National Focal Point of Estonia

EEA Financial Mechanism
STRATEGIC REPORT 2013

Strategic Report on the implementation of the EEA Financial Mechanism 2009-2014 in Estonia
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1 EXECUTIVE SUMMARY

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

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

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

Since all the programmes were approved at the end of 2012, in 2013 the Programme Operators were engaged in launching the programmes, organising match-making events and other publicity events, also in setting up and describing the management and control systems at the same time. In almost all programmes where pre-defined projects were foreseen in the programme agreement, the Project Promoters started with their implementation in 2013. Most of planned calls for proposals have been launched and in several cases also the grant decisions were made.

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

While the legislative and economic environment can be considered stable in Estonia and all the programmes contribute to internal long-term strategies, no major risks affecting the achievement of the expected outcomes have been identified at the particular moment of implementation. The key challenge in the implementation of the programmes is still the time constraint. Although there have been delays in the planned time schedules in 2013, the risk of failing in achieving the expected outcomes due to the time constraint can be considered unlikely to happen since the measures that have been taken seem sufficient to mitigate the risk.

In 2013, the bilateral relations between Estonia and the donor states were fostered through a cross programmes’ regional cooperation conference financed from the Fund for Bilateral Relations at National Level and also through many match-making events organised by the Programme Operators. The focus of the events has been helping the preparation of joint project proposals through facilitating better mutual understanding between Estonian and donor states’ institutions.
Looking forward, the most crucial challenge for the programmes in 2014 is to finalise the projects’ selection in order to assure a good basis for moving towards the programmes’ objectives and timely risk management.

The reporting period of the current report is the calendar year of 2013. However, in order to provide a better overview, a few facts from the year 2014 known by the time of compilation of the report have been added.
2 ASSESSMENT OF THE EFFECT OF THE GRANTS

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

Strategic link

An important function of the EEA and Norway Grants has been the supplement to EU and other funding enabling among others to cover the areas, which fall out of the eligibility scope of other funding but are still at great relevance considering the objective of reduced disparities. The most visible example is the Public Health Initiatives programme, which enables to focus on mental healthcare for children and young people, which is not covered with EU funding and due to national regional disparities is a field that is also underfinanced by national means. Thus the support enables to tackle the specific problems so that the overall development needs would be most effectively and efficiently covered, which means that the EEA and Norway Grants’ contribution offers real added value, although it is sometimes difficult to indicate the direct share in the higher indicator level reached.

\(^1\) Sustainable Estonia 21.
According to Statistics Estonia, the decrease in the population number has slowed down, 1,315,819 persons lived in Estonia on 1 January 2014.

The decline in the number of births and the growth in the number of deaths have also influenced the natural increase, which was negative again – there were 1,740 more deaths than births. In 2013, 6,724 persons emigrated from Estonia, at the same time 4,110 persons immigrated to Estonia, thus the net migration amounts to -2,614.

According to Statistics Estonia’s projection, if the current demographic trends continue, the population of Estonia will decrease by 125,000 in the next rough 30 years due to negative natural increase and negative net migration, thus with 1.3 million inhabitants, Estonia continues to be one of the smallest of the countries to be financed under EEA and Norway Grants. ²

Still, a positive trend could be pointed out. Namely, according to the study commissioned by the Ministry of Social Affairs and carried out by AS Emor in 2013³, the emigration potential was lower compared to 2010 and decreased from 8.5% to 5.9%, but in numbers this still means that in the next years 51,600 working age Estonians intend to go working abroad. In 2013 the number of those intending to work abroad more than a year or even permanently has grown. In addition to that, more people would also like to take their family members with them and the main reason behind the trend is still higher salary to be expected abroad, the main argument for staying is the consideration of family and friends being in Estonia.

Source: Statistics Estonia⁴⁵

Since regaining of independence in 1991, the Estonian economy has grown nearly tenfold. Estonia saw extraordinary economic growth from 2001-2007. A correction began already in 2007, when the growth rate began gradually decreasing in connection with a shift in the

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² http://www.stat.ee/72429
⁴ http://www.stat.ee/34268
⁵ http://www.stat.ee/72429
economic cycle. As a result of the decline in trade volumes in the world’s economy from the end of 2008 and after that the quickly decreasing domestic demand however, Estonia’s GDP dropped 3.7% in 2008 and 14.3% in 2009. The economic recovery began in 2010 and picked up to 7.6% growth in 2011 and 3.2% in 2012. According to the latest data, the gross domestic product of Estonia increased by 0.7% in 2013; Spring 2014 Macroeconomic Forecast of the Ministry of Finance indicates that in 2014, the gross domestic product of Estonia will increase by 2.0%, and 3.5% in 2015. In 2016, 3.6% growth can be expected. GDP growth will pick up in the second half of this year as a result of the expected recovery of foreign demand. The driver of the economy will be domestic demand, however the contribution of exports will grow in 2014 as well. During 2015-2016, stronger economic growth can be expected in line with the strengthening of foreign demand.

![Estonia's real convergence with the EU](image)

*Source: Ministry of Finance, Eurostat, compared to EU 28*

Increasing the productivity and innovation of the economy is one of the most important preconditions of achieving the growth of GDP per capita. For that purpose the Estonian Government has set the target to increase the productivity per person employed up to 73% of the EU average by 2015, while in 2011 the indicator was 67.6%. Looking at the present levels of achievement, the set indicator target will most likely not be reached.

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

Taking into account that gross domestic expenditure on R&D has grown, being 2.18% of GDP in 2012 and even 2.37% in 2011, and is relatively high compared to other EU countries, the EU27 average in 2012 being 2.06%, still it has not resulted in an increase in the labour productivity. This has also been under focus when preparing measures for EU funding for the 2014-2020

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10 Estonia 2020
period. The ex-ante evaluators of the Estonian Operational Programme indicated that Estonia has taken respective lessons learnt into account and it was pointed out that greater orientation of the research system to the needs of the economy and society has now become equally important to research excellence, which to date has largely been the central goal of research policy.

![Labour productivity per person employed](chart)

Source: Eurostat

GDP per capita in comparison with the EU15 continues to be low (70%; EU28 being 100%; Norway 195%), and the primary reason is relatively low productivity (approximately one-half of the average for the EU15; see table above). The low level of productivity is related to both low total factor productivity and capital intensity. In essence, this means that companies have invested little, that a great amount of human resources is expended, that they manufacture relatively inexpensive output and provide low value added services.

In this context the inputs of the EEA and Norway Grants research and scholarships programmes’ as well as of the Green Industry Innovation programme focusing on green ICT are seen as valuable contribution to and in synergy with EU funding under the specific objective “R&D and higher education are of a high level, and Estonia is active and visible in international cooperation in the field of RD&I” given in the Operational Programme of 2014-2020 period, addresses one of the most essential development needs of increasing innovation capacity and competitiveness. The efforts are reflected in Estonia’s goal for 2020 to raise the level of R&D investments up to 3%, which implies a fourfold increase in R&D volumes compared to 2009.

