National Focal Point of Estonia

Norwegian Financial Mechanism
STRATEGIC REPORT 2012

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

The overall objectives of the Norwegian 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 state and the beneficiary states.

To achieve the overall objectives, the donor state Norway contributes to Estonia 25 600 000 Euros, out of which 7.5% is assigned for donor state’s management costs and the net amount available for Estonia is 23 680 000 Euros.

During negotiations between the donor state Norway and Estonia seven 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) Green Industry Innovation; ii) Global fund for Decent Work and Tripartite Dialogue; iii) Bilateral Research Cooperation; iv) Bilateral Scholarship Programme; v) Public Health Initiatives; vi) Mainstreaming Gender Equality and Promoting Work-Life Balance and vii) Domestic and Gender-Based Violence.

Since all the programmes were approved and could start with preparations for implementing only at the end of 2012, it is not yet possible to assess how the chosen programmes have contributed to achieving the overall objectives. However, 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.

In 2012, the bilateral relations between Estonia and Norway were strengthened through events financed from the Fund for Bilateral Relations at National Level. The focus of using the Fund for Bilateral Relations at National Level has been helping the preparation of programmes through facilitating better mutual understanding between Estonian and donor state’s institutions.

Looking forward, the most crucial challenge for the programmes in 2013 is to initiate partnerships, launch all planned open calls in time and start pre-defined projects’ implementation in order to be able to achieve the programmes’ outputs, outcomes and objectives.

The reporting period of the current report is the calendar year of 2012. However, in order to provide a better overview, a few facts from the year 2013 known by the time of compilation of the report have been added.
2 ASSESSMENT OF IMPACT AT NATIONAL LEVEL

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 EEA 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.

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 of great relevance considering the objective of reduced disparities. The most visible example is the Public Health 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.

According to Statistics Estonia, by preliminary data, the estimated population number in Estonia was 1 286 540 on 1 January 2013\(^2\); thus Estonia is with 1,3 million inhabitants one of the smallest of the countries to be financed under EEA and Norway Grants.

The decline in the population in 2012 was mainly influenced by the increase of emigration and the growth in the number of deaths. In 2012, 10 871 persons emigrated from Estonia, which is 4 657 persons more than a year earlier. At the same time, 4 416 persons immigrated to Estonia. Thus, Estonia has achieved the largest negative net migration over the past decade, which means that 6 455 more people emigrated than immigrated. Net migration has been negative over the entire last decade and it was the lowest due to emigration during the period of 2007–2009.

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 1 460 more deaths than births. The natural increase has been negative since 1991, but started to decline since 2004. In 2010, the natural increase was positive by 34 births, but by now there has been a turn once again. In 2012, the negative natural increase achieved the highest level during the last five years.

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 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.

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\(^1\) Sustainable Estonia 21.
\(^2\) [http://www.stat.ee/65140](http://www.stat.ee/65140)
The economic recovery began in 2010 and picked up to 7.6% growth in 2011 and 3.2% in 2012, pushed by export. Recovery of foreign demand and the adaptation of Estonian enterprises during the crisis paved the way for stronger growth in the industrial sector’s export volumes.

Increasing of the productivity and innovation of the economy is one of the most important preconditions in 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\(^3\), while in 2011 the indicator was 67.6%.

![GDP per capita in PPS (EU=100)](image.png)

Source: Eurostat\(^4\)

The average real growth in productivity in Estonia over the past 10 years has been faster than the average for Europe (even when the downturn in 2009 is included). At the same time, GDP per capita in comparison with the EU15 continues to be low, and the primary reason is relatively low productivity (approximately one-half of the average for the EU15). 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 EEA and Norway Grants research and scholarships programmes’ as well as green ICT programme’s input has seen as valuable contribution helping to achieve the Estonia’s goal for 2020 to raise the level of R&D investments up to 3%.\(^5\)

\(^3\) Estonia 2020  
\(^5\) NSRF – National Strategic Reference Framework 2007-2013 for the use of EU support.
R&D investments rose to 2.41% of GDP in 2011. The high growth was achieved by a twofold increase in private sector R&D expenditure and a 22% increase in public sector R&D expenditure. The spectacular one-off growth in private sector R&D expenditure was achieved by the R&D investments made to launch a new production facility in the shale-oil sector. The growth in public sector R&D investments was achieved by accelerating implementation of EU structural funds measures.

