to it in Recital (5).

**"ESF"** has the meaning given to it in Recital (5).



**"EU Structural and Cohesion Funds"** means the ESF, ERDF, CF and EAFRD further defined under Regulation (EU) No 1304/2013, Council Regulation (EU) No 1300/2013, Regulation (EU) No 1305/2013 respectively.

**"EU Structural and Cohesion Funds Regulations"** means primarily the Common Provisions Regulation No 1303/2013 ("**CPR**") laying down common provisions on the ERDF, the ESF, the CF, the EAFRD and the European Maritime and Fisheries Fund and laying down general provisions on the ERDF, the ESF, the CF and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 as well as any amendments thereto and any other EU legislative acts applicable to the EU Structural and Cohesion Funds as well as any amendments thereto, the fund specific regulations and any other EU legislative acts applicable to the EU Structural and Cohesion Funds.

**"ESI Funds"** has the meaning given to it in Recital (1).

**"EURIBOR"** has the meaning given to it in Schedule B.

**"EUR"** or **"euro"** means the lawful currency of the Member States of the European Union which adopt or have adopted it as their currency in accordance with the relevant provisions of the Treaty on European Union and the Treaty on the Functioning of the European Union or their succeeding treaties.

**"Event of Default"** means any of the circumstances, events or occurrences specified in Article 10.1.

**"Final Availability Date"** means the date falling 36 (thirty-six) months from date of signature.

**"Fixed Rate"** means an annual interest rate determined by the Bank in accordance with the applicable principles from time to time laid down by the governing bodies of the Bank for loans made at a fixed rate of interest, denominated in the currency of the Tranche and bearing equivalent terms for the repayment of capital and the payment of interest.

**"Fixed Rate Tranche"** means a Tranche on which Fixed Rate is applied.

**"Floating Rate"** means a fixed-spread floating interest rate, that is to say an annual interest rate determined by the Bank for each successive Floating Rate Reference Period equal to EURIBOR plus the Spread.

**"Floating Rate Reference Period"** means each period from one Payment Date to the next relevant Payment Date; the first Floating Rate Reference Period shall commence on the date of disbursement of the Tranche.

**"Floating Rate Tranche"** means a Tranche on which Floating Rate is applied.

**"Forms A/B"** means any of Form A or Form B according to the EU Habitats Directive and Birds Directive and attached to this Contract in Schedule A.1.8.

**"Habitats Directive"** means directive 92/43/EEC of the European council on the conservation of natural habitats and of wild fauna and flora, as amended, supplemented and consolidated from time to time.

**"Indemnifiable Prepayment Event"** means a Prepayment Event other than those specified in paragraph 4.3A(4).

**"Interest Revision/Conversion"** means the determination of new financial conditions relative to the interest rate, specifically the same interest rate basis ("**revision**") or a different interest rate basis ("**conversion**") which can be offered for the remaining term of a Tranche or until a next Interest Revision/Conversion Date, if any, for an amount which, at the proposed Interest Revision/Conversion Date, is not less than EUR 10,000,000 (ten million euros) or the equivalent thereof.

**"Interest Revision/Conversion Date"** means the date, which shall be a Payment Date, specified by the Bank pursuant to Article 1.2C in the Disbursement Notice or pursuant to Article 3 and Schedule D.

**"Interest Revision/Conversion Proposal"** means a proposal made by the Bank under Schedule D.

**"Interest Revision/Conversion Request"** means a written notice from the Borrower, delivered at least 75 (seventy-five) days before an Interest Revision/Conversion Date, requesting the Bank to submit to it an Interest Revision/Conversion Proposal. The Interest Revision/Conversion Request shall also specify:

- (a) Payment Dates chosen in accordance with the provisions of Article 3.1;
- (b) the preferred repayment schedule chosen in accordance with Article 4.1; and
- (c) any further Interest Revision/Conversion Date chosen in accordance with Article 3.1.

**"Loan"** means the aggregate amount of Tranches disbursed from time to time by the Bank under this Contract.

**"Managing Authority"** means the Ministry of Finance in line with the ESI Funds regulatory framework.

**"Market Disruption Event"** means any of the following circumstances:

- (a) there are, in the reasonable opinion of the Bank, events or circumstances adversely affecting the Bank's access to its sources of funding;
- (b) in the opinion of the Bank, funds are not available from its ordinary sources of funding in order to adequately fund a Tranche in the relevant currency and/or for the relevant maturity and/or in relation to the reimbursement profile of such Tranche;
- (c) in relation to a Tranche in respect of which interest is or would be payable at Floating Rate:
  - (A) the cost to the Bank of obtaining funds from its sources of funding, as determined by the Bank, for a period equal to the Floating Rate Reference Period of such Tranche (i.e. in the money market) would be in excess of EURIBOR; or
  - (B) the Bank determines that adequate and fair means do not exist for ascertaining EURIBOR for the relevant currency of such Tranche or it is not possible to determine EURIBOR in accordance with the definition contained in Schedule B.

**"Material Adverse Change"** means, in relation to the Borrower any event or change of condition affecting the Borrower, which, in the reasonable opinion of the Bank has a material adverse effect on:

- (a) the ability of the Borrower to perform its obligations under this Contract;
- (b) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower or as a whole;
- (c) the validity or enforceability of, or the effectiveness of the rights or remedies of the Bank under this Contract.

**"Maturity Date"** means the last or sole repayment date of a Tranche specified pursuant to Article 4.1A(b)(iv) or Article 4.1B.

**"Natura 2000 Site"** means any area designated as (i) a special area of conservation pursuant to the Habitats Directive, and/or (ii) a special protection area pursuant to the Birds Directive.

**"Notified Tranche"** means a Tranche in respect of which the Bank has issued a Disbursement Notice.

**"OP for Cohesion Policy Funds"** has the meaning given to it in Recital (1).

**"Partnership Agreement"** has the meaning given to it in Recital (1).

**"Payment Date"** means the annual, semi-annual or quarterly dates specified in the Disbursement Notice until the Interest Revision/Conversion Date, if any, or the Maturity Date, save that, in case any such date is not a Relevant Business Day, it means:

- (a) for a Fixed Rate Tranche, the following Relevant Business Day, without adjustment to the interest due under Article 3.1 except for those cases where repayment is made in a single instalment according to Article 4.1B, when the preceding Relevant Business Day shall apply instead to this single instalment and to the final interest payment and only in this case, with adjustment to the interest due under Article 3.1; and

- (b) for a Floating Rate Tranche, the next day, if any, of that calendar month that is a Relevant Business Day or, failing that, the nearest preceding day that is a Relevant Business Day, in all cases with corresponding adjustment to the interest due under Article 3.1.

**"Prepayment Amount"** means the amount of a Tranche to be prepaid by the Borrower in accordance with Article 4.2A.

**"Prepayment Date"** means the date, which shall be a Payment Date, on which the Borrower proposes to effect prepayment of a Prepayment Amount.

**"Prepayment Event"** means any of the events described in Article 4.3A.

**"Prepayment Indemnity"** means in respect of any principal amount to be prepaid or cancelled, the amount communicated by the Bank to the Borrower as the present value (as of the Prepayment Date) of the excess, if any, of:

- (a) the interest that would accrue thereafter on the Prepayment Amount over the period from the Prepayment Date to the Interest Revision/Conversion Date, if any, or the Maturity Date, if it were not prepaid; over
- (b) the interest that would so accrue over that period, if it were calculated at the Redeployment Rate, less 0.15% (fifteen basis points).

The said present value shall be calculated at a discount rate equal to the Redeployment Rate, applied as of each relevant Payment Date.

**"Prepayment Notice"** means a written notice from the Bank to the Borrower in accordance with Article 4.2C.

**"Prepayment Request"** means a written request from the Borrower to the Bank to prepay all or part of the Loan, in accordance with Article 4.2A.

**"Programmes"** has the meaning given to it in Recital (1) and includes each, any and all (as the context may require) of the following the OP for Cohesion Policy Funds and the Rural Development Programme, of the 2014-2020 programming period, as approved by the European Commission.

**"Project"** has the meaning given to it in Recital (1).

**"Redeployment Rate"** means the Fixed Rate in effect on the day of the indemnity calculation for fixed-rate loans denominated in the same currency and which shall have the same terms for the payment of interest and the same repayment profile to the Interest Revision/Conversion Date, if any, or the Maturity Date as the Tranche in respect of which a prepayment is proposed or requested to be made. For those cases where the period is shorter than 48 months (or 36 months in the absence of a repayment of principal during that period) the most closely corresponding money market rate equivalent will be used, that is EURIBOR minus 0.125% (12.5 basis points) for periods of up to 12 (twelve) months. For periods falling between 12 and 36/48 months as the case may be, the bid point on the swap rates as published by Reuters for the related currency and observed by the Bank at the time of calculation will apply.

**"Relevant Business Day"** means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2) is open for the settlement of payments in EUR.

**"Rural Development Programme"** has the meaning given to it in Recital (1).

**"Scheduled Disbursement Date"** means the date on which a Tranche is scheduled to be disbursed in accordance with Article 1.2C.

**"Scheme(s)"** has the meaning given to it in Recital (1).

**"Security"** and **"Security Interest"** means any mortgage, pledge, lien, charge, assignment, hypothecation, or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**"Spread"** means the fixed spread to EURIBOR (being either plus or minus) determined by the Bank and notified to the Borrower in the relevant Disbursement Notice or Interest Revision/Conversion Proposal.

**"Tax"** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

**"Technical Description"** has the meaning given to it in Recital (1).

**"Tranche"** means each disbursement made or to be made under this Contract. In case no Disbursement Notice has been delivered, Tranche shall mean a Tranche as requested under Article 1.2 B.

## ARTICLE 1

### Credit and Disbursements

#### **1.1 Amount of Credit**

By this Contract the Bank establishes in favour of the Borrower, and the Borrower accepts, a credit in an amount of EUR 400,000,000 (four hundred million euros) for the financing of the Project (the "Credit").

#### **1.2 Disbursement procedure**

##### **1.2A Tranches**

The Bank shall disburse the Credit in up to 3 (three) Tranches. The amount of each Tranche, if not being the undrawn balance of the Credit, shall be in a minimum amount of EUR 50,000,000 (fifty million euros).

##### **1.2B Disbursement Request**

- (a) The Borrower may present to the Bank a Disbursement Request for the disbursement of a Tranche, such Disbursement Request to be received at the latest 15 (fifteen) days before the Final Availability Date. The Disbursement Request shall be in the form set out in Schedule C.1 and shall specify:
  - (i) the amount of the Tranche in EUR;
  - (ii) the preferred disbursement date for the Tranche; such preferred disbursement date must be a Relevant Business Day falling at least 15 (fifteen) days after the date of the Disbursement Request and, in any event, on or before the Final Availability Date, it being understood that notwithstanding the Final Availability Date the Bank may disburse the Tranche up to 4 (four) calendar months from the date of the Disbursement Request;
  - (iii) whether the Tranche is a Fixed Rate Tranche or a Floating Rate Tranche, each pursuant to the relevant provisions of Article 3.1;
  - (iv) the preferred interest payment periodicity for the Tranche, chosen in accordance with Article 3.1;
  - (v) the preferred terms for repayment of principal for the Tranche, chosen in accordance with Article 4.1;
  - (vi) the preferred first and last dates for repayment of principal for the Tranche;
  - (vii) the Borrower's choice of Interest Revision/Conversion Date, if any, for the Tranche; and
  - (viii) the IBAN code (or appropriate format in line with local banking practice) and SWIFT BIC of the bank account to which disbursement of the Tranche should be made in accordance with Article 1.2D.
- (b) If the Bank, following a request by the Borrower, has provided the Borrower, before the submission of the Disbursement Request, with a non-binding fixed interest rate or spread quotation to be applicable to the Tranche, the Borrower may also at its discretion specify in the Disbursement Request such quotation, that is to say:
  - (i) in the case of a Fixed Rate Tranche, the aforementioned fixed interest rate previously quoted by the Bank; or
  - (ii) in the case of a Floating Rate Tranche, the aforementioned spread previously quoted by the Bank,

applicable to the Tranche until the Maturity Date or until the Interest Revision/Conversion Date, if any.

62

HK

- (c) Each Disbursement Request shall be accompanied by evidence of the authority of the person or persons authorised to sign it and the specimen signature of such person or persons or a declaration by the Borrower that no change has occurred in relation to the authority of the person or persons authorised to sign Disbursement Requests under this Contract.
- (d) Subject to Article 1.2C(b), each Disbursement Request is irrevocable.

#### **1.2C Disbursement Notice**

- (a) Not less than 10 (ten) days before the proposed Scheduled Disbursement Date of a Tranche the Bank shall, if the Disbursement Request conforms to this Article 1.2, deliver to the Borrower a Disbursement Notice which shall specify:
- (i) the currency and amount of the Tranche in EUR;
  - (ii) the Scheduled Disbursement Date;
  - (iii) the interest rate basis for the Tranche, being: (1) a Fixed Rate Tranche; or (2) a Floating Rate Tranche all pursuant to the relevant provisions of Article 3.1;
  - (iv) the first interest Payment Date and the periodicity for the payment of interest for the Tranche;
  - (v) the terms for repayment of principal for the Tranche;
  - (vi) the first and last dates for repayment of principal for the Tranche;
  - (vii) the applicable Payment Dates for the Tranche;
  - (viii) the Interest Revision/Conversion Date, if requested by the Borrower, for the Tranche; and
  - (ix) for a Fixed Rate Tranche the Fixed Rate and for a Floating Rate Tranche the Spread applicable to the Tranche until the Interest Revision/Conversion Date, if any or until the Maturity Date.
- (b) If one or more of the elements specified in the Disbursement Notice does not reflect the corresponding element, if any, in the Disbursement Request, the Borrower may following receipt of the Disbursement Notice revoke the Disbursement Request by written notice to the Bank to be received no later than 12h00 Luxembourg time on the next Business Day and thereupon the Disbursement Request and the Disbursement Notice shall be of no effect. If the Borrower has not revoked in writing the Disbursement Request within such period, the Borrower will be deemed to have accepted all elements specified in the Disbursement Notice.
- (c) If the Borrower has presented to the Bank a Disbursement Request in which the Borrower has not specified the fixed interest rate or spread as set out in Article 1.2B(b), the Borrower will be deemed to have agreed in advance to the Fixed Rate or Spread as subsequently specified in the Disbursement Notice.

#### **1.2D Disbursement Account**

Disbursement shall be made to the account of the Borrower as the Borrower shall notify in writing to the Bank not later than 15 (fifteen) days before the Scheduled Disbursement Date (with IBAN code or with the appropriate format in line with local banking practice).

Only one account may be specified for each Tranche.

#### **1.3 Currency of disbursement**

The Bank shall disburse each Tranche in EUR.

## **1.4 Conditions of disbursement**

### **1.4A First Tranche**

The disbursement of the first Tranche under Article 1.2 is conditional upon receipt by the Bank in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date, of the following documents or evidence:

- (a) evidence that the execution of this Contract by the Borrower has been duly authorised and that the person or persons signing the Contract on behalf of the Borrower is/are duly authorised to do so together with the specimen signature of each such person or persons;
- (b) evidence that the Borrower has obtained all necessary Authorisations required in connection with this Contract; and
- (c) a favourable legal opinion on (i) the capacity and authorisation of the Borrower to enter into this Contract (including on the authorisation of the competent decision making body of the Borrower to authorise entering into this Contract and borrowing of the Credit hereunder) and to provide the relevant documentation, (ii) the signatory to represent the Borrower in Estonia, (iii) the due execution of this Contract by the Borrower, and (iv) the legal, valid and binding nature of the obligations of the Borrower under the Finance Contract and the enforceability thereof in Luxembourg and Estonia.

### **1.4B Disbursement of EIB Funds in excess of EUR 200 million**

The disbursement of each Tranche under Article 1.2 in the amount which, when aggregated with any earlier disbursement(s) of the EIB Funds (whether under this Contract or under the Finance Contract – A), exceeds the amount of EUR 200,000,000 (two hundred million euros), is conditional upon receipt by the Bank in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date of:

- (a) evidence in writing that:
  - (i) at least 80% of all previously disbursed EIB Funds have been allocated to the eligible Schemes included in the Allocation Letter(s) (including under the Finance Contract - A); or
  - (ii) at least 50% of all previously disbursed EIB Funds have effectively been paid out to the Beneficiaries towards any expenditure incurred with respect to any allocated Scheme included in the Allocation Letter(s) (including under the Finance Contract - A);
- (b) evidence in writing that the Programmes, under which any Allocation Request made by the Borrower (whether under this Contract or under the Finance Contract - A) prior to the date of the Disbursement Request in relation to the proposed Tranche, have been adopted by the European Commission; and
- (c) an updated overview of the fulfilment of the ex-ante conditionalities related to the respective sectors relevant for any of the Schemes subject to the Allocation Letter(s) issued by the Bank (whether under this Contract or under the Finance Contract - A) prior to the date of the Disbursement Request in relation to the proposed Tranche.

### **1.4C All Tranches**

The disbursement of each Tranche under Article 1.2, including the first is additionally conditional upon:

- (a) the Bank having received, in form and substance satisfactory to it, on or before the date falling 5 (five) Business Days before the Scheduled Disbursement Date for the proposed Tranche, of the following documents or evidence:
  - (i) a certificate from the Borrower in the form of Schedule C.2, signed by an authorised representative of the Borrower and dated no earlier than the date falling 15 (fifteen) days before the Scheduled Disbursement Date; and

- (ii) a copy of any other authorisation or other document, opinion or assurance which the Bank has notified the Borrower is necessary or desirable in connection with the entry into and performance of, and the transactions contemplated by, this Contract or the validity and enforceability of the same;
- (b) that on the Disbursement Date for the proposed Tranche:
  - (i) the representations and warranties which are repeated pursuant to Article 6.8 are correct in all respects; and
  - (ii) no event or circumstance which constitutes or would with the passage of time or giving of notice under this Contract constitute:
    - (1) an Event of Default; or
    - (2) a Prepayment Event,has occurred and is continuing unremedied or unwaived or would result from the disbursement of the proposed Tranche.

## **1.5 Deferment of disbursement**

### **1.5A Grounds for deferment**

Upon the written request of the Borrower, the Bank shall defer the disbursement of any Notified Tranche in whole or in part to a date specified by the Borrower being a date falling not later than 6 (six) months from its Scheduled Disbursement Date and not later than 60 (sixty) days prior to the first repayment date of the Tranche indicated in the Disbursement Notice. In such case, the Borrower shall pay the Deferment Indemnity calculated on the amount of disbursement deferred.

Any request for deferment shall have effect in respect of a Tranche only if it is made at least 5 (five) Business Days before its Scheduled Disbursement Date.

If for a Notified Tranche any of the conditions referred to in Article 1.4 is not fulfilled as at the specified date and at the Scheduled Disbursement Date (or the date expected for disbursement in case of a previous deferment), disbursement will be deferred to a date agreed between the Bank and the Borrower falling not earlier than 5 (five) Business Days following the fulfilment of all conditions of disbursement (without prejudice to the right of the Bank to suspend and/or cancel the undisbursed portion of the Credit in whole or in part pursuant to Article 1.6B). In such case, the Borrower shall pay the Deferment Indemnity calculated on the amount of disbursement deferred.

### **1.5B Cancellation of a disbursement deferred by 6 (six) months**

The Bank may, by notice in writing to the Borrower, cancel a disbursement which has been deferred under Article 1.5A by more than 6 (six) months in aggregate. The cancelled amount shall remain available for disbursement under Article 1.2.

## **1.6 Cancellation and suspension**

### **1.6A Borrower's right to cancel**

The Borrower may at any time by notice in writing to the Bank cancel, in whole or in part and with immediate effect, the undisbursed portion of the Credit. However, the notice shall have no effect in respect of (i) a Notified Tranche which has a Scheduled Disbursement Date falling within 5 (five) Business Days of the date of the notice or (ii) a Tranche in respect of which a Disbursement Request has been submitted but no Disbursement Notice has been issued.

### **1.6B Bank's right to suspend and cancel**

- (a) The Bank may, by notice in writing to the Borrower, suspend and/or cancel the undisbursed portion of the Credit in whole or in part at any time and with immediate effect upon the occurrence of a Prepayment Event or an Event of Default or an event or circumstance which would with the passage of time or giving of notice under this Contract constitute a Prepayment Event or an Event of Default.



- (b) The Bank may also suspend the portion of the Credit in respect of which it has not issued a Disbursement Notice with immediate effect in the case that a Market Disruption Event occurs.
- (c) Any suspension shall continue until the Bank ends the suspension or cancels the suspended amount.

#### **1.6C Indemnity for suspension and cancellation of a Tranche**

##### **1.6C(1) SUSPENSION**

If the Bank suspends a Notified Tranche, whether upon an Indemnifiable Prepayment Event or an Event of Default, the Borrower shall pay to the Bank the Deferment Indemnity calculated on the amount of disbursement suspended.

##### **1.6C(2) CANCELLATION**

- (a) If pursuant to Article 1.6A, the Borrower cancels:
  - (i) a Fixed Rate Tranche which is a Notified Tranche, it shall indemnify the Bank under Article 4.2B;
  - (ii) a Floating Rate Tranche which is a Notified Tranche or any part of the Credit other than a Notified Tranche, no indemnity is payable.
- (b) If the Bank cancels:
  - (i) a Fixed Rate Tranche which is a Notified Tranche upon an Indemnifiable Prepayment Event or pursuant to Article 1.5B, the Borrower shall pay to the Bank the Prepayment Indemnity; or
  - (ii) a Notified Tranche upon an Event of Default, the Borrower shall indemnify the Bank under Article 10.3.

Save in the cases referred to in (a) and (b), above, no indemnity is payable upon cancellation of a Tranche by the Bank.

The indemnity shall be calculated as if the cancelled amount had been disbursed and repaid on the Scheduled Disbursement Date or, to the extent that the disbursement of the Tranche is currently deferred or suspended, on the date of the cancellation notice.

#### **1.7 Cancellation after expiry of the Credit**

On the day following the Final Availability Date, and unless otherwise specifically agreed to in writing by the Bank, the part of the Credit in respect of which no Disbursement Request has been made in accordance with Article 1.2B shall be automatically cancelled, without any notice being served by the Bank to the Borrower and without liability arising on the part of either party.

