



National Focal Point of Estonia

# EEA Financial Mechanism STRATEGIC REPORT 2014

Strategic Report on the implementation of the EEA Financial Mechanism  
2009–2014 in Estonia



REPUBLIC OF ESTONIA  
MINISTRY OF FINANCE

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## 1 EXECUTIVE SUMMARY

The overall objectives of the European Economic Area Financial Mechanism 2009–2014 are to contribute to the reduction of economic and social disparities in the European Economic Area (EEA) and to strengthen bilateral relations between the donor states and the beneficiary states.

To achieve the overall objectives, the donor states – Iceland, Liechtenstein, and Norway – contribute 23 000 000 euros to Estonia, out of which 7.5% is assigned for donor states' management costs and the net amount available for Estonia is 21 275 000 euros.

During negotiations between the donor states and Estonia five programme areas were identified as most relevant in order to achieve the overall objectives. As a result of the negotiations, the total amount available was divided between the following programme areas: i) Integrated Marine and Inland Water Management; ii) Funds for Non-Governmental Organisations; iii) Children and Youth at Risk; iv) Conservation and Revitalisation of Cultural and Natural Heritage; and v) Scholarships.

Since all the programmes were approved at the end of 2012, in 2013 the Programme Operators were engaged in launching the programmes, organising match-making events and other publicity events, and setting up and describing the management and control systems at the same time. The project promoters began implementation in 2013 for almost all programmes where predefined projects were foreseen in the programme agreement. Most of the planned calls for proposals were launched in 2013, and in several cases the grant decisions were also made. During 2014, the processes of launching calls and making grant decisions developed quickly and by the end of the reporting period all the planned calls were carried out and most of the grant decisions were made. As a result of this, the commitment rates in the programmes are relatively high in general. The Audit Authority carried out compliance assessments of the descriptions of management and control systems for all the Programme Operators.

Although the implementation period has been too short to present any fully achieved outputs, where possible an estimation for achieving outputs and outcomes based on the predefined projects and projects chosen from the calls for proposals has been made. Additionally, the report presents an assessment of how the programmes are expected to help address Estonian development needs in the respective priority sectors and contribute to long-term internal strategies such as Sustainable Estonia 21 or Competitiveness Plan Estonia 2020. This is supported by an overview of the most relevant macro indicators describing the social and economic situation and trends in Estonia.

While the legislative and economic environment can be considered stable in Estonia and all the programmes contribute to internal long-term strategies, no major risks affecting achievement of the expected outcomes have been identified at the particular moment of implementation. The key challenge in the implementation of the programmes is still the time constraint. Although there have been delays in the planned time schedules, the risk of failing to achieve the expected outcomes due to the time constraint can be considered unlikely to happen, since the measures that have been taken seem sufficient to mitigate the risk.

In 2014, bilateral relations between Estonia and the donor states were fostered mainly through many match-making events organised by the Programme Operators. The focus of the events has been on assisting the preparation of joint project proposals through facilitating better mutual understanding between Estonian and donor states' institutions.

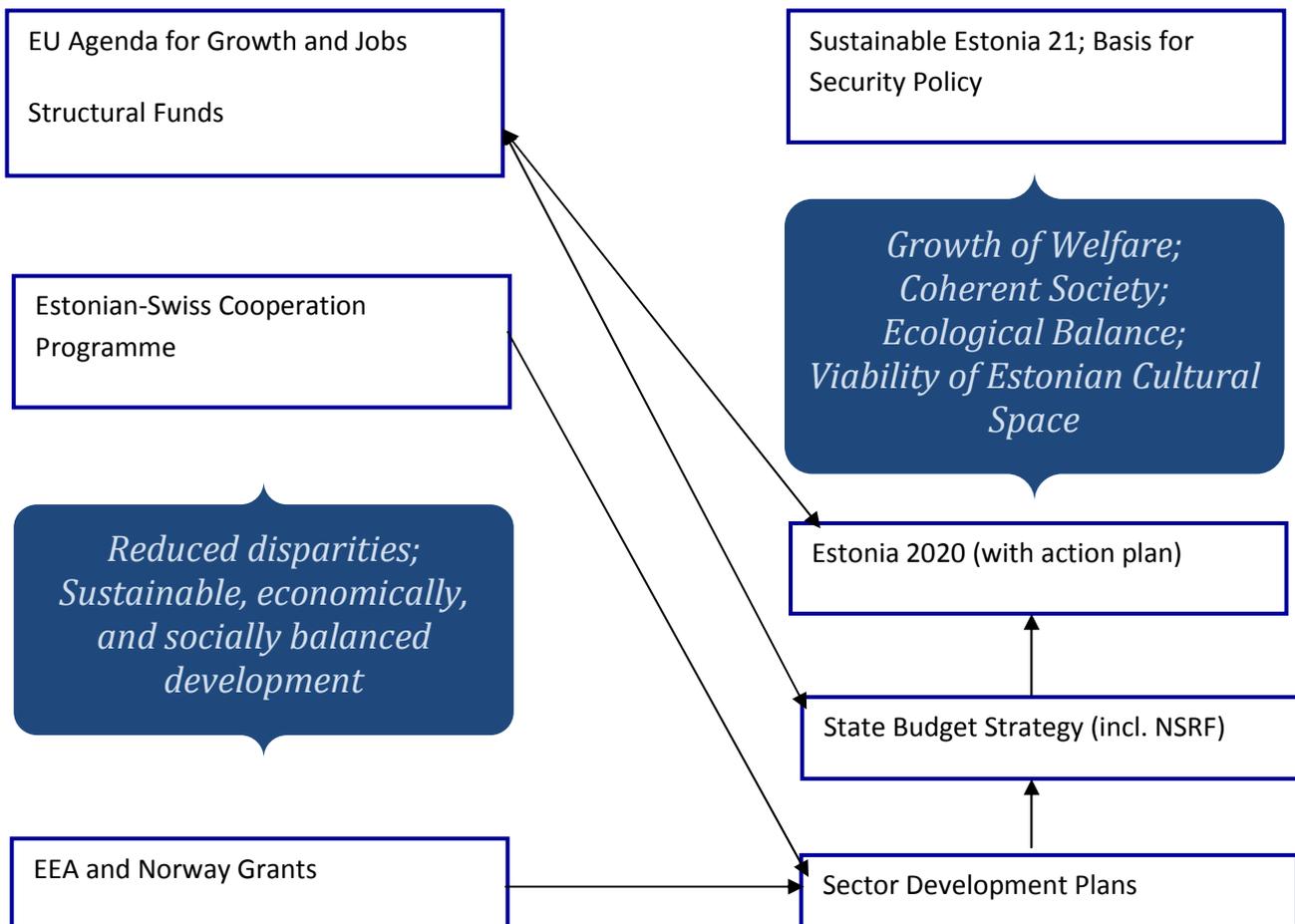
Looking forward, the most crucial challenge for the programmes in 2015 is to monitor progress of the projects on a continuous basis in order to assure a smooth process in moving towards the programmes' objectives and timely risk management.

The reporting period of the current report is the calendar year of 2014. However, in order to provide a better overview, a few facts from 2015 that were known by the time of compilation of the report have been added.

## 2 ASSESSMENT OF THE EFFECT OF THE GRANTS

Estonia's main goals for the long term are an increase in welfare, a cohesive society, ecological balance and viability of the Estonian cultural space<sup>1</sup>. The funding from the EEA and Norway Grants 2009–2014 with the objective of contributing to the reduction of economic and social disparities in the European Economic Area helps to address the Estonian development needs in specific priority sectors, which all contribute to longer-term internal strategies such as Sustainable Estonia 21 or Competitiveness Plan Estonia 2020.

### Strategic link

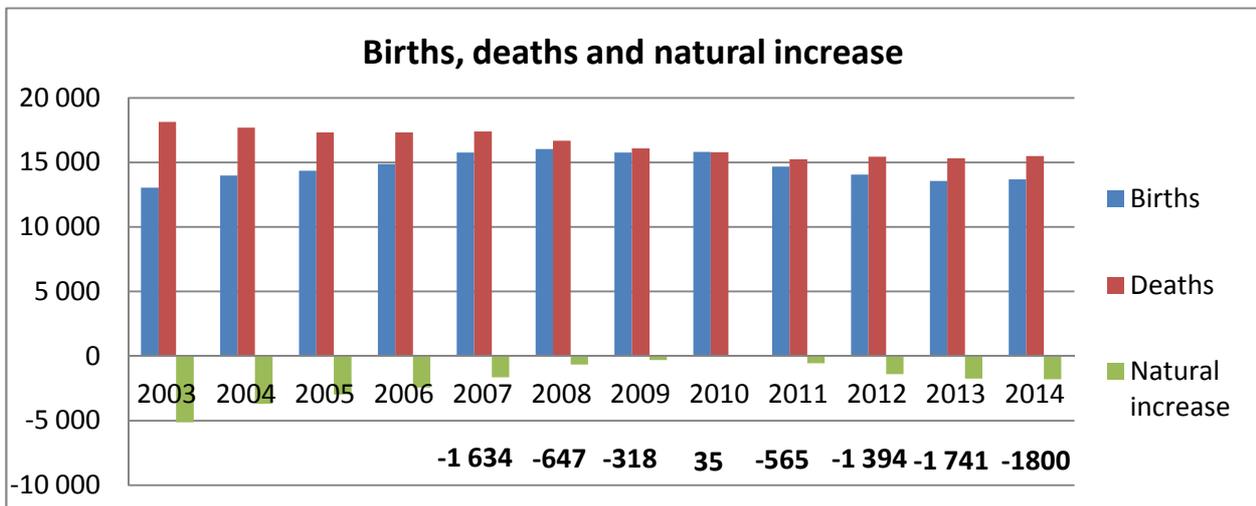


An important function of the EEA and Norway Grants has been their supplement to EU and other funding enabling, among others, to cover the areas which fall beyond the scope of eligibility for other funding but are still of great relevance considering the objective of reduced disparities. The most visible example is the Public Health Initiatives programme, as the mental health sphere still suffers from gaps in financing and the lack of integration of relevant sectors and services. Thus, the support enables the specific problems to be tackled so that the overall development needs are most effectively and efficiently covered. This means that the contribution of the EEA and Norway Grants offers real added value, although it is sometimes difficult to indicate the direct share in the higher indicator level reached.

<sup>1</sup> Sustainable Estonia 21.

According to the initial estimates of Statistics Estonia, the population of Estonia was 1 312 300 on 1 January 2015, which is 3 600 persons less than at the same time a year ago.

The population decreased by 1 900 due to negative natural increase (the number of deaths exceeded the number of births) and by 1 700 due to negative net migration (more persons emigrated from than immigrated to Estonia). In total, the population of Estonia decreased by 0.3% in 2014. In the last few years the population decline has slowed down.