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

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Estonia has set a target of achieving a 76% employment rate in the 20-64 age group by 2020. The level of employment started to recover rapidly in 2011; in 2012 the employment rate in the 20-64 age group increased by 2.3%, reaching the level of 72.1%\(^\text{15}\) and in 2013 already 73%, which is even higher than the objective for 2016, which is set at the level of 72.8%.

In 2014, the employment rate is expected to increase by a further 0.2-0.3\(^\text{17}\)%, growth should continue in 2015, thereafter, the number of people in employment is expected to stop growing due to demographic developments and start declining after 2017. Therefore, economic growth

\(^{13}\) http://www.stat.ee/57298
\(^{14}\) http://epp.eurostat.ec.europa.eu/portal/page/portal/europe_2020_indicators/headline_indicators
\(^{17}\) Spring 2014 forecast, Ministry of Finance of Estonia
can only be driven by productivity and investments supporting it. Unemployment decreased to 10,2\%^{18} in 2012 and continued to decline, reaching 8,6\% in 2013^{19}.

Reducing youth (age group 15-24 years) unemployment remains an important challenge for Estonia. By 2010, the youth unemployment rate increased to 32,9\%, which was significantly higher than the EU average (21,1\%), but then decreased rapidly in 2011 to 22,3\%. The youth unemployment rate continued to decrease in 2012 to 20,9\% and in 2013 to already 18,7\%. Estonia is committed to decreasing the unemployment rate of young people to 10\% by 2020.

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

![Unemployment rate for people under 25 years old](source: Eurostat^{20})

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

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18 [http://www.stat.ee/66661](http://www.stat.ee/66661)
The share of persons with an equivalised disposable income below the risk-of-poverty threshold has been relatively stable during the years, being at the level of 19,5% (2007-2009). In 2010, the indicator decreased to the level of 15,8%.

According to Statistics Estonia, in 2012, 18,7% of the Estonian population lived in relative poverty and 7,3% in absolute poverty. The overall percentage of people living in relative poverty increased by 1,2 percentage points compared to the previous year, but the percentage of people living in absolute poverty decreased by 0,8 percentage points. People living alone and pension-age people are at higher risk of poverty, whereas women are at significantly greater risk of poverty than men. In addition to that, the level of education significantly affects the risk of falling into poverty. Among persons with basic or lower education, every third was in the poorest and only every fourteenth in the richest income quintile.

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

Source: Eurostat


[22] Indicator levels for 2013 will be Published in December 2014.
<table>
<thead>
<tr>
<th>Indicator</th>
<th>EU 27 average</th>
<th>Norway</th>
<th>Estonia</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita in PPS²⁴</td>
<td>100</td>
<td>195</td>
<td>71/80</td>
</tr>
<tr>
<td>Level of R&amp;D investments of the GDP, %</td>
<td>2,06</td>
<td>1,66</td>
<td>1,85/3</td>
</tr>
<tr>
<td>Employment rate of the age group 20-64, %</td>
<td>68,5</td>
<td>79,9</td>
<td>71/76</td>
</tr>
<tr>
<td>At-risk of poverty rate, %²⁵²⁶</td>
<td>16,9</td>
<td>10,1</td>
<td>16,9/15</td>
</tr>
</tbody>
</table>

Source: Eurostat and Estonian Statistics

2.1 Cohesion

2.1.1 Environment and climate change

The priority sector includes one programme – Integrated Marine and Inland Water Management. With this programme there are clear connections and valuable contribution to the objectives of Estonian Environmental Strategy (ES2030), which is a strategy for developing the sphere of the environment. EES2030 serves as the basis for the preparation and revision of all sector-specific development plans within the sphere of the environment.

a) Contextual Trends

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

²³ State Budget Strategy 2014-2017
²⁵ http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do;jsessionid=9ea7d07d30e7aa0ce5401731414c915cc58c91fc1995.e34OaN8PchaTby0LC3aNchuMcHiKe0?tab=table&plugin=0&pcode=2020_52&language=en
²⁶ The yearly income is necessary for calculating the indicators of poverty and inequality. Social surveys are conducted by statistical organisations in all European Union countries on the basis of a harmonised methodology by the name of EU-SILC. Eurostat publishes the data according to the year of conducting the survey, thus Eurostat’s news release on relative poverty for 2012 published on 05.12.2013 included the indicators of relative poverty in Estonia calculated on the basis of the incomes of 2011.
residents with drinking water compliant with requirements and ensure the collection and treatment of wastewater. The whole territory of Estonia is characterised as being a receiving body of water sensitive to pollution, and groundwater is unprotected or weakly protected on more than half of our territory.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of renewable energy in gross final energy consumption</td>
<td>64,5</td>
<td>25</td>
<td>N/A</td>
<td>25,1</td>
<td>25,9</td>
<td>24,3</td>
</tr>
<tr>
<td>Proportion of waste recycling of total waste, %</td>
<td>40</td>
<td>N/A</td>
<td>59</td>
<td>55</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Total greenhouse gas emissions (without land use, land-use change and forestry sector) (in million tonnes of CO2 equivalent).</td>
<td>20</td>
<td>N/A</td>
<td>19,2</td>
<td>21,17</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>

b) EEA Grants’ contribution

The objective of the programme Integrated Marine and Inland Water Management is to achieve good environmental status in European marine and inland waters. According to the Ministry of Environment by the end of 2012, 63% of lakes and only 2 coastal water areas out of 16 can be defined as having good environmental status and around 88% of monitored Estonian rivers have good or very good status. This objective is in line with Estonia’s obligations deriving from EU marine and inland water legislation, the EU Strategy for the Baltic Sea Region and the HELCOM Baltic Sea Action Plan 2021.

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

Estonia somewhat lacks behind in the environmental research field in the EEA (e.g. research for the ecosystem services, etc.) as well as knowledge and awareness about liquefied natural gas (LNG) as an alternative ship fuel. A positive aspect to highlight is that baseline information related directly to the pre-defined project “Developing the programme of measures for the Estonian marine area in compliance with the requirements of the EU Marine Strategy Framework Directive, including feasibility study on using LNG as an alternative ship fuel to reduce pollution” has improved as some pilot studies were carried out in Estonia under different projects. The INTERREG project “Good environmental status through regional coordination and capacity building” carried out pilot studies on non-indigenous species, food webs, marine litter and underwater noise, giving some data on those descriptors, which are not covered by existing marine monitoring programmes and thus not monitored. Also two LIFE+ programme projects are contributing with new information. The project “Innovative approaches for marine biodiversity monitoring and assessment of conservation status of nature values in Baltic Sea” is dealing with indicators and monitoring methods and the project “Baltic Sea information on the Acoustic Soundscape” is dealing with underwater noise. New reliable data developed under the two mentioned projects is a remarkable support for the achievement of the

28 Output 1.1
output of the Integrated Marine and Inland Water Management programme. Also, as the discussion on the regional LNG terminal for Estonia and Finland is ongoing and the issue is very topical, the knowledge exchange and new data is essential.

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

EEA Grants’ contribution and investments in fisheries and maritime sectors help to achieve sustainable use of natural resources and sustainable economic development at sea and in coastal areas in line with the National Development Plan "Estonian Maritime Policy 2012-2020" and "Nature Conservation Development Plan until 2020". Both strategic documents were indicated in the programme proposal as being draft, presently they have been approved by the Estonian Government (on 2 August 2012 and on 26 July 2012).