Even though the average real growth in productivity in Estonia over the past 10 years has been faster than the average for Europe, the GDP per capita in comparison with EU15 continues to be low, and the primary reason is relatively low productivity.

In 2011, the employment rate of the age group 20-64 rose, reaching the level of 70.4%. The main reasons for the rise of the employment rate include the positive impact of the overall economic situation on the labour market and the improved exports.

The annual average unemployment rate was in 2012 the lowest of the last four years being 10.2% compared to 12.5% in 2011.

Source: Eurostat, 13.02.2013

The youth (under 25) unemployment rate is declining being 22.3% in 2011 and 20.9% in 2012. It has remained stable over the years. 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 the labour market.

Unemployment rate for people under 25 years old

![Graph showing unemployment rate for people under 25 years old]


Here the programme Children and Youth at Risk addressing child welfare and youth correctional services, which is the field that has been nationally underfinanced, contributes 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 (18-24).

The share of persons with an equivalised disposable income below the risk-of-poverty threshold has been relatively stable during the years, being on the level of 19.5%. In 2009, the indicator reached the level of 15.8%. The decrease in the at-risk-of poverty rate was due to increased pensions and governmental benefits in 2009, but also due to a fall in people’s incomes, which meant that, for the first time in ten years, there was a decrease in the poverty threshold. There was an increase again in 2010 and 2011 to the level of 17.5%, so above EU27 average and the national objective to be achieved by 2014 15%.

By means of reducing regional disparities between the EU countries and Estonia the following table shows remarkable improvements with regard to set convergence objectives.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>EU 27 average</th>
<th>Estonia</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita in PPS 7</td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>Level of R&amp;D investments of the GDP 8</td>
<td>100</td>
<td>67</td>
</tr>
<tr>
<td>Employment rate of the age group 20-64 9</td>
<td>2,03%</td>
<td>2,38%</td>
</tr>
<tr>
<td>At-risk of poverty rate 10</td>
<td>68,6%</td>
<td>70,4%</td>
</tr>
</tbody>
</table>

Source: Eurostat and Estonian Statistics

8 http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do
10 Statistics Estonia – table LES01
Ensuring synergies with investments from the EEA and Norway Grants, EU financing and state funding in the process of preparing for the next EU financing period 2014-2020 during the ex-ante evaluation the additionality aspect will be analysed thoroughly, the bottlenecks will be brought out to the attention of the Ministry of Finance and suggestions will be made to further boost the co-effect.

2.1 Cohesion

2.1.1 Environment and climate change

The priority sector includes one programme – Green Industry Innovation. 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.

In 2010, the percentage of renewable energy in end consumption was 24%, which achieves the goal set for 2015 and is close to the goal set for 2020. It is likely that the data of 2011 indicate growth of the share, too, and the indicator already exceeds 25%, i.e. Estonia’s goal for 2020. The share of renewable energy has constantly increased in recent years.

b) Norway Grants’ contribution

The programme Green Industry Innovation targets “greening with ICT”, narrowing its strategy to four focus areas and challenges which drive the development of green innovations with international potential. These green innovation horizontal topics are: energy management systems, transport and logistics, manufacturing and trade, e-health.

Green ICT policy measures are one of the priorities outlined in the Competitiveness Plan Estonia2020, where it is stated that energy and resource efficiency measures as well as measures for reducing CO2 emissions must be developed through innovative investment schemes. In order to achieve economic development and industrial competitiveness, it is important to support R&D in resource efficiency and eco-innovation investments.

No specific and extensive financing from EU or state funding has been prescribed directly for the area of green ICT and green innovation.