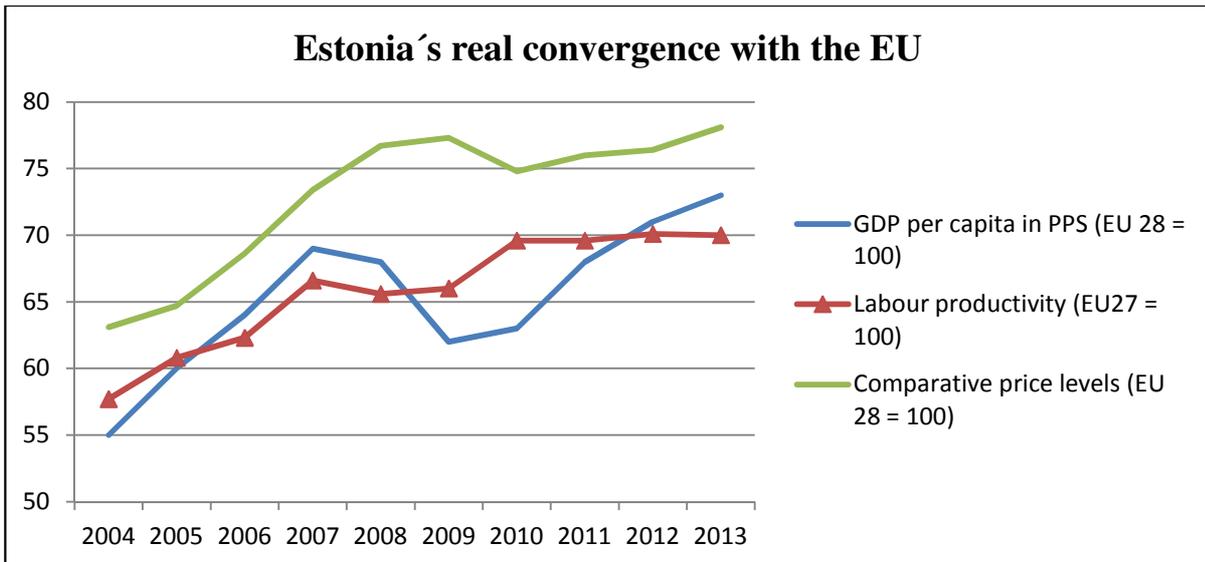


Source: Statistics Estonia<sup>23</sup>

According to Statistics Estonia, in 2014 the gross domestic product of Estonia increased by 2.1% compared to 2013, and the GDP at current prices was 19.5 billion euros. The year was characterised by slow but steady growth of the Estonian economy. According to Eurostat, Estonia was one of the fastest-growing economies in Europe in the fourth quarter. The Ministry of Finance's analysis shows that it must be kept in mind that although economic growth was strong, this was partly the result of one-off reasons related to the improvement of tax receipts. The outlook for 2015 remains cautious because of the continuing downward adjustment of economic growth prospects of the main export markets and the weak foreign orders of recent months in the electronics sector, which thus far has been the driving force behind export growth.

<sup>2</sup> The initial population number is based on initial data on births and deaths. Statistics Estonia will publish the revised population number on 5 May 2015.

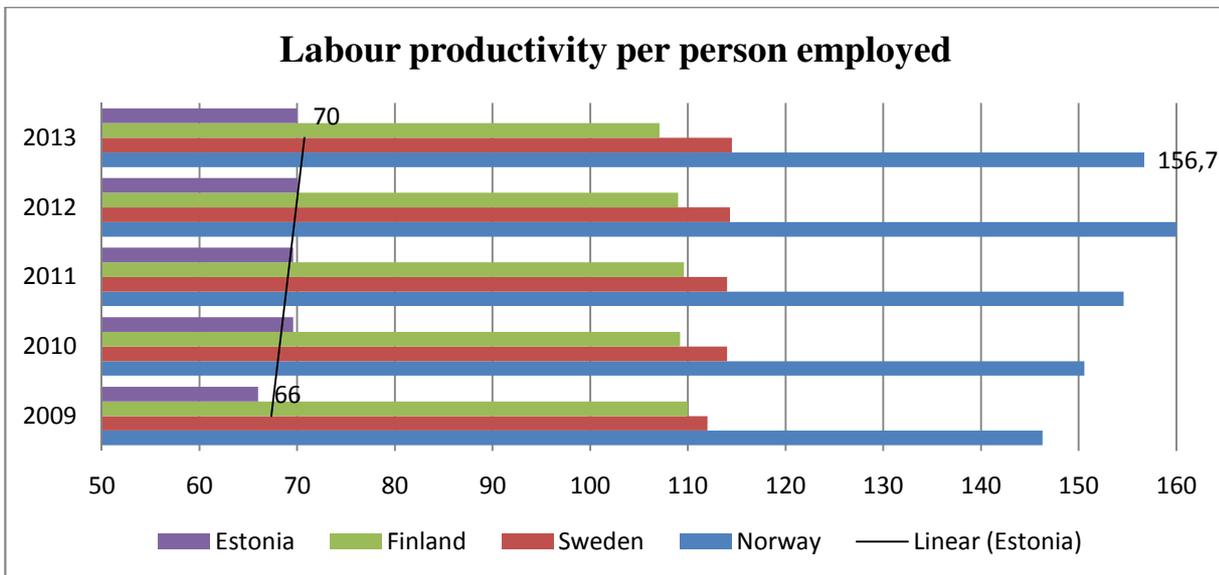
<sup>3</sup> <http://pub.stat.ee/px-web.2001/Dialog/Saveshow.asp>



Source: Ministry of Finance, Eurostat<sup>4,5,6</sup>, compared to EU 28

GDP per capita in comparison with the EU28 continues to be low (73%; EU28 being 100%; Norway 186%), and the primary reason is relatively low productivity.

Increasing the productivity and innovation of the economy is one of the most important preconditions for achieving the growth of GDP per capita. For that purpose, the Estonian Government has set the target to increase productivity per person employed up to 73% of the EU average by 2015<sup>7</sup>, while in 2011 the indicator was 67.6%. During 2012 and 2013 the indicator value remained the same, being 70.1% in 2012 and 70% in 2013; thus, productivity per person employed is very slowly approaching the set target of reaching the EU average, which shows that the structural change in the economy towards activities offering more added value has not been as high as anticipated and the set indicator target will most likely not be reached.



Source: Eurostat<sup>8</sup>

<sup>4</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00116>

<sup>5</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00120>

<sup>6</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114>

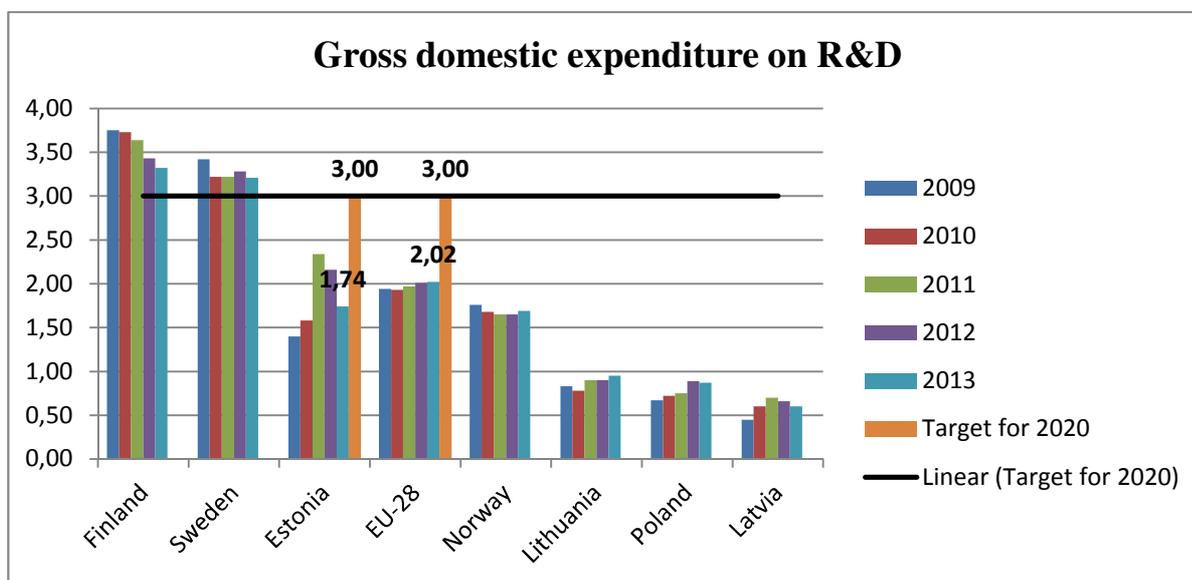
<sup>7</sup> Estonia 2020

<sup>8</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00116>

The gross domestic expenditure on R&D was 1.58% in 2010 and 1.74% by the end of 2013. In 2012 the gross domestic expenditure on R&D reached 2.37%. A level of achievement of less than 2% is too low to reach the target set for 2020, which is 3%.

Thus, finding and participating in new areas of growth is of even greater importance, as well as combining the research, development, and innovations systems with the needs of the economy and moving up in the value chains.

This has also been under focus when preparing measures for EU funding for the 2014–2020 period. The ex-ante evaluators of the Estonian Operational Programme indicated that Estonia has taken respective lessons learnt into account and it was pointed out that greater orientation of the research system to the needs of the economy and society has now become equally important to research excellence, which to date has largely been the central goal of research policy.



Source: Eurostat<sup>9</sup>

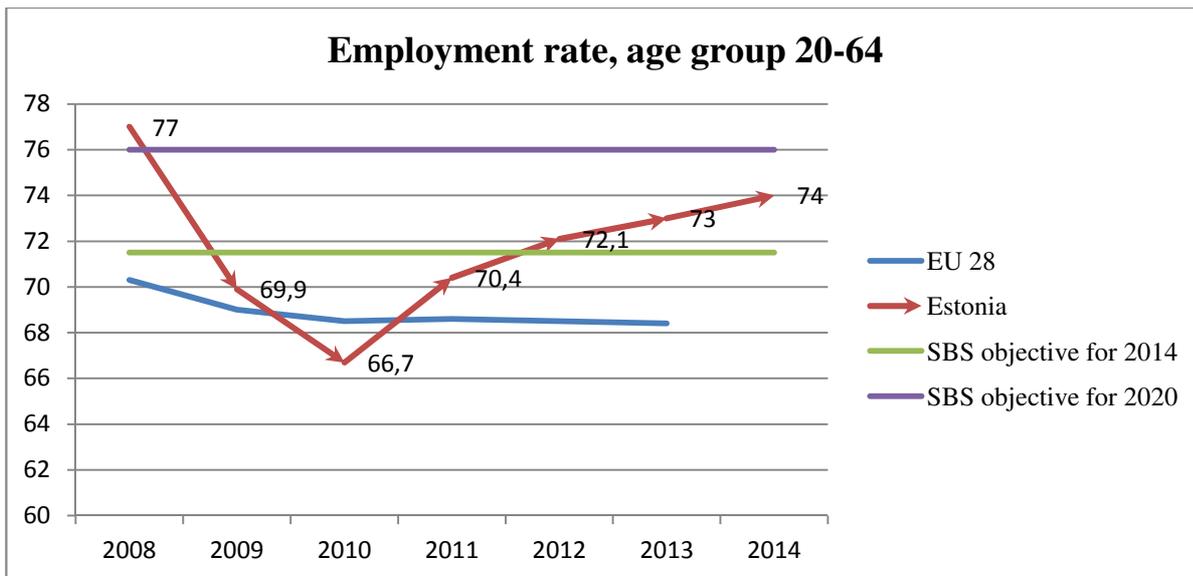
In this context, the inputs of the EEA and Norway Grants’ research and scholarships programmes – as well as of the Green Industry Innovation programme, focusing on green ICT – are seen as valuable contributions to and in synergy with EU funding under the specific objective given in the Operational Programme for the 2014–2020 period, “R&D and higher education are of a high level, and Estonia is active and visible in international cooperation in the field of RD&I”, which addresses one of the most essential development needs of increasing innovation capacity and competitiveness.