2.1.2 Civil society

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

a) Contextual Trends

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

Estonian society is diverse both culturally and in terms of legal status: Estonia is home to 180 ethnic groups other than Estonians; they constitute about 31% of the total population and 15.6% of them are not Estonian citizens. The number of new immigrants, i.e. refugees, returnees, foreign workers and foreign students is growing and these people need support to adjust to society and to enter the labour market. It is also important that the Estonian society and citizens show tolerance to those groups, which requires improved communication measures.

Estonia and Latvia stand out among EU member states by the large percentage of residents whose citizenship is either Russian or undefined. According to Police and Border Guard Board data as of 1 January 2014 there were 91 2800 persons living in Estonia with undefined citizenship. Although the proportion of Estonian residents with undefined citizenship has gradually decreased, their average age is increasing and their ability to pass the Estonian language examination is decreasing, which makes it more difficult for them to apply for citizenship. The problems arise in several aspects, since unemployment is higher among the Russian-speaking population, mainly due to their geographical location, level of education and knowledge of the official language.
The Ministry of Culture and the Integration and Migration Foundation Our People contracted a study on social group integration, which was finalized in 2013. This study was conducted by a team of researchers and integration experts at Tallinn University. Among other things, the study gives an overall picture of the situation of young people in education. The patterns concerning social participation and contacts with Estonians are diverse. There are people among secondary school students who participate rather actively in social situations. These students usually are usually proficient in Estonian at least at the level of communication and socialise with their Estonian peers. These young people do not sense inter-ethnic antipathy. On the other hand, there are also those who believe that they are disadvantaged because of their ethnic belonging. Among reasons they mention limited access to information about state and municipal matters. Those who are less active say that the language barrier is one of the reasons for only limited communication between Estonian and Russian youths.

According to Statistics Estonia, the number of non-profit associations decreased by more than 1 300 in 2012, while the number of foundations rose a little – by 42. Although in 2011 the number of non-profit associations had increased by 4%, in 2012 their number took a nosedive and decreased by 5%. The main reason for this is the revision of data on non-profit associations in legal registers: the non-profit associations that failed to submit annual reports were deleted from registers. Of all registered non-profit associations, more than 3 300 were liquidated in 2012 – in comparison, only 107 were liquidated in 2011. In 2013 there was a slight increase again in the number of non-profit associations +193. Looking at the data by counties, it appears that the number of non-profit associations operating in Harju county increased by 2%, in Saare county more than 4% increase was recorded; in Ida-Viru and Lääne-Viru counties after an increase in 2012 the number of non-profit associations has decreased.

<table>
<thead>
<tr>
<th>Economic units</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-profit Association</td>
<td>24 837</td>
<td>26 679</td>
<td>28 303</td>
<td>29 507</td>
<td>28 183</td>
<td>28 376</td>
</tr>
<tr>
<td>Foundation</td>
<td>761</td>
<td>779</td>
<td>783</td>
<td>791</td>
<td>833</td>
<td>757</td>
</tr>
<tr>
<td>Government Institution</td>
<td>365</td>
<td>336</td>
<td>298</td>
<td>293</td>
<td>288</td>
<td>273</td>
</tr>
<tr>
<td>Local government Institution</td>
<td>2 548</td>
<td>2 530</td>
<td>2 513</td>
<td>2 497</td>
<td>2 469</td>
<td>2 457</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28 511</td>
<td>30 324</td>
<td>31 897</td>
<td>33 088</td>
<td>31 773</td>
<td>31 863</td>
</tr>
</tbody>
</table>

*Source: Statistics Estonia*

There is still room for development in the third sector; the most pressing problems are the organisations’ capacity to provide services, their operational capability and economic viability.

However, citizens’ associations have gained power and skills, which have increased their capacity to earn income, provide public and societal services, start up social enterprises, etc. Citizens’ associations that participate in shaping politics increasingly feel their significant role in finding the best solutions to the challenges that the society is facing and in improving the preparation procedures and the quality of legislation and policy documents. While 24% of local municipalities, 31% of county governments and 17% of ministry officials cooperate with citizens’ associations, there are no criteria established for assessing the quality of inclusion.

b) EEA Grants’ contribution

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

Estonia holds great potential in resolving society’s problems through the contribution from NGOs. Taking over the best practices of Norway, Iceland and Liechtenstein provides an opportunity to further develop NGO capacity building and spread their activity in an influential way.

The NGO Fund has proceeded as planned during the second year of implementation and the projects contracted in 2013 are actively contributing to the expected outcomes. Third sector organizations have been active in different societal issues – apart from the activities organized with the support of the EEA Grants, third sector activists organized an Opinion Festival and People’s Assembly as two of the most spectacular and talked-about initiatives in 2013. These two events were platforms for democratic discussions. Promoting democratic values is also one of the three main areas supported by the NGO Fund.

The programme has contributed to reducing economic and social disparities in the EEA by supporting organizations and projects that advocate for human rights and most vulnerable groups in the society. Organizations supported include Estonian Union of Child Welfare, Estonian Institute of Human Rights, Human Rights Centre, Estonian Refugee Council, Estonian LGBT Association and many more.

2.1.3 Research and scholarships

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

  a) Contextual Trends

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

Annual Growth Survey 2013 made by the European Commission emphasises the need to invest in education, research and innovation as well as in energy and the Commission’s country specific recommendations suggest Estonia to prioritise RD&I activities and turn them more international.

Estonia 2020 sets the target of raising the level of investment in R&D to 3% of GDP (2,19% in 2012) and ensuring that the increase in labour costs does not significantly exceed the growth rate of productivity (2,8% in 2011). The aim is to support the development of growth-capable sectors selected using the smart specialisation methodology. Although Estonia has been rather successful
in improving the quality and increasing the volume of research since regaining its independence, it has not been able to attain the EU average of the number of patents; compared for example to Norway where the number of patents filings was 806 or Finland with 2818.

![European patent filings](image_url)

Source: European Patent Office

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

b) EEA Grants’ contribution

Enhanced human capital and knowledge base through transnational cooperation is the objective of the Scholarship programme in Estonia. The chosen measures will encourage a more active student and staff mobility and an increased and strengthened cooperation between secondary education institutions.

In previous years, student mobility between the higher education institutions of Estonia and Norway has been rather inactive. Certainly there are several explanations, but one of the main barriers to use Erasmus scholarship for studying in Norway is the rather low level of Erasmus grant and lack of personal co-funding; the cost of living index in Estonia differs from that of Nordic countries. Hence, the programme will surely contribute to the increased higher education student and staff mobility between Estonia and Norway and has opened up new opportunities to get valuable experiences through cooperation.