With this programme Estonia is aiming to make use of the relatively advanced e-solutions and enter into partnerships with Norwegian enterprises who have longer experience with environmentally oriented entrepreneurship, thus the real surplus value is hopefully gained through bilaterally beneficial co-operation and exchange of experience.
2.1.2 Research and scholarships

The priority sector includes the Scholarship programme and the Norwegian-Estonian Research Cooperation programme. These programmes will be implemented in cooperation with each other and the Scholarship programme financed from EEA 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. New opportunities for economic growth have to be found in order to improve the standard of living of the Estonian people. Increasing the productivity of and the added value created by Estonian entrepreneurs requires finding and participating in new areas of growth, cohesion between science, development and innovation system and the needs of the economy. The biggest problem in Estonia is that the country remains significantly behind the leaders of today’s Europe – the Scandinavian countries. Estonia’s weaknesses are low level of research and development investments of the private sector and modest amount of high-tech export. Still, some improvements could be pointed out. Namely, in 2010, the R&D intensity, i.e. share of economic activities, amounted to 1.63% of the GDP, in 2011 the number was respectively 2.38%. The growth of R&D investments was attained owing mainly to the increased contribution of the business sector, which is one of the main goals of the Estonian Government.

In Estonia, the number of European patent applications has grown year-by-year: in 2009 43 and in 2010 51, but it is still very low compared to the EU average or for example Norway’s 409 in 2010.

Until now, the Erasmus programme has had a very important role in realising the goals of the internationalisation of Estonian higher education. The Erasmus programme is a great possibility to implement their internationalisation strategies. The participation rate in student mobility of Erasmus programme in Estonia has reached up to 1.5% of the total student population (939 outgoing students in 2009/2010, incl. 214 student placements) in 2010/2011 1 028 outgoing students.\(^\text{11}\)

b) Norway Grants’ contribution

Enhanced human capital and knowledge base through international 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.

For sustainable integration of young people to the labour market, it is relevant to allow them to gain more work-based experiences in enterprises and extend the apprenticeship and traineeship measures.

In higher education the priorities set within the measures (for example focus on mathematics, science and technology direction) enable a shift from social sciences to engineering, which

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creates the basis that could support the creation of an innovation culture in Estonia. A higher degree of openness and internationalisation is needed in higher education to better respond to the need for skills in the potentially growing sectors and R&D.

The overall objective of the Norwegian-Estonian Research Cooperation programme is enhanced research-based knowledge development in Estonia through enhanced research cooperation between Norway and Estonia. The programme will strengthen bilateral relations with the aim of stimulating long-term cooperation, capacity and competence-building.

More emphasis is needed on supporting international cooperation for researchers, PhD students and students and attracting talents to Estonia.

The programmes are directly addressed to one of the central challenges in the context of Estonia’s prospects for continued growth, thus to achieve growth in productivity through products and services with greater capital intensity and higher value added.

2.1.3 Justice and home affairs

The priority sector contains one programme – Domestic and Gender-based Violence.

a) Contextual Trends

Gender-based violence represents a major challenge for Estonian society. Lack of sufficient support mechanisms for victims, competent specialists and research on the issue limit the state’s possibilities to tackle these problems efficiently.

Women depending financially from their husbands have few possibilities to exit from a violent or abusive relationship, the services provided presently for victims are not sufficient to enable financial independence and escape from a violent situation, which influences strongly also children in these families. In 2011, women’s shelters helped 1,180 women and 204 children and in 2012 respectively 1,567 women and 184 children. According to the research carried out by Statistics Estonia in 2009, 51% of women and 46% of men have experienced domestic violence.

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<tbody>
<tr>
<td></td>
<td>79</td>
<td>110</td>
<td>125</td>
<td>116</td>
<td>115</td>
<td>120</td>
<td>125</td>
</tr>
<tr>
<td>Number of victims of human trafficking helped in rehabilitation centres</td>
<td>55</td>
<td>78</td>
<td>57</td>
<td>56</td>
<td>22</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>Number of victims of exploitation in prostitution helped in rehabilitation centres</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>150</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Ministry of Social Affairs (2012-2013 numbers are prognosis)

At the beginning and the end of the programme, surveys will be carried out to measure the attitudes and change in the attitudes in the general population towards gender based violence and trafficking of human beings.
b) Norway Grants’ contribution

With the contribution of Norway Grants it is aimed at raising the awareness among general population with regard to domestic and gender-based violence as well as raising the quality of the services offered to the victims in addition to developing specialised services for victims of sexual exploitation, since the latter is an uncovered field at present.