Finding new growth models and a knowledge-based economy also helps to address other challenges, such as the ageing population and limited availability of natural resources.

Estonia has set a target of achieving a 76% employment rate in the 20–64 age group by 2020. The level of employment started to recover rapidly in 2011; in 2012 the employment rate in the 20–64 age group increased by 2.3%, reaching the level of 72.1%<sup>10</sup>, and in 2013 already 73%, which is even higher than the objective for 2016 (72.8%). In 2014 the employment rate continued the growth trend.

<sup>9</sup> [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_20](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_20)

<sup>10</sup> [http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_10](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10)



Source: Eurostat<sup>11</sup> and Statistics Estonia<sup>12</sup>

In addition to economic growth, various factors contributed to the increase in the employment rate, including the decline in population, the unequal size of population groups, the gradual increase in retirement age, etc. As the number of people employed is expected to stop growing due to demographic developments and start declining after 2017, economic growth can only be driven by productivity and investments supporting it.

Unemployment decreased to 10.2%<sup>13</sup> in 2012 and continued to decline, reaching 8.6% in 2013<sup>14</sup> and 7.4% in 2014.

Reducing youth (age group 15–24 years) unemployment remains an important challenge for Estonia. By 2010, the youth unemployment rate increased to 32.9%, which was significantly higher than the EU average (21.1%), but then decreased rapidly in 2011 to 22.3%. The youth unemployment rate continued to decrease in 2012 to 20.9%, in 2013 to 18.7%, and in 2014 already to 15%. Estonia is committed to decreasing the unemployment rate of young people to 10% by 2020.

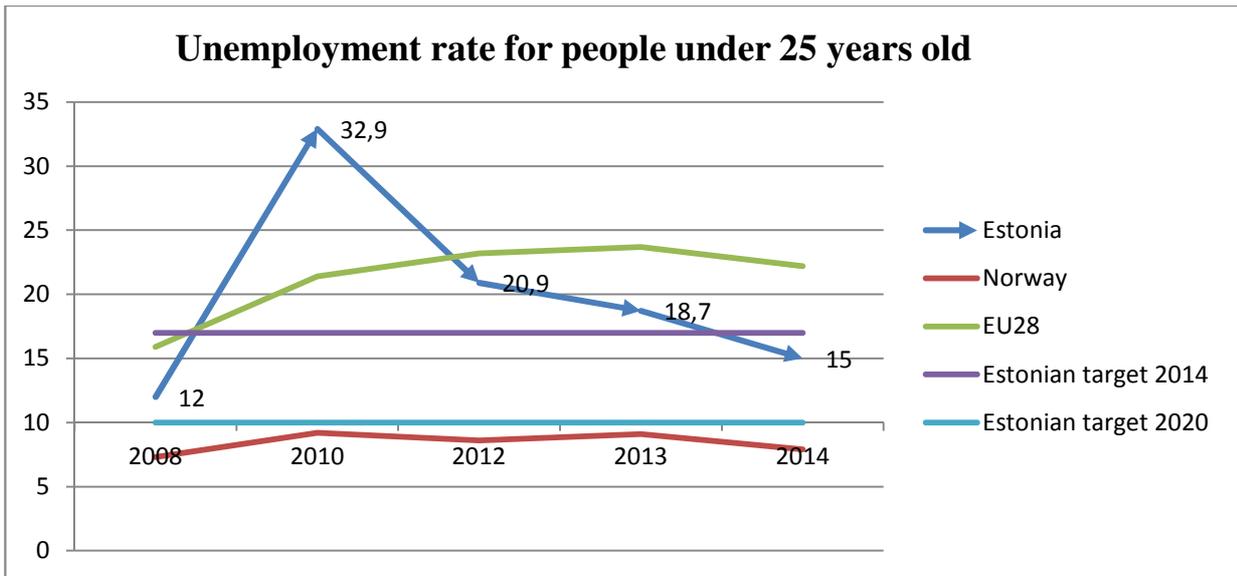
The Ministry of Education and Research and the Ministry of Social Affairs are developing special employment and education measures for youth, which support and prepare for transitions between the educational system and labour market. These efforts are supported by activities under the Children and Youth at Risk programme.

<sup>11</sup> [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_10](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10)

<sup>12</sup> <http://www.stat.ee/57165>

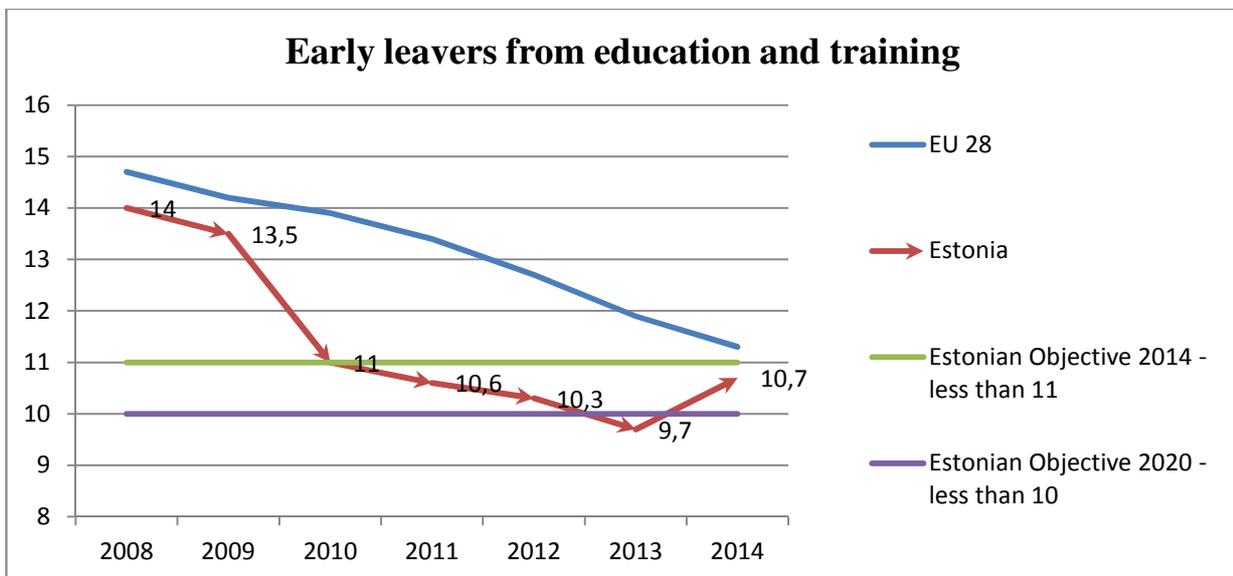
<sup>13</sup> <http://www.stat.ee/66661>

<sup>14</sup> Statistics Estonia, <http://www.stat.ee/72314>



Source: Eurostat<sup>15</sup>

Namely, through the Children and Youth at Risk programme addressing child welfare, professionals in different agencies are supported in order to provide adequate early intervention and provision of evidence and knowledge-based interventions to support parenting skills and prevent juvenile delinquency. Preventing or minimising negative consequences and reducing the costs of juvenile offences while developing social competences and cohesion in society contribute to achievement of the objectives of the EEA and Norway Grants and move towards socially balanced development. Activities under the programme also contribute directly to the aim to reduce the youth unemployment rate, as well as the Europe 2020 goal to reduce the percentage of early school leavers (age group 18–24 years).



Source: Eurostat<sup>16</sup>

<sup>15</sup> <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdec460>

<sup>16</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdsc410>

The share of persons with an equivalised disposable income below the risk-of-poverty threshold has been relatively stable over the years, at the level of 19.5% (2007–2009). In 2010, the indicator decreased to the level of 15.8%. According to Statistics Estonia, in 2013, 22.1% (2012, 18.6%) of the Estonian population lived in relative poverty and 8.0% (2012, 7.3%) in absolute poverty.

People living alone and pension-age people are at higher risk of poverty, whereas women are at significantly greater risk of poverty than men. In addition to this, the level of education significantly affects the risk of falling into poverty. Among persons with a basic or lower education, in 2013 every third was in the poorest and only every twelfth in the richest income quintile. At the same time, one-third of those with a higher education belonged to the richest fifth.

In terms of reducing regional disparities between the EU countries and Estonia, the following table shows improvements with regard to set convergence objectives, where it can be seen that although Estonia has already exceeded the EU average with regard to some indicators, when compared to the achievement levels of Norway, Estonia is still needs a lot of improvement, and experience gained through partnerships under the EEA and Norway Grants enhances the positive development perspectives.

Indicator	EU 28 average	Norway	Estonia					
	2013	2013	Objective 2014/2020 <sup>17</sup>	2014	2013	2012	2011	2010
GDP per capita in PPS <sup>18</sup>	100	186	N/A	N/A	73	71	68	63
Level of R&D investments of the GDP, %	2.02	1.69	1.93/3	N/A	1.74	2.16	2.34	1.58
Employment rate of age group 20–64, % <sup>19</sup>	68.4	79.6	71.5/76	74	73.3	72.2	70.6	66.8
At-risk of poverty rate, %	16.6	10.9	16.7/15	N/A	22.1 <sup>20</sup>	18.6	17.5	17.5

Source: Eurostat and Estonian Statistics

<sup>17</sup> State Budget Strategy 2014–2017

<sup>18</sup> <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tec00114>

<sup>19</sup> [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_10](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10)

<sup>20</sup> The estimations are based on the Social Survey, which has been conducted by Statistics Estonia since 2004. In 2014 more than 5 800 households participated in the survey. The survey collects data about the yearly income, which is the reason why the survey for 2014 asks about the income of 2013.

## 2.1 Cohesion

### 2.1.1 Environment and climate change

The priority sector includes one programme – Integrated Marine and Inland Water Management. With this programme there are clear connections and a valuable contribution to the objectives of the Estonian Environmental Strategy (ES2030), which is a strategy for developing the environmental sphere. ES2030 serves as the basis for the preparation and revision of all sector-specific development plans within the environmental sphere.