At the beginning of 2014, the Estonian Lifelong Learning Strategy 2014-2020 was adopted. The Lifelong Learning Strategy will carry on the main principles of former strategies and the programme will contribute to the achievement of the aims of the new strategy. For example, the strategy turns special attention to moving towards a development- and cooperation-based approach to study, to skills and knowledge of teachers and academic staff, and strengthening the

connection between education and a knowledge-based society and innovative economy. Among
other issues, the strategy highlights the importance of increasing the effectiveness of internships
in the workplace, teacher training that focuses on professional teaching skills to support the stu-
dents’ development, social and technological competences and the development of teamwork
skills in addition to knowledge of the subject; the development of school culture, curricula and
teaching methods to promote the students’ individuality and student-teacher teamwork, etc. All
these measures will further be supported by the programme (e.g. work placements, developing
new teaching methods, school development plans, sharing best practices with colleagues abroad,
etc).

2.1.4 Cultural heritage and diversity

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

a) Contextual Trends

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

As at 1 April 2014 there are 65\textsuperscript{32} schools and orphanages in the old manor houses. Many of them
represent the best examples of architectural heritage and a large number of them are under state
protection. Over fifty of 227 local government units have a manor-school in its territory and
approximately every 5th primary school in the Estonian countryside is located in an old manor
house.

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

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

Still with regard to 2/3 of the manor houses there is a strong necessity for restoration and
reparation work.

\textsuperscript{32} \url{http://www.kul.ee/index.php?path=0xx635x868}; The number of manor schools may change due to the
Educational Reform.
The conditions in the programme area have not changed since the submission of the programme proposal although according to the published results of the Census 2011\(^{33}\) the overall trends toward urbanisation and regional inequality have deepened. The existence of manor houses as schools with their friendly environment, which enables child’s personal development supporting approach in education, is a very strong argument for young families when choosing where to live and raise children and thus supporting balanced regional development.

b) EEA Grants’ contribution

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

The impact to be expected is on the one hand the pure fact that the manor schools are restored and protected, which is crucial considering that more than 2/3 of the manor school buildings are listed as architectural monuments.

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

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

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

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

Due to intensive involvement of potential beneficiaries, informational and promotional activities, the owners of the manor schools are aware of the programme both as a source of funding for needed restoration works to maintain the values of local heritage, but also as a ground for regional development, creating new businesses and jobs. In the ongoing processes of optimizing the school network,\(^{34}\) the number of closed manor schools is insignificant in comparison with other rural schools because of their growing reputation and potential of multifunctional use. Three manor schools have been closed, but one new opened and several other schools that have earlier not participated in the work of the Union of Manor Schools and the network of manor schools coordinated by the Ministry of Culture, have joined and are also a target of the pre-

\(^{33}\) http://www.stat.ee/rel2011

\(^{34}\) http://www.riigikogu.ee/rito/index.php?id=11658
defined project. The municipalities as owners of schools have been very active in collecting information and cooperating.

2.1.5 Human and social development

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

a) Contextual Trends

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

The Estonian Human Development Index’s rank is 33 according to Human Development Report Office as of 2012, compared to 34 in 2011.\(^{35}\)

The level of employment started to recover rapidly in 2011; in 2012 the total employment rate increased by 2.3%, reaching the level of 72.1%\(^{36}\) and in 2013 already 73% in the 20-64 age group, which is even higher than the objective of 2016. On the other hand as also pointed out in European Commission’s country specific recommendations in 2013, Estonia has high structural unemployment with particular problems in North-East as well as among the low skilled. Yet in parallel the vacancy rates are growing, reflecting the skills mismatch.

<table>
<thead>
<tr>
<th>Achievement of indicators</th>
<th>Achievement</th>
<th>Target in State Budget Strategy 2014-2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of relative poverty before social transfers, %</td>
<td>41.1</td>
<td>40.1</td>
</tr>
<tr>
<td>Rate of relative poverty after social transfers, %(^{37})</td>
<td>17.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Employment rate in the 20-64 age group, %</td>
<td>66.4</td>
<td>70.3</td>
</tr>
<tr>
<td>Youth unemployment rate in the 15-24 age group, %</td>
<td>20.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Percentage of unemployed people in the 15-24 age group, %</td>
<td>8.9</td>
<td>8.5</td>
</tr>
<tr>
<td>Long-term unemployment rate, %</td>
<td>7.7</td>
<td>5.5</td>
</tr>
</tbody>
</table>

\(^{37}\) The yearly income is necessary for calculating the indicators of poverty and inequality. Social surveys are conducted by statistical organisations in all European Union countries on the basis of a harmonised methodology by the name of EU-SILC. Eurostat publishes the data according to the year of conducting the survey, thus Eurostat’s news release on relative poverty for 2012 published on 05.12.2013 included the indicators of relative poverty in Estonia calculated on the basis of the incomes of 2011.
Young people are a large risk group on the labour market. The youth (15–24) unemployment rate in Estonia, which continues to be higher than the EU average, is a problem in practically all EU Member States – whereas in 2013, the youth unemployment rate was 23.5% in the EU, the unemployment rate in the age group of 25-74 was twice as low: 9.5%. In Estonia, the youth unemployment rate was 18.7% in 2013 (the average unemployment rate being 8.7%)\(^{39}\). As the unemployment rate is calculated as a share of those young people who are economically active, but most members of this age group are still studying, the share of the unemployed among all young people aged 15–24 was 7.3%.

Early school-leavers are more likely to be unemployed and live at risk of poverty during the subsequent periods of their lives. Thus, success on the labour market depends on the quality of young people’s studies and the education they acquire. Young people’s more difficult situation on the labour market is also reflected by the fact that young people who were not in education, employment or training (NEETs) accounted for 15.3% of the 15–29 age group and 12.5% of the 15–24 age group in 2012\(^{40}\). Also, young people who have committed offences find it more difficult to participate in the labour market. The number of juvenile misdemeanours is declining, but juvenile offenders (aged 15–19) still represent 13% of the age group of minors.\(^{41}\) High youth unemployment is a major social risk factor in the long run. This may lead to the exclusion of this age group from the labour market and society as a whole.

According to Statistics Estonia, in 2012, 18.7% of the Estonian population lived in relative poverty and 7.3% in absolute poverty. The overall percentage of people living in relative poverty increased 1.2 percentage points compared to the previous year, but the percentage of people living in absolute poverty decreased 0.8 percentage points. In 2012, a person was considered to be at-risk-of-poverty if his/her monthly equalised disposable income was below 329 Euros (299 Euros in 2011) and in absolute poverty if his/her monthly equalised disposable income was below 196 Euros (186 Euros in 2011). In 2012, 18% of children aged under 18 lived in relative poverty and 9.5% in absolute poverty.\(^{42}\)

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

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

- The Government has approved a new development plan for the youth field for the period 2014-2020, which sets targets related to reducing inequality, preventing exclusion, providing opportunities for participation et al.
- The Ministry of Education and Research has put forward a proposal for new legislation reforming the youth justice system.

\(^{38}\) [http://www.stat.ee/34305](http://www.stat.ee/34305)


\(^{40}\) Statistics Estonia: Labour Force Survey


- The Ministry of Education and Research has developed a new strategic framework for the development of the education system and life-long learning with a special focus on the prevention of early school-leaving and support for a learner-centred approach.

b) EEA Grants’ contribution

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

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

Implementation of the programme is still at a very early stage, but it could be pointed out that under the pre-defined project the draft version of a concept paper to support children and youth at risk has been prepared. Public procurements to assess the efficiency and readiness of local governments to support children and youth at risk and to analyse parenting programmes and evidence-based intervention programmes for youth with serious behavioural problems have been conducted and research activities have started. The intervention programmes will be selected based on the results of the analysis.