Prevention and support for victims of domestic and gender-based violence has originated from various sources, but the funding has not been sustainable enough and there are many problems related to it. Also, the economic crisis decreased the budgets and difficult decisions were made according to activities and services needed for preventing domestic and gender-based violence or supporting the victims of such violence. The support available through the Norway Grants and experience passed with partnership is of great importance in order to provide and develop the services with a more systematic approach as well as to raise the awareness of professionals of specific challenges of addressing gender-based violence and human trafficking.

2.1.4 Human and social development


a) Contextual Trends

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

The Estonian Human Development Index’s rank is 34 according to Human Development Report Office as of May 2011.12

After a substantial recovery of the labour market in 2011 (from 16.9% in 2010 to 12.5% in 2011), the unemployment rate is expected to decrease at a slower pace to 11.6 % in 2012 and 10.5 % in 2013. Structural unemployment poses a challenge.

The Estonian society has historically been very traditional and gender roles, which existed in the past, have to some extent remained to this day. According to Eurostat, Estonia has the highest gender pay gap in Europe, as a result of which women face limited opportunities in the labour market, limited access to power and management and difficulties balancing family and work. The possibilities for flexible working arrangements are limited and awareness on gender equality among citizens and professionals is generally low. The unadjusted gender pay gap in Estonia in 2011 was 27.3%, compared to the EU 27 average 16.2%.13 One of the main reasons behind large gender pay gap is also the high level of labour market horizontal segregation.

The area where Estonia shows the poorest results in the EEA and where the disparities between Estonia and Western and Northern Europe are biggest is health. An average Estonian lives six years less than an average Norwegian, while only 70% of an Estonian’s short life is disability-free compared to an average Norwegian who can enjoy 85% of his or her life without a disability.

Although life expectancy (and the number of healthy life years) is rising, it is still considerably below the EU average. The large gender gap in life expectancy (in favour of women by almost 10 years) attracts attention, and the regional differences in life expectancy are also remarkable.

The main focus of the Public Health Initiatives programme is improving the field of children’s mental health in Estonia. The health system performance assessment in Estonia showed that mental health problems have been the leading cause slowing life expectancy and the largest cause of long-term incapacity to work. Therefore, early interventions into mental health problems are important steps to take.

The health behaviour in school-aged children (HBSC) study pointed out that compared to the previous report there has been a positive improvement of the youth risk behaviour, but determinants of the risk behaviour are still high. The prevalence of mental health problems among young people is increasing and the use of psychoactive substance has contributed significantly to that trend. The HBSC report noted that 38% of girls and 18% of boys have experienced depressive episodes over the last 12 months and by age 15 more than 17% of adolescents have been drunk at least once. Moreover, the research showed a strong relation to mental health problems and alcohol consumption. Estonia has one of the highest levels of alcohol consumption and suicide incidents’ rates in Europe. In conclusion, improving and developing mental health services are essential for targeting people’s well-being and health indicators, especially focusing on children’s mental health problems.

\[\text{Source: } \text{Ministry of Social Affairs (2011-2013 numbers are prognosis)}\]

\[
\begin{array}{|c|c|c|c|c|c|c|c|c|}
\hline
\text{Horizontal segregation} & \text{2007} & \text{2008} & \text{2009} & \text{2010} & \text{2011} & \text{2012} & \text{2013} \\
\hline
\text{26.1\%} & \text{25.8\%} & \text{25.4\%} & \text{25.7\%} & \text{25\%} & \text{25\%} & \text{24.9\%} \\
\hline
\end{array}
\]

\[\text{Source: Statistics Estonia, table RV045}\]

\[\text{http://www.stat.ee/34276}\]


\[\text{National Institute for Health Development - http://www.tai.ee/terviseandmed/uringud/?limit=10&filter_catid=0&filter_year=0&filter_pubid=0&filter_languageid=0&filter=HBSC&filter_order=p.publish_year&filter_order_Dir=DESC}\]
b) Norway Grants’ contribution

