



Ministry of Finance of the Republic of Estonia



**Annual report**

**European Economic Area Financial Mechanism**

**Estonia**

**October 2007 – October 2008**

National Focal Point  
Tallinn  
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## CONTENTS

<b>INTRODUCTION.....</b>	<b>3</b>
<b>1. FINANCIAL PROGRESS.....</b>	<b>3</b>
<b>2. COMMITMENT AND IMPLEMENTATION OF INDIVIDUAL PROJECTS.....</b>	<b>3</b>
2.1 Progress made for achieving the set objectives .....	4
2.2 Technical Assistance for implementation of the Financial Mechanisms .....	5
2.3 Managerial set-up in Intermediate Bodies .....	5
2.4 Project Promoters .....	7
2.5 Target Groups .....	7
<b>3. BLOCK GRANTS .....</b>	<b>9</b>
3.1 Strengthening of Local and Regional Development block grant.....	9
3.2 Fund for Non-Governmental Organisations .....	10
3.3 Transfer of Knowledge Fund .....	11
<b>4. PUBLIC AWARENESS.....</b>	<b>11</b>
4.1 Public awareness activities of the Project Promoters and Intermediate Bodies.....	11
4.2 Public awareness activities of the National Focal Point.....	12
<b>5. LEGAL ISSUES.....</b>	<b>14</b>
5.1 Legal base .....	14
5.2 State aid .....	14
5.3 Procurements.....	14
<b>6. AUDIT .....</b>	<b>14</b>
6.1 Audits carried out during the reporting year .....	14
6.2 Audit plan for the next reporting period.....	15
<b>7. EVALUATION OF THE IMPLEMENTATION SYSTEM.....</b>	<b>15</b>
<b>8. CROSS CUTTING ISSUES .....</b>	<b>15</b>
<b>9. PLANNING FOR THE NEXT REPORTING PERIOD .....</b>	<b>17</b>
<b>10. ANY ADDITIONAL INFORMATION .....</b>	<b>18</b>
<b>ANNEXES.....</b>	<b>19</b>
<b>ANNEX I. COMMITMENTS AND DISBURSEMENTS MADE FROM OCTOBER 2007 UNTIL OCTOBER 2008.....</b>	<b>20</b>
<b>ANNEX II. LIST OF INDIVIDUAL PROJECTS, DATA AND ACTIVITIES.....</b>	<b>25</b>
<b>ANNEX III. LIST OF SUB-PROJECTS OF BLOCK GRANTS .....</b>	<b>30</b>
<b>ANNEX IV. ARTICLES AND PROJECT WEBSITES .....</b>	<b>41</b>
<b>ANNEX V. AUDIT PLAN FOR 2009 .....</b>	<b>43</b>
<b>ANNEX VI. SUMMARY AND RECOMMENDATIONS OF THE EVALUATION CARRIED OUT BY ERNST&amp;YOUNG AND CYCLEPLAN .....</b>	<b>44</b>

## **Introduction**

The main challenges for the year 2008 were to start with the implementation of individual projects and of sub-projects under the block grants. The set objectives were fulfilled in general and only small postpones in deadlines had to be overcome.

The evaluation of the implementation system gave proof of good functioning of the system. The latter was regrettably confirmed by an irregularity discovered at an early stage.

The cut-off date of the annual report is October 31<sup>st</sup>, 2008.

This annual report was approved by the Monitoring Committee on December 8<sup>th</sup>, 2008.

## **1. Financial progress**

By the cut-off date of this reporting period, 10 European Economic Area (EEA) Financial Mechanism (FM) individual projects (including three which receive grant also from the Norwegian FM) were committed and from these individual projects in case of six the first Project Interim Report (PIR) has been submitted to Financial Mechanism Office (FMO). In addition to the individual projects commitments from both FMs have been made to three block grants and to Technical Assistance (TA). As of October 31<sup>st</sup>, 2008 the total commitment of the Donors is EUR 9,5 millions amounting to over 100% of the total funds made available to Estonia from the EEA FM. Adjustments to this will be made during the next period by replacing the commitment of the EEA FM with the Norwegian FM so that the commitment would be within 100%. Disbursements amount to EUR 0,9 millions, from which 97% is disbursed during this reporting period. See details about commitments and disbursements in the priority area and Project Promoter (PP) level in the table in Annex I.

A system of bridge financing has been introduced whereby the incurred costs of the PPs are being reimbursed from the national budget before being reimbursed by the Donors. This system has been implemented to finance the PPs without available funds to be able to continue implementing the project effectively until the reimbursement from the Donors. The system has justified itself. Three projects financed from the EEA FM have chosen this financing scheme and EUR 0,2 millions has been paid out from bridge financing during this reporting period.

## **2. Commitment and implementation of individual projects**

Six individual projects out of the seven that have been approved by the Donors of the EEA FM and all three projects financed from both FMs have started with implementation by the cut-off date of this report (see the list of projects with primary data and an overview of activities in the current reporting period Annex II).

One project from the original list of projects recommended for financing by Estonia was rejected by the Donors without the possibility to resubmitting. Three projects were rejected by the Donors with the possibility of submitting a revised project application

within three months. Two of the applicants took the opportunity and resubmitted their projects. One of them was then approved from the Norwegian FM and the other was rejected without further possibility of resubmission. Four projects are still being appraised by the Donors and one is planned to be submitted by the end of January 2009. The National Focal Point (NFP) foresees that the total number of individual projects in Estonia should be 33 (seven of them from the EEA FM only).

There has also been one request for decommitment (project EE0019).

## **2.1 Progress made for achieving the set objectives**

The projects have helped and will help to achieve the general objective of the FMs i.e. to contribute to the reduction of social and economic disparities in Europe. In addition to that the projects help to achieve several Estonian specific objectives.

The priority areas “Protection of the environment” and “Promotion of sustainable development” include three EEA FM projects and one project financed by both FMs, each of them fulfilling different objectives of the respective priority and focus area. Projects EE0040 and EE0012 fulfil the objective of reduction of greenhouse gases in Estonia. Besides that both projects are subject to fulfilling the Estonian Environmental Strategy 2030. One of the project helps to fulfil the measure “Introduction of renewable and other alternative energy sources” and the other project supports the achievement of the objective of the outdoor environment “Outdoor environment that spares and supports health”. Projects EE0019 fulfils the objective of development and implementation of waste assembling and recycling systems. The project is also subject to fulfilling the Estonian Environmental Strategy 2030 as the project supports the achievement of the objective of reduction of waste generation “By 2030 waste sent to landfills will have decreased by 30% and the harmfulness of waste generated will have been reduced significantly”. Project EE0018 fulfils the objectives of enhancement of biodiversity preservation in NATURA areas. In addition to that the project helps to fulfil the measure “Preservation, supplementation and development of the existing network of protected areas” of the Estonian Environmental Strategy 2030.

Both two EEA FM projects that are under implementation in the priority area “Conservation of European cultural heritage” are connected with manor schools. Targeting the EEA FM to the manor schools will provide the maximum and most noticeable impact in the cultural heritage sector in Estonia. This type of monuments embraces the whole country and has a strong nature of regional politics: over 50 of 227 local government units have a manor school in its territory and every fifth primary school in the countryside is located in an old manor house. It is important to mention that it is not just conservation of random old buildings, but supporting multifunctional use of cultural heritage. Each manor school is able to carry out several functions in the area and it influences socio-economical development of the little communes. It gives new opportunities to the emerging private enterprises, particularly for the local tourism development.

Supporting conservation works in manor schools is entirely in accordance with the state’s policy in the cultural heritage sector. The main evidence of that is the national programme “Schools in Old Manors – preservation of the historic manor ensembles and renovation of the manors according to modern educational requirements” that was launched in 2002 and is still operating. Since the state budget has never been sufficient, only smaller and most crucial renovation projects (often cut into several parts) have

been supported. Now, the EEA FM is making it possible to complete the works in several manor schools all at once.

The priority area “Health and childcare” includes two EEA FM projects (out of which one has started implementation) and one project financed from both FMs, each of them fulfilling different objectives of the respective priority and focus area. Projects EE0038 and EE0026 fulfill the objective of improving the learning and development environment for children with special needs follow the Social Welfare Concept of Estonia and the UN Strategy to Guarantee the Rights of the Child also complementing to the National Welfare Program for Children and People with Special Needs (2004-2006). The goal of these documents is a) to provide to children without parental care family type children’s home services with easy access to the region centre and public services, b) to provide children with disabilities and behavioural problems better learning and living conditions with teaching skills in order to increase social inclusion of the target groups, creating normal living/growing environment and supporting them towards the independent subsistence.

The priority area “Regional policy and cross-border activities” includes one project financed from both FMs. Project EE0035 fulfils the objectives of improving the public transportation (PT) such as stopping the decline in PT use and PT convenience and improving the system effectiveness. Besides that the projects helps to fulfill the objectives of the Public Transport Development Programme for 2006-2010, the main ones being stopping the process of decreasing proportion of PT in passenger transport to maintain it on a higher level than 30% of passenger turnover.

Obviously, it is too early to assess the actual impact of the projects on overall objective of the FMs and on Estonian specific objectives. The real impact will appear after the implementation of the projects has been finished.

## **2.2 Technical Assistance for implementation of the Financial Mechanisms**

In the current reporting period the TA activities continued, including:

- organizing information seminars to the PPs;
- organizing Monitoring Committee meetings;
- developing and updating the web-page of the FMs in Estonia;
- preparing promotional materials;
- participating in project/block grant events;
- translating different documents;
- organizing the Annual Meeting;
- participation in FMO Workshops;
- auditing.

Four PIRs have been sent to the FMO by the cut-off date of this report.

According to the Grant Agreement (GA) the detailed budget for 2009 was presented to the FMO on October 2<sup>nd</sup>, 2008.

## **2.3 Managerial set-up in Intermediate Bodies**

There are currently four ministries acting as an Intermediate Body (IB) i.e. body responsible for the priority area of individual projects of the EEA FM. The list of IBs is as follows:

EEA Financial Mechanism  
Annual Report 2008  
Estonia

**Priority areas 1 and 2** – the Ministry of the Environment (MoE), Foreign Financing Department (line departments have an assisting role);

**Priority area 3** – the Ministry of Culture (MoC), Department of Cultural Heritage and the Department of Budget and Economic Analysis;

**Priority area 5** – the Ministry of Social Affairs (MoSA), Foreign Financing Unit of the Finance and Property Management Department;

**Priority area 7** – the Ministry of Economic Affairs and Communications (MoEAC), Foreign Co-operation Projects Division of the Foreign Funding Department.