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

2.2 Bilateral relations

The development of bilateral relations has been fostered throughout the implementation of the Grants on all levels by the National Focal Point and the Programme Operators with great assistance from the Donor Programme Partners and the Royal Norwegian Embassy in Tallinn.

Extent of cooperation, improved knowledge and mutual understanding

Many of the programmes financed from the Grants deal with reducing social inequalities in different funding areas on local and regional level, however in general, the local governments are not the main target group that is seen as Project Promoters, but rather as beneficiaries. So as to introduce the programmes and the experience of the donor states in these areas on local level, as well as to increase the synergy between different programmes, the National Focal Point in cooperation with the Norwegian Embassy in Tallinn, the Association of Estonian Cities, the Association of Municipalities of Estonia and the Norwegian Association of Local and Regional Authorities organised a regional cooperation conference that took place on 15 March in Pärnu,
Estonia. The conference aimed at introducing the financing possibilities from the EEA and Norway Grants, stressing the possibilities of co-operation within Estonia and with partners from Iceland, Liechtenstein and Norway and served as a kick-off conference for the local governments and organisations acting at local level before active launch of the programmes. Around 150 people took part of the conference, including 12 guests and speakers from Norway and three guests and speakers from Iceland. The first part of the conference focused on giving a broader picture of the regional and municipal level in Estonia, Norway and Iceland and how the Grants can support the local and county governments. The second part of the conference consisted of thematic seminars, where the management of topics of 1) Children at risk / mental health / domestic violence, 2) Planning of nature reserves and its bordering areas based on the example of Soomaa and Hardangervidda and 3) Possibilities for cooperation between NGOs and municipalities at local level were actively discussed, emphasizing co-operation of local governments and NGOs, as well as cooperation with the donor states.

The feedback from the participants was very good. It can be said that the conference received the attempted attention at local level, since in many of the calls for proposals under the programmes, local governments have taken part as either applicants or project partners and many of them in cooperation with local NGOs. Some of the organisations from the donor states that took part in the conference have been involved as partners in some calls, which means that contacts have been made and even if the submitted projects will not receive funding, the cooperation may still continue.

On the programme level, during 2013 fruitful cooperation between Programme Operators and Donor Programme Partners continued. The Donor Programme Partners have played an active advisory and supporting role, contributing to the programme preparation and implementation with practical advice. They have an overview of relevant players and stakeholders in donor states as well as in their extensive international network and they have provided valuable help in facilitating cooperation between donor states (mainly Norway) and Estonia, matching and finding suitable project partners from donor states to the Project Promoters of pre-defined projects and potential open call applicants as well.

As mentioned earlier, after the regional conference active launching of programmes with bilateral elements started, which followed by different match-making events. Within all programmes, except the Research Cooperation programme, which already had already profited from a very successful match-making event held in the end of 2012 receiving an enormous amount of excellent partnership project proposals, launching events with representatives from the donor states and more targeted match-making events and study tours were carried out. In most cases more than one event per programme has been organised, which means that once a contact between the Estonian and Norwegian (also Icelandic) organizations was established, the applicants and Project Promoters had the opportunity to meet in the context of next event to further work on projects/cooperation ideas. In many cases, the bilateral funds at programme level contributed to that with allocating useful seed money to applicants and Project Promoters for the search of partners and development of project ideas.

Over the course of the reporting period, emphasis was put on fostering cooperation between institutions at different levels in the public and private sector and in the civil society with the aim of general exchange of knowledge, understanding, and increasing the local target groups’ awareness in different programme areas.
The match-making events and study tours have resulted in a lot of good feedback from participants saying that the events have been systematic and exactly according to the target, the most useful information has been shared and useful new contacts have been offered, speeding up the process to reaching the objectives. To illustrate that, in the case of the Green Industry Innovation programme, one of participants of the study tour organised by the Programme Operator said that two potential partners and two real business leads were found and that work to transform these leads into business has started.

As a result of the selection processes in different programmes, several projects with partners from Iceland and Norway were awarded grants.

**Shared results and wider effects**

Owing to still being in the preparation phase of starting with active implementation of the projects, an exhaustive list of shared results and wider effects cannot yet be presented. However, considering the list of projects that have been awarded grants within the programmes, a lot of shared results can be expected to be achieved by the completion of the projects. For example, in the Scholarship programme, six jointly developed products are expected to be ready by the end of the projects, among them sustainable school policy documents, study kit for teachers, study materials integrating mathematics to vocational studies (in the field of carpentry and design), and study material for starting environmentally oriented student companies. It can also be presumed that the cooperation of Norwegian and Estonian research institutions will lead to wider effects such as future cooperation in other projects, connections with professional networks, increased access to participation in the initiatives at the European/international level.

Furthermore, even if there are not many shared results or wider effects to be mentioned yet, there is already some proof that by the completion of the programmes quite a fair amount of them may be listed. For example, Estonian experience in the improvement of Estonian manor schools with the help of the EEA Grants was chosen as a highlight of the European Heritage Days 2013 in Latvia. Also, as an initiative of the Norwegian Mental Health Coalition, the Estonian Mental Health Coalition was officially formed on 11 November 2013, the goal of which is to gather organizations in the mental health field, promote mental health well-being among people in Estonia and support and influence policy making on mental health.

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

3.1 Overview of Programme status

<table>
<thead>
<tr>
<th>Programme</th>
<th>Open calls launched/closed</th>
<th>Commitments made by PO(^{43})</th>
<th>Disbursements made by PO(^{44})</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE02 Integrated Marine and Inland Water Management</td>
<td>2/2</td>
<td>1 570 727 23%</td>
<td>53 350 1%</td>
</tr>
<tr>
<td>EE04 Children and Youth at Risk</td>
<td>2/1</td>
<td>2 491 473 38%</td>
<td>155 053 2%</td>
</tr>
<tr>
<td>EE05 Conservation and Revitalisation of Cultural and Natural Heritage</td>
<td>2/2</td>
<td>3 711 618 82%</td>
<td>87 461 2%</td>
</tr>
<tr>
<td>EE10 EEA Scholarship Programme</td>
<td>3/2</td>
<td>535 599(^{45}) 33%</td>
<td>61 709 4%</td>
</tr>
</tbody>
</table>

3.2 Individual Programme summaries
3.2.1 Integrated Marine and Inland Water Management

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

1\(^{st}\) expected outcome: “Established environmental targets and management plans for marine and inland waters” and its outputs:
- The programme of measures for the Estonian marine area, including feasibility study on using LNG as an alternative ship fuel to reduce pollution developed
- A integrated governance system for maintaining marine, coastal and inland water ecosystem services developed and capacity raised, including the favourable conservation status identified (through conducted inventories and enhanced databases) and relevant methods to establish baseline scenarios, monitoring and reporting system for number of marine, coastal and inland waters habitat types and species according to the Habitats and Bird Directive and Marine Strategy Framework Directive developed.