The Mainstreaming Gender Equality and Promoting Work-Life Balance programme is concentrated on raising awareness and research on gender issues. Considering the level of unadjusted gender pay gap and the indicator on gender segregation in the labour market being in 2010 on the level of 25.7%, then one of the aims to increase women’s possibility to achieve higher position in their working life combined with the pre-defined project’s aim to enhance the protection against discrimination and raise awareness on gender equality, the programme is expected to have a considerable impact on the change in beliefs and the respective behaviour. The latter will most likely be expressed in statistics with a substantial lag, but the contribution is clear. The more systematic structures created assure the sustainability of achieved programme’s outputs. The second outcome to implement measures in the field of balancing work, private and family life in addition contributes to women’s higher social integration, reduced share of persons with disposable income below the risk-of-poverty rate as well as to the employment rate, which is crucial since in the context of Estonia’s population decrease the need for higher employment will grow.

The Public Health Initiatives programme has an undoubtedly substantial value to the health policy field, especially since the specific area of mental health in Estonia has the biggest gaps in financing and lack of integration of relevant other sectors and services. The value added through Norwegian experience in implementing integrated services (cooperation between social, health and education sector) gives an important input to the policy field development.

Although it is not possible to assess the size of the contribution in advance, the programme is tailored with the focus on early detection and interference, thus it could be presumed and expected that the programme will contribute to public health improvement and reduced health inequalities between Estonia and the donor countries as well as support children with specific needs.

2.1.5 Decent work and tripartite dialogue

The priority sector contains one programme financed from Norway Grants – Global fund for Decent Work and Tripartite Dialogue. The programme is centrally operated by Innovation Norway.

a) Contextual Trends

Approximately 7% of employees are members of trade unions and most of the few unions are in very specific sectors and often are the people directly or indirectly paid from public budgets.

b) Norway Grants’ contribution

Improving social dialogue will contribute to a more sustainable economic and social development. As only a very small number of workers are presently members of trade unions, the Norwegian experience will most likely have a valid impact on the tripartite dialogue structures and practices.
From the first open call one project „Towards the Nordic model of social dialogue“ is running, the Project Promoter is Eesti Meremeeste Sõltumatu AÜ. Although the project influences only one sector, the impact and added value is the activation of trade unions.

2.2 Bilateral relations

In 2012, the bilateral relations between Estonia and the donor states were strengthened mainly through the events financed from the Fund for Bilateral Relations at National Level since the programmes were approved only at the end of the year. The focus of using the Fund for Bilateral Relations at National Level in 2012 was helping the preparation of programmes and facilitating the communication between the Programme Operators and the potential applicants/project promoters of pre-defined projects and the Donor Programme Partners and other potential partners – many meetings and several seminars were held in Estonia to discuss the content of the programmes, also study trips to Norway were organized to learn from local experience.

The key events under the Fund for Bilateral Relations at National Level in 2012 were as follows:
- the launch of the EEA and Norway Grants in Estonia on 14 March
- Estonian-Norwegian cooperation on democracy education, I, on 17-19 September
- joint conference of Children and Youth at Risk and Public Health Initiatives programmes, on 3-4 October
- conference of outdoor activity promotion, on 16 October

The Fund for Bilateral Relations at National Level will further be a resource for activities encouraging better mutual understanding between Estonian and the donor countries’ institutions in the following fields:
- enhancing collaboration in promoting democratic values and open debate in society with specific focus on youth
- enhancing collaboration on common concerns in the area of working with children and youth
- enhancing collaboration in promoting healthy life styles through sports and outdoor activities with specific focus on youth
- learning from best practices on other topics relevant for municipalities
- co-operation in the priority areas of the Estonian and Norwegian chairmanships of the Baltic Sea Council

In 2013, one bigger event is planned to be carried out – a regional cooperation conference for local governments.

The programme preparation phase has shown that in some fields co-operation with the donor states, especially with Norway already exists. Also there is a great interest in learning from donor states’ experience. The feedback from the joint conference of Children and Youth at Risk and Public Health Initiatives programmes showed that the Estonian people working in those fields have to some extent already heard about the donor states’ practices and what is needed for the development of an actual partnership is the “final push”. This means that the programmes should focus the partnership events on actual contact making, including pre-matching of potential partners – this can be done in cooperation between the Programme Operators that know the potential applicants on the one hand and the Donor Programme
Partners on the other hand that know the potential partners. This would ensure that both the applicants and the partners know their roles and responsibilities as well the mutual benefits. This in turn ensures actual shared results, mutual understanding and awareness and hopefully also wider effects after the projects and programmes have finished.