#### **1.8 Sums due under Article 1**

Sums due under Articles 1.5 and 1.6 shall be payable in EUR. They shall be payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand or within any longer period specified in the Bank's demand.

#### **1.9 Allocation**

##### **1.9A Allocation Procedure**

The Borrower shall submit to the Bank for approval requests for allocation (the "**Allocation Request**") by 31 December 2023.

The Credit shall only be allocated to Schemes identified as eligible for financing in the Technical Description and in accordance with the provisions set out in Article 6.5 and 6.6 below. In order to qualify for financing hereunder, each Scheme must meet the relevant criteria and parameters applied by the Bank to the type of Scheme concerned.

The Bank funds comprising the Loan shall be allocated as follows:

- (a) without prejudice to 6.5(e)(iv) and (v), Schemes with an aggregate investment cost below EUR 25,000,000.00 (twenty-five million euros) may be selected by the

Borrower. The Borrower shall provide an Allocation Request in the form set out in Schedule A.1.6 including the selected Schemes to the Bank. The Allocation Request shall be subsequently confirmed by the Bank;

- (b) Schemes with an investment cost between EUR 25,000,000.00 (twenty-five million euros) and EUR 50,000,000.00 (fifty million euros) shall be submitted ex-ante to the Bank for approval. The Borrower shall provide an Allocation Request in the form set out in Schedule A.1.7 including the Schemes proposed to the Bank. The Bank reserves the right to (i) request additional information from the Borrower and (ii) if deemed necessary, perform a partial or an in-depth appraisal of the Schemes; and
- (c) Schemes with an investment cost above EUR 50,000,000.00 (fifty million euros) shall be submitted ex-ante to the Bank for appraisal and approval according to the Bank internal rules and procedures. The Borrower shall present such Schemes to the Bank for separate appraisal and approval. In case the said Scheme falls within the meaning of art. 100 of the CPR, the Borrower shall present the major project application form as required from the CPR together with relevant studies, the independent quality review and the Commission's decision on the approval of the major project, if already approved; and
- (d) Schemes for the production of bio fuels, regardless of size, shall be submitted ex-ante to the Bank for approval.

The Borrower shall provide the Bank with any additional information regarding the Schemes as the Bank, at its own discretion, may request.

If the Allocation Request or the Schemes under (c) above are confirmed/approved by the Bank, the Bank shall deliver to the Borrower a letter of allocation ("**Allocation Letter**"), informing the Borrower of its confirmation/approval and of the amount of the Credit allocated. If the Bank requires additional information regarding the Schemes included in the Allocation Request, the period to deliver the Allocation Letter will be suspended until such additional information is provided to the satisfaction of the Bank.

In the event the Bank does not approve fully or partially the Allocation Request, the Bank shall inform the Borrower thereof in writing within the same period.

The Bank reserves the right to review with the Borrower the allocation procedures in view of the development of the Project.

The Bank may by notice to the Borrower amend the Allocation Procedure as described in this Article 1.9A to bring it into line with the Bank's policy or reflect the results of the review of the implementation capacity and performance. In such case, the Bank shall inform the Borrower thereof and the Borrower shall promptly adapt its internal allocation procedures accordingly.

## 1.9B Allocation Requirements

Each Allocation Request shall be accompanied by the following documentation supporting environmental compliance of the Schemes concerned:

- (a) for Schemes requiring an Environmental Impact Assessment (EIA), the Non-Technical Summary of the EIA or a link to a public version of the Non-Technical Summary of the EIA together with a copy of the relevant consent showing that public consultation has been performed and its results taken into consideration. The Borrower shall not request the Bank for allocation of Schemes that require an EIA assessment according to EU and national law without receiving consent from the competent authority;
- (b) for Schemes subject to assessment and without significant environmental impact, potential or likely, on a conservation site (Natura 2000 or otherwise), a declaration from the Competent Authority that the Schemes are in compliance with EU Habitats and Birds Directives (either Forms A as per Annex A.1.8 or its equivalent or a simplified declaration /A list of Schemes signed by the Competent Authority certifying that none of the Schemes has any significant impact on any protected site/). The Borrower shall not request the Bank for allocation of Schemes that

require a biodiversity assessment according to EU and national law without receiving consent from the competent authority,

- (c) for Schemes with a significant impact, potential or likely, on a conservation site, the Form B as set out in Schedule A.1.8, or its equivalent, signed by the competent authority together with the opinion of the European Commission (if required by the Article 6(4) of the Habitats Directive).

#### **1.10 Reallocation Procedure**

##### **1.10A Reallocation at the request of the Borrower**

The Borrower may by notice in writing to the Bank propose to reallocate not later than 30 June 2024, any part of the Credit, which has been allocated.

The Borrower shall specify in writing which of the already allocated Schemes need to be removed and/or which of the allocated amounts need to be reduced. The request for allocation of new Schemes shall contain information as specified in Article 1.9 and will be reviewed by the Bank in accordance with Article 1.9.

##### **1.10B Reallocation at the request of the Bank**

- (a) The Bank shall promptly notify the Borrower upon (i) it becoming aware of any fact that would reasonably lead it to conclude or (ii) it having reasonable grounds to believe that any of the Schemes is reasonably likely to become ineligible for financing by the Bank under the Bank's Statute, policies or guidelines or under Article 309 of the Treaty on the Functioning of the European Union.
- (b) If, prior to 30 June 2024, in the opinion of the Bank, any of the Schemes allocated or proposed in accordance with Article 1.9A above is or has become ineligible for financing by the Bank under the Bank's Statute, policies or guidelines or under Article 309 of the Treaty on the Functioning of the European Union, the Borrower shall upon request of the Bank replace such Schemes by other Schemes acceptable to the Bank.
- (c) Unless otherwise agreed between the Bank and the Borrower, if, after 30 June 2024, in the opinion of the Bank, any of the Schemes allocated in accordance with Article 1.9A above is or has become ineligible for financing by the Bank under the Bank's Statute, policies or guidelines or under Article 309 of the Treaty on the Functioning of the European Union, the Bank may, by notice to the Borrower, cancel the Credit and/or demand prepayment of a corresponding portion of the Loan together with accrued interest and other accrued amounts in line with the procedures set forth in Article 4.3A(2) (*Failure to Allocate and Ineligibility*).

## **ARTICLE 2**

### **The Loan**

#### **2.1 Amount of Loan**

The Loan shall comprise the aggregate amount of Tranches disbursed by the Bank under the Credit, as confirmed by the Bank pursuant to Article 2.3.

#### **2.2 Currency of repayment, interest and other charges**

Interest, repayments and other charges payable in respect of each Tranche shall be made by the Borrower in the currency in which the Tranche is disbursed.

Any other payment shall be made in the currency specified by the Bank having regard to the currency of the expenditure to be reimbursed by means of that payment.

#### **2.3 Confirmation by the Bank**

Within 10 (ten) days after disbursement of each Tranche, the Bank shall deliver to the Borrower the amortisation table referred to in Article 4.1, if appropriate, showing the Disbursement Date, currency, the amount disbursed, the repayment terms and the interest rate of and for that Tranche.

## **ARTICLE 3**

### **Interest**

#### **3.1 Rate of interest**

Fixed Rates and Spreads are available for periods of not less than 4 (four) years or, in the absence of a repayment of principal during that period, not less than 3 (three) years.

##### **3.1A Fixed Rate Tranches**

The Borrower shall pay interest on the outstanding balance of each Fixed Rate Tranche at the Fixed Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates as specified in the Disbursement Notice, commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

Interest shall be calculated on the basis of Article 5.1(a).

##### **3.1B Floating Rate Tranches**

The Borrower shall pay interest on the outstanding balance of each Floating Rate Tranche at the Floating Rate quarterly, semi-annually or annually in arrears on the relevant Payment Dates, as specified in the Disbursement Notice commencing on the first such Payment Date following the Disbursement Date of the Tranche. If the period from the Disbursement Date to the first Payment Date is 15 (fifteen) days or less then the payment of interest accrued during such period shall be postponed to the following Payment Date.

The Bank shall notify the Floating Rate to the Borrower within 10 (ten) days following the commencement of each Floating Rate Reference Period.

If pursuant to Articles 1.5 and 1.6 disbursement of any Floating Rate Tranche takes place after the Scheduled Disbursement Date, EURIBOR applicable to the first Floating Rate Reference Period shall apply as though the disbursement had been made on the Scheduled Disbursement Date.

Interest shall be calculated in respect of each Floating Rate Reference Period on the basis of Article 5.1(b). If the Floating Rate for any Floating Rate Reference Period is below zero, it will be set at zero.

##### **3.1C Revision or Conversion of Tranches**

Where the Borrower exercises an option to revise or convert the interest rate basis of a Tranche, it shall, from the effective Interest Revision/Conversion Date (in accordance with the procedure set out in Schedule D) pay interest at a rate determined in accordance with the provisions of Schedule D.

#### **3.2 Interest on overdue sums**

Without prejudice to Article 10 and by way of exception to Article 3.1, if the Borrower fails to pay any amount payable by it under this Contract on its due date, interest shall accrue (subject to mandatory provisions of the applicable laws, including Article 1154 of the Luxembourg Civil Code) on any overdue amount payable under the terms of this Contract from the due date to the date of actual payment at an annual rate equal to:

- (i) for overdue sums related to Floating Rate Tranches, the applicable Floating Rate plus 2% (200 basis points);
- (ii) for overdue sums related to Fixed Rate Tranches, the higher of (a) the applicable Fixed Rate plus 2% (200 basis points) or (b) EURIBOR plus 2% (200 basis points); and
- (iii) for overdue sums other than under (i) or (ii) above, EURIBOR plus 2% (200 basis points),

and shall be payable in accordance with the demand of the Bank. For the purpose of determining EURIBOR in relation to this Article 3.2, the relevant periods within the meaning of Schedule B shall be successive periods of one month commencing on the due date.

If the overdue sum is in a currency other than the currency of the Loan, the following rate per annum shall apply, namely the relevant interbank rate that is generally retained by the Bank for transactions in that currency plus 2% (200 basis points), calculated in accordance with the market practice for such rate.

### **3.3 Market Disruption Event**

If at any time (i) from the issuance by the Bank of the Disbursement Notice in respect of a Tranche, and (ii) until the date falling thirty (30) calendar days prior to the Scheduled Disbursement Date, a Market Disruption Event occurs, the Bank may notify to the Borrower that this clause has come into effect. In such case, the following rules shall apply.

In the case of a Notified Tranche the rate of interest applicable to such Notified Tranche until the Maturity Date or the Interest Revision/Conversion Date if any, shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank. The Borrower shall have the right to refuse in writing such disbursement within the deadline specified in the notification and shall bear charges incurred as a result, if any, in which case the Bank shall not effect the disbursement and the corresponding portion of the Credit shall remain available for disbursement under Article 1.2B. If the Borrower does not refuse the disbursement in time, the parties agree that the disbursement and the conditions thereof shall be fully binding for both parties.

In any case the Spread or Fixed Rate previously notified by the Bank in the Disbursement Notice shall no longer be applicable.

## **ARTICLE 4**

### **Repayment**

#### **4.1 Normal repayment**

##### **4.1A Repayment by instalments**

- (a) The Borrower shall repay each Tranche by instalments on the Payment Dates specified in the relevant Disbursement Notice in accordance with the terms of the amortisation table delivered pursuant to Article 2.3.
- (b) Each amortisation table shall be drawn up on the basis that:
  - (i) in the case of a Fixed Rate Tranche without an Interest Revision/Conversion Date, repayment shall be made annually, semi-annually or quarterly by equal instalments of principal or constant instalments of principal and interest;
  - (ii) in the case of a Fixed Rate Tranche with an Interest Revision/Conversion Date or a Floating Rate Tranche, repayment shall be made by equal annual, semi-annual or quarterly instalments of principal;
  - (iii) the first repayment date of each Tranche shall be a Payment Date falling not earlier than 60 days from the Scheduled Disbursement Date and not later than the first Payment Date immediately following the 7th (seventh) anniversary of the Scheduled Disbursement Date of the Tranche; and
  - (iv) the last repayment date of each Tranche shall be a Payment Date falling not earlier than 4 (four) years and not later than 25 (twenty-five) years from the Scheduled Disbursement Date.

A2

HK

#### **4.1B Single instalment**

Alternatively, the Borrower may repay the Tranche in a single instalment on a Payment Date specified in the Disbursement Notice, being a date falling not less than 3 (three) years or more than 16 (sixteen) years from the Scheduled Disbursement Date.

#### **4.2 Voluntary prepayment**

##### **4.2A Prepayment option**

Subject to Articles 4.2B, 4.2C and 4.4, the Borrower may prepay all or part of any Tranche, together with accrued interest and indemnities if any, upon giving a Prepayment Request with at least 1 (one) month's prior notice specifying (i) the Prepayment Amount, (ii) the Prepayment Date, (iii) if applicable, the choice of application method of the Prepayment amount in line with Article 5.5C(a)(i) and (iv) the contract number ("FI N°") mentioned on the cover page of this Contract.

Subject to Article 4.2C the Prepayment Request shall be binding and irrevocable.

##### **4.2B Prepayment indemnity**

###### **4.2B(1) FIXED RATE TRANCHE**

Subject to Article 4.2B(3) below, if the Borrower prepays a Fixed Rate Tranche, the Borrower shall pay to the Bank on the Prepayment Date the Prepayment Indemnity in respect of the Fixed Rate Tranche which is being prepaid.

###### **4.2B(2) FLOATING RATE TRANCHE**

Subject to Article 4.2B(3) below, the Borrower may prepay a Floating Rate Tranche without indemnity on any relevant Payment Date.

###### **4.2B(3) NO INDEMNITY**

Unless the Borrower has accepted in writing a Fixed Rate in respect of an Interest Revision/Conversion Proposal pursuant to Schedule D, prepayment of a Tranche on its Interest Revision/Conversion Date as notified under Article 1.2C(a) (viii), or in accordance with Schedule C.1 or D, as the case may be, may be effected without indemnity.

##### **4.2C Prepayment mechanics**

Upon presentation by the Borrower to the Bank of a Prepayment Request, the Bank shall issue a Prepayment Notice to the Borrower, not later than 15 (fifteen) days prior to the Prepayment Date. The Prepayment Notice shall specify the Prepayment Amount, the accrued interest due thereon, the Prepayment Indemnity payable under Article 4.2B or, as the case may be, that no indemnity is due, the method of application of the Prepayment Amount and the Acceptance Deadline.

If the Borrower accepts the Prepayment Notice no later than by the Acceptance Deadline, it shall effect the prepayment. In any other case, the Borrower may not effect the prepayment.

The Borrower shall accompany the prepayment by the payment of accrued interest and indemnity, if any, due on the Prepayment Amount, as specified in the Prepayment Notice.

#### **4.3 Compulsory prepayment**

##### **4.3A Prepayment Events**

###### **4.3A(1) PROJECT COST REDUCTION**

If, as at 1 January 2024, the total cost of the Project is reduced from the figure stated in Recital (5) to a level at which the amount of the EIB Funds:

- (a) exceeds 50% (fifty per cent) of such cost, and/or
- (b) when aggregated with the amount of any other funds from the European Union made available for the Project, 90% (ninety per cent),

of such total cost of the Project, the Bank may in proportion to the reduction forthwith, by notice to the Borrower, cancel the undisbursed portion of the Credit and/or demand prepayment of the Loan up to the amount by which the Credit exceeds the limits referred to in (a) or (b) above. The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

#### 4.3A(2) FAILURE TO ALLOCATE AND INELIGIBILITY

If:

- (a) (i) the aggregate of the EIB Funds allocated to any Schemes under any Allocation Letter issued by the Bank (whether under the Finance Contract A or this Contract) as of 1 January 2024 is less than (ii) the aggregate amount of any EIB Funds disbursed by the Bank to the Borrower under any Finance Contract; or
- (b) any Scheme ceases to be eligible under EU Structural and Cohesion Funds Regulations or to receive cohesion funds and amounts allocated thereto have failed to be reallocated to other eligible Schemes in accordance with the Reallocation procedure established under Article 1.10 and by 30 June 2024; or
- (c) any reallocation to other eligible Schemes does not occur by 30 June 2024,

subject to below, the Bank may, by notice to the Borrower, demand prepayment of the Loan.

In the case of Article 4.3A(2)(a), the amount for which prepayment may be demanded will be the amount equal to the amount by which the sum calculated in paragraph (a)(ii) above exceeds the sum calculated in paragraph (a)(i), together with accrued interest and all other amounts accrued and outstanding under this Contract.

In the case of Article 4.3A(2)(b) and 4.3A(2)(c), the amount for which prepayment may be demanded will be the amount equal to the amount allocated by the Bank under the relevant Allocation Letter(s) to the Schemes, which cease to be eligible or for which reallocation did not occur, together with accrued interest and all other amounts accrued and outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, which date shall fall not less than 30 (thirty) days from the date of the Bank's notice of demand.

#### 4.3A(3) CHANGE OF LAW

The Borrower shall promptly inform the Bank if a Change-of-Law Event has occurred or is likely to occur. In such case, or if the Bank has reasonable cause to believe that a Change-of-Law Event has occurred or is about to occur, the Bank may request that the Borrower consult with it. Such consultation shall take place within 30 (thirty) days from the date of the Bank's request. If, after the lapse of 30 (thirty) days from the date of such request for consultation the Bank is of the reasonable opinion that the effects of the Change-of-Law Event cannot be mitigated to its satisfaction, the Bank may by notice to the Borrower, cancel the undisbursed portion of the Credit and demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract.

The Borrower shall effect payment of the amount demanded on the date specified by the Bank, such date being a date falling not less than 30 (thirty) days from the date of the demand.

For the purposes of this Article "**Change-of-Law Event**" means the enactment, promulgation, execution or ratification of or any change in or amendment to any EU or national law, rule, directive or regulation (or in the application or official interpretation of any EU or national law, rule, directive or regulation) that occurs after the date of this Contract and which, in the reasonable opinion of the Bank, would materially impair the Borrower's ability to perform its obligations under this Contract.

#### 4.3A(4) ILLEGALITY

If it becomes unlawful in any applicable jurisdiction for the Bank to perform any of its obligations as contemplated in this Contract or to fund or maintain the Loan, the Bank shall promptly notify the Borrower, and the Bank may immediately (i) suspend or cancel the undisbursed portion of the Credit and/or (ii) demand prepayment of the Loan, together with accrued interest and all other amounts accrued or outstanding under this Contract on the date indicated by the Bank in its notice to the Borrower.

#### 4.3B Prepayment mechanics

Any sum demanded by the Bank pursuant to Article 4.3A, together with any interest or other amounts accrued or outstanding under this Contract including, without limitation, any indemnity due under Article 4.3C and Article 4.4, shall be paid on the date indicated by the Bank in its notice of demand.

#### 4.3C Prepayment indemnity

In the case of an Indemnifiable Prepayment Event, the indemnity, if any, shall be determined in accordance with Article 4.2B.

#### 4.4 General

A repaid or prepaid amount may not be reborrowed. This Article 4 shall not prejudice Article 10.

If the Borrower prepays a Tranche on a date other than a relevant Payment Date, the Borrower shall indemnify the Bank in such amount as the Bank shall certify is required to compensate it for receipt of funds otherwise than on a relevant Payment Date.

### ARTICLE 5

#### Payments

##### 5.1 Day count convention

Any amount due by way of interest, indemnity or fee from the Borrower under this Contract, and calculated in respect of a fraction of a year, shall be determined on the following respective conventions:

- (a) in respect of interest and indemnities due under a Fixed Rate Tranche, a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days;
- (b) in respect of interest and indemnities due under a Floating Rate Tranche, a year of 360 (three hundred and sixty) days and the number of days elapsed; and
- (c) in respect of fees, a year of 360 (three hundred and sixty) days and the number of days elapsed.

##### 5.2 Time and place of payment

Unless otherwise specified in this Contract or in the Bank's demand, all sums other than sums of interest, indemnity and principal are payable within 15 (fifteen) days of the Borrower's receipt of the Bank's demand.

Each sum payable by the Borrower under this Contract shall be paid to the relevant account notified by the Bank to the Borrower. The Bank shall notify the account not less than 15 (fifteen) days before the due date for the first payment by the Borrower and shall notify any change of account not less than 15 (fifteen) days before the date of the first payment to which the change applies. This period of notice does not apply in the case of payment under Article 10.

The Borrower shall indicate in each payment made hereunder the contract number ("FI N°") found on the cover page of this Contract.

A sum due from the Borrower shall be deemed paid when the Bank receives it.

A2

HK



Any disbursements by and payments to the Bank under this Contract shall be made using account(s) acceptable to the Bank. For the avoidance of doubt, any account in the name of the Borrower held with a duly authorised financial institution in the jurisdiction where the Borrower is incorporated or where the Project is undertaken is deemed acceptable to the Bank. And in turn, the Borrower shall procure that any payment from the Borrower to any Beneficiary shall be made to any account in the name of the Borrower held with a duly authorised financial institution in the jurisdiction where the Borrower is incorporated or where the Project is undertaken.

### **5.3 No set-off by the Borrower**

All payments to be made by the Borrower under this Contract shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

### **5.4 Disruption to Payment Systems**

If either the Bank determines (in its discretion) that a Disruption Event has occurred or the Bank is notified by the Borrower that a Disruption Event has occurred:

- (a) the Bank may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of this Contract as the Bank may deem necessary in the circumstances;
- (b) the Bank shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes; and
- (c) the Bank shall not be liable for any damages, costs or losses whatsoever arising as a result of a Disruption Event or for taking or not taking any action pursuant to or in connection with this Article 5.4.

### **5.5 Application of sums received**

#### **5.5A General**

Sums received from the Borrower shall only discharge its payment obligations if received in accordance with the terms of this Contract.

#### **5.5B Partial payments**

If the Bank receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under this Contract, the Bank shall apply that payment:

- (a) first, in or towards payment pro rata of any unpaid fees, costs, indemnities and expenses due under this Contract;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under this Contract;
- (c) thirdly, in or towards payment of any principal due but unpaid under this Contract; and
- (d) fourthly, in or towards payment of any other sum due but unpaid under this Contract.