2\(^{nd}\) expected outcome: “Improved environmental information on impact, status and trends” and its outputs:
- Data-modelling system and the decision support tool for the integrated marine and inland water management developed
- An infrastructure for spatial information according to the requirements of the INSPIRE Directive established
- The methodology developed and assessments for the key ecosystem services of marine and inland waters conducted. The conservation management of habitats of threatened fish

\(^{43}\) According to the Structural Funds Operating System
\(^{44}\) According to the Structural Funds Operating System
\(^{45}\) Together with the Norwegian-Estonian Scholarship Programme
population of the Baltic Sea, and implementation of action plans for threatened river species (e.g. Freshwater pearl mussel), carried out

3rd expected outcome: “Developed strategies and measures for adapting to a changing climate” and its outputs:

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

The implementation of the programme started with the preparation of the two open calls under the 2nd outcome and the pre-defined projects. Out of four pre-defined projects one has signed the project contract, the assessment process is at its final stage for one project and for two remaining projects the assessment process is planned for early 2014. The call for studies on marine environment and establishment of the conservation targets and the call for promoting the restoration of habitats were open from August until November. By the deadline four project applications for the first call and four project applications for the second call were submitted. The financing decisions are planned to be made in the first half of 2014. According to preliminary assessment of the received project applications, the outputs under the 2nd outcome could be achieved and the target values of the indicators fulfilled as for all outputs and indicators project applications were submitted. Also the pre-defined projects are expected to reach their targets by the end of the programme at this point.

In 2013, the bilateral relations were strengthened mainly through events focusing the development of project partnerships. For that purpose two partner search days were carried out and also meetings between pre-defined project partners were organized. The programme was prepared and is implemented in cooperation with the Donor Programme Partner Norwegian Environment Agency. Also at project level tight cooperation between experts from Estonia and donor states is foreseen as all four pre-defined projects are implemented in cooperation with partners from Norway and five applications out of eight were submitted with partnership from Norway for the first two calls for proposals.

One need for adjustments has occurred – to cut the budget of the pre-defined project “Development of data-modelling system and the decision support tool for the integrated marine and inland water management” and transfer the cut funds to the pre-defined project “Elaboration of Estonia’s Draft National Climate Change Adaptation Strategy and Action Plan”. There might also appear a need to transfer the remaining funds from the first two calls to funds for complementary action.

The programme does not have an impact on horizontal concerns.

3.2.2 Children and Youth at Risk

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

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

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

2nd expected outcome: “Policies and standards of intervention in the field of juvenile justice developed and implemented in view to ensuring protection and securing full rights during detention and a wide range of opportunities for young offenders to reintegrate society created” and its outputs:
• Social inclusion of excluded young people and prevention of re-offending behaviour
• Aftercare for incarcerated youth provided

In 2013, the first call for proposals for increasing the capability of youth organisations youth work organisations to involve children and youth at risk was carried out and resulted in the selection of two projects that are expected to contribute to achieving the programme’s outcomes. Also, the call for proposals for providing aftercare for incarcerated youth was launched at the end of 2013.

The activities of the pre-defined project were initiated and the draft version of a concept paper to support children and youth at risk was prepared. Also, public procurements to assess the efficiency and readiness of local governments to support children and youth at risk and to analyse parenting programmes and evidence-based intervention programmes for youth with serious behavioural problems were conducted and research activities have started. The intervention programmes will be selected based on the results of the analysis.

In order to ensure the framework for cooperation between the national programme partners, a Trilateral Agreement was entered into between the three partners implementing the programme: the Ministry of Education and Research, the Ministry of Justice and the Ministry of Social Affairs. The productive cooperation between the Programme Operator and the Donor Programme Partner Norwegian Association of Regional and Local Authorities has been a valuable addition to the national level management of the programme. Also, there were cooperation partners on programme level from Iceland, Hungary, Latvia, Lithuania, and Norway.

In order to support the development of bilateral cooperation between potential Project Promoters and donor project partners, also to support quality assurance in conjunction with the calls, contact meetings on relevant topics were held in a format including parallel discussions and contact-making for applicants in different sectors, also describing national approaches by key note speakers for a better understanding of the cooperation possibilities.

The programme is addressed at horizontal concerns related to fundamental values such as promoting tolerance, multicultural understanding, respect for the rights of minorities, prevention of violence against women and trafficking. Promoting tolerance, multicultural understanding and the rights of minorities are supported through all open calls for proposals. The programme is implemented in cooperation with the Domestic and Gender-based Violence programme financed from the Norway Grants. The main link between the programmes is connected with cross use of
counselling services, networking between specialists and sharing of information on children and youth at risk. The support under the programme ensures strengthening the capacity of municipalities with special attention to municipalities with a high percentage of national minorities.

3.2.3 Conservation and Revitalisation of Cultural and Natural Heritage

The programme has two expected outcomes and under each two outputs:
1\textsuperscript{st} expected outcome: “Cultural heritage restored, renovated and protected” and its outputs:
- Restored manor schools
- Counties with restored manor schools

2\textsuperscript{nd} expected outcome: “Local communities further developed and economically sustainable livelihoods established through the revitalisation of cultural and natural heritage” and its outputs:
- Networking and awareness raising accomplished through pre-defined project
- Additional activities in manor complexes and international cooperation established

Although the original time schedule was delayed due to the delays in the process of consents, the first phase of the programme i.e. preparing and conducting the calls for restoration projects and development projects was implemented. The call for restoration projects resulted in the selection of three projects, which fulfil the target of the second output under the 1\textsuperscript{st} outcome since all the supported manor houses are in different counties. Even if the 4\textsuperscript{th} project in the ranking list, which has been modified and is under second evaluation, will be supported with a lower grant amount than initially applied for, the target of the first output of the 1\textsuperscript{st} outcome will not be achieved.

The programme is also on target to achieving the 2\textsuperscript{nd} outcome. The development projects applied for were under expert assessment at the end of 2013 and the selection of projects is planned for the very beginning of 2014.

The activities of the pre-defined project were still in the preparatory phase during 2013. Preparations included the collection of data on earlier similar activities in manor schools and several inquiries upon areas of interest carried out among the target group. The main focus of the pre-defined project is training: the public procurement was carried out and the courses will start in 2014. According to the poll carried out among potential beneficiaries it can be assumed that the target of the indicator of the output “Networking and awareness raising accomplished through pre-defined project” of 50 participants in trainings will be achieved.

Strengthening bilateral relations is of utmost importance for the sustainable and long-lasting results of the programme and is one of the most important challenges of the programme. The contacts and exchange of knowledge has been useful for the preparation of the calls for restoration projects and the development projects, but also for defining the broader context of activities and for strengthening mutual understanding between the Donor Programme Partner, the Directorate for Cultural Heritage in Norway and the Programme Operator. The directorate is a valuable partner as it has an overview of relevant players and stakeholders in Norway as well as in its extensive international network. This has enabled to exchange experience not only on the implementation of the programme, but also on protection and restoration of cultural heritage and provide a basis for a long-term professional cooperation between Estonia and Norway.
During the reporting period an active search for potential partners on project level was carried out with the intention of covering diverse fields and to contribute to the overall synergy of the programme. A partnership seminar allowed spreading the information about different partners and resulted in nine projects out of total 20 submitted under the call for development projects that have planned common activities or potential partnership with relevant organisations in Norway. During the implementation of the development projects and the pre-defined project more activities are planned to share the bilateral experience.