#### a) Contextual Trends

The environmental challenges of the future are to secure a low-carbon, resource-constrained world while preventing environmental degradation, biodiversity loss, and unsustainable use of resources. According to the Estonian Maritime Policy of the Ministry of Economic Affairs and Communications, it is estimated that approximately 30% of the anthropogenic impact on the sea is caused by the environmental burden from ships and ports. In addition to that, pollution of the sea and inland water bodies is caused by wastewater leaking from amortised sewer systems into surface water and groundwater, and by pollutants leaching from areas with polluted soil. Despite the extensive investments made so far, Estonia remains unable to comply fully with the requirements that arise from the Water Framework Directive, the Drinking Water and Urban Wastewater Treatment Directives, and the HELCOM Baltic Sea Action Plan, and to provide residents with drinking water compliant with requirements and ensure the collection and treatment of wastewater. The whole territory of Estonia is characterised as a receiving body of water sensitive to pollution, and groundwater is unprotected or weakly protected on more than half of the territory.

In December 2014 the European Commission approved the Cohesion Policy Operational Programme, the measures and activities of which will support the objectives of the current programme.

One of the priority axes in the Operational Programme is water protection, which has two specific objectives:

1. Compliant water management infrastructure in agglomerations with over 2000 p.e.
2. Rehabilitation of contaminated areas, bodies of water, and wetlands.

The priority axis, green infrastructure and improved preparedness for emergencies, has the following specific objectives:

1. Improved status for protected species and habitats
2. Increased capability to react to emergencies that are caused by climate change and extensive pollution.

By the end of 2015, revised river basin management plans and programmes of measures will be approved by the government. In addition, the programmes of measures for the Marine Strategy Framework directive will have been finalised by that time.

The programme environment has been stable during the reporting period, without any significant strategic or legislative changes being experienced.

Several changes in legislation are due to take place in 2015–2016. In order to ensure the implementation of the Marine Strategy Framework, directive amendments to the national water act have been proposed. These amendments are expected to be adopted during the first half of 2015. Further along, additional revision and an update to water-related legislation are on-going in 2015 and 2016.

Indicator	Norway		Estonia			
	2013	Objective 2020	2013	2012	2011	2010
Share of renewable energy in gross final energy consumption <sup>21</sup>	65.5	25	25.6	25.8	25.5	24.6
Proportion of waste recycling of total waste, %		40	N/A	59	55	37
Total greenhouse gas emissions (without land use, land-use change and forestry sector (LULUCF)) (in the equivalent of a million tonnes of CO <sub>2</sub> ).		20	N/A	19.2	21.17	20

b) EEA Grants' contribution

The objective of the programme Integrated Marine and Inland Water Management is to achieve good environmental status in European marine and inland waters. According to the Ministry of Environment by the end of 2014, 63% of lakes and only 2 coastal water areas out of 16 can be defined as having good environmental status and around 88% of monitored Estonian rivers have good or very good status. This objective is in line with Estonia's obligations deriving from EU marine and inland water legislation, the EU Strategy for the Baltic Sea Region and the HELCOM Baltic Sea Action Plan 2021.

Due to the gap in supporting activities that contribute to managing marine and water related problems in an integrated manner the contribution of EEA Grants and experience of the Norwegian Environment Agency as the Donor Programme Partner are of great importance.

Estonia somewhat lacks behind in the environmental research field in the EEA (e.g. research for the ecosystem services, etc.) as well as knowledge and awareness about liquefied natural gas (LNG) as an alternative ship fuel. Now under the project "Developing the programme of measures for the Estonian marine area in compliance with the requirements of the EU Marine Strategy Framework Directive, including feasibility study on using LNG as an alternative ship fuel to reduce pollution" quantitative targets have been developed for the environmental objectives that were set out in 2012 in accordance with the Marine Strategy Framework Directive.

As regards to the climate adaptation the knowledge of the importance of the local level plans for adaptation measures is growing. To date, the regions that are most frequently affected by weather conditions have been most active in implementing the adaptation measures. However, even though there are active local authorities, the knowledge of the impacts of climate change and the possibilities of adapting to it at regional and local level in Estonia is far from sufficient yet. Therefore the adaptation strategy at national level will play an important role in improving awareness and information exchange, so that the assessment of the climate change impacts and

<sup>21</sup> [http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020\\_31&plugin=1](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_31&plugin=1)

the planning and implementation of preventive measures will become more active at the local level.

During 2014 the steering committee of the project “Elaboration of Estonia’s draft National Climate Change Adaptation Strategy and Action Plan” confirmed the priority themes for the strategy and the climate scenarios up to the year 2100, which will be used as a basis for the work. Climate change impact assessment and development of adaption measures has started.

EEA Grants’ contribution and investments in fisheries and maritime sectors help to achieve sustainable use of natural resources and sustainable economic development at sea and in coastal areas in line with the National Development Plan “Estonian Maritime Policy 2012-2020” and “Nature Conservation Development Plan until 2020”.

### 2.1.2 Civil society

The priority sector contains one programme: Fund for Non-governmental Organisations

#### a) Contextual Trends

Increasing the coherence of society and the inclusion of people from different language and cultural backgrounds in the society is becoming increasingly important from the perspective of stability, economic growth and well-being.

Estonian society is diverse both culturally and in terms of legal status: Estonia is home to 180 ethnic groups other than Estonians; they constitute about 31% of the total population. The number of new immigrants, i.e. refugees, returnees, foreign workers and foreign students is growing and these people need support to adjust to society and to enter the labour market. It is also important that the Estonian society and citizens show tolerance to those groups, which requires improved communication measures.

Estonia and Latvia stand out among EU member states by the large percentage of residents whose citizenship is either Russian or undefined. According to the Ministry of the Interior in 2014 there were 88 076 persons living in Estonia with undefined citizenship. Although the proportion of Estonian residents with undefined citizenship has gradually decreased, their average age is increasing and their ability to pass the Estonian language examination is decreasing, which makes it more difficult for them to apply for citizenship. The problems arise in several aspects, since unemployment is higher among the Russian-speaking population, mainly due to their geographical location, level of education and knowledge of the official language.

<b>Unemployment rate by origin, %</b>		
	<b>Native population</b>	<b>Immigrant population</b>
<b>2010</b>	14.5	23.6
<b>2011</b>	11	16.9
<b>2012</b>	8.6	14.8
<b>2013</b>	7.5	12.4
<b>2014</b>	6.8	9.4

The number of non-profit associations increased by 193 in 2013, while the number of foundations decreased 76.<sup>22</sup>

Economic units	2008	2009	2010	2011	2012	2013
<b>Non-profit Association</b>	24 837	26 679	28 303	29 507	28 183	28 376
<b>Foundation</b>	761	779	783	791	833	757
<b>Government Institution</b>	365	336	298	293	288	273
<b>Local government Institution</b>	2 548	2 530	2 513	2 497	2 469	2457
<b>Total</b>	28 511	30 324	31 897	33 088	31 773	31 863

Source: Statistics Estonia<sup>23</sup>

According to the USAID sustainability index<sup>24</sup>, Estonia improved its position in 2014 by 0.1% compared to 2013. However, the index has also pointed out that most Estonian CSOs face problems when finding finances that allow them to be active in the long-term perspective. The Estonian Civil Society Development Concept 2015–2020<sup>25</sup> also stresses the need for capacity building, and especially the financial capacity of the CSOs.

However, citizens' associations have gained power and skills, which have increased their capacity to earn income, provide public and societal services, start up social enterprises, etc. Citizens' associations that participate in shaping politics increasingly feel their significant role in finding the best solutions to the challenges that the society is facing and in improving the preparation procedures and the quality of legislation and policy documents. For example, many CSOs have participated in the workshops and contributed to the negotiations over terms of the EU's programme period for 2014–2020. They have also been active in engaging in policy formulation, as the elections to the European Parliament were held in May 2014 and in March 2015 the representatives of the 13<sup>th</sup> Estonian Parliament were elected. For the elections the Network of Estonian Non-profit Organizations addressed the candidates running for parliament with an NGO Manifesto, offering ideas and proposals on how to use and increase the potential of Estonian civil society.

#### b) The contribution of EEA Grants

The programme supports projects initiated to promote democratic values, including human rights, for developing advocacy and a watchdog role, and small capacity-building projects. Special attention is paid to multicultural dialogue and the integration of national minorities, as well as strengthening the capacity of NGOs developing social services, with the focus on activities targeting children and youth.

There is great potential for resolving the problems of Estonian society through the contribution from NGOs. Taking on the best practices of Norway, Iceland, and Liechtenstein provides an opportunity to further develop NGO capacity-building and spread their activity in an influential way. The programme has already contributed considerably in building the capacity of Estonian NGOs.

<sup>22</sup> Data of Statistics Estonia

<sup>23</sup> <http://www.stat.ee/68778>

<sup>24</sup> <http://www.usaid.gov/europe-eurasia-civil-society>

<sup>25</sup> [http://www.riigikogu.ee/?op=emsplain&page=pub\\_file&file\\_id=12ec1000-27eb-4224-aa7b-7e9ce53d9281&](http://www.riigikogu.ee/?op=emsplain&page=pub_file&file_id=12ec1000-27eb-4224-aa7b-7e9ce53d9281&)

The NGO Fund has proceeded as planned during the third year of implementation and the projects contracted in 2014 are actively contributing to the expected outcomes.

As a result of the predefined project – a development programme for NGOs – 30 NGOs who participated in the project improved their daily potential, learned to maximize their organizational capacity, and are working systematically with their development so that they will be more effective in achieving greater impact in the society.

The outcome of promoting democratic values, including human rights, is generally expected to be reached by the end of the programme period. One good example of the democracy projects is the project by the Estonian National Youth Council, who organized 'youth shadow elections' to raise awareness about elections and political participation among young people aged 13 to 20. The project was especially important in the Estonian context, as several studies<sup>26</sup> have shown very low interest in politics among Estonian young people.

As to the outcome of developing advocacy and watchdog roles, a good example is the project by the Estonian Refugee Council who, in cooperation with the Estonian Human Rights Centre, increased the professionalism and sustainability of organizations advocating for refugees in Estonia. The project was especially successful, as through meetings with decision makers and stakeholders changes in several policy and law areas improving the situation of refugees were discussed, but also as it has managed to draw wider attention to the situation and rights of refugees in Estonia.

### 2.1.3 Research and scholarships

The priority sector includes one programme – the Scholarship programme. This programme is implemented in cooperation with the Norwegian-Estonian Research Cooperation programme and the Scholarship programme financed from the Norway Grants.

#### a) Contextual Trends

Finding new sources of growth, making the economy more knowledge-intensive, and increasing the impact of Estonian science are Estonia's essential development needs in the 10-year perspective, according to analyses made at the end of 2011. R&D and more generally the higher education system should be a means of achieving structural changes in the economy and the wise positioning of Estonia in the international division of work.