#### **5.5C Allocation of sums related to Tranches**

- (a) In case of:
  - (i) a partial voluntary prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied pro rata to each outstanding instalment, or, at the request of the Borrower, in inverse order of maturity, or
  - (ii) a partial compulsory prepayment of a Tranche that is subject to a repayment in several instalments, the Prepayment Amount shall be applied in reduction of the outstanding instalments in inverse order of maturity.

- (b) Sums received by the Bank following a demand under Article 10.1 and applied to a Tranche, shall reduce the outstanding instalments in inverse order of maturity. The Bank may apply sums received between Tranches at its discretion.
- (c) In case of receipt of sums which cannot be identified as applicable to a specific Tranche, and on which there is no agreement between the Bank and the Borrower on their application, the Bank may apply these between Tranches at its discretion.

## **ARTICLE 6**

### **Borrower undertakings and representations**

The undertakings in this Article 6 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

#### **A. PROJECT UNDERTAKINGS**

##### **6.1 Use of Loan and availability of other funds**

The Borrower shall use all amounts borrowed by it under the Loan for the execution of the Project.

The Borrower shall ensure that it has available to it the other funds listed in Recital (5) and that such funds are expended, to the extent required, on the financing of the Project.

##### **6.2 Completion of Project**

The Borrower shall, and shall ensure that the Beneficiaries shall, carry out the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter) in accordance with the Technical Description as may be modified from time to time with the approval of the Bank, and complete it by the final date specified therein.

##### **6.3 Increased cost of Project**

If the total cost of the Project exceeds the estimated figure set out in Recital (5), the Borrower shall obtain the finance to fund the excess cost without recourse to the Bank, so as to enable the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter) to be completed in accordance with the Technical Description.

##### **6.4 Procurement procedure**

The Borrower shall, and shall ensure that the Beneficiaries shall, purchase equipment, secure services and order works for the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter) (a) in so far as they apply to it or to the Project, in accordance with European Union law in general and in particular with the relevant European Union Directives and (b) in so far as European Union Directives do not apply, by procurement procedures which, to the satisfaction of the Bank, respect the criteria of economy and efficiency and, in case of public contracts, the principles of transparency, equal treatment and non-discrimination on the basis of nationality.

##### **6.5 Continuing Project undertakings**

The Borrower shall, and shall ensure that the Beneficiaries (as the context may require) shall (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter):

- (a) **Maintenance:** maintain, repair, overhaul and renew all property forming part of the Project as required to keep it in good working order;
- (b) **Project assets:** unless the Bank shall have given its prior consent in writing, retain title to and possession of all or substantially all the assets comprising the Scheme or, as appropriate, replace and renew such assets and maintain the Scheme in substantially continuous operation in accordance with its original purpose; provided

that the Bank may withhold its consent only where the proposed action would prejudice the Bank's interests as lender to the Borrower or would render the Project ineligible for financing by the Bank under its Statute or under Article 309 of the Treaty on the Functioning of the European Union;

- (c) **Insurance:** ensure that all works and property forming part of any Scheme are adequately insured as required under the laws and regulations applicable in the Republic of Estonia, including EU Law;
- (d) **Rights and Permits:** maintain in force all rights of way or use and all Authorisations necessary for the execution and operation of the Project;
- (e) **Environment:**
  - (i) implement and operate the Project in compliance with Environmental Law;
  - (ii) obtain and maintain requisite Environmental Approvals for the Project;
  - (iii) comply with any such Environmental Approvals;
  - (iv) not use the Bank's funding to the Schemes that require an EIA or biodiversity assessment according to EU and national law without, prior to commitment, receiving the consent from the competent authority, and the Non-Technical Summary of the EIA having been made available to the public and provided to the Bank; and
  - (v) obtain Form A and B (or its equivalent) before using the Bank's funding to the Schemes;
- (f) **EU law:** execute and operate the Project in accordance with the relevant standards of EU law, in particular in the fields of environment, state aid and procurement, save for any general derogation made by the European Union;
- (g) **Managing Authority:** establish and maintain for the entire duration of the Project procedures (involving competent technical departments/units of the relevant ministries - with dedicated staff and terms of reference in charge of implementing this Project) which shall at all times represent an appropriate institutional set-up for the Project together with coordination procedures in order to facilitate cooperation in relation to the Project, particularly in relation to Allocation Requests and regular reporting and monitoring;
- (h) **Integrity:** take, within a reasonable timeframe, appropriate measures with respect to
  - (i) the Borrower, duly authorised agents or representatives and
  - (ii) a Beneficiary, any member of its management bodies and/or duly authorised agents or representatives, having direct decision and control powers in relation to any Scheme subject to any Allocation Request and/or any Allocation Letter, who has been convicted by a final and irrevocable court ruling of a Criminal Offence perpetrated in the course of the exercise of his/her professional duties, in order to ensure that such member is excluded from any activity in relation to the Loan or the Project.

The Borrower shall ensure that the relevant Beneficiary promptly informs the Borrower of any measure taken pursuant to Article 6.5 (h)(ii) above;

- (i) **Integrity Audit Rights:** ensure that all contracts under the Project to be procured after the date of signature of this Contract in accordance with European Union Directives on procurement provide for:
  - (i) the requirement that the relevant contractor promptly informs the Borrower of a genuine allegation, complaint or information with regard to Criminal Offences related to the Project;
  - (ii) the requirement that the relevant contractor keeps books and records of all financial transactions and expenditures in connection with the Project; and

- (iii) the Bank's right, in relation to an alleged Criminal Offence, to review the books and records of the relevant contractor in relation to the Project and to take copies of documents to the extent permitted by law;
- (j) **Books and Records:** ensure that it has kept and will continue to keep proper books and records of account, in which full and correct entries shall be made of all expenditures in connection with the Project;
- (k) **Litigations and other procedures:** with respect to the Borrower only, the Borrower shall procure that the Beneficiaries will to the extent permitted by law, inform the Borrower of any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority, which, to the best of its knowledge and belief, is current, imminent or pending against such Beneficiary or its controlling entities or members of the management bodies in connection with Criminal Offences related to any Scheme subject to any Allocation Request and/or any Allocation Letter or under the Project;
- (l) **Illicit funds:** with respect to the Borrower only, the Borrower shall procure that Beneficiaries undertake to represent to the Borrower that to the best of its knowledge, no funds invested in the Project are of illicit origin, including products of money laundering or linked to the financing of terrorism; and
- (m) **Compliance with laws:** verify the compliance by the Beneficiaries with all laws and regulations of the Republic of Estonia and the European Union to which such Beneficiary or any relevant Scheme is subject, including, but not limited to, environment, state aid and public procurement laws.

#### 6.6 Other project undertakings

The Borrower shall procure that:

- (a) the Bank's funds will be allocated to the eligible Schemes with procedures modulated according to the Scheme size in line with applicable loan procedures;
- (b) the Bank funds will be allocated to the eligible Schemes, using standard allocation tables and project fiches, with procedures modulated according to the Scheme size and in line with applicable loan procedures;
- (c) the Bank is promptly informed, and in any case no later than three months after the occurrence thereof, of (i) any changes in the Programmes or (ii) any suspension in the implementation of any allocated Scheme or (iii) any cancellation of any allocated Scheme;
- (d) the Borrower shall verify the compliance of the Beneficiaries with the relevant and applicable rules of the European Union legislation, in particular in the fields of environment, state aid and public procurement;
- (e) the Borrower shall not commit any of the Bank's funds against Schemes that require an EIA or biodiversity assessment according to EU and national law without, prior to commitment, receiving the consent from the competent authority, and the Non-Technical Summary of the EIA having been made available to the public;
- (f) the relevant documents are stored and maintained updated (including environmental studies related to EIA, the Non-Technical Summaries of EIAs, and Nature/Biodiversity Assessments or equivalent documentation evidencing compliance with the Habitats Directive and Birds Directives) and shall provide them to the Bank upon request. In case the Bank requires such documentation, the Borrower shall provide all documents requested promptly (within 30 Business Days with reference to the commitment in the Bank's public disclosure policy on responses to external inquiries) from receipt of the request from the Bank;
- (g) there is no double-financing of the Schemes with other Bank loans to the Borrower;
- (h) in line with CPR, representatives of the Bank shall be invited to participate as observers in the meetings of the relevant monitoring committees;

- (i) all Non-Technical Summaries of the EIAs, if EIA is required for any Scheme, are made available to the public;
- (j) an EIA for any Scheme that is expected to have a significant impact on the environment is carried out, according to the definitions and criteria contained in the relevant EU Directives;
- (k) in the case that the Bank reasonably suspects of any irregularity in the implementation of a Scheme or a group of Schemes, a rigorous monitoring procedure is established in charge of an independent consultant upon the Bank's request to ensure the proper management of the funds. In case of confirmation of the irregularity, the Borrower will reallocate the affected part of the Credit to other Schemes previously agreed by the Bank, the Borrower being responsible for all relevant incurred costs;
- (l) the Bank is promptly informed of any proposed or envisaged change in relevant procedures prior to such change; in any case The Borrower shall ensure that relevant procedures are in place and fully functional, dealing with allocation requests and regular reporting and monitoring;
- (m) the Bank reserves its right to review and the Borrower accepts that the Bank may review with the Borrower the allocation procedures in view of (i) any change required by, *inter alia*, the European Commission; or (ii) any development of the Project which shall be at all times satisfactory to the Bank;
- (n) upon the Bank's request, meetings between the Bank and the Borrower for the verification of the implementation (technical and financial) of the Project are held before the preparation of the Estonian budgetary law; the Borrower shall provide reasonable assistance to the Bank in the verification of the implementation (technical and financial) of the Project (including, without limitation, by making senior management available for this purpose) and will comply with all reasonable requests for information from the Bank prior to the enactment of the Estonian budgetary law; and
- (o) (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter) the Bank is promptly informed of:
  - (i) and in any case no later than three months after the occurrence thereof, (A) the outcome of the Designation Procedure (according to Article 123 of the Common Provision Regulation no. 1303/2013); and (B) on the results of the performance review (according to the Article 21 of the Common Provision Regulation no. 1303/2013);
  - (ii) any suspension of payments or infringement procedures initiated by the European Commission, no later than 5 days after the Borrower becomes aware of the relevant action of the European Commission; and
  - (iii) any audit reports, in the first instance but not limited to audit reports published on State Audit Office's website, carried out by (i) the State Audit Office or (ii) the European Commission and/or the European Court of Auditors.

## **B. GENERAL UNDERTAKINGS**


### **6.7 Compliance with laws**

The Borrower shall comply in all respects with all laws and regulations to which it or the Project is subject, including, but not limited to, environment, state aid and public procurement laws.

### **6.8 General Representations and Warranties**

The Borrower represents and warrants to the Bank that:

- (a) it has the power to execute, deliver and perform its obligations under this Contract and all necessary actions have been taken to authorise the execution, delivery and performance of the same by it;

- 
- (b) this Contract constitutes its legally valid, binding and enforceable obligations;
  - (c) the execution and delivery of, the performance of its obligations under and compliance with the provisions of this Contract do not and will not contravene or conflict with:
    - (i) any provision of its constitution, any applicable law, statute, rule or regulation, or any judgement, decree or permit to which it is subject;
    - (ii) any agreement or other instrument binding upon it which might reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Contract;
  - (d) there has been no Material Adverse Change since 31 December 2013;
  - (e) no event or circumstance which constitutes a Prepayment Event or an Event of Default has occurred and is continuing unremedied or unwaived;
  - (f) no litigation, arbitration, administrative proceedings or investigation is current or to its knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against it any unsatisfied judgement or award;
  - (g) it has obtained all necessary Authorisations in connection with this Contract and in order to lawfully comply with its obligations hereunder, and the Project and all such Authorisations are in full force and effect and admissible in evidence;
  - (h) its payment obligations under this Contract rank not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law;
  - (i) it is in compliance with Article 6.5(e) and to the best of its knowledge and belief (having made due and careful enquiry) no Environmental Claim has been commenced or is threatened against it;
  - (j) it is in compliance with all undertakings under this Article 6; and
  - (k) to the best of its knowledge, no funds invested in the Project by the Borrower are of illicit origin, including products of money laundering or linked to the financing of terrorism. The Borrower shall promptly inform the Bank if at any time it becomes aware of the illicit origin of any such funds.

The representations and warranties set out above shall survive the execution of this Contract and are, with the exception of the representation set out in paragraph (d) above, deemed repeated on the date of delivery of each Disbursement Request, on each Disbursement Date and on each Payment Date.

## **ARTICLE 7**

### **Security**

The undertakings in this Article 7 remain in force from the date of this Contract for so long as any amount is outstanding under this Contract or the Credit is in force.

#### **7.1 Pari Passu ranking**

The Borrower shall ensure that its payment obligations under this Contract rank, and will rank, not less than *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations.



## 7.2 Additional security

If the Borrower grants to a third party any security over any of its assets for the performance of any external indebtedness or any preference or priority in respect thereof, it shall, if so required by the Bank, provide equivalent security to the Bank for the performance of its obligations under this Contract or grant the Bank equivalent preference or priority. The Borrower represents that no such security, preference or priority presently exists.

Above does not apply to any guarantee or similar instrument granted in favour of AS KredEX Krediidikindlustus ("KredEx") for as long as KredEx directly or indirectly is 100% owned by the Borrower.

## ARTICLE 8

### Information and Visits

#### 8.1 Information concerning the Project and Beneficiaries

The Borrower shall:

- (a) deliver to the Bank:
  - (i) the information in content and in form, and at the times, specified in Schedule A.2 or otherwise as agreed from time to time by the parties to this Contract;
  - (ii) any such information concerning the Schemes included in the Allocation Request as the Bank may reasonably require within a reasonable time; and
  - (iii) any such information or further document concerning the financing, procurement, implementation, operation and environmental matters of or for the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter) as the Bank may reasonably require within a reasonable time,

provided always that if such information or document is not delivered to the Bank on time, and the Borrower does not rectify the omission within a reasonable time set by the Bank in writing, the Bank may remedy the deficiency, to the extent feasible, by employing its own staff or a consultant or any other third party, at the Borrower's expense and the Borrower shall provide such persons with all assistance necessary for the purpose;
- (b) submit for the approval of the Bank without delay any material change to the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter), also taking into account the disclosures made to the Bank in connection with the Project prior to the signing of this Contract, in respect of, inter alia, the price, design, plans, timetable or to the expenditure programme or financing plan for the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter);
- (c) promptly inform the Bank of:
  - (i) any action or protest initiated or any objection raised by any third party or any genuine complaint received by the Borrower or any Environmental Claim that is to its knowledge commenced, pending or threatened against it with regard to environmental or other matters affecting any Scheme financed by the Bank;
  - (ii) any fact or event known to the Borrower, which may substantially prejudice or affect the conditions of execution or operation of the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter);

- (iii) a genuine allegation, complaint or information which is not manifestly unfounded with regard to Criminal Offences related to the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter);
  - (iv) any non-compliance by it with any applicable Environmental Law;
  - (v) any suspension, revocation or modification of any material Environmental Approval; and
  - (vi) any suspension or cancellation of any allocated Scheme,
- and set out the action to be taken with respect to such matters;
- (d) as soon as it becomes aware thereof, or as soon as it is informed thereof by a Beneficiary, to the extent permitted by law, any material litigation, arbitration, administrative proceedings or investigation carried out by a court, administration or similar public authority, which, to the best of its knowledge and belief or to the best knowledge or belief of the Beneficiary, is current, imminent or pending against:
- (i) with respect to the Borrower, duly authorised agents or representatives having direct decision and control powers in relation to any scheme under the Loan or the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter); or
  - (ii) with respect to a Beneficiary, any member of its management bodies and/or duly authorised agents or representatives, having direct decision and control powers in relation to any scheme under the Loan or the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter), in connection with Criminal Offences related to the Loan or the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter).

## **8.2 Information concerning the Borrower**

**8.2A** The Borrower shall deliver to the Bank from time to time, such further information on the general financial situation of the Borrower as the Bank may reasonably require.

**8.2B** The Borrower shall inform the Bank immediately of:

- (a) any fact which obliges it to prepay any financial indebtedness or any European Union funding;
- (b) any event or decision that constitutes or may result in a Prepayment Event;
- (c) any intention on its part to grant any security over any of its assets in favour of a third party;
- (d) any intention on the Borrower's part to relinquish ownership of any material component of the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter);
- (e) any fact or event that is reasonably likely to prevent the substantial fulfilment of any obligation of the Borrower under this Contract or which substantially prejudice or affect the conditions of execution or operation of any Scheme financed by the Bank;
- (f) any Event of Default having occurred or being threatened or anticipated;
- (g) when received from the relevant party or otherwise upon becoming aware thereof, any information captured by Article 6.5(i)(i), any information or measures captured by Article 6.5(h)(ii) and/or any information or breach captured by Article 6.5(l);
- (h) any measure taken by the Borrower pursuant to Article 6.5(h) of this Contract; or
- (i) any litigation, arbitration or administrative proceedings or investigation which is current, threatened or pending which might result in a Material Adverse Change.



### 8.3 Visits by the Bank

The Borrower shall and the Borrower shall procure that the Beneficiaries shall, allow persons designated by the Bank, as well as persons designated by other institutions or bodies of the European Union when so required by the relevant mandatory provisions of European Union law:

- (a) to visit the sites, installations and works comprising the Project;
- (b) to interview representatives of the Borrower and/or the Beneficiaries, and not obstruct contacts with any other person involved in or affected by the Project; and
- (c) to review the Borrower's or the Beneficiaries' books and records in relation to the execution of the Project and to be able to take copies of related documents to the extent permitted by the law.

The Borrower shall provide the Bank, or ensure that the Bank is provided, with all necessary assistance for the purposes described in this Article.

The Borrower acknowledges that the Bank may be obliged to communicate information relating to the Borrower and the Project to any competent institution or body of the European Union in accordance with the relevant mandatory provisions of European Union law.

With respect to the above, the Bank's first point of contact shall be the Borrower.

## ARTICLE 9

### Charges and expenses

#### 9.1 Taxes, duties and fees

The Borrower shall pay all Taxes, duties, fees and other impositions of whatsoever nature, including stamp duty and registration fees, arising out of the execution or implementation of this Contract or any related document and in the creation, perfection, registration or enforcement of any security for the Loan to the extent applicable.

The Borrower shall pay all principal, interest, indemnities and other amounts due under this Contract gross without deduction of any national or local impositions whatsoever; provided that, if the Borrower is obliged to make any such deduction, it will gross up the payment to the Bank so that after deduction, the net amount received by the Bank is equivalent to the sum due.

#### 9.2 Other charges

The Borrower shall bear all charges and expenses, including professional, banking or exchange charges incurred in connection with the preparation, execution, implementation, enforcement and termination of this Contract or any related document, any amendment, supplement or waiver in respect of this Contract or any related document, and in the amendment, creation, registration, management, enforcement and realisation of any security for the Loan to the extent applicable.

#### 9.3 Increased costs, indemnity and set-off

- (a) The Borrower shall pay to the Bank any sums or expenses incurred or suffered by the Bank as a consequence of the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or compliance with any law or regulation made after the date of signature of this Contract, in accordance with or as a result of which (i) the Bank is obliged to incur additional costs in order to fund or perform its obligations under this Contract, or (ii) any amount owed to the Bank under this Contract or the financial income resulting from the granting of the Credit or the Loan by the Bank to the Borrower is reduced or eliminated.

- (b) Without prejudice to any other rights of the Bank under this Contract or under any applicable law, the Borrower shall indemnify and hold the Bank harmless from and against any loss incurred as a result of any payment or partial discharge that takes place in a manner other than as expressly set out in this Contract.
- (c) The Bank may set off any matured obligation due from the Borrower under this Contract (to the extent beneficially owned by the Bank) against any obligation (whether or not matured) owed by the Bank to the Borrower regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Bank may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. If either obligation is unliquidated or unascertained, the Bank may set off in an amount estimated by it in good faith to be the amount of that obligation.

## **ARTICLE 10**

### **Events of Default**

#### **10.1 Right to demand repayment**

The Borrower shall repay all or part of the Loan (as requested by the Bank) forthwith, together with accrued interest and all other accrued or outstanding amounts under this Contract, upon written demand being made by the Bank in accordance with the following provisions.

##### **10.1A Immediate demand**

The Bank may make such demand immediately:

- (a) if the Borrower does not pay on the due date any amount payable pursuant to this Contract at the place and in the currency in which it is expressed to be payable, unless (i) its failure to pay is caused by an administrative or technical error or a Disruption Event and (ii) payment is made within 3 (three) Business Days of its due date;
- (b) if any information or document given to the Bank by or on behalf of the Borrower or any representation, warranty or statement made or deemed to be made by the Borrower in or pursuant to this Contract or in connection with the negotiation or performance of this Contract is or proves to have been incorrect, incomplete or misleading in any material respect;
- (c) if, following any default of the Borrower in relation to any loan, or any obligation arising out of any financial transaction, other than the Loan,
- (i) the Borrower is required or is capable of being required or will, following expiry of any applicable contractual grace period, be required or be capable of being required to prepay, discharge, close out or terminate ahead of maturity such other loan or obligation; or
- (ii) any financial commitment for such other loan or obligation is cancelled or suspended;
- (d) if the Borrower is unable to pay its debts as they fall due, or suspends its debts, or makes or, without prior written notice to the Bank, seeks to make a composition with its creditors including a moratorium, or, as a result of material financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its financial indebtedness (by way of voluntary arrangement, scheme of arrangement or otherwise);
- (e) the suspension of payments, a moratorium of any indebtedness, suspension of payments (*sursis de paiement*), arrangement with creditors (*concordat préventif de la faillite*) or any analogous proceeding, procedure or step is taken in any jurisdiction;

- (f) if an encumbrancer takes possession of, or a receiver, liquidator, administrator, administrative receiver or similar officer is appointed, whether by a court of competent jurisdiction or by any competent administrative authority of or over any property forming part of the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter);
- (g) if the Borrower defaults in the performance of any obligation in respect of any other loan or grant (including EU grants) granted by the Bank or made to it from the resources of the EU or financial instrument entered into with the Bank;
- (h) if any distress, execution, sequestration or other process is levied or enforced upon the property of the Borrower or any property forming part of the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter) and is not discharged or stayed within 14 (fourteen) days;
- (i) if a Material Adverse Change occurs, as compared with the Borrower's condition at the date of this Contract; or
- (j) if it is or becomes unlawful for the Borrower to perform any of its obligations under this Contract or this Contract is not effective in accordance with its terms or is alleged by the Borrower to be ineffective in accordance with its terms.