The tasks of IBs include:

- monitoring the progress of approved projects within the priority area i.e. day-to-day surveillance of the projects through the on-spot checks, checking the documentation of the projects and participating in monitoring committees;
- compiling disbursement forecasts;
- verifying progress section in PIRs;
- certifying projects' payment claims (ensuring that the payment claim is based upon eligible expenses, complies with the GA, Implementation Agreement and the Project Implementation Plan (PIP), a sufficient audit trail is present) before forwarding them to the NFP;
- confirming the existence of co-financing to the Paying Authority (PA);
- approving project modifications;
- compiling annual reports of the priority area and submitting them to the NFP;
- detecting irregularities and reporting on them to the NFP;
- informing general public about the projects implemented under the FMs in cooperation with the PPs and the NFP;
- carrying out of audits when deemed necessary;
- guaranteeing the maintenance of the documentation connected to the projects.

All the IBs have compiled a set of procedures for the FMs, which are updated regularly. The sets of procedures consist of the responsible departments and/or persons, the deadlines and the check-lists for the abovementioned tasks. By that the institutional memory of "how things should be done" has been created.

Monitoring of the progress of approved projects is done mainly by verifying the PIRs. Together with PIRs the PPs submit copies of expenditure records, documents substantiating the payment of the expenses and a list of expenditure records paid, through which the eligibility of performed activities is checked.

In addition to verification of PIRs, on-the-spot checks are carried out with the defined frequency of at least once during the implementation of the project. During the current reporting period no on-the-spot checks were carried out.

In order to constantly be informed about the implementation process, the MoC has hired three experts on heritage protection and conservation, whose responsibility is to monitor the quality of works, to attend the every-month progress meetings, to authorize the instrument of delivery and receipt of works and to inform the MoC about any irregularities. In addition to that, specialists of the respective fields of the projects are in all IBs informed and consulted of the progress and activities of the project.

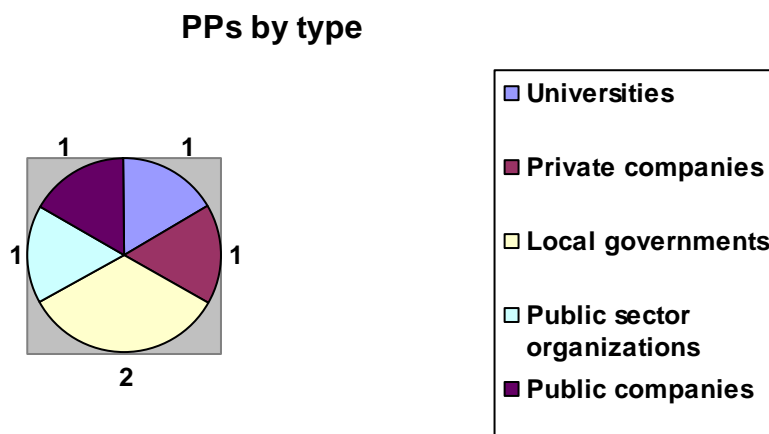
If deemed necessary, audits are carried out by the internal audit departments of the IBs.

In all the IBs a person has been delegated to sign the documentation concerning the projects of the respective priority areas. It is the level of Deputy Secretary General in case of MoE and MoEAC and the level of Secretary General in case of MoC. Also a deputy has been appointed in all IBs in case of absence of the delegated signatory.

In the course of the evaluation carried out by the Ernst&Young Baltic and CyclePlan all the procedures of the IBs were assessed and the risks and the deficiencies were brought out in the evaluation report (see more information on the evaluation p. 7).

## 2.4 Project Promoters

There are altogether six PPs of the EEA FM projects that started implementing the projects by the current reporting period. In addition to that three PPs (one NGO, one university and one public sector organization) of the projects financed from both mechanisms have started implementing the projects. The PPs of the EEA FM projects by type can be seen on the following chart:



As most of the projects have hired or named project managers, there are no significant managerial problems. A somewhat problematic part is compiling the PIRs as in some cases there are many partners and the compiling time is limited. Therefore the PIRs are often of poor quality and need corrections several times.

All the IBs have established an everyday communication with PPs via telephone, e-mail and official letters. Also the IBs carry out on-the-spot checks, participate in PPs' seminars and steering committees if necessary.

Once a year the MoE organizes a seminar for PPs of the respective priority areas to discuss common problematic topics, which have arisen. The MoC holds meetings with the heads of the municipalities.

Questions that need consultation are discussed with the NFP and the PA.

## 2.5 Target Groups

As there are quite different projects in all the priority areas, there are quite many target groups altogether. All the projects have large regional target groups and many projects have national effect.

**Direct target groups:**

- **pupils and teachers of the manor schools:** pleasant learning and teaching environment. The pupils of the manor schools will receive a pleasant learning environment incl. warm and reconstructed classrooms, which supports the development of the pupils. Each manor school is different from the others by character; it is part of European culture, which is so easily accessible to those children. The teachers will also have better working conditions incl. better means to carry out the lessons. Also the interior of the renovated schools and through that the learning and teaching environment will be so historical and beautiful, that this in itself teaches discipline to preserve the beauty. The manor schools also will create a feeling of being safe and secured.
- **people with communicable diseases:** better diagnosing and treatment of communicable diseases in Ida-Viru region and North-Estonia for fighting TB and HIV/AIDS. Through that the patients will receive better and faster information on their disease and also receive a better cure.
- **children with special needs** (disabled and without parental care): special living/growing and learning environment for the children with special needs will be created and enhanced in order to increase social inclusion of those children in Tartu and Jõgeva regions, also supporting them towards the independent subsistence.
- **local inhabitants:** the know-how of different environmental and sustainable development topics will increase. For example, as a result of the project EE0039 the heat loss from the pipelines will decline and therefore the price of the building heating will be lower. After liquidating the old pipeline of the city of Sillamäe, the beach area can be turned into recreational area, where all residents can use it for recreational activities. Also the living environment will be healthier through more protected nature. In addition to that the local inhabitants receive a pleasant living environment, preserved symbols of local identity, new activities (museums, concerts, exhibitions etc), better availability of different sports, better recreational possibilities and more available PT information through the FMs' projects. Through the PTIS (project EE0035) the passengers will be able to plan their trip based on the map, book and buy the tickets, get the real time information on PT lines. People will be able to plan their trips more easily and they will be able to find all relevant information on local, county and long-distance PT routes, timetables and prices.
- **local governments:** as the know-how of different environmental and sustainable development topics will increase, the local governments will be able to make better decisions. In addition to that the Lihula region will have reduced heating costs. Also many local governments will benefit from sustainable and economical use of natural resources, possible investments in the region, new jobs, stable migration, improved public transport organization and supervision.

**Indirect target groups:**

- **tourists:** new attractive visiting sites, a more available public transport information. The manor schools as architectural monuments create vast presumptions for the regions to be an active participant in the domestic as well as foreign tourism as in summertime and during holiday periods they are also used as visitor centres for tourism and many pupils are engaged as guides. As a result of the project EE0035, the map-based travel planner and unified database for local, county and long-distance buses, trains, ferries and flights will be



worked out in the pilot area and the tourists will be able to use it. Later it will be applied for the whole Estonia.

- **state:** as the know-how of different environmental and sustainable development topics will increase, the state will be able to make better decisions. The state will benefit from fulfilled obligation to preserve national heritage, also from fulfilled obligations to preserve the environment, e.g. proposals for Natura 2000 marine areas, nature protection management plans for some marine areas, nature protection management plans for 6 areas in Ida-Viru County, the design to restore the water flow in Narva River Canyon and the design of fish passages on Pada River. In addition to that the state will have improved PT organization and supervision as the PT Information System will give the government a tool for better coordination of PT routes and timetables. There will be one system involving all different PT routes (local, county and business) in one register. This will enable the government to have basic information gathered and maintained all together in one system and will therefore give an input for more effective organization and administration of the PT system. The state also gains from the raise the quality of evidence-based medical services in the field of epidemiology in Estonia (project EE0016).

Many projects also have a cross-border effect as the impact of the projects is not limited to Estonia only, but also affects neighbouring countries.

### **3. Block grants**

The current reporting period was of significant importance for establishing a purposeful and stable ground for all the block grants. The period started with setting up the implementation systems, preparing guidelines, application and reporting forms together with evaluation criteria. Committees of evaluators were composed of qualified experts and information seminars were held in almost all of the county centres.

Under all block grants open calls have been carried out, under the NGO Fund and the Transfer of Knowledge block grant many sub-projects have also started the implementing process.

#### **3.1 Strengthening of Local and Regional Development block grant**

Implementation of Strengthening of Local and Regional Development block grant is the responsibility of the Ministry of the Interior (MoI). The Intermediary for the block grant is the Enterprise Estonia (EE).

The overall objective of the Regional Development block grant is to contribute to the sustainable and balanced development of the regions of Estonia. The sub-objectives of the block grant are as follows:

- to strengthen the administrative capacity of Estonian local governments, local government associations and county governments, mainly for developing public services and creating innovative/better development solutions for regions;
- to promote cooperation between local governments, county governments, local government associations and non-profit associations on the local and regional level;
- to improve the economic environment and sustainability of regions.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

The first open call of the block grant was announced on March 28<sup>th</sup>, 2008 with the deadline for submission of applications of June 30<sup>th</sup>, 2008. During the three-months-long open period many potential applicants received advice on the suitability of their project ideas and technical conditions to the conditions of the block grant.

In the first open call 52 applications were submitted applying for grants in the total amount of EUR 4,5 millions. After the administrative compliance and eligibility assessment 44 applications were forwarded to the further content analysis and eight were deemed to be either non-compliant or were taken back by the applicant. During the content analysis 12 expertises were carried out in specific areas such as IT, territorial planning etc.

All the applications were assessed by the EE Expert Panel (consisting of five experts) and by the Steering and Selection Committee (consisting of nine members), as a result which 22 sub-projects with the total grant amount of EUR 1,6 millions were proposed to be financed. This completed the content analysis of applications and on October 30<sup>th</sup>, 2008 EE made decisions on sub-project financing (see the list Annex III).

At present the EE is in the stage of signing sub-project implementation agreements with end-recipients. Implementation of sub-projects starts in November 2008.

### **3.2 Fund for Non-Governmental Organisations**

The IB for the Fund for Non-Governmental Organisations (NGO Fund) is the Ministry of Finance (MoF) and the Intermediary is the Open Estonia Foundation (OEF).

The first open call of the NGO Fund was launched at the end of November 2007 with a cooperation seminar held with potential Estonian-Norwegian project partners.

Consultations held in the preparatory phase brought out the need for regularly organized open calls. By the end of the reporting period the NGO Fund has announced three out of planned six open calls. Interest towards the block grant has been extremely high – altogether 384 applications have been proceeded and 58 projects from two open calls have been supported – 31 small- and 27 large-scale projects (see the list Annex III). Results of the third round will be announced at the beginning of December 2008.

Well-planned and regionally approached publicity measures have made it possible to fund projects from different regions of the country. Also, submitted projects have proved the importance of enabling support to bigger institutional as well as to smaller community or organizational initiatives – offering every NGO an opportunity to benefit according to the most needs for its organizational development. Although two projects are finished by the end of the period, it is still too early to analyze reaching overall objectives of the fund. The list of supported and on-going projects together with short introduction is available at the web-page of Open Estonia Foundation ([www.oef.org.ee](http://www.oef.org.ee), see also Annex III).