The programme does not address any of the horizontal concerns.

### 3.2.4 EEA and Norwegian-Estonian Scholarship Programme

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

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

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

2\textsuperscript{nd} expected outcome “Increased higher education student and staff mobility between Estonia and Norway” and its outputs:

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

During the reporting period three calls for proposals were launched. The calls for Measure 2 – “Mobility in Higher Education” and for Measure 5 “Cooperation Projects at Upper Secondary Level” were announced in February with an application deadline in April. The call for Measure 2 was extended until November. The call for Measure 1 – “Preparatory visits” was announced in January 2013 with a rolling deadline.

The number of applications submitted under the calls for Measure 5 and Measure 2 was low. Seven applications were received and all of them were decided to finance under the call for mobility projects. The number of people planned to be involved in mobility is 60 in total: 26 students and 34 staff members. Under the call for cooperation projects three applications were received and all received the grant.

Under the call for preparatory visits 30 applications were received in total and 23 applications were approved and financed during 2013. 17 were submitted by the researchers from Estonia and Norway to meet the project partners and to prepare the project proposals for the Norwegian-Estonian Research Cooperation programme, which shows a strong linkage between the two programmes.
The mobility projects will contribute to the increased higher education student and staff mobility between Estonia and Norway. The topics of the cooperation projects cover areas such as teaching natural sciences, developing sustainable school policy and fostering environmental thinking, which are the priority topics of the programme. All the financed projects are expected to contribute to reaching the outcomes and general objective of the programme.

In order to mitigate the risk of receiving low number of applications within the calls for proposals to be carried out in 2014, more effort in information and publicity activities was put and inter alia an additional match-making/information event was organised in November 2013.

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

4.1 Management and control systems

The management and control systems of the National Focal Point, the Certifying Authority, the Audit Authority and the entity responsible for the preparation and submission of irregularities reports that were set up in the first half of 2012, and submitted to Financial Mechanism Office together with the opinion of the Audit Authority in September 2012 remained in place in 2013. The Financial Mechanism Office acknowledged the receipt of the description of the management and control systems with its letter from March 2013.

In 2013, a need to merge the functions of the Managing Authority and the Paying Authority appeared in the implementation system for the EU Structural Funds in order to reduce the administrative burden and simplify the system. Such request was sent to the European Commission together with the opinion of the Audit Authority based on its audit that there is no functional risk in these changes. It is expected that the European Commission will approve the changes in the beginning of 2014. Since the implementation systems of the EU Structural Funds and the EEA and Norway Grants have a similar structure, where similar tasks are carried out within the same bodies, the need for the National Focal Point to take over the functions of the Certifying Authority and the functions of the national public entity responsible for the preparation and submission of irregularities report rose as well. Consequently, the Ministry of Finance requested with its letter of 16 December from the Donors to take use of the option provided in the Article 4.2.3 of the Regulation, which states that it may be decided in the Memoranda of Understanding that the National Focal Point takes on the tasks of the Certifying Authority.

At the programme level, setting up of management and control systems was started for all programmes. In order to receive clear and precise management and control system descriptions on time, the National Focal Point organised a training for all the Programme Operators and Implementing Agencies, introducing the recommendations for setting up the implementation systems and guidelines prepared for the Structural Funds implementation system. In addition to that, the National Focal Point and the Certifying Authority compiled a check-list for the detailed descriptions of the management and control systems of the Programme Operators that was based on the Structural Funds implementation system and was supplemented with the requirements of the Regulation. The check-list was made available for the Programme Operators for self-check and was used by the National Focal Point when reviewing the submitted descriptions of the management and control systems.

The internal deadline for Programme Operators to submit their descriptions of the detailed management and control systems to the Ministry of Finance was 15 November. However, only one description was received on time, the others were delayed. As assuring the quality of management and control systems has been a priority, the consulting process between the National Focal Point and Programme Operators before submitting the management and control system descriptions to the Audit Authority took slightly longer time than expected.

By the end of 2013, the descriptions detailed management and control systems of the programmes EE05, EE06 and EE10 were reviewed by the National Focal Point and submitted to the Audit Authority for its compliance assessment. In the opinion of the National Focal Point, the descriptions of the systems that were submitted to the Audit Authority were clear and considering the submission
of different documents to the Ministry of Finance it can be said that the processes described are in place and working.

4.2 Compliance with EU legislation, national legislation and the MoU

Legal basis

The Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2009-2014 between Estonia on one side and Iceland, Liechtenstein and Norway on another side, entered into force on 11 June 2011, and the legal framework of the financial mechanism based on the memorandum serves as the main legal basis for implementing the EEA Grants and are followed by the Estonian state. According to the changes described in the paragraph 4.1, the Annexes to the Memorandum of Understanding are planned to be changed in the beginning of 2014.

Since implementation agreements between the National Focal Point and the Programme Operators cannot be signed due to provisions in the Estonian legislation, a Government of the Republic of Estonia Decree “The rules and procedures for application for and implementation of the grants from the EEA and Norwegian Financial Mechanisms 2009-2014” for the establishment of the rules and procedures for application for and implementation of the grant from the EEA and Norwegian Financial Mechanisms 2009-2014 was prepared by the Ministry of Finance at the end of 2012 and entered into force 1 June 2013. The Government of the Republic decree provides a legal basis for the Programme Operators to implement the programmes and delegate their duties to other implementing institutions. The decree also provides rules on payment of grant, the suspension and refusal of payments, reclamation and repayment of the grant, monitoring, audit, publicity and reporting.

In addition to that, the Government of the Republic of Estonia Decree No 278 “Reclamation and Repayment of Grants and Rules and Procedures for Reporting on Irregularities in Awarding and Using the Grants” of 22 December 2006, which stipulates the requirements for informing about irregularities or fraud and conditions for repayment of the financial support, is currently being updated according to the needs for implementing the Grants. The updated Decree is expected to enter into force in the third quarter of 2014.

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

State aid

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

The grant given in all the calls under the Green Industry Innovation programme is either de minimis aid, aid for research and development or aid to young innovative enterprises.
In the call for web-based information sources and counselling services on mental and reproductive health and the call for social marketing campaigns on healthy lifestyles and training on health in all policies in non-health sectors under the Public Health Initiatives programme, it was identified that the grant given may be considered to be de minimis aid.

In the call for development projects under the Cultural Heritage programme, it was also identified that the grant given may be de minimis aid.

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

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

**Public Procurement**

In order to make sure that the Programme Operators are aware of the rules on public procurement and are able to check the compliance thereof in the projects, the National Focal Point organised a training for the Programme Operators and Implementing Agencies, introducing the minimum rules on checking the operations of the Project Promoters. The Programme Operators have also been advised to use the check-lists for public procurements of the Structural Funds implementation system.

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

**4.3 Irregularities**

No irregularities were detected during 2013. Special attention has been given to advise the Programme Operators in order for them to set up well functioning management and control systems of the programmes, which assures avoiding or early detection of irregularities.