#### **10.1B Demand after notice to remedy**

The Bank may also make such demand:

- (a) if the Borrower fails to comply with any obligation under this Contract not being an obligation mentioned in Article 10.1A; or
- (b) if any fact stated in the Recitals materially alters and is not materially restored and if the alteration either prejudices the interests of the Bank as lender to the Borrower or adversely affects the implementation or operation of the Project (to the extent the Project includes any Scheme subject to, as the case may be an Allocation Request and/or an Allocation Letter),

unless the non-compliance or circumstance giving rise to the non-compliance is capable of remedy and is remedied within a reasonable period of time specified in a notice served by the Bank on the Borrower.

#### **10.2 Other rights at law**

Article 10.1 shall not restrict any other right of the Bank at law to require prepayment of the Loan.

#### **10.3 Indemnity**

##### **10.3A Fixed Rate Tranches**

In case of demand under Article 10.1 in respect of any Fixed Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with the Prepayment Indemnity on any amount of principal due to be prepaid. Such Prepayment Indemnity shall accrue from the due date for payment specified in the Bank's notice of demand and be calculated on the basis that prepayment is effected on the date so specified.

##### **10.3B Floating Rate Tranches**

In case of demand under Article 10.1 in respect of any Floating Rate Tranche, the Borrower shall pay to the Bank the amount demanded together with a sum equal to the present value of 0.15% (fifteen basis points) per annum calculated and accruing on the amount of principal due to be prepaid in the same manner as interest would have been calculated and would have accrued, if that amount had remained outstanding according to the original amortisation schedule of the Tranche, until the Interest Revision/Conversion Date, if any, or the Maturity Date.

The value shall be calculated at a discount rate equal to the Redeployment Rate applied as of each relevant Payment Date.

### 10.3C General

Amounts due by the Borrower pursuant to this Article 10.3 shall be payable on the date of prepayment specified in the Bank's demand.

### 10.4 Non-Waiver

No failure or delay or single or partial exercise by the Bank in exercising any of its rights or remedies under this Contract shall be construed as a waiver of such right or remedy. The rights and remedies provided in this Contract are cumulative and not exclusive of any rights or remedies provided by law.

## ARTICLE 11

### Law and jurisdiction, miscellaneous

#### 11.1 Governing Law

This Contract and any non-contractual obligations arising out of or in connection with it shall be governed by the laws of Luxembourg.

#### 11.2 Jurisdiction

- (a) The Court of Justice of the European Union has exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with this Contract (including a dispute regarding the existence, validity or termination of this Contract or the consequences of its nullity) or any non-contractual obligation arising out of or in connection with this Contract.
- (b) The parties agree that the Court of Justice of the European Union is the most appropriate and convenient court to settle Disputes between them and, accordingly, that they will not argue to the contrary. In particular, the parties to this Contract hereby waive any immunity from or right to object to the jurisdiction of these courts. A decision of the courts given pursuant to this Article shall be conclusive and binding on each party without restriction or reservation.
- (c) This Article 11.2 is for the benefit of the Bank only. As a result and notwithstanding Article 11.2(a), it does not prevent the Bank from taking proceedings relating to a dispute (including a dispute relating to the existence, validity or termination hereof or any non-contractual obligation arising out of or in connection with this Contract) in any other courts with jurisdiction. To the extent allowed by law, the Bank may take concurrent proceedings in any number of jurisdictions.

#### 11.3 Place of performance

Unless otherwise specifically agreed by the Bank in writing, the place of performance under this Contract, shall be the seat of the Bank.

#### 11.4 Evidence of sums due

In any legal action arising out of this Contract the certificate of the Bank as to any amount or rate due to the Bank under this Contract shall, in the absence of manifest error, be *prima facie* evidence of such amount or rate.

#### 11.5 Entire Agreement

This Contract constitutes the entire agreement between the Bank and the Borrower in relation to the provision of the Credit hereunder, and supersedes any previous agreement, whether express or implied, on the same matter.

#### 11.6 Partial Invalidity

If at any time any term of this Contract is or becomes illegal, invalid or unenforceable in any respect, or this Contract is or becomes ineffective in any respect, under the laws of any jurisdiction, such illegality, invalidity, unenforceability or ineffectiveness shall not affect:

A2

HK

- (a) the legality, validity or enforceability in that jurisdiction of any other term of this Contract or the effectiveness in any other respect of this Contract in that jurisdiction; or
- (b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Contract or the effectiveness of this Contract under the laws of such other jurisdictions.

**11.7 Amendments**

Any amendment to this Contract shall be made in writing and shall be signed by the parties hereto.

**11.8 Counterparts**

This Contract may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Each counterpart is an original, but all counterparts shall together constitute one and the same instrument.

**ARTICLE 12**

**Final clauses**

**12.1 Notices to either party**

Notices and other communications given under this Contract addressed to either party to this Contract shall be made to the address or facsimile number as set out below, or to such other address or facsimile number as a party previously notifies to the other in writing:

For the Bank

Attention: OPS A

European Investment Bank  
100 boulevard Konrad Adenauer  
L-2950 Luxembourg

Facsimile no: +352 4379 63697

For the Borrower

Attention: State Treasury Department

Ministry of Finance of Estonia  
Endla 13  
10122 Tallinn  
Estonia

Facsimile no.: +372 611 3825

**12.2 Form of notice**

**12.2A General**

Any notice or other communication given under this Contract must be in writing.

Notices and other communications, for which fixed periods are laid down in this Contract or which themselves fix periods binding on the addressee, may be made by hand delivery, registered letter or facsimile. Such notices and communications shall be deemed to have been received by the other party on the date of delivery in relation to a hand-delivered or registered letter or on receipt of transmission in relation to a facsimile.

Other notices and communications may be made by hand delivery, registered letter or facsimile or, to the extent agreed by the parties by written agreement, by e-mail or other electronic communication.

Without affecting the validity of any notice delivered by facsimile according to the paragraphs above, a copy of each notice delivered by facsimile shall also be sent by letter to the relevant party on the next following Business Day at the latest.

*Handwritten signature*

*Handwritten signature*

Notices issued by the Borrower pursuant to any provision of this Contract shall, where required by the Bank, be delivered to the Bank together with satisfactory evidence of the authority of the person or persons authorised to sign such notice on behalf of the Borrower and the authenticated specimen signature of such person or persons.

#### **12.2B Standing Power of Attorney**

By this power of attorney the Borrower hereby Secretary-General of the Ministry of Finance Mr Veiko Tali (hereinafter referred to as the "**Attorney**") with power to act alone, to be our true and lawful Attorney for and on behalf of the Borrower to do, execute and perform all or any of the matters and things hereinafter mentioned, that is to say, to sign any notice by the Borrower, with respect to, including but not limited to, Disbursement Requests (Schedule C.1), form of certificate from the Borrower (Schedule C.2) and Schedule A 1.6.

The Borrower represents and warrants that it has the power to grant this Power of Attorney and agrees to ratify anything done by each Attorney on behalf of the Borrower pursuant to this power of attorney.

#### **12.3 Changes to parties**

The Borrower may not assign or transfer any of its rights or obligations under this Contract without the prior written consent of the Bank.

#### **12.4 Recitals and Schedules**

The Recitals, following Schedules and Annex form part of this Contract:

Schedule A	Project Specification and Reporting
Schedule B	Definition of EURIBOR
Schedule C	Forms for the Borrower
Schedule D	Interest Rate Revision and Conversion
Annex I	Authorisation of Signatory
Annex II	Form of Legal Opinion

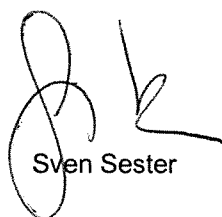
**IN WITNESS WHEREOF** the parties hereto have caused this Contract to be executed in 3 (three) originals in the English language and initialled on each page of this Contract on their behalf.

At Tallinn, this 1<sup>st</sup> day of December 2016,

At Luxembourg, this 2<sup>nd</sup> day of December 2016.

Signed for and on behalf of the  
REPUBLIC OF ESTONIA

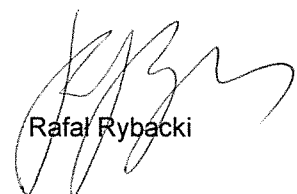
Signed for and on behalf of the  
EUROPEAN INVESTMENT BANK



Sven Sester



Hanna Karczewska



Rafał Rybacki

**Project Specification and Reporting****A.1. Technical Description****A 1.1 Purpose, Location**

The project will support the 2014-2020 Partnership Agreement (PA) and investments of its two Programmes: (i) OP for Cohesion Policy Funds and (ii) Rural Development Programme.

The interventions will focus on the following sectors; environment, transport, research, technological development and innovations, water and environmental protection, education, health, improvement of training and access to employment, small infrastructure in rural areas.

**A 1.2 Description**

<b>OP for Cohesion Policy Funds</b>	<b>Axis</b>
	Qualifications and skills meeting the needs of society and the labour market
	Increasing social inclusion
	Improvement of access to, and prevention of dropping out of, the labour market
	Growth-capable entrepreneurship and RD&I supporting it
	Development of small and medium-sized enterprises and strengthening the competitiveness of regions
	Energy efficiency
	Water protection
	Green infrastructure and improved preparedness for emergencies
	Sustainable urban development
	Sustainable transport
	Infrastructure for ICT services
	Administrative capacity
	Technical assistance
	<b>Measures</b>
<b>Rural Development Programme</b>	Knowledge transfer and information actions
	Advisory services, farm management and farm relief services
	Quality schemes for agricultural products and foodstuffs
	Investments in physical assets
	Farm and business development
	Investments in forest area development and improvement of the viability of forests
	Setting-up of producer groups and organisations
	Agri-environment-climate
	Organic farming
	Natura 2000 and Water Framework Directive payments
	Animal Welfare
	Co-operation
	Support for LEADER local development (CLLD – community-led local development)

AZ

KK

### A 1.3 Calendar

The Schemes under the two Programmes are expected to be implemented in the 2014-2020 period and shall be completed by 31 December 2023.

### A 1.4 General Provisions

The Bank will generally allocate its funds only to eligible schemes which are economically, technically and financially justified and environmentally sound. All Schemes must comply with EU environmental, procurement and state aid legislation as well as comply with the principles and standards of the Bank's Environmental Policy Statement <sup>1</sup>.

The following costs are not eligible for the Bank: VAT and other taxes and duties, land acquisition, purchase of buildings, maintenance and other operating costs, acquisition of second-hand assets, interest during construction, purchase of licences for the use of non-generated public resources (e.g. telecom licences), patents, brands and trademarks. Purely financial transactions are also not eligible.

In principle most priorities/measures in the Rural Development Programme are eligible for EIB lending. The exceptions are as follows:

- Land purchases, except for farm succession, are not eligible
- Trade financing and exports financing are not eligible
- New irrigation systems are not eligible. Rehabilitation of old and/or existing irrigation systems to increase water use efficiency and to decrease total water pumped to agriculture are eligible
- Financing of crop/yield/income insurances are not eligible
- Marketing or sales promotion activities are not eligible
- Harvesting of peat is not eligible

The eligibility for EIB Funds will be checked by the Bank at the allocation stage against the list above and the Bank's normal eligibility criteria.

The Bank reserves the right to review allocations procedures in view of the development of the Project.

### A 1.5 Allocation Procedures

The Bank funds will be allocated to the Schemes with procedures modulated according to the Scheme size and in line with applicable loan procedures:

- (a) Eligible Schemes with an investment cost below EUR 25m are selected by the Borrower. The choices are subject to ex-post confirmation of eligibility by the Bank's services. The Borrower is to submit an Allocation Request in a form required by the Bank (as defined in A.1.6).
- (b) Eligible Schemes with a cost between EUR 25m and EUR 50m are submitted ex-ante to the Bank for approval before funding, using a template as defined in A.1.7 or a feasibility study. The Bank keeps the right to ask for additional information; partial or in-depth appraisal of the Scheme will be undertaken, if deemed necessary.
- (c) Eligible Schemes with a cost above EUR 50m are to be treated, in principle, like separate loans and appraised separately by the Bank's services. Schemes will be subject to approval before disbursement of the Bank's funds to the Borrower. The Borrower shall provide documentation requested by the Bank, at its discretion, as individually indicated by the Bank to the Borrower.

<sup>1</sup> [http://www.eib.org/attachments/strategies/eib\\_statement\\_esps\\_en.pdf](http://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf)

WZ

HK



- (d) The Borrower should provide together with an Allocation Request the following documentation supporting environmental compliance of the Schemes concerned:
- for Schemes requiring an EIA, either the Non-Technical Summary of the EIA or a link to a public version of the Non-Technical Summary of the EIA, together with a copy of the relevant consent showing that public consultation has been performed and its results taken into consideration. The Borrower shall not request EIB for allocation of Schemes that require an EIA assessment according to EU and national law without receiving consent from the competent authority.
  - for Schemes subject to assessment, but without significant impact, potential or likely, on a conservation site (Natura 2000 or otherwise), a declaration from the competent authority that the Schemes are in compliance with Habitats Directive and Birds Directive (either Forms A as per Annex A.1.8 or its equivalent or a simplified declaration /A list of Schemes signed by the Competent Authority certifying that none of the Schemes has any significant impact on any protected site/). The Borrower shall not request EIB for allocation of Schemes that require a biodiversity assessment according to EU and national law without receiving consent from the competent authority.
  - for Schemes with a significant impact, potential or likely, on a conservation site, Form B as per Annex A.1.8 - or its equivalent - has to be signed by the competent authority and submitted to the Bank together with the opinion of the European Commission (if required by the Article 6(4) of the Habitats Directive).
- (e) The Borrower shall, or shall ensure that the relevant implementing agency shall, store and maintain updated the relevant documents (including environmental studies related to EIA, the Non-Technical Summaries of EIAs, and Nature/Biodiversity Assessments or equivalent documents supporting the compliance with the Habitats Directive and Birds Directive) to be provided to the Bank upon request. In case the EIB requires such documentation, the Borrower shall promptly provide all the requested documents.

2



Project reference number	Name of scheme	Rail section code	Implementation authority (1)	Rail section		Cost (000 EUR)	Cost/km	Traffic (2)	% Freight traffic	Type of Work (3)	Expected construction period	Justification/ Notes/EBR (4)
				Number of tracks	Length km							
<b>TOTAL</b>						0						

Legend	
1	Implementation authority
2	Traffic
3	Type of Work
4	Justification/costs/ERR

### Monitoring Table for Road Construction Schemes





### A.1.7 Project fiche for Schemes with a cost between EUR 25m and EUR 50m

#### PROJECT FICHE

EU FUNDS CO-FINANCING (EST) 2014-2020

Serapis no. 2013-0645

<u>Scheme Name:</u>	<u>Scheme promoter:</u>
<u>Scheme reference number:</u>	<u>Location:</u>
<u>Implementing body:</u>	<u>Sector:</u>
	<u>Type:</u> new project/ extension/ rehabilitation
	<u>Date:</u>
<u>Contact Person:</u>	<u>Signature of the Borrower/Beneficiary:</u>
<u>Contact (e-mail, telephone):</u>	

#### 1. Scheme

##### 1.1 Background

##### 1.2 Reasons for undertaking the Project and key objectives

##### 1.3 Technical description of the project including relevant key dimensions and capacities

##### 1.4 Entity(ies) responsible for project design, construction and supervision

##### 1.5 Investment cost (total) in EUR

Engineering and supervision	-
Land	-
Civil works (Building work)	-
Equipment	-
Miscellaneous	-
Technical contingencies	-
Price contingencies (...% escalation p.a.), if applicable	-
Interest during construction	-
<b>Total</b>	-

##### 1.6 Expected expenditure schedule (in EUR)

year	2016	2017	2018	+n	Total
EUR					

##### 1.7 Expected technical/ economical life-span (years)

##### 1.8 Implementation period (dates: month, year)

a) Start:

b) Completion:

##### 1.9 Authorisation required to implement/operate the project

Please provide the name(s) of the authority(ies) issuing the relevant permit(s) and whether or not the authorisation(s) has (have) been issued. If permits are not issued, please indicate the expected date.

### 1.10 Jobs affected by the investment

Number of jobs that will be created, secured or lost as a consequence of the project

a) during construction:	
b) post construction (operation and maintenance) – secured:	

### 1.11 Physical indicators

Please indicate (quantify) planned physical output/result of the project.

Indicator name and definition	Baseline (year)	Target value (year)
a) ...		
b)		
c)		

### 1.12 Procurement

Type and specifics on tender(s)

### 1.13 Environmental impacts

- a) Please explain briefly the effects of the project on the environment.
- b) Does the Project have any particular environmental risks or benefits?
- c) Compliance with environmental requirements (local, national, EU) and summary description of mitigating measures adopted, if any; indicate if an EIA is required and if the project is located within/impacts a Natura 2000 sites, or similar - in the affirmative cases, please provide information on the relevant assessment and administrative decisions for such Schemes. The Bank's services may require further information (such as a copy of the non-technical EIA summary, analysis of impact on Natura 2000 sites or similar).

### 1.14 Operation and maintenance of the facilities:

- a) Organisation in charge of the operation and maintenance of the Scheme;
- b) Operating and maintenance costs and available budget for operation and maintenance.

### 1.15 Economic and financial aspects

- a) Population served by the Scheme, or other pertinent demand analysis (e.g. traffic);
- b) If applicable, a summary of cost-benefit or economic feasibility analysis;
- c) If applicable, cost recovery mechanism (Will users be required to contribute to the cost of the Scheme? Tariff policy?).



2. **Overall conclusions and recommendations**

--

**Place:**

**Date:**

**Borrower/Beneficiary:**

**Responsible person:**

A.1.8 Form A/B according to the Habitats Directive and Birds Directive

I OSA

Vorm A – Artikli 6 lõikega 3 nõutav asjakohane hindamine ei olnud vajalik

**LOODUSKAITSE TÄHTSUSEGA ALADE SEIRE EEST  
VASTUTAVA ASUTUSE DEKLARATSIOON<sup>1</sup>**

Vastutav asutus:..... ,  
olles analüüsinud taotlust projekti .....kohta<sup>2</sup>,  
mille kavandatud asukoht on: ..... ,  
teatab, et projektil ei ole tõenäoliselt olulist mõju NATURA 2000 alale järgmistel põhjustel:

Seepärast ei peetud artikli 6 lõikega 3 nõutavat asjakohast hindamist vajalikuks.

Lisatud on määtkavas 1:100 000 (või lähimas võimalikus määtkavas) kaart, millel on näidatud projekti asukoht ning asjaomased NATURA 2000 alad, kui neid on.

Kuupäev (pp/kk/aaaa):

Alla kirjutanud:.....

Nimi: .....

Ametikoht: .....

Organisatsioon: .....  
(NATURA 2000 alade seire eest vastutav asutus)

Ametlik pitser:

<sup>1</sup> See hõlmab Natura 2000 võrgustiku osana kaitstud alasid (sh erikaitsealasid ja linnukaitsealasid), potentsiaalseid Natura 2000 alasid, Ramsari konventsiooni alasid, tähtsaid linnualasid, Emeraldi võrgustiku alasid või muid asjakohaseid alasid

<sup>2</sup> Võttes arvesse looduslike elupaikade ning loodusliku loomastiku ja taimestiku kaitset käsitleva direktiivi 92/43/EMÜ artikli 6 lõike 3 nõudeid.

## II OSA

### Vorm A – NATURA 2000 aladele avaldatava mõju hindamine – Olulise mõju riski ei ole

#### LOODUSKAITSE TÄHTSUSEGA ALADE SEIRE EEST VASTUTAVA ASUTUSE DEKLARATSIOON<sup>3</sup>

Vastutav asutus..... ,

olles analüüsinud taotlust projekti ..... kohta<sup>4</sup>,

mille kavandatud asukoht on .....,

teatab, et direktiivi 92/43/EMÜ artikli 6 lõikega 3 nõutava asjakohase hindamise põhjal ei avalda projekt olulist mõju looduskaitse tähtsusega alale<sup>1</sup>.

Palun esitage direktiivi 92/43/EMÜ artikli 6 lõike 3 kohaselt läbiviidud asjakohase hindamise järelduste kokkuvõte:

Palun esitage projekti jaoks nõutavate leevendusmeetmete kokkuvõte:

Lisatud on mõõtkavas 1:100 000 (või lähimas võimalikus mõõtkavas) kaart, millel on näidatud projekti asukoht ning looduskaitse tähtsusega ala.

Alla kirjutanud:

Nimi ja ametikoht:

Organisatsioon (NATURA 2000 alade seire eest vastutav asutus)

Ametlik pitser:

<sup>3</sup> See hõlmab Natura 2000 võrgustiku osana kaitstud alasid (sh erikaitsealasid ja linnukaitsealasid), potentsiaalseid Natura 2000 alasid, Ramsari konventsiooni alasid, tähtsaid linnualasid, Emeraldi võrgustiku alasid või muid asjakohaseid alasid.

<sup>4</sup> Võttes arvesse looduslike elupaikade ning loodusliku loomastiku ja taimestiku kaitset käsitleva direktiivi 92/43/EMÜ artikli 6 lõike 3 nõudeid.

Vorm B – Olulise mõju risk

**LOODUSKAITSE TÄHTSUSEGA ALADE SEIRE EEST  
VASTUTAVA ASUTUSE ANTUD TEAVE<sup>5</sup>**

Vastutav asutus..... ,  
olles analüüsinud<sup>6</sup> taotlust projekti ..... kohta,  
mille kavandatud asukoht on .....

esitab järgmist teavet ja dokumendid, mis tuleb saata Euroopa Komisjonile (tehke vastavasse kasti märke):

teavitamiseks (artikli 6 lõike 4 lõik 1) ☐ arvamuse saamiseks (artikli 6 lõike 4 lõik 2)  
☐

Liikmesriik:

Riigi pädev asutus:

Aadress:

Kontaktisik:

Tel, faks, e-post:

Kuupäev:

Kas teade sisaldab tundlikku teavet? Kui jah, siis palun täpsustage ja põhjendage.