The NGO Fund is programmed in the way that it does not only serve as a possibility for non-governmental organizations to apply for smaller grants from the FMs. The main aim of the fund is to support institutional capacity of NGOs in order to improve their role and influence in society, which is one of the greatest challenges in civil society development in Estonia. Practical implementation of the grant scheme has offered additional possibilities for reaching the aim – e.g. supporting civil society organizations

in project development and fostering funding practices (building a relationship of partnership between the donor and the grantee, support for over-head costs, approving in-kind contribution for co-financing, etc). The next period will concentrate more on supervision of project implementation.

Although the need for supporting institutional growth and vitality of civil society organizations has been stressed in several researches and is even brought out in Estonian Civil Society Development Concept (approved by the Parliament in 2002), funding of NGO development projects has not been very attractive to national financiers. Principles and models of supporting NGOs are being analyzed at the moment according to the National Development Plan for Civic Initiative Support and policy recommendations for improving funding practices should be composed as a result. Implementing the NGO Fund under the FMs has become one of good examples in the process. Well-proved practices of the Fund have already been followed by the National Foundation of Civil Society, which was established at the beginning of 2008.

### **3.3 Transfer of Knowledge Fund**

The Ministry of Education and Research (MoER) is responsible for the development of the block grant. The MoER has appointed the Estonian Science Foundation (ESF) as an Intermediary.

The Transfer of Knowledge Fund fills some important goals of Estonian Research and Development and Innovation Strategy (2007-2013) “Knowledge-based Estonia”. This strategy directs the growing support from the state to R&D with internationally competitive high quality. Under Measure 2: “Organizing the public sector RD&I more efficiently” the participation of research and development in international cooperation networks will be supported. Research institutions will be encouraged to carry out international projects and agreements.

The only open call of the block grant was launched in November 2007 with the deadline of January 15<sup>th</sup>, 2008. 31 eligible applications were received. Each application was evaluated by two foreign experts. In March 2008 the ranking list based on two evaluations was drafted by the Ad Hoc Committee (four experts from Finland, one from Sweden, one from Denmark and one from Estonia). The Council of the ESF approved the ranking list on March 24<sup>th</sup>, 2008. The decision was to finance 10 sub-projects (see the list Annex III). The most successful university was the University of Tartu. Research institutions from Norway are involved in nine projects, two projects have co-operation with Icelandic research institutions.

The sub-projects started the implementation in April – June 2008. Most of the sub-projects will last until the end of 2010. Sub-projects are in progress, but due to the delay in advanced payments there is some slowdown in the progress of some sub-projects.

## **4. Public awareness**

### **4.1 Public awareness activities of the Project Promoters and Intermediate Bodies**

Until the current reporting period publicity was mainly in NFP's hands. Due to started implementation process it is now divided between the IBs, PPs and Intermediaries.

Several IBs (MoE, MoC, MoEAC) express on their own webpages information about the FMs from the priority areas point of view. Many PPs have added information about the financial mechanism to their existing webpages or launched project specific webpages (see the list Annex IV).

In tight cooperation of PPs, IBs, Intermediaries and NFP the press releases on ceremonial signing of the project implementation contracts and other important events have been and will be published in media.

There have been several articles and interviews regarding the projects in the local publications as well as in nation-wide media with the aim of raising public awareness of the goals of their projects and the source of financing. Also many scientific articles and/or priority area specific articles in international publications are published. For example an article by Mr. Anton Pärn, Deputy Secretary General of the MoC, was published in the publication of the 3<sup>rd</sup> Baltic Sea Region Cultural Heritage Forum “Cultural heritage and tourism: potential, impact, partnership and governance” (2008), describing the manor schools as a production of local pride and national networks, and also mentioning the FMs. Also in the Report Nr 5 “Cultural Heritage Cooperation in the Baltic Sea States” (2008) of the Monitoring Group of the Baltic Heritage Co-operation Network, an article “EEA Grants – An important contribution to the protection of the European Cultural Heritage” was published (see the list of articles Annex V).

According to publicity plans, mainly of the projects of reconstruction works but not only, billboards with information about the Donors, PPs, conservation companies, supervisors and etc have been installed.

Depending on projects' aims many PPs have organized different seminars and workshops. Some examples:

- EE0040 introductory seminar for Lihula local people was held on May 23<sup>rd</sup>, 2008, where the advantages of bio-fuels, objectives of the project, financing, importance for Lääne county environment and Matsalu wetland and project implementation process were presented;
- EE0019 project kick-off meeting involving all project counterparts and press was held on May 12<sup>th</sup>, 2008;
- EE0019 presentation of project activities was made on environmental day in Kunda Nordic Cement on May 20<sup>th</sup>, 2008;
- EE0035 seminars introducing the project and future public transport information system have been carried out among representatives of county governments and carriers.

As one of the main goals of the MEAC project EE0035 is to raise public awareness of the PT Information System, in September 2008, a simplified public procurement was carried out to find a PR and advertising company to work out an advertising campaign and a development plan.

In general the projects' publicity plans are being followed and the publicity actions taken correspond to the projects' actual progress.

#### **4.2 Public awareness activities of the National Focal Point**

The main role of the NFP in public awareness is to be the advisory body to PPs and IBs. But there are also several other activities that the NFP carries out.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

The NFP is administrating and updating the official webpage of the FMs in Estonia [www.eeagrants.fin.ee](http://www.eeagrants.fin.ee), which was launched with a new design and structure in November 2007. It gives general information about different aspects of implementing process, grant decisions and when reasonable refers to webpages where more detailed information can be found for instance to Intermediaries' webpages.

Besides that the NFP has produced promotional materials with the logos of the FMs such as pens, posters, bags, calendars, stickers etc in order to raise awareness and for remembering the visuals of the FMs.

The NFP also holds information seminars to PPs. Four information seminars were provided altogether in the current reporting period. The target group of the information seminars were the representatives of PPs and their partner institutions as well as the project managers of the projects. To ensure that all relevant information is presented to the PPs, also the representatives of the respective IBs were present to introduce themselves as well as their more specific requirements. About 20-30 people participated in each information seminar. During the information seminars the following topics were presented and discussed:

- the role and tasks of the NFP, the IB and the PP;
- introduction of relevant documents and guidelines;
- reporting system incl. project modifications;
- payments' system;
- irregularities and audits;
- information activities.

The NFP got feedback from the PPs that the information seminars were very useful – the responsible people received a lot of relevant information and got answers to their questions. At least one information seminar is planned to be provided for the PPs who have received their grant offers in the second half of 2008.

In addition to the information seminars to PPs, the NFP organizes implementation meetings with the IBs and Intermediaries to discuss the issues that have arisen in the process of implementation of projects once a quarter. This was one of the recommendations of the evaluation. By the cut-off date of this report three implementation meetings have been held. The main issues that have been discussed are the following:

- irregularities;
- change of reporting structure and introduction of the new PIR template;
- introduction of the new logo of the Norwegian FM and publicity;
- procedures;
- public procurements and monitoring over these;
- project modifications;
- Annual Report.

The meetings have been useful for all the parties to discuss problems and to ensure a better implementation of individual projects and block grants.

## **5. Legal issues**

### **5.1 Legal base**

Legal base for implementing the FMs in Estonia is assured by the Ratification Act of the Memoranda of Understanding dated March 22<sup>nd</sup>, 2006, the Government Regulation No 137 “Rules and Procedures for Application for, Use of, Supervision over and Assessment of the Results of the Resources of the Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism” dated June 14<sup>th</sup>, 2006, the Government Regulation No 278 “Recovery and Reimbursement of Grants and Rules and Procedures for Reporting on Irregularities in Awarding and Using the Grants” dated December 22<sup>nd</sup>, 2006 and the Government Order No 696 “Appointment of Authorities Arranging the Use of the Resources of the Financial Mechanism of the European Economic Area and the Norwegian Financial Mechanism” dated December 7<sup>th</sup>, 2006.

In the current reporting period the amendments to the existing Government Regulation No 278 have been made. The amendments give a clearer view and a better understanding of their duties in the monitoring process to all involved parties.

### **5.2 State aid**

The NFP identified two EEA FM projects where the state aid is considered:

- EE0019 “Reuse of Solid Combustible Waste in Cement Rotary Kilns of AS Kunda Nordic Tsement” and
- EE0040 “Reduction of Greenhouse Gas Emissions through the Adoption of Renewable Biofuels in the Boiler House of OÜ Lihula Soojus”.

Aid for both of these projects (EE0019 and EE0040) was regarded as regional investment aid under the Commission Regulation 1628/2006 on regional investment aid. For these projects (together with one EEA FM project) a summary information was sent on November 23<sup>rd</sup>, 2007 to the European Commission (EC) and it was published on the Official Journal with the following registration information:

XR187/2007 - Regional aid in the frames of EEA financial mechanism and Norwegian financial mechanism.

### **5.3 Procurements**

Procurement procedures have been provided according to the Public Procurement Act of Estonia, which is harmonized with the EU legislation. No appeal has been submitted in the course of the public procurements carried out by the PPs.

If public procurement is not required by the Public Procurement Act, comparable offers within reasonable limit have been asked from different companies to ensure the best price and quality. The ruling principle in procurement of goods and services is “seeking value for money” and all the PPs are expected to follow at least the latter principle.

## **6. Audit**

### **6.1 Audits carried out during the reporting year**

Auditing the management and control systems of the administration of the FMs and executing project audits on a sample basis is the responsibility of the Financial Control

Department of MoF (the Auditing Authority). In compliance with the Government Regulation No 137 audits may be carried out also by the internal auditors of the IBs.

During 2008 the following audits have been carried out / are still being carried out:

- The Auditing Authority is carrying out an audit of the management and control systems of the administration of the FMs and nine project audits of the NGO Fund in Open Estonia Foundation. Based on the random sampling method the final sample contained four large-scale sub-projects and five small-scale sub-projects. Final audit reports are planned to be published at the end of November 2008.

## **6.2 Audit plan for the next reporting period**

No system audits are planned for the year 2009. If needed (for example high risks have been discovered in the administration / project management process) an audit will be carried out.

Project audits (sample checks on expenditure) will be carried out on the basis of annual audit plan compiled according to the risk assessment methodology in cooperation with IBs. The audits will be conducted in accordance with Standards of The Institute of Internal Auditors (IIA) and in conformity with the national auditing manuals ("The Manual of Sample Check on Expenditure" and "The Procedures on Auditing of the Financial Control Department of the Ministry of Finance").

The final list of projects to be audited in 2009 will be composed by the first quarter of 2009 (see initial list Annex V).