**4.4 Audit, monitoring, review and evaluation**

In 2013, the main emphasis was put on reviewing the descriptions of the management and control systems. The status of the progress is described in paragraph 4.1. Reviewing the descriptions will be finalised in the first quarter of 2014.

The Certifying Authority checked the first payment claims from the programme funds inserted in the information system to get assurance that the Programme Operators are filling in the data correctly. As of 2014 this task will be the responsibility of the National Focal Point.

The Audit Authority will carry out compliance assessments of all the descriptions of the management and control systems within the first half on 2014. Neither management and control system audits nor project audits are planned for 2014.
4.5 Information and publicity

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

The biggest achievement in communicating the EEA and Norway Grants in Estonia in 2013 was the launch of the new website presenting interactive information on programmes and the Grants in general. As one of many novel features of the new website, the readers can now recommend the news items on their Facebook wall, which enhances the visibility of the website as the possibility is being used by readers actively.

By the end of 2013, the website had been visited for 5118 times by 2580 persons (unique visitors), which shows that the website has been a useful tool for the people involved in the implementation system as well as that there is a high interest in the Grants from the general public’s side. In addition to that, 35 people have joined the newsletter option in Estonian on the website and 5 people have done this in English. Joining the newsletter enables the reader to receive a notice by e-mail each time a news item has been added to the website, which gives the reader the assurance of being constantly up-to-date with all the developments under the Grants.

The Facebook page of the EEA and Norway Grants in Estonia is being actively followed as well. By the end of 2013, 142 people or organisations “like” the page and share news on their Facebook walls. The reach of each post shows a growing trend as more and more projects have started with events.

Given the statistics, it can be said that the website is serving its purpose well. Still, there is always room for improvement. In order to constantly increase the number of visits by unique visitors of the website, the news on opening another call or invitations to different seminars under the programmes that are being shared on the Facebook page of the EEA and Norway Grants in Estonia, always refer to first the EEA and Norway Grants’ website first so that the person clicking on the further information on the news can then either go further to the programme’s website or stay on the Grants’ website to find more information on other programmes. Another tool to increase the number of visitors on the website is planned to be developed at the beginning of 2014 – an events calendar showing all the events that are open for registration under the programmes and the projects. This will hopefully provide a useful tool for the Programme Operators as well as the Project Promoters to plan their events and trainings so that these don’t coincide and all the interested parties can take part in all the relevant events.

The biggest information event organised by the National Focal Point in 2013 was the regional cooperation conference on 15 March. The conference aimed at introducing the financing possibilities from the EEA and Norway Grants, stressing the possibilities of co-operation within Estonia and with partners from Iceland, Liechtenstein and Norway. More information on the conference can be found in paragraph 2.2.

As the role of the National Focal Point is not only communicating the Grants to the general public, but also to act as a central point for advice and guidance, an additional emphasis of the communication was put on educating the Programme Operators on different topics connected with the Grants: monitoring and setting up management and control systems, risk assessment, etiquette in organising international events. In addition to organising trainings, a web-based closed forum for the Programme Operators, the National Focal Point and the Certifying Authority was set up, where guidelines, approaches and experience are shared by all the...
participants. This ensures a better storing of relevant historical information than the exchange of e-mails as all new staff members get access to it.

In regards to the communication of the programmes done by the Programme Operators, it can be said that the information and publicity measures that have been taken are effective. The interest in events organised under the programmes as well as active participation in the calls are the best proof of that. A special commend can be given to the programmes of the social field (the Children and Youth at Risk programme, the Public Health Initiatives programme and the gender programmes) for co-operating in organising events, developing selection criteria stressing same directions but clearly focusing on the objectives of the different programmes and avoiding double financing etc.

The communication work of the Programme/Fund Operators and the National Focal Point can be assessed through the results of the public opinion survey ordered by the Ministry of Finance that for the first time included the EEA and Norway Grants in addition to the EU Structural Funds. As a result of the survey, carried out by Faktum & Ariko it appeared that 27% of the Estonian population at the age of 18 to 74 know that Estonia receives support from the EEA and Norway Grants, whereas the Grants are more known in smaller cities and boroughs and among people holding university degrees. People that knew about the EEA and Norway Grants mentioned education, research and the social field as areas that receive the support. Among objects, projects and activities that receive support, culture, recreational activities, sports, schools, education and nature conservation were mentioned most. Since the projects from the 2009-2014 period had not yet been started, it may be presumed that the respondents had objects that were financed from the 2004-2009 period in view. 12% of the respondents had seen the logos of the EEA and Norway Grants. Television and the internet were named as channels where people mostly receive information regarding the Grants. The results of the survey were shared on the website of the Grants as well as on the Facebook page of the Grants in Estonia. The trends of the visibility of the Grants is planned to be monitored annually throughout the whole implementation period.

4.6 Work plan

Altogether six open calls are planned to be launched under the programmes in 2014 and all the pre-defined projects are expected to start their implementation.

The table showing the main relevant dates in launching open calls, partner events and information events of the programmes is as follows:
<table>
<thead>
<tr>
<th>Programme</th>
<th>Partner/information event</th>
<th>Open calls 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE02</td>
<td>Integrated Marine and Inland Water Management</td>
<td>Climate change – 2nd Q</td>
</tr>
<tr>
<td>EE04</td>
<td>Children and Youth at Risk</td>
<td>Inclusive education – 1st Q&lt;br&gt;Social inclusion and prevention of reoffending behaviour – 1st Q&lt;br&gt;Community-based crime prevention – 1st Q</td>
</tr>
<tr>
<td>EE05</td>
<td>Conservation and Revitalisation of Cultural and Natural Heritage</td>
<td>Development projects II call – 1st Q</td>
</tr>
<tr>
<td>EE10</td>
<td>EEA Scholarship Programme</td>
<td>Preparatory visits’ - rolling call since 21.01.13&lt;br&gt;Institutional cooperation projects – 1st Q</td>
</tr>
</tbody>
</table>

The Monitoring Committee convenes before the annual meeting in order to review the progress of implementation, to give an opinion on the strategic report and to give input to the work plan of 2014/2015 of the bilateral fund at national level.

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

Most important information activities during 2014 will be partner days and information seminars for Project Promoters listed in the table above.

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46 The same open call for both financial mechanisms
5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

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

The main effort will be put into development of management and control systems, organising partner events, launching of the remaining open calls and implementation of projects. In all these activities the time factor is crucial – the Programme Operators and Project Promoters need to adjust to a shorter timeframe for implementation, still ensuring that the outputs and outcomes will be reached at the end of the programmes. The National Focal Point will advise and keep an eye on the implementation as much as needed and as much as possible.
6 ATTACHMENTS TO THE STRATEGIC REPORT

1. For each Programme, a table showing the breakdown in respect of applications received and projects selected / contracted, as well as the types of intervention supported.
2. For each Programme, a table providing information in respect of donor partnership projects (names of Donor State entities, number and proportion of partnership projects).
3. A summary table on Donor partnership projects on the Beneficiary State level.
4. Annual reporting under the Technical Assistance Agreement.