5 See hõlmab Natura 2000 võrgustiku osana kaitstud alasid (sh erikaitsealasid ja linnukaitsealasid), potentsiaalseid Natura 2000 alasid, Ramsari konventsiooni alasid, tähtsaid linnualasid, Emeraldi võrgustiku alasid või muid asjakohaseid alasid.

6 Võttes arvesse looduslike elupaikade ning loodusliku loomastiku ja taimestiku kaitset käsitleva direktiivi 92/43/EMÜ artikli 6 lõike 4 nõudeid.

## 1. KAVA VÕI PROJEKT

Kava/projekti nimi:

Projektiteostaja:

Alale mõju avaldava kava või projekti kokkuvõte:

Võimalikku mõju avaldavate projekti elementide ja tegevuste kirjeldus ja asukoht ning mõjutatud alade identifitseerimine (lisada kaardid):

## 2. NEGATIIVSETE MÕJUDE HINNANG<sup>7</sup>

Mõjutatud Natura 2000 ala(de) nimi ja kood:

Palun tehke asjakohane märg:

- ☐ Linnukaitseala linnudirektiivi alusel
- ☐ Ühenduse tähtsusega ala / erikaitseala elupaigadirektiivi alusel
- ☐ Ala, kus asub esmatähtis elupaik/liik
- ☐ Esmatähtsad elupaigad/liigid on mõjutatud
- ☐ Ramsari konventsiooni alusel määratud või sellise kaitse alla kuuluv rahvusvahelise tähtsusega märgala
- ☐ Ala, mis on kantud kõige uuemasse rahvusvahelise tähtsusega linnualade nimekirja (IBA) või (kui on kättesaadav) samaväärsesse üksikasjalikumasse teaduslikku nimekirja, mida riigi ametiasutused toetavad
- ☐ Ala, mille suhtes on kohaldatav Berni konventsioon Euroopa floora ja fauna ning nende kasvu- ja elupaikade kaitse kohta (artikkel 4), nimelt Emeraldi võrgustiku kriteeriumidele vastav ala
- ☐ Riiklike looduskaitseaduste alusel kaitstavad alad

Ala kaitse-eesmärgid ja põhijooned, mis aitavad hoida ala puutumatust:

Elupaigad ja liigid, millele avaldatakse kahjulikku mõju (nt märkida nende esindatavus; kui on kohaldatav, siis nende kaitsestaatus vastavalt artiklile 17 riigi ja biogeograafilisel tasandil ning isolatsiooniaspekte; nende rollid ja funktsioonid asjaomasel alal).

Ala tähtsus mõjualasse jäävate elupaikade ja liikide jaoks (nt selgitada ala rolli riigi tasandil ja biogeograafilises piirkonnas ning Natura 2000 võrgustiku terviklikkuses).

Eeldatava kahjuliku mõju kirjeldus (kadu, halvenemine, häiring, otsesed ja kaudsed mõjud, jne); mõjude ulatus (projektist mõjutatud elupaiga pindala ja liikide arv või levila alad); tähtsus ja suurusjärg (nt arvestades mõjutatud ala või populatsiooni osakaalu ala kogupindalas ja -populatsioonis ning ka riigi kogupindalas ja -populatsioonis) ja asukoht (lisada kaardid).

Potentsiaalsed kumulatiivsed mõjud ja muud mõjud, mis võivad tõenäoliselt tekkida hinnatava kava või projekti ning muude kavade või projektide kombineeritud tegevuse tagajärjel.

Projektis ettenähtud leevendusmeetmed (märkida, kuidas need rakendatakse ja kuidas nendega välditakse või vähendatakse negatiivseid mõjusid alale).

<sup>7</sup> NB: keskenduda oodatavatele kahjulikele mõjudele elupaikadele ja liikidele, millest tulenevalt on tehtud ettepanek lisada ala Natura 2000 võrgustikku. Lisada kogu teave, mis võib olla igal üksikjuhul oluline, olenevalt mõjutatud liikide ja elupaikade jaoks kindlakstehtud mõjudest.

### 3. ALTERNATIIVSED LAHENDUSED

Võimalike alternatiivsete lahenduste kindlaksmääramine ja kirjeldus, sealhulgas nullvalik (märkida, kuidas need kindlaks tehti, protsess, meetodid).

Kaalutud alternatiivide hinnang ja valitud alternatiivide põhjendus (põhjused, miks riigi pädevad asutused on järeldanud, et alternatiivsed lahendused puuduvad).

#### 4. AVALIKKUSE JAOKS ESMATÄHTSAD TUNGIVAD PÕHJUSED

Põhjused, miks kava või projekt selle kahjulikele mõjudele vaatamata ellu viia:

- ☞ avalikkuse jaoks esmatähtsad tungivad põhjused, sh sotsiaalsed või majanduslikud põhjused (esmatähtsate elupaikade/liikide puudumisel)
- ☞ inimeste tervis
- ☞ avalik julgeolek
- ☞ esmatähtsad soodsad tagajärjed keskkonnale
- ☞ muud avalikkuse jaoks esmatähtsad tungivad põhjused

Kirjeldus ja põhjendus, miks on tegemist esmatähtsate tungivate põhjustega<sup>8</sup>:

<sup>8</sup> Vajalik võib olla erineval tasemel üksikasjalikkus, olenevalt sellest, kas teade esitatakse teavitamiseks või arvamuse saamiseks.



## 5. HEASTAMISMEETMED<sup>9</sup>

Eesmärgid, sihttunnused (elupaigad ja liigid) ja ökoloogilised protsessid/funktsioonid, mis tuleb heastada (põhjused, miks need meetmed on negatiivsete mõjude heastamiseks sobivad)

Heastamismeetmete ulatus (ala pindalad, populatsiooni arvud)

Heastamisalade identifitseerimine ja asukoht (sh kaardid)

Varasem staatus ja tingimused heastamisaladel (olemasolevad elupaigad ja nende staatus, maa tüüp, olemasolevad maakasutused jne)

Oodatavad tulemused ja selgitus, kuidas kavandatud meetmed heastavad kahjulikud mõjud ala puutumatusse ja võimaldavad säilitada Natura 2000 võrgustiku terviklikkuse.

Heastamismeetmete rakendamise ajakava (sh pikaajaline rakendamine), milles on märgitud, millal oodatavad tulemused saavutatakse.

Heastamismeetmete rakendamiseks kavandatud meetodid ja tehnikad, nende teostatavuse hinnang ja võimalik efektiivsus.

Kavandatud heastamismeetmete maksumus ja rahastamine.

Vastutus heastamismeetmete rakendamise eest.

Heastamismeetmete seire, kui need meetmed on kavandatud (nt kui meetmete efektiivsus ei ole kindel), tulemuste hinnang ja järelevalve

<sup>9</sup> Vajalik võib olla erineval tasemel üksikasjalikkus, olenevalt sellest, kas teade esitatakse teavitamiseks või arvamuse saamiseks.

A.2. Project Information to be sent to the Bank and Method of Transmission

1. Dispatch of information: designation of the person responsible

The information below has to be sent to the Bank under the responsibility of:

Entity	Ministry of Finance of the Republic of Estonia
Contact person	Marge Kaljas
Title	Advisor
Function / Department	State Treasury Department
Address	Endla 13, Tallinn, Estonia
Phone	+372-611 3747
Fax	+372-611 3825
E-mail	marge.kaljas@fin.ee

Entity	Ministry of Finance of the Republic of Estonia
Contact person	Aive Zirk
Title	Portfolio Manager
Function / Department	State Treasury Department
Address	Endla 13, Tallinn, Estonia
Phone	+372-611 3864
Fax	+372-611 3825
E-mail	aive.zirk@fin.ee

The above-mentioned contact person(s) is (are) the responsible contact(s) for the time being.  
The Borrower shall inform the Bank immediately in case of any change.

2. Information on specific subjects

The Borrower shall deliver to the Bank the following information at the latest by the deadline indicated below.

Document / information	Deadline
Information on the initiation by the Commission of an infringement procedure or of legal proceedings before the Court of Justice of the EC for non-compliance of Community law regarding a project or scheme to be financed or financed under this Loan	<i>in every case without delay but not later than 5 calendar days after the Borrower becomes aware of the Commission action</i>
Information on the initiation by the Commission of any suspension of payments	<i>in every case without delay but not later than 5 calendar days after the Borrower becomes aware of the Commission action</i>

3. Information on the project's implementation

The Borrower shall deliver to the Bank the following information on project progress during implementation at the latest by the deadline indicated below.

Document / information	Deadline	Frequency of reporting
- annual implementation report(s) on the implementation of the Programme (as defined in the CPR art 50 and 111) additionally including: - description of any major issue with impact on the environment; - any significant issue that has occurred and any significant risk that may affect the project's operation;	by 30 June each year from 2016 to 2023	Annually

- any legal action concerning the project that may be ongoing, - executive summary that contains information on the physical and financial progress of the Programme.		
- annual control report and opinion (as defined in Article 127 of CPR)	by 30 June each year from 2016 to 2023	Annually
- list of Schemes in electronic format, including information collected in IT systems (i.e. information covered under Schedule A 1.6)	together with annual implementation report	If any disbursed tranche under this contract exceeds EUR 180m, then every six months until that tranche is 80% allocated, then annually thereafter.  Otherwise, annually.
- copies of other relevant documents, including ad hoc reports, provided to the EU Commission in connection with the Programmes included within this operation.	as to the European Commission	When available
- all documents and information necessary to enable the Bank to monitor the physical and financial progress of the Project and the Schemes financed thereunder.	upon request	

4. Information on the end of works and first year of operation

The Borrower shall deliver to the Bank the following information on project completion and initial operation at the latest by the deadline indicated below.

Document / information	Date of delivery to the Bank
- final report(s) on the implementation of the programme (as defined) additionally including: - description of any major issue with impact on the environment; - any significant issue that has occurred and any significant risk that may affect the project's operation; - any legal action concerning the project that may be ongoing.	by 31 June 2024
- closure declaration (as defined in Article 141 CPR) together with the final control report and Commission's approval/comments	As to the European Commission

Language of reports	<i>English or Estonian (and in case of Estonian with an English translation if so requested by the Bank)</i>
---------------------	--

Definition of EURIBOR**A. Definition of EURIBOR**

"EURIBOR" means:

- (a) in respect of a relevant period of less than one month, the Screen Rate (as defined below) for a term of one month;
- (b) in respect of a relevant period of one or more months for which a Screen Rate is available, the applicable Screen Rate for a term for the corresponding number of months; and
- (c) in respect of a relevant period of more than one month for which a Screen Rate is not available, the rate resulting from a linear interpolation by reference to two Screen Rates, one of which is applicable for a period next shorter and the other for a period next longer than the length of the relevant period,

(the period for which the rate is taken or from which the rates are interpolated being the "Representative Period").

For the purposes of paragraphs (b) and (c) above "available" means the rates, for given maturities, that are calculated and published by Global Rate Set Systems Ltd (GRSS), or such other service provider selected by the European Money Markets Institute (EMMI), under the sponsorship of EMMI and EURIBOR ACI, or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank and "Screen Rate" means the rate of interest for deposits in EUR for the relevant period as published at 11h00, Brussels time, or at a later time acceptable to the Bank on the day (the "Reset Date") which falls 2 (two) Relevant Business Days prior to the first day of the relevant period, on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the Bank.

If such Screen Rate is not so published, the Bank shall request the principal euro-zone offices of four major banks in the euro-zone, selected by the Bank, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11h00, Brussels time, on the Reset Date to prime banks in the euro-zone interbank market for a period equal to the Representative Period. If at least 2 (two) quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations.

If fewer than 2 (two) quotations are provided as requested, the rate for that Reset Date will be the arithmetic mean of the rates quoted by major banks in the euro-zone, selected by the Bank, at approximately 11h00, Brussels time, on the day which falls 2 (two) Relevant Business Days after the Reset Date, for loans in EUR in a comparable amount to leading European Banks for a period equal to the Representative Period.

If no rate is available as provided above, EURIBOR shall be the rate (expressed as a percentage rate per annum) which is determined by the Bank to be the all-inclusive cost to the Bank for the funding of the relevant Tranche based upon the then applicable internally generated Bank reference rate or an alternative rate determination method reasonably determined by the Bank.

**B. General**

For the purposes of the foregoing definition:

- (a) All percentages resulting from any calculations referred to in this Schedule will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with halves being rounded up.
- (b) The Bank shall inform the Borrower without delay of the quotations received by the Bank.
- (c) If any of the foregoing provisions becomes inconsistent with provisions adopted under the aegis of EMMI and EURIBOR ACI (or any successor to that function of EMMI and EURIBOR ACI as determined by the Bank), the Bank may by notice to the Borrower amend the provision to bring it into line with such other provisions.

AZ

HK

**Forms for the Borrower****C.1 Form of Disbursement Request (Article 1.2B)****EU FUNDS CO-FINANCING 2014-2020 (EST) - B**Date: 

Please proceed with the following disbursement:

Loan Name (\*):

EU FUNDS CO-FINANCING 2014-2020 (EST) - B

Signature Date (\*):

Contract FI number:

84.027

**Currency & amount requested**

Currency	Amount
EUR	

**Proposed disbursement date:**


<b>INTEREST</b>	<b>Int. rate basis (Art. 3.01)</b>	<input type="text"/>
	<b>Rate (% or Spread)</b>	<input type="text"/>
	<b>Frequency (Art. 3.01)</b>	Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/> Quarterly <input type="checkbox"/>
	<b>Payment Dates (Art. 5)</b>	<input type="text"/>
	<b>Interest Revision/Conversion date (if any)</b>	<input type="text"/>
<b>CAPITAL</b>	<b>Repayment frequency</b>	Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/> Quarterly <input type="checkbox"/>
	<b>Repayment methodology (Art. 4.01)</b>	Equal instalments <input type="checkbox"/> Constant annuities <input type="checkbox"/> Single instalment <input type="checkbox"/>
	<b>First repayment date</b>	<input type="text"/>
	<b>Maturity Date:</b>	<input type="text"/>

<b>Reserved for the Bank (contract currency)</b>	
<b>Total Credit Amount:</b>	EUR 400,000,000
<b>Disbursed to date:</b>	<input type="text"/>
<b>Balance <u>for</u> disbursement:</b>	<input type="text"/>
<b>Current disbursement:</b>	<input type="text"/>
<b>Balance <u>after</u> disbursement:</b>	<input type="text"/>
<b>Disbursement deadline:</b>	<input type="text"/>
<b>Max. number of disbursements:</b>	4
<b>Minimum Tranche size:</b>	EUR 50,000,000
<b>Total allocations to date:</b>	<input type="text"/>
<b>Conditions precedent:</b>	Yes / No

[AS APPLICABLE: With respect to Article 1.2B(c) the Borrower declares and confirms that no change has occurred in relation to the authority of the person or persons authorised to sign Disbursement Requests under this Contract.]

Borrower's account to be credited:

Acc. N°: .....

(please, provide IBAN format in case of disbursements in EUR, or appropriate format for the relevant currency)

Bank name, address: .....

Please transmit information relevant to:

Borrower's authorised name(s) and signature(s):

C.2 Form of Certificate from Borrower (Article 1.4C)

To: European Investment Bank  
From: Republic of Estonia  
Date:  
Subject: Finance Contract between the Republic of Estonia and the European Investment Bank dated ● and titled "EU FUNDS CO-FINANCING 2014-2020 (EST) - B" (the "**Finance Contract**")  
FI number 84.027 Serapis number 2013-0645

---

Dear Sirs,

Terms defined in the Finance Contract have the same meaning when used in this letter.

For the purposes of Article 1.4 of the Finance Contract we hereby certify to you as follows:

- (a) no Prepayment Event has occurred and is continuing unremedied;
- (b) insurances in accordance with the requirements of Article 6.5(c) are in place;
- (c) no security of the type foreseen under Article 7.2 has been created or is in existence;
- (d) there has been no material change to any aspect of the Project or in respect of which we are obliged to report under Article 8.1, save as previously communicated by us;
- (e) no event or circumstance which constitutes or would with the passage of time or giving of notice under the Finance Contract constitute an Event of Default has occurred and is continuing unremedied or unwaived;
- (f) no litigation, arbitration administrative proceedings or investigation is current or to our knowledge is threatened or pending before any court, arbitral body or agency which has resulted or if adversely determined is reasonably likely to result in a Material Adverse Change, nor is there subsisting against us any unsatisfied judgement or award;
- (g) the representations and warranties to be made or repeated by us under Article 6.8 are true in all respects; and
- (h) no Material Adverse Change has occurred, as compared with the situation at the date of the Finance Contract.

Yours faithfully,

For and on behalf of the Republic of Estonia

Date:

U2

KK

**Interest Rate Revision and Conversion**

If an Interest Revision/Conversion Date has been included in the Disbursement Notice for a Tranche, the following provisions shall apply.

**A. Mechanics of Interest Revision/Conversion**

Upon receiving an Interest Revision/Conversion Request the Bank shall, during the period commencing 60 (sixty) days and ending 30 (thirty) days before the Interest Revision/Conversion Date, deliver to the Borrower an Interest Revision/Conversion Proposal stating:

- (a) the Fixed Rate and/or Spread that would apply to the Tranche, or the part thereof indicated in the Interest Revision/Conversion Request pursuant to Article 3.1; and
- (b) that such rate shall apply until the Maturity Date or until a new Interest Revision/Conversion Date, if any, and that interest is payable quarterly, semi-annually or annually in arrears on designated Payment Dates.

The Borrower may accept in writing an Interest Revision/Conversion Proposal by the deadline specified therein.

Any amendment to the Contract requested by the Bank in this connection shall be effected by an agreement to be concluded not later than 15 (fifteen) days prior to the relevant Interest Revision/Conversion Date.

**B. Effects of Interest Revision/Conversion**

If the Borrower duly accepts in writing a Fixed Rate or a Spread in respect of an Interest Revision/Conversion Proposal, the Borrower shall pay accrued interest on the Interest Revision/Conversion Date and thereafter on the designated Payment Dates.

Prior to the Interest Revision/Conversion Date, the relevant provisions of the Contract and Disbursement Notice shall apply to the entire Tranche. From and including the Interest Revision/Conversion Date onwards, the provisions contained in the Interest Revision/Conversion Proposal relating to the new interest rate or Spread shall apply to the Tranche (or part thereof) until the new Interest Revision/Conversion Date, if any, or until the Maturity Date.

**C. Non-fulfilment of Interest Revision/Conversion**

If the Borrower does not submit an Interest Revision/Conversion Request or does not accept in writing the Interest Revision/Conversion Proposal for the Tranche or if the parties fail to effect an amendment requested by the Bank pursuant to Paragraph A above, the Borrower shall repay the Tranche (or part thereof) on the Interest Revision/Conversion Date, without indemnity. The Borrower will repay on the Interest Revision/Conversion Date any part of a Tranche which is unaffected by the Interest Revision/Conversion.



## Annex I

### Authorisation of Signatory



Väljaandja: Vabariigi President  
Akti liik: otsus  
Teksti liik: algtekst  
Jõustumise kp: 22.11.2016  
Avaldamismärge: RT III, 24.11.2016, 4

## Vabariigi Valitsuse ametisse nimetamine

Vastu võetud 22.11.2016 nr 24

Nimetan ametisse Vabariigi Valitsuse koosseisus:

peaminister	– Jüri Ratas
ettevõtlus- ja infotehnoloogiaminister	– Urve Palo
haridus- ja teadusminister	– Mailis Reps
justiitsminister	– Urmas Reinsalu
kaitseminister	– Margus Tsahkna
keskkonnaminister	– Marko Pomerants
kultuuriminister	– Indrek Saar
maaeluminister	– Martin Repinski
majandus- ja taristuminister	– Kadri Simson
rahandusminister	– Sven Sester
riigihalduse minister	– Mihhail Korb
siseminister	– Andres Anvelt
sotsiaalkaitseminister	– Kaia Iva
tervise- ja tööminister	– Jevgeni Ossinovski
välisminister	– Sven Mikser

Alus: Eesti Vabariigi põhiseaduse § 78 p 10, § 89 lg 3.

Kersti Kaljulaid

Issuer: Riigikogu  
Type: act  
In force from: 01.07.2016  
In force until: 31.12.2016  
Translation published: 11.07.2016

## State Budget Act<sup>1</sup>

Passed 19.02.2014  
RT I, 13.03.2014, 2  
Entry into force 23.03.2014, partially 01.01.2015 and 01.01.2017

### Chapter 1 General Provisions

#### § 1. Scope of application

(1) This Act provides the conditions and procedure for the drafting and passage of the state budget and the use of the funds in the state budget. In addition, the bases for drafting the state budget are provided, pursuant to which the fiscal policy opportunities arising from the state financial forecasts and strategic development documents are followed when drafting the state budget.

(2) To meet the requirements established for drafting the state budget, this Act provides the conditions for the assumption of obligations and the planning of financial resources by the central government sub-sector entities of the general government sector.

#### § 2. General government sector and central government sub-sector

(1) The general government sector shall include the entities specified in paragraph 2.112 of Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council on the European system of national and regional accounts in the European Union (OJ L 174, 26.06.2013, p. 1–727).

(2) The general government sector is divided into the central government, local government and social security funds sub-sector. The entities belonging to the central government sub-sector (hereinafter *central government*) include:

- 1) governmental authority, state authority agency administered by governmental authority, county court, administrative court and circuit court (hereinafter *state authorities*);
- 2) the Chancellery of the *Riigikogu*, the Office of the President of the Republic, the National Audit Office, the Office of the Chancellor of Justice and the Supreme Court (hereinafter *constitutional institutions*) and the authorities in their area of administration;
- 3) legal person in public law, foundation established by the state and company with state participation defined as central government entity pursuant to Regulation (EU) No 549/2013 of the European Parliament and of the Council (hereinafter *central government legal persons*).

(3) Statistics Estonia shall publish the list of the general government sector entities on its website and inform of the belonging of an entity to the general government sector.

#### § 3. Area of government of ministry

(1) For the purposes of this Act, the area of government of the ministry means the ministry together with the state authorities in its area of government.