## **7. Evaluation of the implementation system**

Under the TA budget the NFP initiated an evaluation of the implementation system. The aim of the evaluation was to analyse whether the implementation system of the FMs for implementation of the projects is ready, whether the IBs and the Intermediaries have the procedures in place, where the possible risks are and which are the measures to prevent them. The evaluation was carried out by Ernst&Young Baltic and CyclePlan during the period of October 2007 – January 2008. The system evaluation guaranteed the NFP that the procedures and guidelines are followed, the IBs and the Intermediaries are ready to implement the FMs and the possible risks are identified. See summary of the evaluation Annex VI.

## **8. Cross cutting issues**

All principles of sustainable development, gender equality and good governance are followed upon implementation of the projects, several of which are inseparably interrelated.

### **Sustainable development (environmental, economic, social)**

*Social:* During the first period of implementation, the projects are not directly involved with social dialogue. However, the pure fact that such an amount of finances were directed to the manor schools for example gives out a positive signal that life in the countryside and our national heritage is respected and valued.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

*Environmental:* As under priority areas number 1 and 2 all projects are environmental protection projects, the projects' activities are fully targeted to environmental issues. The projects are promoting nature protection, environmental awareness and education for sustainable development. In addition to that, all extracted material from the construction sites and any waste that occurred during (re)construction works have been handled in line with the Waste Act of Estonia. Besides that, the project EE0035 promotes a more environmentally friendly alternative to the use of passenger cars on roads with heavy traffic and in city areas.

*Economic:* Sustainable and economical use of natural resources is promoted. Also, the best available technology is sought for when it comes to equipment or information systems, which helps to use the equipment for a longer time without updating and also to make better and more reasoned decisions. For example, in the case of project EE0035, the development of PT Information System will provide remarkably better preconditions for equal treatment of carriers and fair competition and making knowledge-based decisions regarding the organisation of public transportation, offering the orderers of public transport service countrywide and reliable data.

Sustainability of the project activities and results is supported with agreements signed between different partners whose contribution is necessary for achieving and guaranteeing sustainability and further development of project results.

The development of Estonia is sustainable when the growth of the welfare of people, coherence of society and balance with the surrounding environment is ensured. All this is promoted through the FMs' projects.

### **Gender equality**

All the PPs are oriented towards gender equality and are striving for equal treatment of men and women in the project implementation process whenever and wherever it is possible. In implementing projects, there is no discrimination to be included in the project teams based on gender, race and religion. The jobs are not set gender preferences in any manner. All received job applications are considered on equal basis and the salaries of female applicants are at the same level as of male applicants and are based on participants' competence and professional merits. Also the used equipment is in compliance with the requirements of EU safety and best available technique principles and suitable to be worked with by the representatives of both genders.

Results of the projects are equally available for the use for all the inhabitants of Estonia and also to tourists of Estonia. For example in the case of project EE0035 there is a set goal that both the vehicles and the infrastructure, are easily accessible by people with movement and visibility disabilities (handicapped persons, elderly persons), parents with baby carriages, cyclists, etc. Moreover, the development of PT system provides better preconditions for all inhabitant groups' participation in the society. Improving the conditions of use of PT will favour better equal possibilities. Convenient means of PT available grant equal accessibility for the inhabitants.

There are some projects where following of the above mentioned principle is not possible or reasonable in full scale due to essence of the project. For example in the project EE0038 the Kaagvere Special School is focused on girls as it is a girls' school.



### **Good governance**

The projects were planned in accordance with all elements of good governance, highlighted by the Donor. These elements are: accountability, transparency, participation, equality, rule of law, capacity and competence, and responsiveness to people's needs.

Upon implementation of the projects, the Constitution of Estonia, other legislation of the Estonia and contracts with state authorities and international agreements are followed. For example, the financial transactions associated with the projects are concluded in compliance with the Accounting Act, the generally accepted accounting principles and the requirements set by the FMs – transparency of transactions, compliance with laws, auditing according to requirements and preservation of documents. The possibility of corruption within the project is minimized due to double-checking of the budget implementation. Also, all public procurements are carried out accordingly to the Public Procurement Act. Upon conducting the public procurements and implementing the projects, the principles of equal treatment of tenderers and transparency are complied with and the potential conflicts of interest are avoided.

To ensure best monitoring of the project activities, the IBs have provided the thorough set of regulations and procedures, which both the PPs and IBs are obligatory to follow during the implementation of projects.

Participation and equality principles are supported by the rights of all participating members to express their doubts and supports towards any kind of methodological, management or implementation problems. That can be addressed to project coordinators or/and steering committees and all the projects' members. Due to the activities of steering committees it is easy to reach the balance between rights and responsibilities of all the partners. In particular, it means that the projects will not alter rights and interests of any partner and any third party.

## **9. Planning for the next reporting period**

Similarly to the year 2008, which mainly focused on strengthening the implementation system, the year 2009 should be fruitful in the matter of continuous improving of the implementation and monitoring system. The implementation of all the individual projects should have started and some of them already finished. Two of the block grants should have launched all of their open calls.

The main challenges for 2009 are the following:

### **Individual projects:**

- all individual projects have been approved;
- all GAs and IAs have been signed;
- all individual projects have started implementation;
- some of the individual projects have been finished;
- the TA activities are continued.

**Block Grants:**

- two open calls of the NGO Fund have been carried out;
- the projects of the five open calls of the NGO Fund have started implementation and sixth open call is open;
- all the open calls of Regional Development block grant have been carried out;
- all the projects of Regional Development block grant have started implementation;
- the projects of Transfer of Knowledge block grant continue the implementation.

## **10. Any additional information**

There have been some delays in starting of the projects. Notwithstanding the projects will end according to the PIPs. Most of the delays occurred as the PP did not take the risk of starting the projects' main activities before the GA and the IA were signed.

Norwegian partners of the projects had some problems in proofing the disbursement with relevant documentation. Therefore some of the PIRs were delayed. Most partners have solved their problems and presented the documentation.

Some projects have also had delays in the implementation process due to procurement process complications/delays.

In many cases, the price of the successful tender for construction/restoration activities has been lower than expected in the project budget. At the same time, during the actual construction / restoration process a need for modifications in works has occurred in order to guarantee the result of high quality and accordance to the national heritage protection requirements. It is very common that during the construction / restoration works new circumstances occur that could not be foreseen before. As the NFP has understood, the slight modifications or specifications of activities do not affect the scope, objectives, purpose, or results of the project (such as change of materials etc) do not need prior approval from the Project Amendment Group (PAG). The proposals for additional activities, however, always need prior approval of the PAG. As construction/restoration works need to be in action continuously the NFP kindly asks to speed up the process of approving the modifications in PAG.

No irregularities of EEA FM projects have occurred in the reporting period.

## **Annexes**

- I. Commitments and disbursements made from October 2007 until October 2008
- II. List of individual projects, data and activities
- III. List of sub-projects of block grants
- IV. List of articles and project websites
- V. Audit plan for 2009
- VI. Summary of the evaluation carried out by Ernst&Young and CyclePlan

## Annex I. Commitments and disbursements made from October 2007 until October 2008

Priority Areas 1 and 2	Committed		Project Promoter <sup>1</sup>				Donors						
			Planned disbursements for reporting period	Disbursed during reporting period <sup>2</sup>	Remaining costs		Reimbursed to the Project Promoter during reporting period				Reimbursements for future periods		
	Norway	EEA			Total	% <sup>3</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
<b>Total</b>	<b>3 411 733</b>	<b>1 824 862</b>	<b>3 249 725</b>	<b>1 908 899</b>	<b>7 409 611</b>	<b>80%</b>	<b>351 742</b>	<b>26 436</b>	<b>378 178</b>	<b>4%</b>	<b>2 534 266</b>	<b>1 798 426</b>	<b>4 332 692</b>
<b>EE0010</b> - Sustainable groundwater monitoring system of East-Viru County, Estonia	673 200	-	144 156	85 934	706 066	89%	0	-	0	0%	673 200	-	673 200
<b>EE0011</b> - Implementation of Natura 2000 in Estonian Marine Areas: site selections, designation and protection measures	549 438	-	211 470	88 444	557 954	86%	15 410	-	15 410	2%	534 028	-	534 028
<b>EE0012</b> - Emission of nitrous oxide and methane from Estonian agricultural landscapes - variation among various ecosystems and possible mitigation strategies	221 000	221 000	230 003	164 812	353 782	68%	22 708	22 709	45 417	9%	198 292	198 291	396 583
<b>EE0018</b> - Estonian biodiversity data base and information network supporting Natura 2000	-	449 995	150 047	85 500	455 100	84%	-	0	0	0%	-	449 995	449 995
<b>EE0019</b> - Reuse of Solid Combustible Waste in Cement Rotary Kilns of AS Kunda Nordic Tsement	-	837 240	639 848	518 579	3 195 885	86%	-	629	629	0%	-	836 611	836 611
<b>EE0034</b> - Acquisition of Crystallisation and Deep Desulphuration Technology in the Battery Recycling Plant of AS Ecometal	1 442 370	-	1 802 700	954 965	1 518 235	61%	313 624	-	313 624	13%	1 128 746	-	1 128 746

<sup>1</sup> Eligible costs only

<sup>2</sup> Informative amount – eligibility of all costs has not been checked; in case of some projects estimated costs are declared

<sup>3</sup> From the total eligible cost of the project

EEA Financial Mechanism  
Annual Report 2008  
Estonia

<b>EE0040</b> - Reduction of Greenhouse Gas Emissions through the Adoption of Renewable Biofuels in the Boiler House of OÜ Lihula Soojus	-	316 627	71 501	10 665	622 589	98%	-	3 098	3 098	0%	-	313 529	313 529
<b>EE0044</b> - Development and implementation of management plans for riverine habitats in Natura 2000 areas of Ida-Virumaa	525 725	-	19 033	0	618 500	100%	0	-	0	0%	525 725	-	525 725

Priority Area 3	Committed		Project Promoter <sup>3</sup>				Donors						
			Planned disbursements for reporting period	Disbursed during reporting period <sup>4</sup>	Remaining costs		Reimbursed to the Project Promoter during reporting period				Reimbursements for future periods		
					Total	% <sup>5</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
<b>Total</b>	<b>4 315 532</b>	<b>2 069 812</b>	<b>3 114 882</b>	<b>2 186 188</b>	<b>5 331 523</b>	<b>71%</b>	<b>115 713</b>	<b>3 117</b>	<b>118 830</b>	<b>2%</b>	<b>4 199 819</b>	<b>2 066 695</b>	<b>6 266 514</b>
<b>EE0023</b> - The development of the Vasta manor complex into a regional education and tourism centre	477 634	-	307 450	161 811	405 653	71%	0	-	0	0%	477 634	-	477 634
<b>EE0028</b> - Renovation of Kõpu manor house for the preservation and display of the historical milieu	926 183	-	441 259	508 599	581 028	53%	0	-	0	0%	926 183	-	926 183
<b>EE0029</b> - Reconstruction of Kilti Manor School	1 157 129	-	450 705	235 654	1 125 674	83%	115 713	-	115 713	9%	1 041 416	-	1 041 416
<b>EE0031</b> - The preservation and expansion of the potential uses of the Olustvere manor complex as an architectural monument	1 212 043	-	622 893	460 325	965 608	68%	0	-	0	0%	1 212 043	-	1 212 043
<b>EE0032</b> - Renovation of the northern wing of Rogosi Manor	542 543	-	515 345	521 062	117 224	18%	0	-	0	0%	542 543	-	542 543
<b>EE0036</b> - The restoration of the Laupa manor school	-	1 109 813	313 422	292 260	1 013 402	78%	-	1 778	1 778	0%	-	1 108 035	1 108 035
<b>EE0037</b> - Koigi manor school as an upholder of architectural and cultural heritage	-	959 999	463 808	6 477	1 122 934	99%	-	1 339	1 339	0%	-	958 660	958 660