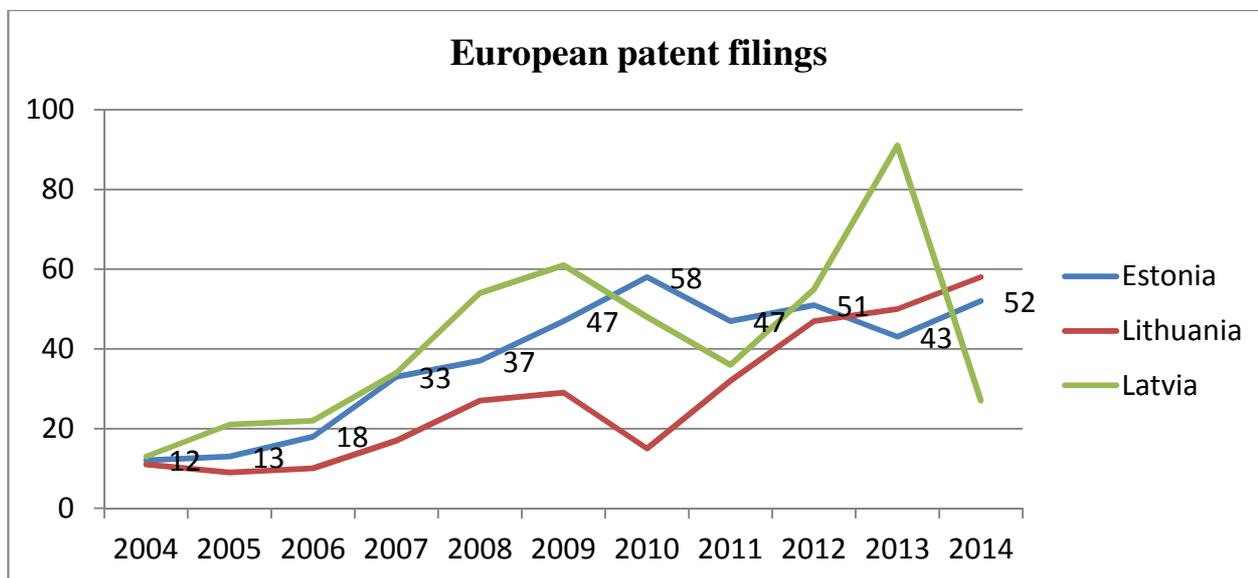
Estonia 2020 sets the target of raising the level of investment in R&D to 3% of GDP (2.19% in 2012, 1.74 in 2013) and ensuring that the increase in labour costs does not significantly exceed the growth rate of productivity (1.7% in 2014). The aim is to support the development of growth-capable sectors selected using the smart specialisation methodology and to support cooperation between enterprises and research institutions.

The Annual Growth Survey 2015 made by the European Commission also stated that the business sector is making progress in terms of increasing its research and development investments, but these investments are concentrated in a limited number of companies with insufficient levels of R&D results and few companies collaborate with research institutions. Estonia's challenge in terms of skills is the supply of technology and science graduates.

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<sup>26</sup> [http://www.injuve.es/sites/default/files/2013/05/publicaciones/INJUVE\\_0.pdf](http://www.injuve.es/sites/default/files/2013/05/publicaciones/INJUVE_0.pdf),  
[http://ec.europa.eu/youth/library/reports/flash375\\_en.pdf](http://ec.europa.eu/youth/library/reports/flash375_en.pdf)

Although Estonia has been rather successful in improving the quality and increasing the volume of research since regaining its independence, it has not been able to attain the EU average for the number of patents compared, for example, to Norway, where the number of patent filings in 2014 was 820, or Finland with 2472.



Source: European Patent Office<sup>27</sup>

Reforms initiated in 2013 in the higher and school education, on the one hand, and adoption of the Estonian Lifelong Learning Strategy for 2014–2020 in the beginning of 2014 on the other hand are the main events influencing the general context of the priority sector in the reporting period. A performance-based approach in the higher education sector encourages, supports, and rewards institutions in their work with mobility and internationalisation.

#### b) The contribution of EEA Grants

Enhanced human capital and knowledge base through transnational cooperation is the objective of the scholarship programme in Estonia. The chosen measures will encourage more active student and staff mobility, and an increased and strengthened cooperation between secondary education institutions. The programme contributes directly to the objectives of the Estonian Lifelong Learning Strategy for 2014–2020, which turns special attention to moving towards a development- and cooperation-based approach to the study, skills, and knowledge of teachers and academic staff, and strengthening the connection between education and a knowledge-based society and innovative economy.

In previous years, student mobility between the higher education institutions of Estonia and Norway has been rather inactive. There are several explanations, but one of the main barriers to use of the Erasmus scholarship for studying in Norway is the rather low level of Erasmus grants and lack of personal co-funding; the cost of living index in Estonia differs from that of the Nordic countries. Hence, the programme will surely contribute to increased higher education student and staff mobility between Estonia and Norway, and has opened up new opportunities to gain valuable experience through cooperation. 125 mobile students receiving ECTS credits have been planned for involvement in the mobility actions according to the programme indicators.

<sup>27</sup> <http://www.epo.org/about-us/annual-reports-statistics/statistics/filings.html>

The number of mobile students during the 2013/2014 study year was unfortunately lower than expected, but awareness among the higher education institutions has increased considerably.

Interest in cooperation at the upper secondary level was high in 2014, and the amounts applied for exceeded the budget by approximately 50%. The topics of cooperation projects cover areas such as sustainability, natural sciences, mathematics, healthy lifestyles, finding new ways to face technological challenges, etc. According to the project applications and interim reports, the projects are expected to provide at least 10 joint products and services as a result of the cooperation and strengthen bilateral relations at the institutional and country level.

#### 2.1.4 Cultural heritage and diversity

The priority sector contains one programme: Conservation and Revitalisation of Cultural and Natural Heritage.

##### a) Contextual Trends

The manors are an important cultural heritage in Estonia. The network of schools in the former mansions of nobility is a peculiarity of Estonia and Latvia, and reflects the educational and social history of Estonia since the 1920s. The manor complexes in themselves serve as a study environment of history of culture, art and architecture, and, of course, of political and economic history.

As of 1 April 2014, there are 65<sup>28</sup> schools and orphanages in old manor houses. Many of them represent the best examples of architectural heritage, and a large number of them are under state protection. Over 50 of the 227 local government units have a manor-school within their territory and approximately every 5<sup>th</sup> primary school in the Estonian countryside is located in an old manor house.

The use of old manor houses as schools can be considered as finding new applications for historic heritage, but their objectives are much broader and have a social tendency: to develop local cultural identity; to encourage local people to participate in and to increase their knowledge about the value of cultural heritage; to promote local economical life through cultural heritage; and to create new partnership relations between different communities and on an international level.

From the 59 manor schools nearly 20 have been restored and renovated, and they function as attractive regional community centres offering various services. This has been achieved with the joint contribution of the national support programme which was launched in 2001, and with the follow-up programme to be continued up to the end of 2016 and EEA and Norway Grants during the implementation period of 2004–2009. Support of the EEA and Norway Grants was given for the restoration of nine manor schools in five Estonian counties with the highest concentration of manor schools in Estonia.

Still, with regard to two-third of the manor houses, there is a strong necessity for restoration and reparation work.

The conditions in the programme area have not changed since the submission of the programme proposal, although according to the published results of the Census 2011<sup>29</sup> the overall trends toward urbanisation and regional inequality have deepened. The existence of manor houses as

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<sup>28</sup> <http://www.kul.ee/index.php?path=0xx635x868>; The number of manor schools may change due to the Educational Reform.

<sup>29</sup> <http://www.stat.ee/rel2011>

schools, with their friendly environment enabling the personal development approach to the child in education, is a very strong argument for young families when choosing where to live and raise children, and thus supporting balanced regional development.

#### b) The contribution of EEA Grants

Key activities of the cultural heritage programme in Estonia include the preservation and revitalisation of manor houses operating as schools. Through the implementation of the restoration activities, the learning environment of Estonian schoolchildren will be enhanced and the manors will meet European standards.

The impact to be expected is on the one hand the pure fact that the manor schools are restored and protected, which is crucial, considering that more than two-thirds of the manor school buildings are listed as architectural monuments. The additional value added will be gained through the study possibilities for students of restoration at the Estonian Academy of Art, Tartu Art College, and Hiiumaa Vocational School, supporting the continuity of professionalism, as large restoration investments into public premises are quite rare.

15 applications were submitted for restoration work. Although 11 of them were not funded, the programme motivated the municipalities to study and calculate the needs for restoration and set the sequence of priorities. As the first and often hardest step is made, the owners of the school premises are motivated and it is easier for them to find alternative solutions to finance restoration work.

Besides restoration work, the programme is oriented towards the multifunctional use of the premises. The programme supports the phenomenon of manor schools by strengthening the common identity of the whole network of schools.

The wider impact of the programme is the added value in regional development, tourism, and business. The image of various regions is often tied to the cultural life in the region, and the local cultural space also influences the motivation of people to either stay in the region or leave, which in turn is directly linked to the objective of the EEA Grants in reducing economic and social disparities.

In addition to this, the historic manors housing schools have an important role in securing the identity of the region and in integrating the regions into the cultural traditions of Europe.

The previous implementation of the national manor schools' programme and the EEA and Norway Grants have demonstrated the capacity of the renovated manor schools to serve successfully as community centres and carry out several functions in the area. This has influenced the socio-economic development in small communities, for example, by giving opportunities for emerging private enterprises that have enabled creation of new jobs and diversification of seasonal activities, which in turn has attracted more tourists and increased the viability of the regions.

In the on-going processes of optimizing the school network,<sup>30</sup> the number of closed manor schools is insignificant in comparison with other rural schools, because of their growing reputation and potential for multifunctional use.

As important bilateral achievements in 2014, two workshops/study tours may be highlighted, as they have strengthened the expertise and confidence in implementing the programme and its projects, and supported the creation a network between municipality, education, and heritage specialists in Estonia and Norway.

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<sup>30</sup> <http://www.riigikogu.ee/rito/index.php?id=11658>

## 2.1.5 Human and social development

The priority area contains one programme – Children and Youth at Risk.

### a) Contextual Trends

Social cohesion indicators in Estonia are considerably lower than in Northern and Western Europe. Social inequality is evident in the low status of some social groups, like disabled people, the elderly, ethnic minorities and their limited involvement in community life. It is important to guarantee that Estonian society is tolerant and that the principles of equal treatment are adhered to.

As of 2013, the Estonian Human Development Index is ranked 33<sup>rd</sup> according to the Human Development Report Office, with no changes compared to 2012.<sup>31</sup>

The level of employment started to recover rapidly in 2011; in 2012 the total employment rate increased by 2.3%, reaching the level of 72.2%<sup>32</sup>, and in 2013 already 73.3% in the 20–64 age group, which is even higher than the objective for 2016. On the other hand, Estonia has high structural unemployment, with particular problems in the north-east, as well as among the lower skilled. Yet, the vacancy rates are growing in parallel, reflecting the skill mismatch.