(2) The provisions of this Act concerning the ministry, the area of government of the ministry and the state authorities shall apply to the constitutional institutions and the authorities in their area of administration, unless otherwise provided by this Act.

(3) The provisions of this Act concerning the ministry and the area of government of the ministry shall apply to the Government Office and the area of administration of the Government Office.

#### § 4. Fiscal Council

(1) The Fiscal Council is the advisory board formed pursuant to § 4<sup>2</sup> of the *Eesti Pank* Act, which assesses the state macroeconomic forecasts and the state financial forecasts and monitors the compliance with the budgetary rules specified in Chapter 2 of this Act pursuant to the requirements established in this Act and the European Union law.

(2) If an opinion of the Fiscal Council is disregarded, the Government of the Republic shall justify it publicly.

(3) The Ministry of Finance shall justify disregarding an assessment provided in respect to the state macroeconomic forecast (hereinafter *macroeconomic forecast*) and the state financial forecast (hereinafter *financial forecast*).

### Chapter 2

## Budgetary Rules

### § 5. Budget position and medium-term budgetary objective

- (1) The budget position of the general government sector is the difference between the total revenue and total expenditure of the general government sector.
- (2) The structural budget position of the general government sector is the cyclically adjusted budget position of the general government sector, which does not take into account one-off or temporary transactions.
- (3) The medium-term budgetary objective is established in the structural budget position objective of the general government sector established in the stability programme for the Member State of the European Union pursuant to Council Regulation (EC) No 1466/97 on the strengthening of the surveillance of budget positions and the surveillance and coordination of economic policies (OJ L 209, 02.08.1997, p. 1–5).

### § 6. Budget position rules

- (1) The state budget shall be drafted in such way that the structural budget position of the general government sector is in balance or in surplus taking into account the state financial forecast specified in § 15 of this Act.
- (2) It shall be ensured by law or on the basis of law that the budget of a central government legal person is drafted and approved in such way that the difference between the operating revenue and expenses during the budgetary year (hereinafter *operating result*) is in balance or in surplus.
- (3) It shall be ensured by law or on the basis of law that the planned operating result of a central government legal person may be in deficit up to 30 per cent of the operating revenue during the budgetary year if the deficit of the operating result is covered from the liquid assets previously accumulated as surplus of the operating result.
- (4) The requirement provided for in subsection (2) of this section shall not apply to a central government legal person if the deficit of its planned operating result is related to the foundation, reorganisation or dissolution of the central government legal person envisaged in the scheme of operations or business plan.
- (5) The accounting methodology of the operating revenue and the operating expenses of a central government legal person shall be established by a regulation of the Minister of Finance, taking into account the principles established by Regulation (EU) No 549/2013 of the European Parliament and of the Council.

### § 7. Adjustment mechanism

- (1) If pursuant to the state financial forecast specified in § 15 of this Act the structural budget position of the general government sector is in deficit, the Minister of Finance shall submit, within one month following the publication of the forecast, to the Government of the Republic for informational purposes the analysis of the situation and, if necessary, the proposals for the improvement of the structural budget position of the general government sector.
- (2) If pursuant to the state financial forecast the structural budgetary deficit of the general government sector is greater than 0.5 per cent of the gross domestic product (hereinafter *GDP*) or if in the European Union fiscal policy coordination process pursuant to Council Regulation (EC) No 1466/97 the European Commission and the Council of the European Union find that the structural budget position of the Estonian general government sector differs to a significant extent from the medium-term budgetary objective specified in subsection 5 (3) of this Act or from the adjustment path for the achievement thereof, the Government of the Republic shall implement measures improving the budget position, following the requirements of the Stability and Growth Pact.
- (3) For the purposes of this Act, the Stability and Growth Pact shall have the same meaning as provided for in Council Regulation (EC) No 1466/97 and Council Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L 209, 02.08.1997, p. 6–11).
- (4) The measures specified in subsection (2) of this section shall be implemented in such way that the structural budget position of the general government sector would be improved by at least 0.5 per cent of the GDP per year until the structural budget balance is achieved.

### § 8. Compensation mechanism

If in the year preceding the drafting of the state budget the structural budgetary deficit of the general government sector based on the financial forecast estimate exceeded 0.5 per cent of the GDP, after the achievement of the structural budget balance the structural surplus of the general government sector of at least 0.5 per cent of the GDP per year shall be planned in the following years until the surplus equivalent to the budgetary deficit is achieved in euros.

### § 9. Exemption clause

The implementation of the measures specified in subsection 7 (2) of this Act and the planning of the surplus specified in § 8 may be postponed in case of extraordinary circumstances pursuant to the Stability and Growth Pact.

### § 10. Net debt rule for central government legal person

- (1) It shall be ensured by law or on the basis of law that the difference between the debt obligations and the total amount of the liquid assets of a central government legal person planned as at the end of a budgetary year (hereinafter *net debt*)

may form up to 40 per cent of the operating revenue planned for the same budgetary year throughout the period included in the financial plan submitted on the basis of § 12 of this Act. The Government of the Republic shall decide on the permission to increase the net debt in excess of 40 per cent, taking into account the requirements provided for in this Chapter.

(2) The calculation methodology of the debt obligations and liquid assets of a central government legal person shall be established by a regulation of the Minister of Finance.

#### **§ 11. Exceptions from budget position and net debt rules**

(1) The state budget may, in justified cases, impose additional restrictions on the operating result or net debt of a central government legal person specified in §§ 6 and 10 of this Act. The obligation of a central government legal person to adhere to such restrictions shall be ensured by law or on the basis of law.

(2) The imposition of the additional restrictions specified in subsection (1) of this section shall be permitted if at least one of the following circumstances occurs:

- 1) the state financial forecast indicates the increase of the budget position deficit of the general government sector during a budgetary year in excess of two per cent of the GDP;
- 2) the state financial forecast indicates the growth of the debt of the general government sector during a budgetary year in excess of 50 per cent of the GDP;
- 3) the Government of the Republic is required to implement the measures improving the budget position and specified in subsection 7 (2) of this Act.

#### **§ 12. Financial plan of central government legal person**

(1) It shall be ensured by law or on the basis of law that a central government legal person shall submit each year a financial plan concerning its current budgetary year, the preceding budgetary year and the next four budgetary years. The information shall be submitted with the intermediation of the ministry exercising the rights of a founder or the ministry in the corresponding field to the Ministry of Finance by 1 March.

(2) The requirements towards the content of the financial plan and the financial plan submission procedure shall be established by a regulation of the Minister of Finance.

#### **§ 13. Receipt of additional information from central government legal person**

(1) The Minister of Finance and the minister exercising the rights of a founder or the minister in the corresponding field shall be entitled, for the assessment of the compliance with the budgetary rules provided for in this Chapter, to receive from a central government legal person the relevant information.

(2) The minister exercising the rights of a founder or the minister in the corresponding field shall be entitled, for the assessment of an application for the receipt of support from the state budget and the inspection of the use of the support, to receive from a central government legal person the relevant information.

(3) The Minister of Finance shall receive the information with the intermediation of the minister exercising the rights of a founder or the minister in the corresponding field.

#### **§ 14. Monitoring of compliance with budgetary rules**

The Fiscal Council shall present an opinion regarding the objectives of the structural budget position of the general government sector recorded in the budget strategy and the stability programme prior to the approval of the budget strategy and the stability programme, following the budget position rules and the necessity to adjust the structural budget position.

## **Chapter 3 State Budget Framework and Bases**

### **Division 1 Macroeconomic Forecast and Financial Forecast**

#### **§ 15. Macroeconomic forecast and financial forecast**

(1) The objective of the macroeconomic forecast is to describe the state economic environment together with the likely developments and to inform the public thereof.

(2) The macroeconomic forecast provides the basis for the financial forecast, which describes the revenue, expenditure and investments of the general government sector together with the likely changes. The financial forecast provides the basis for the state budget strategy (hereinafter *budget strategy*) and the draft state budget.

#### **§ 16. Requirements for macroeconomic forecast and financial forecast**

(1) The macroeconomic forecast and the financial forecast shall be prepared annually with regard to the current budgetary year and the following four years, relying on the latest known data series. The data used as the external

environment prerequisites for the macroeconomic forecast and the financial forecast shall not be older than two months by the intended publication date of the forecast.

(2) The alternative assumptions used in the preparation of the macroeconomic forecast and the financial forecast shall be based on how exact the previous forecasts have been, and the relevant risk scenarios shall be taken into account. The macroeconomic forecast shall present in addition to the baseline scenario at least one risk scenario, and its potential impact on the accrued revenue and balance of the state budget shall be assessed. The financial forecast shall be prepared on the basis of the most likely or a more conservative scenario of the macroeconomic forecast.

(3) The macroeconomic forecast and the financial forecast shall contain a sensitivity analysis, which explores how the main fiscal variables are formed on the basis of various economic growth and interest rate forecasts.

(4) The macroeconomic forecast and the financial forecast shall be compared to the most up-to-date forecasts of the European Commission and other independent institutions, and the explanatory memorandum of the macroeconomic forecast and the financial forecast shall provide an overview of the differences.

#### **§ 17. Preparation of macroeconomic forecast and financial forecast**

(1) The Ministry of Finance shall prepare the macroeconomic forecast and the financial forecast pursuant to the requirements provided for in this Act and the European Union law.

(2) The officials or employees preparing the macroeconomic forecast and the financial forecast shall be independent in the preparation of the forecast and choosing the methods of preparation.

#### **§ 18. Evaluation and publication of macroeconomic forecast and financial forecast**

(1) The Fiscal Council shall provide an opinion regarding the macroeconomic forecast and the financial forecast within two weeks as of their publication. The Ministry of Finance shall justify disregarding the opinion of the Fiscal Council publicly within two weeks as of the publication of the opinion of the Fiscal Council.

(2) The Ministry of Finance shall publish the macroeconomic forecast and the financial forecast on its website immediately after the preparation of the forecast.

### **Division 2 Strategic Development Documents**

#### **§ 19. Strategic development documents**

(1) The strategic development documents include the general principles of policy, sectoral development plan, development plan of the area of government and programme.

(2) The general principles of policy is a development document which determines the vision, national objective and priorities for one or several interrelated policy areas.

(3) The sectoral development plan is a development document which comprehensively determines the general objective and sub-objectives for one or several policy areas and the indicators providing an opportunity to measure these, and the policy instruments through which it is planned to achieve the established objectives.

(4) The development plan of the area of government is a development document which records the contributions by a ministry and the authorities in its area of government to the achievement of the general objectives of the performance areas.

(5) The programme is a development document which determines the measures, indicators, activities and financing scheme targeted at the achievement of a sub-objective of a policy area.

(6) The strategic development documents shall be mutually consistent.

(7) The constitutional institutions are not required to prepare the strategic development documents.

#### **§ 20. Preparation and implementation of strategic development documents and amendments thereto**

(1) The general principles of policy-making shall be approved by the *Riigikogu* either on its initiative or on the proposal of the Government of the Republic.

(2) The sectoral development plan shall be prepared at least for the budget strategy period. The sectoral development plan shall be approved by the Government of the Republic unless otherwise provided by law. The sectoral development plan shall be submitted, prior to approval, to the *Riigikogu* for deliberation.

(3) The development plan of the area of government shall be prepared at least for the budget strategy period. The development plan of the area of government shall be approved by the minister.

(4) The programme shall be prepared in compliance with the budget strategy period. The programme shall be approved by the minister. If several ministries contribute to the achievement of the programme objective, the programme shall be divided into sub-programmes and the ministers shall approve the sub-programmes and, if necessary, the whole programme.

(5) The procedure for the preparation, implementation, reporting and evaluation of the sectoral development plan, development plan of the area of government and the programme and the amendments thereto shall be established by a regulation of the Government of the Republic.

### Division 3 Budget Strategy and Stability Programme

#### § 21. Content of budget strategy

(1) The budget strategy determines the main directions of the state fiscal policy and records the general objectives of the Government of the Republic, which are intended to be implemented during the budget strategy period, and the funds planned for the implementation (hereinafter *financing scheme*). The budget strategy is prepared each year with regard to at least the next year and the following three years (hereinafter *budget strategy period*).

(2) The basis for the financing scheme is the financial forecast.

(3) The budget strategy shall include on a yearly basis:

1) the state fiscal policy objectives, including the with regard to the budget position of the general government sector and the amount of debt;

2) the provisional budget position of the sub-sector of the general government sector or its entities and other financial information together with significant changes in the financing and financial management principles;

3) the state economic situation analysis based on the macroeconomic forecast and the financial forecast;

4) the maximum volumes of funding permitted to the area of government of a ministry for the budget strategy period (hereinafter *cost ceilings*).

#### § 22. Preparation of budget strategy

(1) The budget strategy shall be prepared by the Ministry of Finance.

(2) The information concerning the coming years provided in the budget strategy for the previous period shall be amended upon the approval of the new budget strategy only in case the general objective of a performance area, the action programme of the Government of the Republic, the main directions of the state fiscal policy, the macroeconomic forecast, financial forecast or legislation have materially changed.

(3) The Ministry of Finance shall have the right to receive the necessary information from the ministries and the persons belonging to the general government sector for the preparation of the budget strategy.

(4) The procedure for the preparation of the budget strategy shall be established by a regulation of the Minister of Finance.

#### § 23. Stability programme

(1) Together with the budget strategy, the Ministry of Finance shall prepare the stability programme, which complies with Council Regulation (EC) No 1466/97.

(2) The stability programme shall be prepared in compliance with the fiscal policy objectives provided in the budget strategy, the general objectives of the Government of the Republic and their financing scheme.

#### § 24. Approval of budget strategy

(1) The budget strategy shall be approved by the Government of the Republic no later than eight months before the beginning of the next budgetary year.

(2) In the year of the regular elections to the *Riigikogu*, the Government of the Republic shall approve the budget strategy no later than seven months before the beginning of the next budgetary year.

#### § 25. Publication of budget strategy and stability programme

(1) The Ministry of Finance shall publish the approved budget strategy and stability programme on its website promptly following the approval.

(2) The Government of the Republic shall submit the budget strategy to the *Riigikogu* promptly following the approval.

## Chapter 4 State Budget

### Division 1 Content and Structure of State Budget

#### § 26. Content of state budget

(1) The state budget is the state financial plan which records the funds (hereinafter *funds*), which the state plans to accumulate, receive as support, intermediate and use during the budgetary year.

(2) In the state budget, the funds shall be classified on the basis of the budget classification administratively. The administratively classified funds are classified according to economic content.

(3) The administrative classification shows which areas of government of the ministries accumulate, receive as support, intermediate or use the state budget funds. In the administrative classification, the Government of the Republic may also be mentioned with regard to the funds to be used by the Government of the Republic.

(4) According to economic content, the state budget funds shall be divided into revenue, expenditure, investments and financing transactions based on the following:

- 1) revenue means all the funds, which the state accumulates or receives as support in the performance of its functions;
- 2) expenditure means the funds used by the state, which are neither investments nor financing transactions;
- 3) investments mean the funds planned for the acquisition and renovation of tangible and intangible assets;
- 4) financing transactions mean the transactions with financial assets or liabilities where, on a double-entry basis, both entries are made in the financial assets or liabilities and as a result of which the budget position does not change.

#### **§ 27. Budgetary year**

- (1) The state budget shall be drafted with regard to one budgetary year.
- (2) The budgetary year shall begin on 1 January and end on 31 December.

#### **§ 28. Structure of state budget**

(1) The following shall be presented in the state budget:

- 1) the consolidated budget of the state budget funds;
- 2) the amount of the state budget surplus or deficit;
- 3) the classification of the state budget funds.

(2) The State Budget Act shall stipulate the provisions which are to be submitted pursuant to an obligation arising from the legislation or which are related to the regulation or conditions of the accumulation, receipt as support, intermediation or use of the state budget funds during the budgetary year.

(3) The State Budget Act shall not stipulate the provisions for the amendment or repeal of another Act.

#### **§ 29. Budget classification**

(1) The budget classification provides the detailed breakdown of the funds and the accounting policies used in budgeting and financial management.

(2) In case of activity based budget, the budget classification provides the detailed activity based breakdown of the funds by areas of government of the ministries and programmes.

(3) The Government of the Republic shall decide on the use of the activity based breakdown in the draft state budget. The Government of the Republic shall decide on the activity based breakdown of the budget of a constitutional institution on the initiative of the constitutional institution.

(4) The budget classification shall be established by a regulation of the Minister of Finance.

#### **§ 30. Compulsory breakdown of state budget**

(1) The state budget shall break down the revenue, expenditure, investments and financing transactions according to economic content.

(2) The revenue shall be broken down into operating revenue, financial income and transfers received from the state authorities.

(3) The operating revenue shall be broken down as follows:

- 1) taxes and social security contributions;
- 2) sale of goods and services;
- 3) received support;
- 4) other revenue.

(4) The expenditure shall be broken down into operating expenses, financial expenses and transfers granted to the state authorities.

(5) The operating expenses shall be broken down as follows:

- 1) granted support and other transfers;
- 2) labour and management costs;
- 3) other operating expenses.

(6) Investments need not be broken down in the state budget.

(7) The financing transactions shall be broken down as follows:

- 1) increase in financial assets;
- 2) decrease in financial assets;
- 3) increase in liabilities;
- 4) decrease in liabilities;

(8) In case of activity based budget, subsections (1)–(7) of this section shall not apply, and the funds shall be broken down in the state budget based on administrative and activity based content as follows:

- 1) performance areas;
- 2) programmes;
- 3) sub-programmes if several ministries contribute to one programme..

(9) The funds broken down according to subsection (8) of this section shall be broken down in the state budget based on economic content as follows:

- 1) revenue;
- 2) operating expenses;
- 3) investments;
- 4) financing transactions.

### § 31. Additional breakdown of expenditure, investments and financing transactions

(1) The Government of the Republic shall break down the investments in immovables of the area of government of the ministry specified in the state budget by properties. The Government of the Republic may break down other investments, expenditure and financing transactions of the area of government of the ministry specified in the state budget in compliance with the budget classification.

(2) The minister shall break down the expenditure, investments and financing transactions of the area of government of the ministry specified in the state budget administratively and according to economic content in the budget of the area of government in compliance with the budget classification and following the breakdown of the Government of the Republic established on the basis of subsection (1) of this section.

[RT I, 29.06.2014, 109 - entry into force 01.07.2014]

(3) The constitutional institutions and the authorities in their area of administration shall break down the expenditure, investments and financing transactions specified in the state budget according to economic content or based on activity in their budget in compliance with the budget classification.

### § 32. Limits

(1) The state budget funds are divided into the funds with and without limits. No restrictions shall be imposed by the state budget on the amount of payments made on account of the funds without limits.

(2) The funds without limits include:

- 1) the expenditure, investment and financing transaction, the possibility of making which depends on the receipt of specific revenue (hereinafter *funds depending on revenue*);
- 2) the expenditure, investment and financing transaction, the amount of which arises from law (hereinafter *estimated funds*);
- 3) revenue.

(3) The taxes, fees or other charges planned in the state budget both as revenue and expenditure, which the state collects and transfers to a person designated by legislation (hereinafter *transferable tax*), shall be transferred to the beneficiary according to actual revenue.

### § 33. Transfer of state budget funds

(1) The transfer of the state budget funds is the extension of the term of using the state budget funds by one budgetary year (hereinafter *transfer*).

(2) The estimated funds shall not be transferred, unless otherwise provided by this Act or the state budget.

(3) The funds depending on revenue, excluding the transfers from the state authorities received on account of the state budget funds with limit, shall be transferable to the next budgetary year in the amounts of the corresponding revenue actually received and unused by the end of a budgetary year. The transfers from the state authorities received on account of the state budget funds with limit may be transferred to the extent of up to three per cent of the amount of the received transfer, unless established otherwise in the state budget.

(4) The funds of the transferable tax shall be transferred to the next budgetary year in the amounts actually received, but not transferred to the beneficiary by the end of a budgetary year.

(5) Unless otherwise provided by the state budget, the funds with limits shall be transferred, taking into account the following:

- 1) the expenditure shall be transferred to the extent of up to three per cent of the amount of the expenditure broken down in the state budget;
- 2) the total amount of the investments shall be transferred;
- 3) the financing transactions shall not be transferred;
- 4) the total amount of the state co-financing of such targeted or non-targeted financial support received from the European Union, an international organisation, foreign state and non-governmental organisation of a foreign state, for which no goods or services are directly given in exchange to the provider of foreign support (hereinafter *foreign support*), shall be transferred.

(6) The procedure for the transfer of the state budget funds shall be established by a regulation of the Minister of Finance.

## Division 2



## Compilation of Draft State Budget

**§ 34. Bases for compilation of draft state budget**

The draft state budget shall be compiled on the basis of the budget strategy and financial forecast.

**§ 35. Budget project for area of government of ministry**

(1) For the compilation of the draft state budget, a ministry shall submit to the Ministry of Finance the budget project of its area of government, which shall follow, *inter alia*, the budget strategy, the cost ceilings approved in the budget strategy and the sectoral development plan objectives.

(2) An application for the allocation of the funds from the state budget to a legal person in public law shall be submitted in the budget project of the area of government of the ministry with whose area of competence the activities of the corresponding legal person in public law are mainly connected.

(3) The opinion of the Council for Administration of Courts regarding the conformity of the funds planned for the county courts, administrative courts and circuit courts to the principles of the formation of annual budgets of courts shall be enclosed to the budget project of the Ministry of Justice.

(4) The procedure for the compilation of a budget draft for the area of government of a ministry shall be established by a regulation of the Minister of Finance.

**§ 36. Budget negotiations**

(1) The Ministry of Finance and a ministry shall conduct negotiations regarding a draft budget for the area of government of the ministry. If the parties do not consider conducting the negotiations necessary, this agreement shall be documented in writing.

(2) The Ministry of Finance shall submit the minutes specifying the agreements between the parties and any potential dissenting opinions, together with proposals, to the Government of the Republic.

**§ 37. Legislative proceeding of draft state budget by Government of the Republic**

(1) The Ministry of Finance shall submit the draft state budget together with explanatory memorandum to the Government of the Republic not later than four months before the beginning of the budgetary year.