EEA Financial Mechanism  
Annual Report 2008  
Estonia

Priority Area 5	Committed		Project Promoter <sup>3</sup>				Donors						
			Planned disbursements for reporting period	Disbursed during reporting period <sup>4</sup>	Remaining costs		Reimbursed to the Project Promoter during reporting period				Reimbursements for future periods		
					Total	% <sup>5</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
Total	5 172 909	1 649 345	1 985 030	844 496	5 532 831	87%	92 385	0	92 385	1%	4 260 402	693 368	4 953 770
EE0016 - Capacity building for disease surveillance and health monitoring in Estonia	769 312	-	112 367	119 133	817 567	87%	50 633	-	50 633	5%	718 679	-	718 679
EE0021 - Improvement of preparedness and strengthening control of the communicable diseases in Estonia through the renovation of main CD treatment clinic	1 143 690	-	295 634	48 815	1 296 703	96%	41 493	-	41 493	3%	1 102 197	-	1 102 197
EE0024 - Modernisation of the possibilities for the diagnosis and therapy possibilities for infections diseases at East-Viru Central Hospital	372 436	-	271 302	69 228	551 498	89%	259	-	259	0%	372 177	-	372 177
EE0025 - Extension of the stadium complex of Haapsalu town to provide children with new sporting possibilities	613 959	-	648 123	477 740	471 045	50%	0	-	0	0%	613 959	-	613 959
EE0026 - Enlarging SOS Children's Village	298 492	216 149	124 671	1 789	603 671	100%	0	0	0	0%	298 492	216 149	514 641
EE0027 - Healthy child – happy mother” - HIV prevention in neonates via the treatment and rehabilitation of pregnant (including HIV positive) opioid dependents	349 021	-	93 477	0	410 613	100%	0	-	0	0%	349 021	-	349 021
EE0033 - Construction of handicraft workshops of Tartu Maarja School	805 877	-	262 034	123 771	824 320	87%	0	-	0	0%	805 877	-	805 877
EE0038 - Improvement of the training and development environment for girls and rural youths needing special educational conditions	-	477 219	177 422	4 020	557 414	99%	-	0	0	0%	-	477 219	477 219
EE0046 - Renovation the buildings of Lahmuse School for children with special	-	955 977	0	0	1 124 679	100%	-	0	0	0%	-	955 977	955 977

EEA Financial Mechanism  
Annual Report 2008  
Estonia

needs													
<b>EE0048</b> - Establishing greenways in the Keila pine grove	820 122	-	3 224	0	965 190	100%	0	-	0	0%	820 122	-	820 122

Priority Area 6	Committed		Project Promoter <sup>3</sup>				Donors						
			Planned disbursements for reporting period	Disbursed during reporting period <sup>4</sup>	Remaining costs		Reimbursed to the Project Promoter during reporting period				Reimbursements for future periods		
					Total	% <sup>5</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
<b>Total</b>	<b>605 771</b>	<b>-</b>	<b>579 801</b>	<b>350 356</b>	<b>255 415</b>	<b>42%</b>	<b>207 079</b>	<b>-</b>	<b>207 079</b>	<b>34%</b>	<b>398 692</b>	<b>-</b>	<b>398 692</b>
<b>EE0020</b> - Strengthening the Estonian Prison System	605 771	-	579 801	350 356	255 415	42%	207 079	-	207 079	34%	398 692	-	398 692

Priority Area 7	Committed		Project Promoter <sup>3</sup>				Donors						
			Planned disbursements for reporting period*	Disbursed during reporting period <sup>4</sup>	Remaining costs		Reimbursed to the project during reporting period				Reimbursements for future periods		
					Total	% <sup>5</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
<b>Total</b>	<b>946 822</b>	<b>622 649</b>	<b>640 026</b>	<b>232 000</b>	<b>1 924 300</b>	<b>89%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>946 822</b>	<b>622 649</b>	<b>1 569 471</b>
<b>EE0035</b> - Development of Estonian Public Transport Information System	622 648	622 649	639 666	232 000	1 384 010	86%	0	0	0	0%	622 648	622 649	1 245 297
<b>EE0039</b> - Relocation of the Piping of District Heating out of the Beach Area of the City of Sillamäe	324 174	-	360	0	540 290	100%	0	-	0	0%	324 174	-	324 174

EEA Financial Mechanism  
Annual Report 2008  
Estonia

Block Grants	Committed		Intermediary <sup>3</sup>				Donors						
			Planned disbursements for reporting period	Disbursed during reporting period <sup>4</sup>	Remaining costs		Reimbursed to the Intermediary during reporting period				Reimbursements for future periods		
	Norway	EEA			Total	% <sup>5</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
Block Grants	3 187 791	3 084 256	2 323 912	580 199	5 983 314	91%	893 691	866 104	1 759 795	27%	2 294 100	2 218 152	4 512 252
EE0007 - Strengthening of local and regional development	1 900 621	1 797 085	1 604 470	44 717	3 652 989	99%	506 452	478 862	985 314	27%	1 394 169	1 318 223	2 712 392
EE0014 - Fund for non-Governmental Organisations	1 060 024	1 060 025	558 833	509 463	1 821 883	78%	356 077	356 079	712 156	31%	703 947	703 946	1 407 893
EE0015 - Transfer of Knowledge Block Grant	227 146	227 146	160 609	26 019	508 442	95%	31 162	31 163	62 325	12%	195 984	195 983	391 967

Technical Assistance	Committed		National Focal Point <sup>3</sup>				Donors						
			Planned disbursements for reporting period	Disbursed during reporting period <sup>4</sup>	Remaining costs		Reimbursed to the National Focal Point during reporting period				Reimbursements for future periods		
	Norway	EEA			Total	% <sup>5</sup>	Norway	EEA	Total	% <sup>5</sup>	Norway	EEA	Total
EE0006 - Technical Assistance Application of the National Focal Point	287 588	287 588	140 556	104 558	430 696	64%	59 958	59 958	119 916	18%	201 246	201 246	402 492



## Annex II. List of individual projects, data and activities

FM	Project number (FMO number)	Project Promoter/ applicant	Project title	Duration	Activities planned for the reporting period	Activities carried out during the reporting period	Activities planned for the next reporting period
<b>1. Priority area „Protection of the environment”</b>							
N/EEA	EE0012	University of Tartu	Emission of nitrous oxide and methane from Estonian agricultural landscapes - variation among various ecosystems and possible mitigation strategies	05.09.07 – Aug 10	* Starting the implementation of the project.	* Purchasing of gas chromatograph. * Selection of test sites was completed. * Soil sampling and testing. * Purchasing of field measurement equipment.	* Field measurements. * Laboratory incubations.
EEA	EE0018	University of Tartu	Estonian biodiversity data base and information network supporting Natura 2000	Jan 08 – Dec 10	* Starting the implementation of the project.	* Series of input modules for on-line data input has been developed and is functional. * Manual of data input has been published on-line. * Input of data of different taxa has been started.	* Improvement the input modules of the data base and development of conversion modules between different institutional data bases. * Full-scale data input covering most relevant taxa. * Publicity activities incl. explaining the relevance of biodiversity research and protection and the goals of data base development within the framework of the project.
EEA	EE0019	Kunda Nordic Tsement AS	Reuse of Solid Combustible Waste in Cement Rotary Kilns	23.11.07 – March 10	* Starting the implementation of the project.	* The preparatory activities have been carried out. * Negotiations with suppliers of	* Implementation of tenders and negotiations with waste fuels are ongoing.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

			of AS Kunda Nordic Tsement			waste fuels is ongoing. * Preparation and implementation of tenders is on-going	* Preparation of tenders for design, purchase of equipment, civil construction and installation works, transportation containers.
EEA	EE0040	Lihula Soojus OÜ	Reduction of Greenhouse Gas Emissions through the Adoption of Renewable Biofuels in the Boiler House of OÜ Lihula Soojus	23.11.07 – October 09	* Starting the implementation of the project.	* Preparation of tender documents, procurements for project manager, supervision, works have been carried out. * Contracts with project manager and supervision have been concluded. * Works contract not concluded, as the change of technology need prior FMO approval. The modification proposal has been sent to the NFP. The boiler has to be ordered from the factory latest by the beginning of December (waiting time 6 months) in order to receive the boiler in time for installation and complete the project within the expected due date October 2009.	* Approximately 90% of the contracts should be fulfilled.
<b>3. Priority area „Conservation of European cultural heritage”</b>							
EEA	EE0037	Koigi rural municipality	Koigi manor school as an upholder of architectural and cultural heritage	Jan 08 - Dec 09	* Carrying out of public procurements * Completion 37% of conservation work and 25% of publicity activities.	* Significant shortcomings in building design documentation of the Koigi manor house occurred and due to that the implementation of the project was delayed. But the after the design documentation was completed (these expenses were not included	* Project will be almost completed: 95% of the conservation works will be completed and public procurement for furnishing will be carried out. * Publicity activities will also be carried out during the next reporting period.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

						in the project and were covered by Koigi Municipality's budget), the project continued with normal schedule and will be finished even sooner. * Conservation work started in the end of September 2008. * Publicity activities were also delayed due to the delay of restoration works.	
EEA	EE0036	Türi rural municipality	The restoration of the Laupa manor school	Feb 08 – Dec 10	* Carrying out of public procurements and to complete 25% of conservation work.	* Conservation work was started: reconstruction of the boiler house, installation of a new boiler, restoration of heating, water and sewer systems in the whole building have carried out as planned. 25% of conservation work is completed.	* Completion of about 75% of conservation work. Works to do: finish the reconstruction of the boiler house, renovation of the chimney, heating, water and sewer systems in the whole building, to finish conservation works on ground floor and first floor.
<b>5. Priority area „Health and childcare”</b>							
N/EEA	EE0026	ASBL SOS-Children's Village Association of Estonia	Enlarging SOS Children's village	Feb 08 – March 10	* Compilation of the terms of reference of the building design and public procurement. * Signing the building design contract and drawing up the design of the family type houses. * Compilation of the tender dossier for construction.	* A request to the FMO to change the location of the project was submitted in March and approved in June 2008. * A notarial contract with the town of Põltsamaa was signed concerning the use of three real estate items for the time-period of 49 years. * The geodetic blueprints of the grounds were completed.	* Drawing up the building design by Dec 21, 2008. * Carrying out public procurement for construction in Feb 2009 and signing the contract with the winner (as well as the construction surveillance contract) in March 2009. * Construction works finished by the end of Sept 2009.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