The research cooperation programme’s pre-matching proved that it is a very effective way of initiating partnerships. However, this resulted in an unexpectedly large amount of joint applications, which means that most of the submitted projects will not be financed from the research cooperation programme. Still, the contacts have been made and hopefully the partners will implement their ideas through other mechanisms.

Considering the existing relations and the number of partnerships in the pre-defined projects, achieving the overall objective of strengthened bilateral relations is highly likely in Estonia. In order to ensure that all the programmes contribute to strengthening bilateral relations, very clear plans for the use of the Funds for Bilateral Relations at Programme Level will be made by the Programme Operators in cooperation with the Donor Programme Partners.

3 MANAGEMENT AND IMPLEMENTATION

3.1 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 (AFCOS Estonia) were set up in the first half of 2012, audited in August-September and submitted to FMO in September. As a result of the compliance assessment of the description of the management and control systems the Audit Authority was in the opinion that these are proportional, effective and in compliance with generally accepted accounting principles in relation with achieving the objectives of the programmes and that the managerial set up is in line with the requirements of the Regulations of the EEA and Norway Grants.

The setting up of more detailed internal work processes was also started. The main challenge is to set up sufficient, but at the same time proportional control over the programme operators in order to ensure efficient and correct implementation of the programmes. The main division of tasks was made between the different authorities. In order to be as efficient as possible, as many work processes as possible were taken over from the work processes of the Structural Funds implementation system. Moreover, it is planned to use the relevant expertise from the Managing Authority of the Structural Funds in different work processes such as monitoring (including monitoring over public procurements), communication, using simplified costs etc.

The implementation system of the Fund for Bilateral Relations at National Level was also set up and sent to the donors for approval within the work plan for the fund.

At the programme level, setting up of management and control systems was started, but not yet entirely finished. However all the programme proposals included the main principles of management and control. This is expected to be one of the biggest challenges of 2013 specially because all the programme were approved more or less at the same time and the dead lines of the submission of the management and control systems are very close to each other.
3.2 Compliance with EU legislation, national legislation and the Memorandum of Understanding

The Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism 2009-2014 between Estonia and Norway was signed on 8 June 2011. Since the memorandum does not include any clauses, which would need internal ratification, the memorandum entered into force on the day after the date of its last signature. The memorandum and the legal framework of the financial mechanism based on the memorandum serves as the main legal basis for implementing the Norway Grants and are followed by the Estonian state.

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 decree 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. Government of the Republic decree provides a legal basis for the programme operators to implement the programmes and delegate their duties to other 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. The decree is expected to enter into force in the first half of 2013.

In addition to that, the Government of the Republic 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, will be updated in 2013 according to the needs for implementing the Grants.

When preparing the programme documents (open call criteria, draft agreements etc), special attention will be paid to assuring compliance with the legislative framework inter alia the compliance with Community Policy (state aid, public procurement, programme area specific directives). When needed, consultations on specific issues with the specialist in the area will be organised. For example, there have been continuous consultations on state aid with the Public Procurement and State Aid Department of the Ministry of Finance of Estonia. Also, it is planned to use the expertise of the Managing Authority of the Structural Funds to consult the Programme Operators regarding public procurements in the programmes and the projects.

3.3 Status of Programmes

Since all the programmes were approved only at the end of 2012, calls were undertaken only within the programmes managed directly by the FMO or donor state entities. However, preparations for launching the open calls planned for the 1st quarter of 2013 were started.
The table showing the main relevant dates in the progress of the preparation of the programmes is as follows:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Submission of proposal</th>
<th>Grant decision</th>
<th>Agreement</th>
</tr>
</thead>
</table>

Within the programme Global Fund for Decent Work and Tripartite Dialogue two open calls for Estonian proposals were carried out during 2012. The first open call covered the total re-granting amount of 252 160 Euros for Estonia. Three proposals were submitted by the deadline, two of them were deemed being eligible and only one proposal received the grant in the amount of 33 000 Euros. This meant that the commitment rate was 13% of the total funds available. The successful project is implemented by Eesti Meremeeste Sõltumatu Ametiühing (Estonian Seamen Independent Union) in close cooperation with its partner Norsk Transportarbeiderforbund.