(2) In case of any changes in the amount of the funds prescribed in the draft state budget for the constitutional institutions and the authorities in their area of administration or the omission of the funds, the Government of the Republic shall submit the made changes and disagreements together with justification in the explanatory memorandum to the draft state budget.

(3) In case of any changes in the amount of the funds prescribed in the draft state budget for the county courts, administrative courts or circuit courts, the Government of the Republic shall submit the made changes together with the opinion of the Council for Administration of Courts in the explanatory memorandum to the draft state budget.

**§ 38. Submission of draft state budget to Riigikogu**

(1) The Government of the Republic shall submit the draft state budget together with the explanatory memorandum to the *Riigikogu* not later than three months before the beginning of the budgetary year.

(2) The draft state budget submitted to the *Riigikogu* shall conform to the published legislation and the draft legislation initiated by the Government of the Republic in the *Riigikogu* prior to the submission of the draft state budget. The submitted draft state budget may take into account the amendments made during the legislative proceeding in the *Riigikogu* in the draft legislation initiated by the Government of the Republic in the *Riigikogu*.

(3) The explanatory memorandum to the draft state budget shall provide an overview of the state budget and justify, according to economic content and activity based information, the amount of the funds planned in the draft state budget in detail, and also provide the overview by the Government of the Republic of the anticipated economic situation within the next four years and the proposed activities of the state.

## Division 3

## Legislative Proceeding of Draft State Budget in Riigikogu

**§ 39. Legislative proceeding of draft state budget in Riigikogu**

The *Riigikogu* shall conduct the legislative proceeding of the draft state budget on the basis of the *Riigikogu* Internal Rules and Rules of Procedure Act with the specifications arising from this Act.

**§ 40. Motions to amend draft state budget**

(1) The initiator of a motion for amending the draft state budget, which would have the effect of decreasing estimated revenue or increasing or reallocating expenditure, investment or financing transaction, shall append financial calculations specifying the necessary sources for covering expenditure.

(2) A motion to amend the draft state budget shall not cause a structural state budget deficit, an increase in the state budget deficit or a decrease in the structural state budget surplus.

#### **§ 41. Passage of state budget**

The *Riigikogu* shall pass a state budget as an Act.

#### **§ 42. Incurring expenditure if state budget is not passed by beginning of budgetary year**

(1) If the *Riigikogu* has failed to pass the state budget by the beginning of the budgetary year, the area of government of a ministry, prior to the passage of the state budget, can make expenditure, investments and financing transactions each month of the new year within up to one-twelfth of the corresponding expenditure, investment or financing transaction in the state budget for the previous year on the condition that the expenditure, investment or financing transaction:

- 1) is also prescribed in the draft state budget for the new year and
- 2) does not exceed one-twelfth of the amount of the corresponding expenditure, investment or financing transaction prescribed in the draft budget for the new year.

(2) If the *Riigikogu* has failed to pass the state budget by the beginning of the budgetary year, the rates and limits established for the previous year based on the State Budget Act shall apply until the passage of the state budget.

(3) If, during a state of war, the *Riigikogu* has failed to pass the state budget by the beginning of the budgetary year, the Government of the Republic shall decide on the implementation of the draft state budget submitted to the *Riigikogu* until the passage of the state budget by the *Riigikogu*. In such case, prior to the passage of the state budget by the *Riigikogu*, the expenditure, investments and financing transactions made on a monthly basis shall not exceed in total one-twelfth of the expenditure, investments and financing transactions in the state budget for the previous year.

### **Division 4**

#### **Amendment of State Budget and Supplementary Budget**

#### **§ 43. Amendment of state budget**

(1) In order to amend the state budget without amending the total amount of funds, the Government of the Republic may initiate a draft State Budget Amendment Act not later than two months before the end of the budgetary year.

(2) The Ministry of Finance shall compile a draft State Budget Amendment Act together with the explanatory memorandum.

(3) The submission, deliberation and passage of a draft State Budget Amendment Act shall be conducted pursuant to the procedure provided for in §§ 39 and 40 of this Act.

#### **§ 44. Supplementary budget**

(1) In order to amend the state budget amending the total amount of funds, the Government of the Republic may initiate a draft supplementary budget not later than three months before the end of the budgetary year.

(2) The Ministry of Finance shall compile a draft supplementary budget together with the explanatory memorandum.

(3) The submission, deliberation and passage of a draft supplementary budget shall be conducted pursuant to the procedure provided for in §§ 39 and 40 of this Act.

#### **§ 45. Specifications for initiation of amendment of state budget and supplementary budget**

(1) After the approval by the *Riigikogu* of a resolution on increasing the defence readiness or declaration of a state of emergency or a state of war, and for the performance of the obligations provided for in a collective self-defence agreement, the Government of the Republic may submit to the *Riigikogu* a draft State Budget Amendment Act or a draft supplementary budget and decide, if necessary, on the implementation thereof until such time as the *Riigikogu* adopts a resolution on the matter, whereas the total amount of expenditure to be incurred before the *Riigikogu* adopts a resolution on the matter shall not exceed ten per cent of the amount of expenditure in the state budget for the current year. If at the time of increased defence readiness or a state of war, a draft State Budget Amendment Act or a draft supplementary budget provides for a change in the benefits or remuneration rates prescribed by law, a draft for the amendment of the relevant Act shall be submitted simultaneously with the draft State Budget Amendment Act or the draft supplementary budget.

[RT I, 12.03.2015, 1 - entry into force 01.01.2016]

(2) The time limits specified in subsection 43 (1) and subsection 44 (1) of this Act shall not apply if the reason for the initiation of the amendment of the state budget or supplementary budget is the following:

- 1) resolution and prevention of a financial crisis that may cause difficulties related to liquidity or solvency for the credit institutions, insurance undertakings or financial institutions (hereinafter *financial institutions*) or significant disruptions in the payment and settlement systems;
- 2) ensuring of financial stability of a foreign state, eurozone or a Member State thereof;
- 3) increasing of defence readiness, performance of the obligations provided for in a collective self-defence agreement, declaration of an emergency situation, a state of emergency, a state of war, or mobilisation;

[RT I, 12.03.2015, 1 - entry into force 01.01.2016]

- 4) resolution of the *Riigikogu* specified in subsection 73 (1) of this Act;

(3) In order to perform the duties related to increased defence readiness and a state of war at the time thereof, carry out mobilisation or perform the obligations provided for in a collective self-defence agreement, the Government of the Republic may, on the proposal of the minister responsible for the area, submit a draft State Budget Amendment Act to the *Riigikogu* providing for a change in the purpose of state budget expenditure in the area of government of the Ministry of Defence, and, if necessary, decide on the implementation of the draft budget submitted to the *Riigikogu* until such time as the *Riigikogu* adopts a resolution on the matter.

[RT I, 12.03.2015, 1 - entry into force 01.01.2016]

## Division 5

### Connection between State Budget and Local Government Budgets

#### § 46. Connection between state budget and local government budgets

(1) The state budget grants support to local governments:

- 1) from the equalisation fund;
- 2) from the support fund;
- 3) for supporting specific activities or investment case-by-case.

(2) The representatives of the local governments and national associations of local governments and the representatives of the Government of the Republic shall conduct negotiations with the objective to agree on the following issues:

- 1) the amount and principles of receipt of transferable taxes;
- 2) the principles of distribution, conditions of use, principles of formation of amount, and the amounts of support specified in subsection (1) of this section for the budget strategy period and budgetary year;
- 3) the principles of covering the expenses of the state functions imposed on a local government by law;
- 4) the methodology of recording the information specified in clauses 1) and 2) of this subsection in the budget strategy and the draft state budget;
- 5) the measures for ensuring financial discipline and amount of surplus or deficit of the consolidated budget of a local government for the budget strategy period;
- 6) if the situation specified in subsection 7 (2) of this Act arises, the measures for the local governments which improve the structural budget position of the general government sector.

(3) The agreements achieved on the issues specified in subsection (2) of this section shall be recorded in the budget strategy, draft state budget, draft Act or other legislation. The Government of the Republic shall decide on the issues where no agreement is reached upon the preparation of the budget strategy and the draft state budget.

(4) The minutes concerning the agreements entered into during the negotiations and the parties' disagreements shall be enclosed to the budget strategy or the explanatory memorandum to the draft state budget.

(5) The budget strategy shall provide the information concerning the provisional amounts of the taxes transferable to the local governments and the support granted from the equalisation fund and the support fund.

#### § 47. Equalisation fund

(1) The size and the principles of distribution of the equalisation fund shall be determined in the state budget.

(2) The objective of the equalisation fund is, without determining the conditions of using the funds, to harmonise the opportunities for performance of the functions of the local governments. The distribution of the equalisation fund shall use as the basis the income tax and land tax received by a local government, the number of residents of a local government and other specifications of a local government.

(3) The distribution of the equalisation fund between the local governments shall be established by an order of the Government of the Republic.

#### § 48. Support fund

(1) The size of the support fund and the types of support included therein shall be determined in the state budget.

(2) The support fund means the support granted to the local governments for the use pursuant to the purposes and conditions provided by law or the support granted for the purposes determined in the state budget, which shall be distributed only based on the figures.

(3) The figures providing the basis for the distribution of the support fund and the bases for the calculation thereof shall be established by law. The values of the figures shall be determined in the state budget.

(4) The conditions and procedure for the distribution and use of the support fund shall be established by a regulation of the Government of the Republic.

(5) The Government of the Republic shall establish, by a regulation specified in subsection (4) of this section, also the figures providing the basis for the distribution of the support fund if the support fund includes support with the duration of one year determined in the state budget, and the figures providing the basis for the distribution thereof are not provided by law.

(6) The distribution of the support fund between the local governments shall be established by an order of the Government of the Republic.

**§ 49. Payments from equalisation fund and support fund**

(1) The rules for the execution of payments established on the basis of subsection 64 (4) of this Act shall provide the conditions and procedure for the payment of support and making the advance payments of support assigned to a local government on the basis of subsection 47 (3) and subsection 48 (6) of this Act.

(2) Unless the Government of the Republic has established the distribution specified in subsection 47 (3) and subsection 48 (6) of this Act by the beginning of a budgetary year, the payments shall be made to the local governments until the establishment of the distribution to ensure sufficient funds. A local government shall be paid each month up to one-twelfth of the amount allocated for the same purpose in the previous budgetary year on the basis of the distribution approved by the Government of the Republic, taking into account the amount planned in the state budget for the current budgetary year or the amount planned in the draft state budget, unless the state budget for the current year has been passed.

**§ 50. Case-by-case support**

(1) A ministry shall grant targeted support to a local government for investments or operating expenses from the funds prescribed for the area of government of the ministry by the state budget on a case-by-case basis.

(2) When supporting the investment of a local government and an entity under the dominant influence thereof on a case-by-case basis, excluding the case specified in subsection 53 (7) of this Act, the legislation shall prescribe at least:

- 1) the objective of granting support;
- 2) the activities supported;
- 3) if applicable, the rate of self-financing;
- 4) the principles for assessment of application;
- 5) the procedure for the making of payments of support;
- 6) the bases and procedure for the reclamation of support.

(3) The Minister may establish a regulation conforming to the conditions specified in subsection (2) of this section for granting the investment support to a local government and an entity under the dominant influence thereof on a case-by-case basis from the funds prescribed in the budget of the area of government of a ministry.

(4) The case-by-case investment support shall be granted from the state budget to a local government on the following conditions:

- 1) the supported investment shall arise from the development plan of a local government;
- 2) the development plan and the budget strategy of a local government shall comprise at least the period specified by law;
- 3) when contributing to the self-financing, a local government shall be able to ensure the self-financing on the conditions prescribed by law.

(5) If a local government or a dependent entity under the dominant influence thereof is required to cover the self-financing of an investment, the prerequisite for granting the investment support shall be the implementation of the financial discipline measures established by law.

**§ 51. Covering of expenses of state function**

(1) The basis for covering the expenses of a state function imposed on a local government by law (hereinafter *state function*) shall be the average calculated expenditure or actual expenditure.

(2) If the expenses of a state function are covered on the basis of the figures provided by law, the principles of calculation of average expenditure or compensation for actual expenditure shall be determined by a regulation specified in subsection 48 (4) of this Act.

(3) If the expenses of a state function are covered are covered from a ministry budget on a case-by-case basis, the minister shall establish by a regulation:

- 1) the principles of calculation of average expenditure or compensation for actual expenditure in covering the expenses of a state function;
- 2) the procedure for submission and processing of applications for covering the expenses.

(4) The extent of covering the expenses of a state function for each year shall be determined by the state budget.

(5) The funds granted for covering the expenses of a state function shall be planned in the state budget.

(6) The explanatory memorandum to the draft state budget shall provide the information regarding the amount of funds granted for covering the expenses of each state function and the provider thereof.

**§ 52. Use of support fund and case-by-case support**

Unless the provider of support has envisaged refunding of the unused funds of the support fund or case-by-case support to the state budget, a local government may use these in the next budgetary year for the same purpose.

## Chapter 5 Receipt of State Budget Revenue, Use of Funds and Assumption of Obligations

### Division 1

## Use of State Budget Funds

### § 53. Prerequisites for use of state budget funds

- (1) The area of government of a ministry shall have the right to use the state budget funds for the intended purpose and only in case the corresponding funds are prescribed in the budget and unless otherwise provided by this Act.
- (2) The area of government of a ministry shall have the right to use the state budget funds only within the same budgetary year, unless otherwise provided by this Act or the state budget. The obligations not performed by the end of a budgetary year shall be performed on account of the transferred funds of the state budget or the funds of the next budgetary year.
- (3) The transferred funds of the state budget may be used for the purpose determined in the state budget. The economic content of the funds may be amended upon the transfer only in case the purpose of the expenditure does not change. The administrative breakdown and economic content of the state budget funds to be transferred may be amended upon the transfer if this is related to the reorganisation or dissolution of a state authority in the area of government of a ministry.
- (4) The purpose, for the purposes of this section, is specific activities for which the state budget funds are planned.
- (5) The funds depending on revenue may be used after the actual receipt of the revenue, excluding the case provided for in subsection 54 (1) of this Act.
- (6) A state authority may use the foreign support funds received for the compensation for the made expenses and the foreign support co-financing funds for the purpose of the funds, which were used for making the compensated expenses.
- (7) To use the funds provided for in the state budget as an additional allocation to the area of government of a ministry, the contract for the use of the allocation from the state budget shall be entered into between the state authority and a legal person receiving the allocation, unless otherwise provided by law or on the basis thereof.

### § 54. Use of foreign support and foreign support co-financing funds prior to receipt thereof

- (1) A state authority may use the foreign support and the foreign support co-financing funds, upon the consent of the Ministry of Finance, prior to the receipt thereof.
- (2) If a state authority has made payments on account of the funds specified in subsection (1) of this section in a larger amount than the foreign support or the foreign support co-financing funds will be received, the state authorities or its superior ministry, and in case of payments made by the intermediary of the foreign support a ministry whose area of responsibility includes the performance of the function of the payment of the corresponding foreign support, shall cover the remaining amount from the budget funds of the state authorities or the area of government of the ministry or apply for the covering of the deficit from the reserve fund of the Government of the Republic.
- (3) The procedure and conditions for the use of the funds specified in subsection (1) of this section shall be established by the Minister of Finance in the rules for the execution of payments established on the basis of subsection 64 (4) of this Act.

### § 55. Use of support and co-financing funds

The provider of the state co-financing funds provided in the state budget for support or foreign support shall ensure that the recipient of the funds undertakes to use the received funds only for the purpose determined by the provider of the funds.

### § 56. Amendments to use of state budget funds

- (1) The administrative breakdown and the breakdown according to economic content of using the funds determined by the state budget may be amended exclusively by the amendment of the state budget or a supplementary budget, unless otherwise provided by this Act or the state budget.
- (2) The Government of the Republic shall have the right to amend the administrative breakdown and the breakdown according to economic content of the following funds determined in the state budget:
  - 1) the funds related to foreign support and state co-financing;
  - 2) the funds of the area of government of the Ministry of Defence for financing participation in an international military operation;
  - 3) the funds of the area of government of a ministry related to the reorganisation or dissolution of a state authority in the area of government of a ministry.
- (3) The Government of the Republic shall have the right to amend the breakdown of the expenditure and investment determined in the state budget according to economic content if the amendment is caused by the fact that, due to the conditions specified in the course of conclusion of a specific transaction, the transaction is classified pursuant to the according to the rules for recognising fixed assets differently than planned in the drafting of the state budget.
- (4) The Government of the Republic shall have the right, upon the reorganisation or dissolution of a state authority, to reduce the funds allocated for the authority in the state budget and to assign the amounts, which become available, to the reserve fund of the Government of the Republic. The subsidies, revenue received from the economic activities of the authority and revenue received from the sale of inventories and fixed assets shall not be assigned to the reserve fund of the Government of the Republic.

(5) If upon the reorganisation or dissolution of a state authority the functions of the authority are not assigned to another state authority, the unused subsidies, revenue received from the economic activities and revenue received from the sale of inventories and fixed assets of the reorganised or dissolved state authority shall be assigned to the state revenues.

#### **§ 57. Use of funds related to write-off of principal amount of study loans**

(1) A ministry shall have the right to make amendments during a budgetary year in the administrative division or division according to economic content of the expenditure prescribed by the state budget to the area of government of a ministry for the write-off of principal amount of study loans and taxes on fringe benefits.

(2) If the funds allocated by the state budget to the area of government of the ministry are insufficient for the write-off of principal amount of study loans and taxes on fringe benefits, the ministry may submit a reasoned application to the Ministry of Finance for the allocation of additional funds by the authorities within the area of government of the ministry.

#### **§ 58. Use of funds in reserve fund of Government of the Republic**

(1) The funds in the reserve fund of the Government of the Republic may be used for unforeseeable expenditure, investments and financing transactions, which cannot be planned in the legislative proceeding of the draft state budget.

(2) The Government of the Republic shall decide on the allocation of the funds from the reserve fund of the Government of the Republic.

(3) The procedure for the allocation of the funds from the reserve fund of the Government of the Republic and the use of the allocated funds shall be established by a regulation of the Government of the Republic.

#### **§ 59. Organisation of receipt of revenue**

The revenue shall be received in the liquid financial assets of the state, unless otherwise provided by law.

### **Division 2**

#### **Assumption of Obligations, Loan Granted by State and State Guarantee**

#### **§ 60. Assumption of obligations**

(1) A state authority shall have the right to assume obligations only in case if the funds have been designated thereto for the performance of the obligation in the state budget or in a budget approved on the basis thereof.

(2) Unless otherwise provided by this Act, a state authority shall be prohibited to:

- 1) assume debt obligations for the state;
- 2) grant state guarantee or other collateral;
- 3) grant a loan;
- 4) make donations;

5) acquire financial assets, excluding participation in legal persons in private law by the state on the basis of the State Assets Act;

6) conclude transactions under finance lease, make concessions and conclude other such transactions, unless the state budget has granted an authorisation therefor.

(3) When granting the authorisation specified in clause (2) 6) of this section, the state budget shall determine:

- 1) the objective of the transaction;
- 2) the amount of the obligation assumed for the state, the amount of payments due in one budgetary year and the conditions for changing the amount of payments;
- 3) the term of obligation assumed for the state;
- 4) other essential conditions of the transaction.

(4) A minister may permit the state authorities in the area of government of a ministry to assume financial obligations for the upcoming budgetary year provided that in no upcoming budgetary year the amount of the financial obligations performed by the area of government of the ministry shall exceed 50 per cent of the funds with limit of the cost ceiling for the corresponding upcoming budgetary year of the area of government of the ministry.

(5) On the proposal of the Minister of Finance, the Government of the Republic may increase the maximum rate of the assumption of financial obligations of the area of government of a ministry for the upcoming budgetary year, which is provided for in subsection (4) of this section, but not more than to 80 per cent of the funds with limit of the cost ceiling for the corresponding upcoming budgetary year of the area of government of the ministry. The state budget may provide the Government of the Republic with the right to permit the assumption of financial obligations by the area of government of the ministry in an amount exceeding the provisions of this subsection.

(6) The constitutional institutions and the authorities in their area of administration shall follow subsection (4) of this section in the assumption of financial obligations for the upcoming budgetary years, unless otherwise determined by the state budget.

(7) The *Riigikogu* shall decide, for the resolution and prevention of a financial crisis that may cause difficulties related to liquidity or solvency for the financial institutions or significant disruptions in the payment and settlement systems, on the acquisition of shares and other holdings, and other financial assets and on the assumption of obligations or conclusion of financing transactions related to the amounts paid for the ensuring of financial stability of a foreign state, eurozone or a

Member State thereof in an amount exceeding the provisions of the state budget. After the adoption of a resolution, the Government of the Republic shall submit to the *Riigikogu* a draft state budget amendment or a draft supplementary budget. The legislative proceeding of a draft state budget amendment or a draft supplementary budget shall not hinder the implementation of the resolution of the *Riigikogu*.

#### **§ 61. Loan granted by state and state guarantee**

- (1) The state may grant a loan or state guarantee:
- 1) for the performance of public duties;
  - 2) to a financial institution or to secure the obligations of a financial institution in order to resolve or prevent a financial crisis that may cause difficulties related to liquidity or solvency, or significant disruptions in the payment and settlement systems;
  - 3) to the persons specified in subsection 67 (1) of this Act, whose money is kept and invested by the state, or to secure their obligations;
  - 4) to a company or to secure the obligations of a company, if the state has a majority interest in the company and if it is necessary to secure the interests of the state in the participation in such company;
  - 5) for the ensuring of financial stability of a foreign state, eurozone or a Member State thereof.
- (2) Granting a loan by the state shall mean granting the amount of money or credit based on a loan agreement or credit contract at the disposal of another person or acquisition of bonds issued by the borrower.
- (3) A state guarantee shall mean a guarantee or other collateral granted by the state on the basis of this Act or another Act, excluding a short-term loan on securities specified in subsection 69 (1) of this Act and a collateral granted for the purpose of the financial risk management in the conclusion of derivative transactions related to the debt obligations of the state specified in subsection 70 (4) of this Act.
- (4) The *Riigikogu* shall grant a loan or a state guarantee on the proposal of the Government of the Republic, otherwise provided by law. The Government of the Republic may grant a loan or on the basis of this Act a state guarantee in the amount determined pursuant to subsection (5) of this section to the persons specified in subsection (7) or to secure their obligations.
- (5) The maximum permitted balance of loans granted by the Government of the Republic and state guarantees granted on the basis of this Act shall be determined in the state budget. In the determination of the aforementioned maximum permitted balance, the amount of the granted loans, guarantees and support to be repaid, and the forecasted need of granting these shall be taken into account.
- (6) The term of a loan granted by the Government of the Republic or a state guarantee granted on the basis of this Act may be up to 30 years. The interest rate of a loan granted by the Government of the Republic shall not be lower than the interest rate at which the state would be able to assume debt obligations under similar conditions at the time of entry into a loan agreement.
- (7) The Government of the Republic may grant a loan to or secure the obligations by a state guarantee on the basis of this Act of the following persons located or operating in Estonia:
- 1) legal persons in public law;
  - 2) companies in which the state has a majority interest;
  - 3) foundation established by the state;
  - 4) financial institutions.
- (8) Following the resolution by the *Riigikogu* or the Government of the Republic on granting a loan or on the basis of this Act of a state guarantee, the Ministry of Finance shall enter into the contracts necessary for granting the loan or state guarantee, conclude the transactions and organise the performance thereof.
- (9) The procedure and specific conditions for applying for and granting of a loan and on the basis of this Act a state guarantee shall be established by a regulation of the Government of the Republic.