						<ul style="list-style-type: none"> <li>* The real estates were handed over to the SOS Children's Village on June 11, 2006.</li> <li>* The building design contract was signed and the draft design of the family type house was presented in September 2008.</li> </ul>	
EEA	EE0038	Kaagvere Special School	Improvement of the training and development environment for girls and rural youths needing special educational conditions	Nov 07 – Dec 10	<ul style="list-style-type: none"> <li>* Establishing project team and disseminating information</li> <li>* Preparatory works for construction, public procurement and renovation of quarystone fence</li> <li>* Fixing the work plan for building reconstruction</li> </ul>	<ul style="list-style-type: none"> <li>* Establishing project team established and first information about the project disseminated</li> <li>* Preparatory works for construction are under way – some difficulties have emerged concerning the license for construction (being solved)</li> <li>* The creativity house activities have been started in a piloting format (musical therapy and pottery)</li> </ul>	<ul style="list-style-type: none"> <li>* Finishing preparatory works</li> <li>* Carrying out public procurement for reconstruction</li> <li>* Renovation of quarystone fence and 75% of the quarystone buildings</li> <li>* Continuing with the creativity development activities and socio-educational work</li> </ul>
<b>7. Priority area „Regional policy and cross-border activities”</b>							
N/EEA	EE0035	Ministry of Economic Affairs and Communications	Development of Estonian Public Transport Information System	Jan 08 – Jan 11	<ul style="list-style-type: none"> <li>* Development and implementation of the basic functionality of Public Transport Information System (PTIS)</li> <li>* Development and implementation Ticket Sales IS and Real Time IS and purchase of hardware</li> <li>* Management and promotion activities</li> </ul>	<ul style="list-style-type: none"> <li>* A public procurement was carried out to find a software developer of the basic functionality of PTIS.</li> <li>* One training was carried out for PT organizers about the basic functionality.</li> <li>* Two simplified public procurement processes were carried out to find the supplier for necessary PTIS licenses and the</li> </ul>	<ul style="list-style-type: none"> <li>* At least two more seminars for Counties PT organizers about the basic functionality of the PTIS.</li> <li>* Installation of hardware and licenses for the basic functionality.</li> <li>* Putting together the user manuals for authorities and PTIS operators.</li> <li>* Testing and introducing of the IS developments. Choosing the hardware, testing and introduction of Ticket Sale IS in the pilot area.</li> </ul>

EEA Financial Mechanism  
Annual Report 2008  
Estonia

					<p>supplier for server hardware.</p> <p>* A simplified public procurement process was carried out to find a PR and advertising agency to work out the publicity activities and visual conception of the PTIS.</p> <p>* In January 18<sup>th</sup>, 2008 a Partnership Agreement was signed with Estonian Motor Vehicle Registration Centre (ARK). ARK became responsible of the publicity of the project. It was the first step towards transferring the project implementation entirely to ARK as soon as Estonian Public Transportation Act will be changed accordingly.</p>	<p>* Introduction of the trip planner and the timetable search functionalities.</p> <p>* Arrangement of amendments to relevant acts of law.</p> <p>* Since January 1, 2009 implementation of the project is planned to transfer to ARK. The need for this arises from changes made in the Public Transportation Act since January 1, 2009.</p>
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### Annex III. List of sub-projects of block grants

#### Projects funded under the regional development block grant

No	Institution	Title	Grant (in EEK)	Objectives
1	Tartu County Government	Tartumaa for All 2.	368 923,00	To organise the survey in the course of which it is specified how the citizens of different areas of Tartumaa are satisfied with their living environment; how the accessibility and quality of public services is assessed; which are the major weaknesses and bottlenecks which have an impact of the valuation of life quality; which are the habits and expectations of consumption of local public services; which is the participation in local life, creating of policy, local government and activities of the civil society.
2	Jõgevamaa Public Transport Centre	Development of Jõgevamaa public transport.	851 057,00	To improve the public transport system of Jõgevamaa. To create the attractive, environment-friendly and sustainable alternative to the car out of the public transport in satisfying the transport need of the people.
3	Tartu City Government	Development of public transport of City of Tartu and close local governments.	1 428 115,00	To create the attractive, environment-friendly and sustainable alternative to the car out of the public transport in satisfying the moving need of the people.
4	Harju Economic Development Centre	Strengthening of cooperation between Harjumaa non-profit associations and local governments in providing the public services.	610 367,30	To develop of cooperation between Harjumaa local governments and non-profit organisations and increasing the competition for the delegation of public services (exc. City of Tallinn).

EEA Financial Mechanism  
Annual Report 2008  
Estonia

5	Town of Tõrva	Preparation of merger of City of Tõrva and Helme and Põdrala rural municipalities.	888 309,00	To prepare of merger of three local government units.
6	Town of Püssi	Carrying out the pre-merger survey of local governments of Ida-Virumaa Kiviõli region (Lüganuse, Maidla, Püssi).	553 010,00	To prepare of the merger of three local government units.
7	Jeeriko MTÜ	Healthy family centre.	2 889 000,00	To establish the multifunctional social work centre as a result of the pilot project.
8	Vinni Rural Municipality Government	Thematic plan of the light traffic of Vinni, Rakvere and Rägavere rural municipalities.	211 220,00	To specify the annual and free-of-charge movement possibilities in nature for the citizens of Vinni, Rakvere and Rägavere rural municipalities as well as these of the bordering City of Rakvere interested in the hobbies related to movement.
9	Lääne-Viru County Government	The thematic plan "Coastal region of Lääne-Viru county" of Lääne-Viru county plan.	1 161 971,00	To plan the integral development of the coastal area based on common, complex and sustainable principles, by involving thereby the local citizens as well as the companies operating in the area.
10	Rakvere City Government	Development of cemetery areas of Town of Rakvere and close region.	466 059,25	To prepare the thematic plan for the expansion of the cemetery area, by organising the further management of cemeteries and to solve the significant aspects regarding the cemetery culture and management with the thematic plan.
11	Raplamaa Omavalitsuste Liit MTÜ	Preparation of the development strategy of the centres of Rapla county.	423 045,00	To agree in the development trends and principles of the centre network supporting the viability of Raplamaa and life quality of local citizens.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

12	Tudulinna Rural Municipality Government	Preparation of the partial general plan of the coastal region near Lake Peipsi of Tudulinna, Lohusuu, Iisaku and Alajõe rural municipalities and strategic valuation of the environmental impact.	2 576 860,00	To agree in the land use, construction, nature protection and investment terms of the coastal area of four rural municipalities near Lake Peipsi through the preparation of the partial general plan and carry out the strategic valuation of this environmental impact.
13	South-Estonian Tourism Foundation	Preparation of the development plan of South-Estonian tourism.	391 000,00	<b>Strategic objective:</b> South-Estonia is an attractive, well-known and recognised tourism region, the good reputation of which is based on the nature, cultural heritage and national traditions of the expediently and coordinately developed area. <b>The specific objective:</b> The development of South Estonian tourism has been systematically planned up to the year 2013.
14	Eesti Puuetega Inimeste Koda MTÜ	Disabilities and special needs - training for the specialists of local government.	222 378,00	1) To increase the competence of local governments; 2) to improve the quality of social services provided on the local level; 3) to contribute to the uniformity of the assistance provided in different Estonian regions; 4) to contribute to the improvement of the networking between the specialists of the sector.
15	Town of Narva	Strengthening of administrative capability of local governments and improvement of the quality of public services through the development of partnership and exchange of experience between the local governments of Narva and Kristiansand.	1 487 779,15	1) Improvement of the competence and cooperation ability of the officials of Narva City Government; 2) Increase of communication between Narva City Government and society; 3) Involvement of citizenship, non-profit organisations and other city structures in the decision-making process and the work of local government.



EEA Financial Mechanism  
Annual Report 2008  
Estonia

16	Stockholm Environment Institute Tallinn Centre	Improvement of capability and promotion of cooperation for the implementation of the environment-saving public procurements in the Estonian local governments (in the counties of Saare and Harju).	808 200,00	To improve the competence of local governments/state authorities for the application of environment-saving and sustainable principles in the public procurements and have cooperation between the local governments and with foreign partners to apply the best practice in the Estonian local governments/state authorities in changing the public procurements more environment-saving / sustainable.
17	Pärnu County Government	Contribution to the capability of the public sector of Pärnumaa through the experience of Buskerud.	441 524,00	To improve the administrative capability and competence of Pärnu County Government and Pärnu Local Government Association and promote their cooperation with the Norwegian partners.
18	Lääne-Viru Omavalitsuste Liit MTÜ	The project of joint officials of Lääne-Viru Local Government Association.	2 651 810,00	To raise the administrative capability and competence of 11 rural municipalities participating in the project.
19	Estonian County Government Association	Development of AIP and WiFi areas in the Estonian local governments.	1 975 230,00	To guarantee the better access to the information and services provided by the public sector in the rural areas, incl. ID card based, by expanding the network of the public Internet points and the quality of their provided services.
20	Rõuge Rural Municipality Government	I stage of establishing the creative centre of Sänna cultural manor.	1 717 673,00	To establish the creative house and the complex of cultural tourism on the basis of the existing currently minimum applied architectural and social capital in Sänna manor.
21	Maarja Küla SA	Completion and launching of Maarja Village Development Centre.	1 644 840,00	To provide the possibility of study and work for the people with disability of intellect who are not competitive in the terms of labour market.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

22	Saaremaa Õppekeskus MTÜ	Active employment mediation.	315 000,00	To raise the activeness of labour search of the long-term unemployed, disabled people and the people in coping difficulties of Kuressaare City through advisory and training.
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EEA Financial Mechanism  
Annual Report 2008  
Estonia

**Projects funded under the NGO block grant**

<b>No</b>	<b>Institution</b>	<b>Title</b>	<b>Financing (in EEK)</b>
1	Estonian Village Movement KODUKANT	Multiple activities of village societies.	494 470,00
2	Estonian Society for the Protection of Animals (ESPA)	Increasing the involvement of animal protection themes in the civil society through developing institutional capacity of ESPA.	499 650,00
3	Estonian School Student Councils' Union (ESCU)	Development program for school student councils.	254 826,00
4	Network of Estonian Non-Profit Organisations	Efficient NGOs, viable society.	500 000,00
5	NGO Estonian Youth Brigade	On the starting line. Skills for whole life.	134 300,00
6	Estonian Chamber of Disabled People	Monitoring the implementation of accessibility article in using support of Structural Funds and improving the role of disabled peoples organizations.	400 000,00
7	Estonian Green Movement	Participation assistance in local-level decision-making processes.	386 500,00
8	Estonian Green Movement	Dialog between enterpriser and consumer on the issues of sustainable consumption.	250 000,00
9	Estonian Chapter of Transparency International	Courts of Justice in Estonia – part of the power structure worth observing.	487 300,00
10	Pärnu's County Village Movement "Kodukant"	Civil courage is knowledge to have one's say.	250 000,00
11	The New World Community	Bringing the community of The New World district to a new life	419 300,00
12	Estonian Environmental Law Center	Legal regulation and analysis of environmental cases.	444 984,00
13	REC Estonia	Assistance to the environmental management in the Estonian NGOs through training and interactive website.	417 760,00