Achievement of indicators	Achievement				Target for the State Budget Strategy 2015–2018		
	2011	2012	2013	2014	2013	2014	2015
Rate of relative poverty before social transfers, % <sup>33</sup>	40.1	39.6	40.7	N/A	41.2	40.5	40.1
Rate of relative poverty after social transfers, % <sup>34</sup>	17.5	18.6	22.1	N/A	16.9	16.7	16.5
Employment rate in the 20–64 age group, % <sup>35</sup>	70.6	72.2	73.3	N/A	71	71.5	73.4
Youth unemployment rate in the 15–24 age group, %	22.4	20.9	18.7	15	20	17	15
Percentage of unemployed people in the 15–24 age group, %	8.9	8.3	7.3	5.7	7.8	6.8	6.2
Long-term unemployment rate, %		5.5	3.8	3.3	5	4.4	3.6

Young people are a large risk group on the labour market. The youth (15–24) unemployment rate is a problem in practically all EU Member States – whereas in the EU in 2014 the youth unemployment rate was 22% (23.5%<sup>36</sup> in 2013), the unemployment rate in the 25–74 age group was two times lower: 8.9% in 2014 and 9.5% in 2013. In Estonia the youth unemployment rate

<sup>31</sup> <http://hdr.undp.org/en/statistics/hdi>

<sup>32</sup> [http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_10](http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10)

<sup>33</sup> <http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=HHS01&lang=1>

<sup>34</sup> <http://pub.stat.ee/px-web.2001/Dialog/varval.asp?ma=HHS01&lang=1>

<sup>35</sup> [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_10](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10)

<sup>36</sup> <http://www.stat.ee/34305>

was 15% in 2014 and 18.7% in 2013 (the average unemployment rate being 7.4% in 2014 and 8.7% in 2013). As the unemployment rate is calculated as a share of those young people who are economically active, while most members of this age group are still studying, the share of the unemployed among all young people aged 15–24 was 5.7% in 2014 and 7.3% in 2013.

Early school-leavers are more likely to be unemployed and live at risk of poverty during the subsequent periods of their lives. Thus, success on the labour market depends on the quality of young people's studies and the education they acquire. Their more difficult situation on the labour market is also reflected by the fact that young people who were not in education, employment, or training (NEETs) accounted for 15.3% of the 15–29 age group and 12.5% of the 15–24 age group in 2012<sup>37</sup>. Also, young people who have committed offences find it more difficult to participate in the labour market. High youth unemployment is a major social risk factor in the long run. This may lead to the exclusion of this age group from the labour market and society as a whole.

According to Statistics Estonia, in 2013, 22.1% of the Estonian population lived in relative poverty and 8% in absolute poverty. The overall percentage of people living in relative poverty increased 1.2 percentage points compared to the previous year, but the percentage of people living in absolute poverty decreased 0.8 percentage points. In 2013, a person was considered to be at risk of poverty if his/her monthly equalised disposable income was below 358 euros (329 euros in 2012 and 299 euros in 2011) and in absolute poverty if his/her monthly equalised disposable income was below 205 euros (196 euros in 2012, 186 euros in 2011). In 2013, 20.2% (2012, 18%) of children aged under 18 lived in relative poverty and 10.1% (9.5% in 2012) in absolute poverty.

It is also important to improve the educational and social inclusion of pupils with special educational needs or disabilities. Estonia has 237 624 children aged 1.5–18, 4.5% of whom are estimated to have a disability or other special need that requires them to receive special education or educational guidance with respect to the implementation of measures internal or external to their school or regarding the organisation of studies. Early detection of pupils' special needs, implementation of prompt intervention strategies, and improvement of inclusive educational policy are the prerequisites for smooth progress from one level of education to the next, and for independent ability to cope in the future.

There have been important developments in policy areas closely related to the programme:

- The Government has approved a new youth field development plan for the 2014–2020 period and an implementation plan for the 2014–2017 period. The general goal of the development plan: young people have wide opportunities for development and self-realisation, which supports the formation of a cohesive and creative society.
- The Ministry of Education and Research has started the preparation process for implementing European Structural Funds programmes for 2014–2020, which sets targets to support youths' ability to work and reduces the risk of social exclusion and delinquent behaviour.
- The Ministry of Social Affairs has developed and the Parliament enacted a new Child Protection Act, which will have, among other things, an important influence on the services of local governments.
- The Government has approved a memorandum that makes the approach and intervention regarding young offenders starting from 2016 part of the children protection system. The

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<sup>37</sup> Statistics Estonia: Labour Force Survey

Ministry of Social Affairs will be responsible for creating the new system in cooperation with other relevant ministries.

- The Ministry of Education and Research has developed and the government has approved a new strategic framework for the development of the educational system and life-long learning schemes, with a special focus on the prevention of early school-leaving and support for a learner-centred approach.
- The Ministry of Justice and the Ministry of Internal Affairs are working out new state strategies for preventing violence and securing public order. Both of the strategies address the issues of at-risk children and networking in local governments.

#### b) The contribution of EEA Grants

The Children and Youth at Risk programme is focused mostly on the efforts to help vulnerable (neglected, abused, truant children, pupils with learning and behavioural difficulties, children in broken and poor homes and with weak social ties, children in closed institutions) children and minors who breach norms and laws in society. The specific field has previously been underfunded and fragmented.

Norway has long experience in dealing with children at risk and improving their well-being. As timely and relevant intervention is of crucial relevance, the transfer of knowledge is very valuable for Estonia. With the partners' support, advice and best practice examples of a developed sustainable system is the most essential value added.

During the reporting period under the predefined project, the concept paper to support children and youth at risk has been prepared. Public procurements to assess the efficiency and readiness of local governments to support children and youth at risk and to analyse parenting programmes and evidence-based intervention programmes for youth with serious behavioural problems have been conducted and research activities were carried out. Based on the studies, two evidence-based programmes were chosen: the positive parenting programme Incredible Years, and, for youth with serious behavioural problems and their families, Multidimensional Family Therapy. The preparation to implement the programmes has begun.

The projects selected under open calls help to achieve the set objectives, namely: community-based crime prevention measures are enforced in a larger number of municipalities; more inclusive integration strategies lead to reduced drop-out rates for forms 7–9 in schools; excluded young people are socially included and re-offending behaviour is prevented; and incarcerated youth receive aftercare.

The programme contributes directly to reducing the rate of juvenile crime. In addition to that, the established early intervention schemes and individualised educational, psychological, and social assistance for pupils at risk of drop-out both in general education and vocational education and training contribute to the European as well as the Estonian 2020 objective to reduce the high share of early school-leavers. In addition to that, there is synergy with the specific objective of the Structural Funds, which foresees inclusion and improvement of the employability of young people, including those at risk of exclusion.

## 2.2 Bilateral relations

### **Extent of cooperation, improved knowledge, and mutual understanding**

As in previous years of implementation, during 2014 the POs also played an active role in fostering bilateral relations. There have been organised matchmaking events and study tours, and there has been seed money enabled to potential applicants for partnership searches or development visits, etc. Most of the open calls were preceded by an active search for possible partners. All the POs highlighted in the annual reports the very important role of the donor programme partners, who have been excellent advisers in all matters concerning the implementation of the programmes and a particularly great help in finding partners through their professional networks distributing information to potential partners. The Norwegian Embassy in Tallinn continues to be a good partner to the POs in information and publicity activities (e.g. opening programmes' events, publishing news about the supported projects and programmes).

The Grants' overall objective is the reduction of social and economic disparities in the beneficiary states, thus it is logical that the areas chosen for financing are in the situation where beneficiary countries are lacking in expertise or means in the field and therefore the study tours and seminars are mainly targeted for learning from more developed donor countries' experiences. Hence, it is good to recognise that a few study tours are coming from the donor countries also to Estonia. For example, within the EEA Grants' culture heritage programme, a study tour focusing on historical gardens and stonework, mainly plastering, was organised from Norway to Estonia in August 2014. Also, within the Norway Grants' Green Industry Innovation programme, a contact seminar with site visits was organised to Estonia in February 2014. In the event, a Norwegian ICT delegation with 44 participants headed by IKT Norge took part. The seminar focused on the Estonian e-government (X-road, e-ID, mobile-ID, etc.), innovative e-health, and energy management solutions.

The matchmaking events and study tours have resulted in a lot of good feedback from participants, reporting that the events have been systematic and exactly according to the target, the most useful information has been shared, and useful new contacts have been offered, speeding up the process to reaching the objectives.

As a result of the selection processes in the programmes, many projects with partners from Iceland and Norway were awarded grants. By the end of the reporting period, one-third of all the granted projects across all the programmes reported having a donor partner.

### **Shared results and wider effects**

Still, in the situation where most of the projects are in the implementation phase and have not presented actual results yet, it is too early to analyse shared results and wider effects of the Grants. Nevertheless, it is expected that the cooperation leads in many cases to wider effects, such as future cooperation in other projects, connections with professional networks, and increased access to participation in the initiatives at the European/international level.

As an example of the wider cooperation between the PO and DPP, a seminar entitled "Scientific Research and Ethics" organised by the Estonian Research Council in October in Tallinn can be brought up. The seminar was organised for the wider audience of researchers and research administrators to introduce and discuss issues concerning ethics in research and in innovation, including introducing requirements concerning ethical issues for the proposals within Horizon 2020, and introducing guidelines for research ethics for social science and humanities established in Norway.

Based on the existing experience of success in cooperation fostering events, which have already expanded the extent of cooperation, improved knowledge, and mutual understanding between Estonian and donor states' institutions and the perspective of indicated shared results based on the open call results, the outlook for meeting the overall objective of the Grants to strengthen bilateral relations between the donor states and Estonia is very likely to be met.

### 3 REPORTING ON PROGRAMMES

#### 3.1 Overview of Programme status

	Programme	Open calls launched/closed	Commitments made by PO <sup>38</sup>	Disbursements made by PO <sup>39</sup>
EE02	Integrated Marine and Inland Water Management	All planned open calls launched and grant decisions made, 3 project contracts to be signed in 2015	6 068 465 88%	1 931 645 28%
EE04	Children and Youth at Risk	All planned open calls launched, last grant decisions to be made in 2015	6 217 958 95.6%	1 525 783 23.5%
EE05	Conservation and Revitalisation of Cultural and Natural Heritage	All planned open calls launched and project contracts signed	4 430 432 98.2%	1 504 486 33.4%
EE10	EEA Scholarship Programme	All planned open calls launched, last grant decisions to be made in 2015	1 088 306 <sup>40</sup> 68%	652 164 40.8%

#### 3.2 Individual Programme summaries

##### 3.2.1 Integrated Marine and Inland Water Management

The programme has three expected outcomes and under each up to three outputs:

1<sup>st</sup> expected outcome – “Established environmental targets and management plans for marine and inland waters” and its outputs:

- The programme of measures for the Estonian marine area, including a feasibility study on using LNG as an alternative ship fuel to reduce the pollution developed
- An integrated governance system for maintaining marine, coastal, and inland water ecosystem services developed and the capacity raised, including the favourable conservation status identified (through conducted inventories and enhanced databases) and relevant methods to establish baseline scenarios, and a monitoring and reporting system for the number of marine, coastal, and inland water habitat types and species according to the Habitats and Bird Directive and Marine Strategy Framework Directive developed.