#### **§ 62. Resolution on granting state guarantee and loan**

- (1) A resolution on granting a state guarantee shall contain at least the following information:
- 1) the recipient of the state guarantee or the guaranteed person;
  - 2) the intended purpose or objective of the state guarantee;
  - 3) the amount and currency of the state guarantee;
  - 4) the term of the state guarantee;
  - 5) the state guarantee premium.
- (2) A resolution on granting a loan shall contain at least the following information:
- 1) the borrower;
  - 2) the intended purpose or objective of the loan amount;
  - 3) the size of the loan amount;
  - 4) the term of the loan;

#### **§ 63. Grant of repayable support to profit-making state agency**



(1) The Ministry of Finance shall have the right, on account of the maximum permitted balance of loans and state guarantees granted by the Government of the Republic and specified in subsection 61 (5) of this Act, to grant repayable support to a profit-making state agency.

(2) The amount of the repayable support specified in subsection (1) of this section and the specific conditions and procedure for the payment and repayment thereof, and the amount of remuneration paid for the use of the support and the specific conditions and procedure for the payment thereof shall be decided by the Minister of Finance.

### Division 3 Execution of Payments of State Authorities

#### § 64. Execution of payments of state authorities

(1) The Ministry of Finance shall execute the payments and settlements of the state authorities and intermediate in the payment services thereto (hereinafter *execution of payments*).

(2) A state authority shall have no current or payment account with a credit or financial institution, excluding if the Ministry of Finance has granted an authorisation therefor. When granting an authorisation, the Ministry of Finance may establish for a state authority the conditions for using such account.

(3) Unless the procedure for the receipt of the state budget revenue is determined by or on the basis of law, the Minister of Finance shall establish the procedure in the rules for the execution of payment established on the basis of subsection (4) of this section.

(4) The rules for the execution of payments shall be established by a regulation of the Minister of Finance.

(5) The Ministry of Finance shall ensure the operational continuity of the execution of payments. In case of any disruptions in the settlement systems, the Ministry of Finance is required to ensure the making of payments and settlements from the state budget.

(6) The Minister of Finance shall establish, by a regulation specified in subsection (4) of this section, the conditions for the payments from the state budget in case of any disruptions in the settlement systems and in the case specified in subsection 66 (4) of this Act in such way as to ensure:

- 1) the state functioning in an emergency, state of emergency, emergency situation and state of war;
- 2) the performance of the debt obligations of the state and other such obligations, where failure to perform the obligations may bring about the obligation to make immediate repayment of the debt obligations of the state or threaten the assumption of debt obligations for the state;
- 3) the payment of pensions and other social benefits;
- 4) the payment of the transferable tax to the social security funds and local governments;
- 5) the payments to the constitutional institutions and the authorities in their area of administration.

## Chapter 6 State Cash Flow and Stabilisation Reserve Fund

### Division 1 Management of State Cash Flow

#### § 65. Management of state cash flow

(1) The management of the state cash flow shall mean:

- 1) the conclusion of transactions with the liquid financial assets of the state;
- 2) the assumption of debt obligations for the state;
- 3) the management of financial risks related to the activities specified in clauses 1) and 2) of this subsection.

(2) The liquid financial assets of the state shall mean the cash, securities and other financial assets owned or kept by the state, which do not belong to the Stabilisation Reserve Fund.

(3) The Ministry of Finance shall manage the state cash flow.

#### § 66. Principles of management of state cash flow

(1) The amount of the liquid financial assets of the state and the opportunity to assume debt obligations shall be such as to ensure the making of the payments of the state and other persons specified in § 67 of this Act. In the assessment of the sufficiency of the amount of the liquid financial assets of the state and the opportunity to assume debt obligations, the probability of the realisation of the contingent liabilities of the state and the necessity to perform the payments related to the debt obligations of the state shall be taken into account.

(2) In the conclusion of transactions in cash, securities and other financial assets, the conservative investment principles shall be followed in order to ensure the liquidity of financial assets, value conservation and generating revenue.

(3) The restrictions on the assumption of obligations specified in § 60 of this Act shall not apply to the Ministry of Finance in the management of the state cash flow, unless otherwise provided by law.

(4) In case of an extensive or rapid economic decline, at the time of a financial crisis or in the event of lower receipts of revenue than planned, the Minister of Finance shall have the right to temporarily restrict the making of payments



prescribed in the state budget, notifying the Government of the Republic thereof. The payment conditions provided for in subsection 64 (6) of this Act shall be followed when making the payments in such case.

(5) The principles of management of the state cash flow shall be established by a regulation of the Government of the Republic.

#### **§ 67. Keeping and investment money of other persons**

(1) The Ministry of Finance shall have the right, on the basis of law or contract, to keep and invest the money of legal persons in public law, legal persons in private law founded by the state or with state participation and legal persons in private law carrying out administrative duties of the state, to execute the payments and settlements of the persons and intermediate in the payment services thereto.

(2) The Ministry of Finance shall provide the persons specified in subsection (1) of this section with an opportunity to make payments at all times on account of the funds owned by them for the performance of the functions imposed thereon by the legislation. Subsection 64 (6) does not apply to the making of payments. The rules for the execution of payments specified in subsection 64 (4) of this Act shall apply to the execution of the payments and settlements of the aforementioned persons and intermediation in the payment services thereto.

(3) A state authority shall have the right to keep the money of another person in the case, under the conditions and pursuant to the procedure provided by law. Subsection 64 (6) does not apply to the making of payments of a person specified in this subsection.

(4) The Ministry of Finance shall manage the state cash flow and the cash flow related to the keeping and investment of the money of the persons specified in subsections (1) and (3) of this section on the basis of the principles specified in subsection 66 (5) of this Act as an integral whole, balancing the positive and negative cash flows of the persons.

### **Division 2 Use of Liquid Financial Assets of State**

#### **§ 68. Performance of contingent liabilities**

(1) The Minister of Finance shall organise the performance of the financial obligations arising from the state guarantees granted on the basis of this Act on account of the liquid financial assets of the state.

(2) The Minister of Finance shall organise the due payment of the holding contributed at the request of the international financial institutions in which the state is a member or partner or the due performance of the financial obligations arising from the bonds issued by the state thereto on account of the liquid financial assets of the state, unless otherwise provided by law.

(3) The Government of the Republic or, with the authorisation of the Government of the Republic, the Minister of Finance shall decide on the performance of such financial obligations not specified in subsection (1) of this section and arising from the security provided by the state and court judgments and rulings, for which no funds are prescribed in the state budget and which cannot be performed on account of the funds in the reserve fund of the Government of the Republic, on account of the liquid financial assets of the state.

### **Division 3 Debt Obligations of State**

#### **§ 69. Debt obligations of state**

(1) The debt obligations of the state for the purposes of this Act shall mean the loans, overdrafts, short-term loans on securities taken, bonds issued and repurchase agreements of securities entered into for the management of the state cash flow, including to finance the state budget expenditure, investments and financing transactions.

(2) The maximum permitted balance of the debt obligations of the state shall be determined by the state budget.

(3) When determining the maximum permitted balance of the debt obligations of the state, the following shall be taken into consideration:

- 1) the balance of loans taken;
- 2) the necessity to finance the state budget expenditure, investments and financing transactions;
- 3) the necessity to perform and refinance the debt obligations of the state;
- 4) the potential necessity for granting loans;
- 5) the probability of the realisation of the contingent liabilities of the state.

(4) The maximum permitted balance of the debt obligations of the state determined by the state budget shall not apply upon the assumption of debt obligations during a state of war.

(5) The *Riigikogu* shall decide on the assumption of debt obligations for the state for the purpose of the acquisition of shares and other holdings, and other financial assets for the resolution and prevention of a financial crisis that may cause difficulties related to liquidity or solvency for the financial institutions or significant disruptions in the payment and settlement systems, or for the ensuring of financial stability of a foreign state, eurozone or a Member State thereof in an amount exceeding the maximum permitted balance of the debt obligations specified in subsection (2) of this section. After the adoption of a resolution, the Government of the Republic shall submit to the *Riigikogu* a draft supplementary budget or

a draft state budget amendment. The legislative proceeding of a draft supplementary budget or a draft state budget amendment shall not hinder the implementation of the resolution of the *Riigikogu*.

#### **§ 70. Assumption of debt obligations**

(1) In the assumption of the debt obligations for the state, there shall be ensured the ratio of the financial risks and expenses related to the debt obligations, which would comply with the ability to perform the debt obligations of the state both in the short and long term.

(2) The Ministry of Finance shall be permitted to assume the debt obligations for the state within the maximum permitted balance of the debt obligations of the state specified in subsection 69 (2) of this Act. The *Riigikogu* shall grant, on the proposal of the Government of the Republic, an authorisation for the assumption of the debt obligations for the state in amount exceeding the specified balance.

(3) The Ministry of Finance shall enter into the contracts related to the assumption of the debt obligations, conclude the transactions and organise the performance thereof.

(4) The Ministry of Finance shall manage the financial risks associated with the debt obligations of the state. The Ministry of Finance shall have the right to demand and grant collaterals for the purpose of the financial risk management in the conclusion of derivative transactions related to the debt obligations of the state.

(5) The conditions for the assumption of the debt obligations for the state shall be established by a regulation of the Government of the Republic.

(6) The principles of management of the financial risks related to the debt obligations of the state shall be established by a regulation of the Government of the Republic specified in subsection 66 (5) of this Act.

### **Division 4 Stabilisation Reserve Fund**

#### **§ 71. Stabilisation Reserve Fund**

(1) The Stabilisation Reserve Fund shall mean the financial reserve formed from the state funds in order to finance such expenditure, investments and financing transactions, which objective is:

- 1) the reduction of economic risks;
- 2) the prevention or mitigation of socio-economic crises;
- 3) the resolution or prevention of an emergency situation, a state of emergency, a state of war or other extraordinary situation or a crisis with material effect, or performance of the obligations provided for in a collective self-defence agreement;
- 4) the resolution and prevention of a financial crisis that may cause difficulties related to liquidity or solvency for the financial institutions or significant disruptions in the payment and settlement systems.

(2) The following shall be transferred to the Stabilisation Reserve Fund:

- 1) funds available therefor in the state budget;
- 2) funds to be entered in the Stabilisation Reserve Fund pursuant to a resolution on the distribution of the state unconsolidated cash flow surplus;
- 3) revenue received from the privatisation of state assets pursuant to law;
- 4) appropriations made to the state budget from the profits of Eesti Pank;
- 5) revenue received from administration of the Stabilisation Reserve Fund;
- 6) other funds provided by law.

#### **§ 72. Administration of Stabilisation Reserve Fund**

(1) Administration of the Stabilisation Reserve Fund is the keeping and investment of the funds of the Stabilisation Reserve Fund.

(2) The administration of the Stabilisation Reserve Fund shall be organised by the Ministry of Finance.

(3) The objective of the administration of the Stabilisation Reserve Fund is to maintain the value and liquidity of the funds of the Stabilisation Reserve Fund and to obtain the maximum revenue possible within the framework of the established restrictions.

(4) The principles of the administration of the Stabilisation Reserve Fund and the management of financial risks relating thereto shall be established by a regulation of the Government of the Republic.

#### **§ 73. Use of funds of Stabilisation Reserve Fund**

(1) A resolution on the use of the funds of the Stabilisation Reserve Fund shall be adopted by the *Riigikogu* on the proposal of the Government of the Republic. After the adoption of a resolution, the Government of the Republic shall submit to the *Riigikogu* a draft supplementary budget or a draft state budget amendment. The legislative proceeding of a draft supplementary budget or a draft state budget amendment shall not hinder the implementation of the resolution of the *Riigikogu*.

(2) The Ministry of Finance may, upon the consent of the Government of the Republic, for up to six months use the securities purchased on account of the funds of the Stabilisation Reserve Fund to secure the debt obligations of the state

in case of an extensive or rapid economic decline or at the time of a financial crisis. The Ministry of Finance shall promptly notify the *Riigikogu* of the use of such right.

#### **§ 74. Reporting on Stabilisation Reserve Fund**

(1) The Ministry of Finance shall, not later than on the tenth working day of each quarter, submit a report to the National Audit Office, the Government of the Republic and the Finance Committee of the *Riigikogu* on the composition and value of the assets of the Stabilisation Reserve Fund as at the last working day of the previous quarter.

(2) The report specified in subsection (1) of this section shall set out at least the following:

- 1) the market value of the funds of the Stabilisation Reserve Fund and the change in the value compared to the end of the quarter preceding the accounting period and the beginning of the accounting year;
- 2) the contributions to and payments from the Stabilisation Reserve Fund as summary amounts;
- 3) the return of the Stabilisation Reserve Fund;
- 4) the overview of the investment structure of the Stabilisation Reserve Fund by financial assets, major issuers and credit institutions, credit ratings, currency and sectors;
- 5) the average duration of the Stabilisation Reserve Fund investments.

(3) The Ministry of Finance shall publish the report specified in subsection (1) of this section on its website after the session of the Government of the Republic where the report was discussed.

### **Chapter 7 Ensuring Financial Discipline of State Authorities**

#### **Division 1 Supervision over Implementation of State Budget**

#### **§ 75. Supervision over implementation of state budget**

The Ministry of Finance shall monitor the implementation of the state budget and provide an overview thereof to the Government of the Republic at least twice a year.

#### **§ 76. Financial control system**

(1) The financial control system is part of the internal control system, which comprises the planning, use and monitoring of use of the budget funds of a state authority. The objective of the financial control system is to ensure the economical, efficient, effective, legitimate and transparent use of the state budget funds.

(2) The head of a state authority shall be responsible for the implementation and efficiency of the financial control system.

#### **Division 2 Reporting**

#### **§ 77. Annual reports of state and auditing thereof**

(1) The annual reports of the state shall mean the annual reports of the National Audit Office and the consolidated annual report of the state. The reports shall be prepared according to the Accounting Act.

[RT I, 30.12.2015, 4 - entry into force 01.01.2016]

(2) The National Audit Office shall perform the audit of the annual accounts constituting part of the consolidated annual report of the state. The National Audit Office shall verify the lawfulness of the transactions of the state.

[RT I, 30.12.2015, 4 - entry into force 01.01.2016]

(3) An audit firm appointed by the *Riigikogu* pursuant to the National Audit Office Act shall audit the annual accounts and verify the lawfulness of the transactions of the National Audit Office.

(4) The National Audit Office may, in the course of an audit or verification of the lawfulness of the transactions specified in subsection (2) of this section, rely on the provisions of the report of a sworn auditor documented for the purposes of § 54 of the Auditors Activities Act in the audit of the annual accounts of the state consolidation group entity or on the basis of the verification of the lawfulness of the transactions.

#### **§ 78. Submission, audit and approval of annual report of state accounting entity**

[Repealed - RT I, 30.12.2015, 4 - entry into force 01.01.2016]

#### **§ 79. Audit and submission to *Riigikogu* of consolidated annual report of state**

(1) The Ministry of Finance shall submit the consolidated annual report of the state to the National Audit Office not later than by 30 June of the year following the accounting year. The report submitted to the National Audit Office shall be published on the website of the Ministry of Finance immediately after the submission of the report. In the course of an audit, the Ministry of Finance may correct and amend the report.

(2) The National Audit Office shall complete the audit of the annual accounts of the consolidated annual report of the state and the verification of the lawfulness of the transactions not later than by 31 August of the year following the accounting year.

(3) The Ministry of Finance shall submit the consolidated annual report of the state together with a draft resolution regarding the distribution of the state unconsolidated cash flow surplus and the audit report of the National Audit Office published with regard to the audit of the annual accounts of the consolidated annual report of the state and the verification of the lawfulness of the transactions to the Government of the Republic for approval within seven working days as of the receipt of the report from the National Audit Office and publish the report on its website immediately after the submission to the Government of the Republic. The Government of the Republic shall submit the approved consolidated annual report of the state to the *Riigikogu* for approval together with a draft resolution regarding the distribution of the state unconsolidated cash flow surplus. The audit report of the National Audit Office shall be enclosed to the consolidated annual report of the state.

(4) A resolution regarding the distribution of the state unconsolidated cash flow surplus shall be prepared pursuant to the provisions of the Accounting Act.

(5) After the completion of the consolidated annual report of the state, but not later than by 31 July of the year following the accounting year, the Fiscal Council shall provide an opinion regarding the achievement of the structural budget position objective of the general government sector.

## **Chapter 8**

### **Implementing Provisions**

#### **Division 1**

##### **Transitional Provisions**

#### **§ 80. Implementation of §§ 20, 48 and 60 of this Act**

(1) A regulation issued on the basis of subsection 10 (2) of the State Budget Act in force until the entry into force of this Act shall be effective after the entry into force of this Act in so far as it is not in conflict with this Act, until the revocation thereof by a regulation specified in subsection 20 (5) of this Act.

(2) A regulation established on the basis of subsection 48 (4) of this Act shall be applied to the distribution of the funds of the support fund planned for the area of government of a ministry in the state budget as of 1 January 2017.

(3) Subsection 60 (3) of this Act shall apply for the first time with regard to the 2015 State Budget Act.

#### **§ 81. Specifications related to state budget for 2014**

(1) As of the entry into force of this Act, subsection 2 (12) and §§ 4, 6–10, 12, 14 and 16 of the 2014 State Budget Act shall not apply.

(2) The maximum permitted total balance of the debt obligations of the state specified in subsection 69 (2) of this Act in 2014 shall amount to 2,500,000,000 euros.

(3) The maximum permitted balance of loans and state guarantees granted by the Government of the Republic and specified in subsection 61 (5) of this Act in 2014 shall amount to 610,000,000 euros.

#### **Division 2**

##### **Amendment and Repeal of Acts**

**§ 82. – § 108.**[Omitted from this translation.]

#### **§ 109. Repeal of State Budget Act**

The State Budget Act (RT I 1999, 55, 584) is repealed.

**§ 110. – § 125.**[Omitted from this translation.]

#### **Division 3**

##### **Entry into Force of Act**

#### **§ 126. Entry into force of Act**

(1) Subsection 47 (3), subsections 48 (4)–(6) and § 49 of this Act enter into force on 1 January 2015.

(2) Subsections 50 (2) and (3) and § 51 of this Act enter into force on 1 January 2017.  
[RT I, 21.06.2016, 1 - entry into force 01.07.2016]

(3) Sections 108 and 120 of this Act enter into force on 1 January 2019.

(4) Subsection 48 (3) and § 110 of this Act enter into force on 1 January 2020.  
[RT I, 21.06.2016, 1 - entry into force 01.07.2016]

<sup>1</sup>Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41–47).

Form of Legal Opinion

European Investment Bank  
100 Bd. Konrad Adenauer  
L-2950 Luxembourg

**Subject:** **EU Funds Co-Financing 2014-2020 (Estonia) - B (Serapis No 2013-0645)**  
Finance Contract between the Republic of Estonia and the European Investment Bank  
concluded on [...] 2016

Dear Sirs,

All terms used herein and not otherwise defined shall have the same meaning as in the Finance Contract.

I have examined an original of the Finance Contract and such laws, documents and other matters, as I have deemed necessary or appropriate for the purpose of rendering this opinion.

Subject to the foregoing, I am of the opinion that:

1. The Finance Contract (including the power attorney granted pursuant to Paragraph 12.2B for the duration of the Finance Contract) has been duly executed and delivered on behalf of the Republic of Estonia by <\\>, who acted upon authorization given by the Republic of Estonia, as lawful representative of the Republic of Estonia; and constitutes a legal valid and binding obligation upon the Republic of Estonia.
2. In accordance with [...], i.e. laws and procedures applicable to the Borrower, no authorisation from any competent decision making body of the Republic of Estonia is required to authorise borrowing of the sum of EUR 600,000,000 under the Finance Contracts.
3. No taxes, fees or other charges, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by the Republic of Estonia or any national, regional or local authority or any other body governed by public law thereof of therein are payable in connection with the execution and delivery of the Finance Contract, nor in connection with any payment to be made by the Borrower to the Bank pursuant to the same Finance Contract.
4. The choice of the law of the Grand Duchy of Luxembourg as the law governing the Finance Contract is valid and enforceable.
5. Pursuant to Paragraph 11.2 of the Finance Contract, the Court of Justice of the European Communities shall have jurisdiction in connection with any claim or dispute between the Borrower and the Bank, and any judgment of such court pertaining to the Finance Contract will be directly enforceable in the Republic of Estonia.
6. The waiver of immunity under said Paragraph 11.2 of the Finance Contract is a legal, valid and binding obligation of the Borrower.

Based on the foregoing, I am of the opinion that all requirements specified in the laws, regulations and any legally binding decisions currently applicable to the Republic of Estonia and/or governing the Finance Contract were complied with in order that the Finance Contract be legal, valid and binding upon the Republic of Estonia as borrower, and I am of the opinion that the Finance Contract constitutes a legal, valid and binding obligation upon the Republic of Estonia as borrower, and commits the Republic of Estonia irrevocably to the fulfilment of its obligations under the Finance Contract according to its terms.