EEA Financial Mechanism  
Annual Report 2008  
Estonia

14	Valga's County Village Movement "Kodukant"	Voice of villages in Valga County.	206 500,00
15	Estonian Evangelical Lutheran Church, Sangaste St. Andrew Congregation	Teamwork trainings for the congregations of Sangaste and Laatre.	23 600,00
16	Estonian Union of Professional Engineers	Development of a new website for the Estonian Union of Professional Engineers.	60 000,00
17	Estonian Social Work Association	Developing institutional capacity of ESWA through working out and implementing the management quality system.	60 224,00
18	Kanepi Communication Centre	Developing public e-services and IT-awareness in Kanepi region.	90 000,00
19	Karksi Culture Society	Let's evolve home place with common activities.	95 600,00
20	Baltic Environmental Forum	Raising awareness of the public and interest groups about the impact of offshore wind farms.	100 000,00
21	NGO Estonian Neighborhood Watch	Neighborhood Watch project managers to Lääne-Virumaa and Raplamaa counties.	100 000,00
22	Lihula Folk High School	Lihula embroidery and masters.	90 000,00
23	Raikküla Voluntary Fire Brigade Society	West-Estonian Loud Voices 2008.	89 367,00
24	Sõrandu Village Society	Destination Sõrandu – becoming famous!	98 082,00
25	Ruhnu Culture and Education Centre	Planning and developing co-operation of the local community of Ruhnu island.	96 000,00
26	Võrumaa Farmers Union	Improving the representation of rural entrepreneurs in Võru county and the quality of services available for them.	82 796,00
27	Hiumaa "Kodukant" Network	From traditional handicraft to a new product.	95 400,00

EEA Financial Mechanism  
Annual Report 2008  
Estonia

28	<a href="#">Centre of Policy Studies PRAXIS</a>	Dialogue between citizens and policy-makers.	449 470,00
29	<a href="#">Estonian Agrenska Foundation</a>	Right to Work – Common Right In Democracy. Introducing the Experience of Nordic Countries in Organising Supported Employment.	470 000,00
30	<a href="#">Estonian Fund for Nature</a>	Raising Managerial Capacity, Improving the Quality of Advocacy and Increasing Public Accountability of Estonian Fund for Nature.	499 266,00
31	Estonian Homehelp Society	Family Caregiving – Together We Will Manage.	313 800,00
32	Estonian Organic Farming Foundation	Efficient Cooperation Is a Key to Development of Organic Farming.	455 600,00
33	<a href="#">Foundation Maarja Village</a>	Raising the Quality of “Life In the Community” Service in Estonia.	373 550,00
34	<a href="#">Foundation Dharma</a>	Supporting Structure for Supporters.	484 780,00
35	<a href="#">Foundation “Metsaülikool”</a>	Forest University.	200 000,00
36	<a href="#">Junior Achievement Estonia</a>	Entrepreneurship Studies and Enterprise Initiatives – Key to Citizenship.	471 958,00
37	<a href="#">Tallinn City’s Board of Disabled People</a>	Raising the Capacity of Disabled Peoples’ Organisations of Tallinn In Shaping Disability Politics.	336 500,00
38	<a href="#">Volunteer Development Estonia</a>	Stronger Organisation, Distinct Direction, Bigger Influence.	389 800,00
39	<a href="#">Estonian Women’s Studies and Resource Centre</a>	Gender Mainstreaming in Estonian Education System.	300 000,00
40	<a href="#">Estonian Patient Advocacy Association</a>	Patient Advocacy Project.	250 000,00
41	<a href="#">Ahja Culture Society “Aya Häärber”</a>	One Day in Every Month - For Manor House.	26 448,00
42	Art and Handicraft House of South-Mulgimaa	Center of Summer-Courses for the Art and Handicraft House of South-Mulgimaa.	100 000,00

EEA Financial Mechanism  
Annual Report 2008  
Estonia

43	Association of the Estonian Native-Language Teachers	The Contents and Covering of Literature.	80 000,00
44	Civil Training Centre	“First Ten”.	80 000,00
45	<a href="#">Estonian Rheumatism Association</a>	Modern Patient Organisation.	100 000,00
46	<a href="#">Kodukant Järvamaa</a>	Village Movement of Järvamaa At a New Developmental Stage.	70 000,00
47	Kodukant Võrumaa	Together for the Development of Võrumaa!	76 400,00
48	<a href="#">Foundation Pokumaa</a>	Valuing Nature Environment With the Help of Pokus.	100 000,00
49	<a href="#">Freedom: Youth Movement</a>	“Café Vabadus”.	69 790,00
50	<a href="#">NGO Hiirekese Mängutuba</a>	Increasing the Influence and Quality of Services of NGO Hiirekese Mängutuba in Town of Keila.	37 958,00
51	<a href="#">NGO Hinokad</a>	Wholesome Life the Whole Life Long.	99 385,00
52	NGO <a href="#">Kinobuss (Cinemabus)</a>	Activity-Support to Kinobuss NGO.	50 000,00
53	NGO Pirita Society	Community Involvement in Pirita.	55 000,00
54	<a href="#">NGO Tartu Kassikaitse</a> (Cats’ Protection of Tartu)	Home for Every Cat!	31 000,00
55	<a href="#">NGO WWOOF Estonia</a>	Strengthening the Capacity of WWOOF Estonia for Promoting Organic Farming In Estonia.	32 000,00
56	Tartu Rahvakultuuri Keskseits (Central Society of Tartu Folk Culture)	Composing a Development Plan And Strategy for Period 2009-2012.	49 530,00
57	Vapramäe-Vellavere-Vitipalu Foundation	Development Strategy – Step Towards Sustainability.	97 126,00
58	Volunteers Association “Kilpkonn”	Training and Development Project For the Volunteers Association Kilpkonn and Volunteers.	60 430,00

EEA Financial Mechanism  
Annual Report 2008  
Estonia

**Projects funded under the transfer of knowledge block grant**

<b>No</b>	<b>Name</b>	<b>Institution</b>	<b>Title</b>	<b>Financing (in EKK)</b>	<b>Partner institutions</b>
1	Anu Reinart	Tartu Observatory	Improving Satellite Remote Sensing Products for Large Lakes.	861 840	University of Oslo, Section for Meteorology and Oceanography; Norwegian Institute of Water Research, NIVA
2	Tiina Randlane	University of Tartu	Potential indicational value of epiphytic macrolichens in evaluation of forest age and protection requirements.	825 840	Norwegian University of Science and Technology, Dept. of Biology; Nord-Trøndelag University College (Steinkjer)
3	Epp Sepp	University of Tartu	Clostridium difficile infection in Estonia and Norway: molecular epidemiology (incl prevalence of hypervirulent strain 027), phenotypic characteristics of strains and interaction with intestinal lactobacilli.	858 216	Stavanger University Hospitals
4	Mart Loog	University of Tartu	Mass spectrometry-aided phosphoproteomics – the key for mapping the signalling networks in cells	450 000	University of Bergen, Department of Molecular Biology
5	Margit Sutrop	University of Tartu	New ethical frameworks for genetic and electronic care record databases.	861 840	Centre for Ethics, Dept. of Philosophy, University of Iceland; Centre for the Study of the Sciences and the Humanities, University of Bergen
6	Irina Didenkulova	Tallinn University of Technology, Institute of Cybernetics	Shoaling and runup of long waves generated by high-speed ferries.	450 000	Dept. of Mathematics, University of Oslo Bergen Center for Computational Science

EEA Financial Mechanism  
Annual Report 2008  
Estonia

7	Liidia Bitjukova	Tallinn University of Technology, Institute of Geology National Institute of Chemical Physics and Biophysics	Environmental impact of oil shale combustion ashes on topsoils in Narva Powerplants region : combined geochemical and ecotoxicological approach.	789 840	Geological Survey of Norway, NGU Norwegian Geotechnical Institute (NGI); Norwegian Institute for Agricultural and Environmental Research (Bioforsk)
8	Agu Tamm	University of Tartu	Angiogenic, inflammatory and bone markers in Estonian and Icelandic patients with distinct forms of osteoarthritis.	861 840	Landspítalinn University Hospital, Department of Rheumatology
9	Ants Erm	Tallinn University of Technology, Marine Systems Institute	Probable locations of windfarms in the open sea in relation to most favourable meteorological, hydrographical, ice and environmental conditions.	861 840	Institute of Marine Research, Bergen
10	Sabine Brauckmann	University of Tartu	The Cultural Heritage of Environmental Spaces: A Comparative Analysis between Estonia and Norway.	705 072	University of Oslo, Forum for University History; University of Oslo, Centre for Development and The Environment



## Annex IV. Articles and project websites

### 1. Priority areas No 1 & 2

EE0019: introductory articles were published in following newspapers Virumaa Teataja, Äripäev, Postimees, Õhtuleht.

Kunda Tsemendivabrik hakkab jäätmeid põletama

<http://www.oh tuleht.ee/index.aspx?id=279046&q=Kunda+tsemendivabrik+hakkab+j%e4%e4tmeid+p%f5letama>)

EE0012:

- Kull, A., Kull, A., Jaagus, J., Kuusemets, V and Mander, Ü. 2008. The effects of fluctuating climatic conditions and weather effects on nutrient dynamics in a narrow mosaic riparian wetland. Boreal Environment Research 13: 243-263.
- Mander, Ü., Lõhmus, K., Teiter, S., Mäuring, T., Nurk, K. and Augustin, J, 2008. Gaseous fluxes in the nitrogen and carbon budgets of subsurface flow constructed wetlands. Science of the Total Environment 404: 343-353,
- Mander, Ü., Lõhmus, K., Teiter, S., Uri, V. and Augustin, J. 2008. Gaseous nitrogen and carbon fluxes in riparian alder stands. Boreal Environment Research 13: 231-2413,
- Mander, Ü. and Shirmohammadi, A. 2008. Transport and retention of pollutants from different production systems. Editorial. Boreal Environment Research 13: 177-184

EE0040: the project and the seminar have been presented in local newspaper, via BNS and public television ETV news.