2<sup>nd</sup> expected outcome – “Improved environmental information on impact, status, and trends” and its outputs:

<sup>38</sup> Project contracts according to the Structural Funds Operating System

<sup>39</sup> According to the Structural Funds Operating System

<sup>40</sup> Together with the Norwegian-Estonian Scholarship Programme

- Data-modelling system and the decision support tool for the integrated marine and inland water management developed
- An infrastructure for spatial information according to the requirements of the INSPIRE Directive established
- The methodology developed and assessments for the key ecosystem services of marine and inland waters conducted. The conservation management of habitats for the threatened fish population of the Baltic Sea, and implementation of action plans for threatened river species (e.g. freshwater pearl mussel) carried out.

3<sup>rd</sup> expected outcome – “Developed strategies and measures for adapting to a changing climate” and its outputs:

- Proposal for Estonian climate change adaptation strategy compiled
- Research to analyse and identify impacts of climate change and assessment of national measures for adaptation carried out

To achieve the expected outcomes, the programme comprised of four predefined projects and three open calls was approved in the programme agreement.

The first predefined project contract was signed in 2013 and in the first half of 2014 all the other contracts for the predefined projects were signed. By the end of reporting period, all the predefined projects were in implementation and the first project outputs were achieved. For example, the first batch of updated land cover data has been completed and currently existing measures in support of the EU Marine Strategy Framework Directive have been mapped out.

By the end of the reporting period all planned calls for proposals were also carried out, i.e. financing decisions have been made within all the open calls and the project contracts for the projects selected within 1<sup>st</sup> and 2<sup>nd</sup> call have been signed. At the end of 2014 the decisions were made to finance three projects within the 3<sup>rd</sup> call. The contracts are expected to be signed at the beginning of 2015.

Based on preliminary assessment of the granted projects’ expected outcomes, it can be assumed that all the target values of the programme’s expected outcome and output indicators will be fulfilled by completion of the supported projects. The biggest risk factor in achieving results is insufficient implementation period. The primary mitigation measure – redesigning project schedules taking into account the delayed start of implementation – has been employed. Throughout monitoring the implementation of projects risks are assessed continuously.

Bilateral relations have been strengthened mainly through events focusing on the development of project partnerships – study tours and partner search days. As a result of the extensive contribution to facilitation of partnership development, there are 11 donor partner projects out of all 13 projects financed within the programme. Thus, it can be said that extent of cooperation is wide; however, the shared results and wider effects can be measured when the project activities are closer to completion.

The horizontal concerns are not directly addressed within the programme.

No need for major adjustments within the programme has occurred.

### 3.2.2 Children and Youth at Risk

The programme has two expected outcomes, with five outputs under the first outcome and two outputs under the second:

1<sup>st</sup> expected outcome – “Effective and efficient measures addressing vulnerable groups of children and youth facing particular risks implemented” and its outputs:

- A regional-level coordination mechanism created to provide support and services for children and families
- Regional support units for children and families established
- Community-based crime prevention measures enforced in a larger number of municipalities
- More inclusive integration strategies leading to reduced drop-out rates of forms 7–9 in schools
- Increased capability of youth organisations and youth work organisations to involve children and youth at risk

2<sup>nd</sup> expected outcome – “Policies and standards of intervention in the field of juvenile justice developed and implemented with a view to ensuring protection and securing full rights during detention and a wide range of opportunities for young offenders to reintegrate society created” and its outputs:

- Social inclusion of excluded young people and prevention of re-offending behaviour
- Aftercare for incarcerated youth provided

To achieve the expected outcomes, the programme comprised of one predefined project, four open calls, and two small grant schemes was approved in the programme agreement. By the end of the reporting period all the calls foreseen were carried out. One grant decision within an additional call for proposals is to be made at the beginning of 2015.

The biggest modification within the programme has been that the creation of regional support units for children and families was moved from the open call format into the existing predefined project, the main objective of which is to develop a relevant judicial and organisational framework and support system for implementing measures for children and families. To gain the best possible results and improve the cooperation between different levels of stakeholders, it was necessary to build and implement the functions of the regional support units into state structures. This approach assures also the sustainability of the created units.

Most of the grant decisions under calls for proposals and small grant schemes were made during 2014 and the whole year of implementation is still ahead. Based on preliminary assessment of the granted projects' expected outcomes and the results already achieved under the predefined project, it can be assumed that all the target values of the programme's expected outcome and output indicators will be fulfilled by completion of the supported projects.

The developments in fields of the social sector, education, youth, and the juvenile justice policy support achievement of the programme's expected outcomes and assure sustainability.

Beside the implementation of partnership projects which constitute around one-quarter of all the financed projects, several international experience-sharing seminars have been organised by the PO. The events have been attended by highly internationally acknowledged specialists from different international organisations and countries inter alia donor countries Iceland and Norway.

A call for proposals within the bilateral relations fund with the aim of supporting additional bilateral activities within the projects financed from the programme was launched in September. The results of the call will be available in 2015.

The programme is directly addressed at horizontal concerns related to fundamental values such as promoting tolerance, multicultural understanding, and respect for the rights of minorities which are supported through the implementation of the projects. The support under the programme ensures strengthening the capacity of municipalities, with special attention to municipalities with a high percentage of national minorities.

### 3.2.3 Conservation and Revitalisation of Cultural and Natural Heritage

The programme has two expected outcomes and two outputs under each:

1<sup>st</sup> expected outcome – “Cultural heritage restored, renovated, and protected” and its outputs:

- Restored manor schools
- Counties with restored manor schools

2<sup>nd</sup> expected outcome – “Local communities further developed and economically sustainable livelihoods established through the revitalisation of cultural and natural heritage” and its outputs:

- Networking and awareness raising accomplished through the predefined project
- Additional activities in manor complexes and international cooperation established

To achieve the expected outcomes, the programme comprised of one predefined project, one call for proposals targeted at restoration projects, and one small grant scheme targeted at development projects was approved in the programme agreement. By the end of the reporting period, all calls were carried out (including the additional SGS call) and projects had started their activities.

Based on the assessment of the granted projects, it is evident that the target of output regarding the number of restored manor schools will not be achieved. However, the target value of supported counties will be fulfilled by completion of the supported projects. The restoration works in all supported manor schools are on-going and are on schedule.

Based on the assessment of the activities carried out by the predefined project promoter during 2014 and the supported small grant scheme project proposals, it can be expected that the targets set under the expected outcome regarding local communities further developed will be achieved. The main focus of the predefined project in 2014 was on the training entitled “The development of manor complexes as visitation centres”. The thorough preparation work – including a poll among potential beneficiaries regarding their expectations, analyses of other similar trainings, and raising awareness among the schools and communities – resulted in very high interest for the training. In total, 32 schools (54% of all manor schools) and 120 people participated, exceeding significantly the estimated target. The proposed target of the output indicator – networking and raising awareness accomplished through the predefined project – was 50 participants in trainings.

The bilateral indicator target was set at 6 donor partner projects to promote bilateral cooperation as a potential tool to exchange experience and international competence. Despite the active search for partners and the evaluation criteria that gave credit to applications with partners, the indicator value was met by 50%. In several cases concerned colleagues from donor states were interested in offering services rather than partnership. Still, only 3 applications with donor partners were funded, but according to the PO the first year of implementation has proven that

these projects create new quality. In addition to project partnerships, two cross-area workshop/study tours for exchange of knowledge were organised with the cooperation of the PO and the DPP.

The programme addresses any of the horizontal concerns.

No need for major adjustments within the programme has occurred.

### 3.2.4 EEA and Norwegian-Estonian Scholarship Programme

The programme has two expected outcomes and up to three outputs under these:

1<sup>st</sup> expected outcome – “Increased and strengthened institutional cooperation at all levels of the education sector (school education, higher education, vocational training/education, and adult education) between Estonia and EEA EFTA States” and its outputs:

- Inter-institutional cooperation projects in the upper secondary education sector between Estonia and EEA EFTA States
- Increased mobility for staff related to the inter-institutional cooperation projects at the upper secondary education level
- Preparing and working on innovative measures in the teaching process (as a result of the cooperation projects)

2<sup>nd</sup> expected outcome – “Increased higher education student and staff mobility between Estonia and Norway” and its outputs:

- Increased HE student mobility between Estonia and Norway through different types of mobility
- Increasing staff mobility between Estonia and Norway through different types of mobility

The modest interest in the programme among higher education institutions contributing to the expected outcome – increased higher education student and staff mobility between Estonia and Norway – continued in 2014: only four projects for mobility on the higher education level were selected for funding. Unlike the 2013 call, the interest in cooperation at the upper secondary level was considerably higher in 2014. The amounts applied for exceeded the budget by approximately 50%, creating a decent competition. Seven donor partner projects were selected for funding. The topics of the cooperation projects cover areas such as sustainability, natural sciences, mathematics, and healthy lifestyles, but also social sciences and finding new ways to face technological challenges and make the learning process more appealing for students. All the financed projects are expected to contribute to the expected outcomes and general objective of the programme, including widening and strengthening bilateral cooperation, as all the projects are implemented in cooperation with a donor partner.

In spite of the modest interest in the programme, several indicator target levels have already been achieved, and the others are in progress. The biggest concern regarding the output indicators relies in the small number of mobile students participating in the programme.

The main challenge of the programme concerns increasing the level of interest in the programme among the higher education institutions, as the level of interest has been lower than expected and may result in not reaching the target levels of the relevant indicators.

Although by the time of compiling the report it is known that the interest in the mobility call for 2015 was much higher than in previous years, the grant decisions have not been made yet, and it is too early to estimate the results of mobility projects.

No substantial changes in the programme implementation plan or between the budget lines have been made. The need for changes will be reviewed after the results of the last call are available, presumably in the second quarter of 2015.

None of the topics of the financed projects deal especially or directly with the horizontal concerns, but they may have broader connections with these issues. For instance, one of the cooperation projects implemented by Viimsi Secondary School and the Comprehensive Secondary School of Armuli (Iceland) develops sustainable school policy, which focuses among other issues on pupils and teachers' understanding of democracy and human rights, welfare, health, and cultural diversity.

## 4 MANAGEMENT AND IMPLEMENTATION

### 4.1 Management and control systems

With the aim of avoiding the overlap of functions between the Certifying Authority and the National Focal Point and to manage the funds at an improved level, the National Focal Point has taken over the functions of the Certifying Authority, as well as the functions of the national public entity responsible for the preparation and submission of irregularity reports. The changes in the administration system and the contingent modifications of Annexes A of the Memoranda of Understanding were agreed between the National Focal Point and the donors at the extraordinary annual meeting on 13 February 2014 in Tallinn.

The reorganisation of the functions within the Ministry of Finance came into force on 1 April 2014. The management and control systems of the National Focal Point, the Certifying Authority, the Audit Authority, and the entity responsible for the preparation and submission of irregularities reports were reviewed by the National Focal Point and the Audit Authority carried out an additional compliance assessment of the renewed description of the management and control systems during April 2014. The description of the management and control systems with accompanying summary of audit procedures were submitted to the Financial Mechanism Office on 30 April 2014.