EE0018 <http://natmuseum.ut.ee/391387>

### 2. Priority area No 3

13.12.2007, Järva Teataja <http://www.jt.ee/141207/esileht/20007581.php>

15.12.2007, Sakala <http://www.sakala.ajaleht.ee/151207/esileht/5030569.php>

18.12.2007, Eesti Päevaleht <http://www.epl.ee/artikkel/411993>

25.01.2008, Õpetajate Leht <http://www.opleht.ee/Arhiiv/2008/25.01.08/peamearu/4.shtml>

13.03.2008, Järva Teataja <http://www.jt.ee/140308/esileht/20008361.php>

04.04.2008, Sakala <http://www.sakala.ajaleht.ee/040408/esileht/5032883.php>

10.04.2008, Virumaa Teataja

<http://www.virumaateataja.ee/100408/esileht/uudised/15045512.php>

14.05.2008, Sakala <http://www.sakala.ajaleht.ee/140508/esileht/5033647.php>

06.06.2008, Virumaa Teataja <http://www.virumaateataja.ee/060608/esileht/15046838.php>

June 2008, Newsletter of Väike-Maarja Municipality [http://www.v-maarja.ee/index.php?part=sm tmpnl&nl\\_id=juuni,%202008&art\\_id=11](http://www.v-maarja.ee/index.php?part=sm tmpnl&nl_id=juuni,%202008&art_id=11)

09.07.2008, Virumaa Teataja

<http://www.virumaateataja.ee/090708/esileht/uudised/15047525.php>

10.07.2008, Järva Teataja <http://www.jt.ee/100708/esileht/20009376.php>

30.07.2008, Virumaa Teataja

<http://www.virumaateataja.ee/310708/esileht/uudised/15048002.php>

01.09.2008, SL Õhtuleht <http://www.oh tuleht.ee/index.aspx?id=293890>

09.09.2008, Norwegian largest newspaper VG "Norske millioner til baltiske skole-slott"

**3. Priority area No 5**

SOS-Children's Village Association of Estonia (EE0026):

- Information on web-site of SOS Children's Village Association of Estonia:  
<http://www.sos-lastekyla.ee/est>
- information introducing the project is published in the newsletter of SOS Children's Village Association of Estonia

## Annex V. Audit plan for 2009

Priority area	Auditing body	Number of Audits	Number of projects
1 – “Protection of Environment”, 2 - "Promotion of sustainable development	The Financial Control Department	1	1
3 – “Conservation of European cultural heritage”	Ministry of Culture	1	The scope of the audit will be specified.
4 – “Human resource development”	-	-	-
5 – “Health and childcare”	Ministry of Social Affairs	3	3
7 – “Regional Policy”	-	-	-
Block grant - Strengthening of local and regional development	-	-	-
Block grant - Fund for non-Governmental Organizations (NGO Fund)	<i>The audit is being carried out by the Auditing Authority.</i>	-	-
Block grant - Transfer of Knowledge Block Grant for Estonia	-	-	-

## **Annex VI. Summary and recommendations of the evaluation carried out by Ernst&Young and CyclePlan**

The implementing system of the Norwegian and EEA Financial Mechanisms is relatively efficient in terms of **resources** needed for the carrying out of the required functions. Although the general impression among stakeholders is that the implementing system is bureaucratic, it is in fact clearly “lighter” than the benchmark used by us in this evaluation, namely the Single Programming Document for Structural Funds in Estonia. A closer analysis shows that in some aspects, the implementing system is even too light, which is reflected in some places imperfect separation of functions, sometimes insufficient human resources and not always sufficiently detailed procedures. The impression of a bureaucratic system is probably caused by the relatively long and inefficient preparation phase. The wish from the side of the donors to build a new implementing system instead of using an existing one, such as of the Structural Funds may have contributed to this. As a result, too many resources were spent in the preparation phase whereas too few resources seem to be deployed in the implementation phase.

At several places in the implementing system, the **separation of functions** is not fully guaranteed, sometimes not even at the level of the individual. Of the most critical type of combination of functions, coupling responsibilities for project implementation and payments is the most common. The separation of functions is the most difficult to guarantee for organisations that are both responsible ministry for one of the policy areas and operate in the project implementation role: the Ministry of Justice, the Ministry of Economic Affairs and Communication and the Ministry of Environment. At the same time, the risk related to a non-separation of functions is also remarkably high for the Ministry of Culture, taking into account that this ministry does not implement any projects itself. In addition, several assessors of applications submitted are connected to a beneficiary of several projects. In order to avoid (the impression of) conflicts of interest, it should be strictly observed that assessors may not in any way be related to any of the applicant organisations, even if the latter are very large.

The **division of responsibilities** between the different layers of the implementing system is sufficient. For most of the functions, the risks would increase in case of further delegation and the quality of the work would decrease or their cost would rise in case of further centralisation. Only for assessment and payments a different division of responsibilities would be more appropriate. The fact that the assessment system was the same for all policy areas was neither efficient nor effective. Furthermore, delegating payments to the responsible ministries might have reduced cost but has increase risk, mostly because of a non-separation of functions.

The **number of layers** in the implementing system is generally in accordance with the budget of the Financial Mechanisms. For the single projects, the number of layers can be called optimal, although some overlap of functions does occur. For the Regional Development and especially the Science Cooperation aid schemes, the number of layers is disproportionate to their budget. In part, this imbalance stems from the rather centralised approach of the donors which is not very efficient and may not have reduced risk. For similar future programmes – and especially for any aid-schemes delivered in their framework - it is recommended to limit the number of layers in the implementing system to three.

The **amount of human resources** needed for the delivery of functions is not guaranteed in more than half of the involved organisations. This is reflected in a too high workload for certain administrators and a high turnover of staff. In several cases the necessary human resources have not been made available in time. In addition the high number of applications for single projects, which was three times the number expected, has led to increased pressure on human resources. The current evaluation report shows, taking into account the number of projects and the number of people planned for implementation, that there should be sufficient human resources in the ministries responsible for the implementation of these single projects, with the exception of the Ministry of Culture. However, the amount of human resources planned in the organisations connected to the aid schemes is not deemed sufficient, especially if the number of applications exceeds estimations here as well.

The **experience and professional knowledge** of the individuals responsible for carrying out the various functions of the implementation system are generally sufficient. In several ministries, the officials are experienced through their involvement in Structural Funds and/or Phare-Transition Facility implementation. The clearest risk is related to the Science Cooperation aid scheme, where both the amount of people available and their experience are rather limited for both organisations involved.

Most important **risks of the implementing system** are associated with time and financial resources. Financial risks originate from outside of implementing system; these are derived by rise in project price or by decrease of subsidies. Risks associated with personnel are internal risks caused by labour mobility and lack of knowledge about actual workload. Problems might emerge because of inflexibility of changing the regulations, legal acts, agreements and forms which means irrational expenditure of time and inefficient implementation. For personnel risks we recommend additional use of institutional measures like codes of practice and procedures. The foundation for preventing risks that stem from alteration is assuring timely information.

**Control obligations** are assured in principal components of general level. Regulations can be improved in some parts that concern notification and reporting of irregularities. In institutional procedures the control obligations are described with inconsistent quality and insufficient thoroughness. Therefore a guide of standard example with minimum requirements and instructions should be prepared and specific gaps which are brought out in the following report should be improved. In general, levels of control are appropriate; they seem disproportionately large only in controls related to payments, so duplicate actions should be drawn together. From comparative analysis of procedures with structural funds it was found that time used for payment procedures is too long and should be shortened. Responsibilities for control actions should be more clearly described in procedures of responsible ministries and in Enterprise Estonia.

For ensuring the quality of **on the spot controls** the practices of different institutions should be leveled through instructive standards. Thereby necessary actions and minimum requirements should be described in more detail. In addition, control-sheets should be drawn up or referred to if available. Given problems are caused and intensified also due to human recourses capacity, for which cooperation with internal audit should be increased.

**Awareness of assignments and readiness to improve the system** is generally sufficient but inconsistent within administration, for example concerning the actual practices to make notifications of violations or errors. In conjunction to that possibilities and awareness of feedback provision about the system operation should be improved. As a solution the training needs should be specified and a training schedule prepared. Concerning the feedback, both current and new employees' should be given instructions to where and with which suggestions or problems should they turn. Possibilities for multilateral meetings should be also established to discuss arising questions.

In **procedures** of analyzed institutions majority of agreed actions were described. Necessary specifications for improvement are brought in this report as lists for input and output of operations phases, implementation schedule and responsibilities. The (planned) level of ratification for the procedures is in accordance with their purpose and their preparation schedule appropriate, provided that adherence is monitored.

The **quality of the applications** having received a positive financing decision is sufficient. There were large variations in the quality of the applications submitted; some were thoroughly prepared showing efforts having been put into preparation activities (e.g. infrastructure-related projects), while many others had clearly been prepared in a hurry. However, with an unusually low percentage of applications receiving a positive financing decision (around 10%), the final result in terms of the quality of selected projects is satisfactory due to the strong competition and thorough selection procedures. On the other hand, the low percentage of applications receiving funding also had a negative effect in view of the frustrations which emerged among those not selected after spending a lot of energy on a full application package. We recommend organising a pre-selection round of project ideas in similar cases of possibly very numerous applications as compared to the budget available, after which a second round of more detailed project planning and selection will be held.

The **evaluation process of the single project** applications was not of sufficient quality. Although the evaluation as such was effective in that it did deliver a priority list of candidate projects, it was not efficient for several reasons. The main reason was the number of applications, being three times the number expected. In addition, the design of the evaluation process was complicated, comprising of five different phases. Overall, the process was clearly too lengthy. We recommend limiting the number of phases in evaluation processes in order to increase transparency and reduce the time cost leading to a reduced relevance of projects.

The mechanism guaranteeing the **selection and independence of the assessors** was not sufficiently elaborated. The criteria for selecting the assessors were too general, even if the direct damage it caused was not very serious: no official complaints from the side of the applicants were filed on this point. At the same time, the selection of assessors was carried out in a hurry and finding good candidates turned out to be difficult as many potential assessors appeared to be related to one or the other application in their specific policy area. We recommend compiling a more precise procedure for selecting assessors and specifying the criteria on the basis of which they will be selected. For the first round of selection the circle of potential assessors should be taken much wider, e.g. by means of public announcement or a thorough search activity, using among others the databases available in Structural Fund Intermediate Bodies.

EEA Financial Mechanism  
Annual Report 2008  
Estonia

The **selection criteria and application forms** did not allow the assessors to evaluate and compare the applications in sufficient depth, one of the main problems being an insufficient match between the forms and the criteria. In addition, the specific evaluation criteria for the single projects, even if relevant, were too formulated in a too general fashion. A separate problem related to the fact that the assessment under certain criteria required the evaluation of several different issues under one heading (and therefore, one score). This clearly increases the subjectivity factor. We recommend explaining in more detail what applicants should describe in the various cells of the application form and to link more precisely together the form and the criteria.

The difficulties emerged throughout the selection process were in part caused by the **weak focus** of the Financial Mechanisms in Estonia. Many problems related to the evaluation criteria were due to the very broad and undefined way in which the objectives, if at all presented, of the individual policy areas and indeed of the whole Mechanism itself were formulated. As a final result, it became very difficult to answer to the main questions of the assessment process of applications: what kind of projects are expected, according to what a selection among them should be made and what is it that should be achieved by means of their implementation.