At the programme level, setup of management and control systems started for all programmes in 2013. During the first quarter of 2014, the Audit Authority carried out compliance assessments of the descriptions of management and control systems for all the programmes and the descriptions with auditor's opinions were submitted to the Financial Mechanism Office on 3 February 2014 (EE02, EE06, EE07, EE10), on 6 March 2014 (EE08, EE09, EE11), on 27 March 2014 (EE05), and on 30 April 2014 (EE04). As a result of the compliance assessments, the Audit Authority is of the opinion that the descriptions of management and control systems of all the programme operators for implementation of the EEA and Norway Grants are in all material aspects proportional, effective, and in compliance with generally accepted accounting principles in relation to achieving the objectives of the programmes. The Audit Authority is also of the opinion that the managerial setup is in line with the requirements of the Regulation.

As a result of reorganisation of the management and control system of the Structural Funds managed by the Ministry of Social Affairs, verification of payment claims of the Norway Grants programmes EE08, EE09, and EE11 was moved to the Ministry of Finance (separately from the NFP) as of 1 July 2014.

### 4.2 Compliance with EU legislation, national legislation, and the MoU

#### **Legal basis**

The Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2009–2014 between Estonia on one side, and Iceland, Liechtenstein, and Norway on the other, entered into force on 11 June 2011, and the legal framework of the financial mechanism based on the memorandum serves as the main legal basis for implementing the EEA Grants and is followed by the Estonian state.

Due to the organisational changes in the Ministry of Finance's structure, Annex A to the Memorandum of Understanding was updated on 30 April 2014. Annex B to the Memorandum of Understanding was updated on 19 September 2014.

The Government of the Republic of Estonia Decree No. 78 "The rules and procedures for application for and implementation of the grants from the EEA and Norwegian Financial Mechanisms 2009–2014" for establishment of the rules and procedures for application for and implementation of the grant from the EEA and Norwegian Financial Mechanisms 2009–2014 replacing the implementation agreements between the National Focal Point and the Programme Operators remained unchanged in 2014.

The Government of the Republic of Estonia Decree No. 278 "Reclamation and repayment of grants, and rules and procedures for reporting on irregularities in awarding and using the grants" of 22 December 2006, which stipulates the requirements for informing about irregularities or fraud and conditions for repayment of the financial support, was updated according to the needs for implementing the Grants. The updated Decree entered into force on 29 August 2014.

When reviewing the programme documents (open call criteria, draft agreements, etc.), special attention has been paid by the National Focal Point in assuring compliance with the legislative framework inter alia the compliance with Community Policy (state aid, public procurement, programme area specific directives).

### **State aid**

In order to make full use of available expertise, the National Focal Point and the Programme Operators have had several consultations on state aid with the Public Procurement and State Aid Department of the Ministry of Finance. In some calls the possibility of granting either state aid or de minimis aid was identified.

In all actual cases, relevant measures were taken, i.e. the project budgets were reviewed and related conditions were included in the project contracts.

Regarding all possible and actual cases of either de minimis aid or state aid, the Public Procurement and State Aid Department of the Ministry of Finance has been and will be consulted. Information on de minimis aid previously granted to Estonian applicants has been and will be checked from the relevant register under the Ministry of Finance and will be taken into account when awarding the grant.

### **Public Procurement**

In order to improve the competence of public procurement procedures of the project promoters and avoid subsequent problems, several Programme Operators or Implementing Agencies have organised area-specific public procurement trainings for the project promoters during 2014.

In addition to this, the expertise of the Managing Authority of the Structural Funds for ex-ante check and advice from the Public Procurement and State Aid Department of the Ministry of Finance are available.

### 4.3 Irregularities

There were 9 cases of irregularities in Estonia for the EEA and Norway Grants during 2014:

- 2 cases in programme EE10 EEA/Norwegian scholarship programme;
- 4 cases in programme EE07 Green Industry Innovation (Norway Grants);
- 3 cases in programme EE04 Children and Youth at Risk (EEA Grants).

In total, there were 3 programme-level irregularities and 6 project-level irregularities. No irregularities at the beneficiary state level have been detected. The total amount of recovered funds in 2014 was 92 315 euros, and the total grant amount reduced was 119 396 euros. Detailed financial information about the irregularities is shown in Annexes 4 and 5.

FMO has closed 3 cases of irregularities where the financial corrections have been made and the grant has been reallocated:

- IR-0040 – without any financial effect;
- IR-0075 – the value of the irregularity was 8.33 euros (grant part: 7.08 euros).
- IR-0090 – the value of the irregularity was 114 240 euros (grant part: 102 816 euros).

All the cases were discovered by the Programme Operators, who sent the information about the irregularities to the NFP via Estonia's internal information system, SFOS. All cases of the irregularities were then checked by the NFP. After that, the NFP composed reports about the irregularities and sent them to the FMO via DoRIS. In 2015 the NFP will continue with the same approach for internal and external reporting of the irregularities.

### 4.4 Audit, monitoring, review, and evaluation

In the 4<sup>th</sup> quarter of 2014, the NFP initiated control procedures to review management costs in the Children and Youth at Risk programme. The main emphasis was placed on the use of a flat rate in overheads at the programme level. By the cut-off date of this report, the control had not yet been finished.

In 2015 the NFP is planning to carry out monitoring activities based on risk assessments and fraud indicators (red-flags) in the projects. Risk assessments will be based on project data and their payment details that Programme Operators have inserted into Estonia's internal information system, SFOS. Programme Operators will be informed of all of the risks identified by the end of second quarter of 2015, and will then conduct the required monitoring activities. The NFP will provide assistance to the Programme Operators to ensure that their reviews over the high-risk projects will be effective and that the risks are mitigated with their monitoring activities. The NFP will conduct additional controls over the Programme Operators or beneficiaries if necessary.

The initial risk assessments have already been carried out by the NFP, and, as a result, it has been identified that the higher risks occur in the following programmes:

1. EE04 – risks in the calculations and use of flat rate in the overheads for the projects;
2. EE07 – risks of compliance with the Estonian public procurement law in the projects.

Other programmes had lower risks in similar areas. The identified risks do not mean that the beneficiaries have broken any of the grant rules, but that there are doubts about purposeful use of the grant that should be further investigated.

In addition, the NFP will analyze and determine if there is any need for further controls in the management costs of the programmes, especially regarding use of a flat rate in the overheads, in the beginning of the third quarter of 2015.

The risk assessments will not be final and will be constantly updated by the NFP as new information is received.

The Audit Authority did not carry out any audits in 2014. In the second quarter of 2015 the Audit Authority will audit programme EE05 and in the fourth quarter programmes EE08, EE10, and EE11.

#### 4.5 Information and publicity

In general, the communication strategy for the EEA and Norway Grants 2009–2014 in Estonia has been in implementation as planned and does not need revision.

During 2014 most of the publicity was done by the Programme Operators in connection with launching the calls, organising seminars and conferences, etc. The general Grants website has been updated continuously by the NFP and news on opening calls or invitations to different seminars under the programmes have been distributed via the Facebook page for the Grants as well.

With regard to communication of the programmes performed by the Programme Operators, it can be said that the information and publicity measures that have been taken are effective. The interest in events organised under the programmes as well as active participation in the calls are the best proof of that. As of a year ago special commendation can be given to the programmes of the social field (the Children and Youth at Risk programme, the Public Health Initiatives programme, and the gender programmes) for co-operating in organising events.

The two events worth special highlighting included firstly a seminar organised together by the Public Health Initiatives, Children and Youth at Risk, and Gender-Based Violence programmes for all the project promoters in May. The aim was to introduce activities planned within different projects in order that all the project promoters were aware of each others' plans, and that they could find additional partners and avoid unnecessary overlaps in projects' activities across different projects. In addition, the seminar gave its participants a bigger and clearer picture about general processes happening in the field in which they all are active.

Secondly, the POs of the Children and Youth at Risk and Public Health Initiatives programmes organised an international conference in December, where experts from Norway, Iceland, Luxemburg, and England gave presentations about children's mental health and well-being issues. The aim of the conference was to increase awareness about children's risk behaviours and emphasize the importance of preventing risk behaviours among children and youth. As there was a lot of interest in the conference topic, it was possible to watch the conference online. The day before the conference, the Embassy of Norway opened a light sculpture entitled "Children of Lumarca", which was dedicated to the efforts supporting the Estonian children and youth under the EEA and Norway Grants.

The communication work of the Programme Operators and the National Focal Point can be assessed through the results of the public opinion survey ordered by the Ministry of Finance that for the first time included the EEA and Norway Grants, in addition to the EU Structural Funds in 2013. It then appeared that 27% of the Estonian population aged 18 to 74 knew that Estonia was receiving support from the EEA and Norway Grants. As a result of the survey carried out by

Faktum & Ariko in August 2014, it appeared that the awareness of EEA and Norway Grants within the same age group had risen to 35%, which makes the annual growth eight percentage points. Within those aware of the EEA and Norway Grants the level of education showed the biggest difference: the higher the education of respondents, the higher the awareness of the Grants. Also the visibility of the Grants' logos rose during the year between the two surveys from 12% to 21%.

The results of the survey were shared on the Grants website as well as on the Facebook page of the Grants in Estonia. The trends for visibility of the Grants is planned to be monitored annually throughout the entire implementation period.

#### 4.6 Work plan

As all the planned open calls under the EEA Grants programmes were launched by the end of 2014 and most of the actions for disseminating the results of the programmes are planned for 2016, not many large events are planned for 2015 at the programme level.

The table showing the main relevant dates for partner events and information events of the programmes is as follows:

	Programme	Partner/information event
EE02	Integrated Marine and Inland Water Management	25–29 May – study trip to Norway for the project promoters dealing with adaptation to climate changes
EE04	Children and Youth at Risk	18 March – cooperation committee meeting
EE05	Conservation and Revitalisation of Cultural and Natural Heritage	12 June – cooperation committee meeting in Oslo (combined with visiting Europa Nostra events)
EE10	EEA Scholarship Programme	7 May – cooperation committee meeting

The Monitoring Committee convenes before the annual meeting in order to review the progress of implementation, to give an opinion on the strategic report, and to give input on the 2015/2016 work plan of the bilateral fund at the national level.

The Cooperation Committees of the programmes are planned to be convened throughout the year in order to discuss work plans of the bilateral funds at the programme level, etc. The dates of the meetings are agreed on a rolling basis.

## 5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

There are no outstanding issues to be added to those that have already been mentioned under the previous chapters.

## 6 ATTACHMENTS TO THE STRATEGIC REPORT

1. For each Programme, a table showing the breakdown in respect of applications received and projects selected / contracted, as well as the types of intervention supported.
2. For each Programme, a table providing information in respect of donor partnership projects (names of Donor State entities, number and proportion of partnership projects).
3. A summary table on Donor partnership projects on the Beneficiary State level.
4. A list of irregularities detected at the Beneficiary State level and at Programme level during the reporting period and financial corrections made.
5. For each Programme, a list of irregularities detected at project level during the reporting period and financial corrections made.
6. A plan setting out the monitoring and audit activities in the Beneficiary State for the coming reporting period.
7. A risk assessment at the national and programme levels.