Since most funds available 219 160 Euros remained decommitted, the second open call was launched with the deadline of 19 December 2012. Two applications from Estonia with total grant amount of 201 078 Euros were submitted in time. The grant decisions of the second open call are expected to be available in spring 2013. Even if both applications will be granted in the extent of the requested amount, some funds of the re-granting amount will still remain decommitted.

### 3.3.1 Technical Assistance

The agreement for the financing of Technical Assistance (TA) and the Fund for Bilateral Relations at National Level was signed on 20 April 2012 with the eligibility period for the TA from 8 June 2011 until 31 December 2017 and for the Fund for Bilateral Relations at National Level from 8 June 2011 until 31 October 2017.

The amount of the TA grant is 729 000 Euros (Norway Grants’ share – 384 000). The TA is used for costs of additional management systems specifically established for the implementation of the EEA and Norway Grants. 72 824 Euros was used during the year 2012. The expenditures included salaries of the National Focal Point, the Certifying Authority and the Audit Authority officials, organising meetings and participating in meetings and publicity costs. The cumulative use of the TA by the end of 2012 was 90 550 Euros, which corresponds to 12.42% of the total amount available.
The amount of the Fund for Bilateral Relations at National Level grant is 243 000 Euros (Norway Grants’ share – 128 000). During the year 2012 117 884 Euros was used. The cumulative use of the fund for Bilateral Relations at National Level by the end of 2012 was 145 056 Euros, which corresponds to 59.69% of the total amount available.

3.4 Irregularities

No irregularities were detected during 2012 since the implementation of programmes was not yet started. Presently, the main focus is on setting up well functioning management and control systems of the programmes, which assures avoiding or early detection of irregularities.

3.5 Audit, monitoring, review and evaluation

In 2012 the Audit Authority carried out one compliance assessment of the detailed management and control system description for the implementation of the European Economic Area and Norwegian Financial Mechanisms 2009-2014 in Estonia.

The scope of the compliance assessment included a detailed description of the management and control system that incorporates the National Focal Point, the Certifying Authority, the Audit Authority and AFCOS Estonia. As a result of the compliance assessment the Audit Authority gave the opinion that the description of management and control systems are in all material aspects proportional, effective and in compliance with generally accepted accounting principles in relation of achieving the objectives of the programmes and that the managerial set up is in line with the requirements of the Regulations of the EEA and Norway Grants.

Since all the programmes were approved at the end of 2012 no calls were undertaken and therefore no more audits were carried out.

In 2013 all the Programme Operators have to submit their detailed descriptions of the management and control systems to the National Focal Point. The National Focal Point reviews the descriptions in the order that they are submitted and in case it finds these sufficient and in line with the legislative framework, then it presents these to the Audit Authority for Compliance Assessment.

Neither management and control system audits nor project audits are planned for 2013.

The Audit Authority will compose an audit strategy for the programmes during 2013.

3.6 Information and publicity

The communication strategy for the EEA and Norway Grants 2009-2014 in Estonia was submitted to the donors for approval on 13 April. The strategy was revised according to the received comments and resubmitted on 21 August. The strategy was approved on 4 October.

The biggest information event in 2012 was the festive launch of the grants. The launching seminar was held on 27 March, presenting the objectives and planned outcomes of the
programmes and had a bilateral aspect to it, presenting also the possibilities for and actual cooperation with donor state entities. The launching event included presentations by each programme operator followed by separate discussions under each programme.

The communication strategy needs adjusting regarding the time plan. It was planned to launch the newly designed and restructured website in the second half of 2012, but due to unforeseen internal procedural delays and prioritization of tasks to having the programmes approved it was postponed to the first quarter of 2013. In addition to the website of the National Focal Point, a Facebook page of the EEA and Norway Grants Estonia was launched. News regarding the programmes, the information activities and the bilateral events are being shared there.

Considering the phone calls and e-mails with questions regarding the programmes and the possibilities it can be said there is a big interest in Estonia for the grants and that the messages have so far reached the audiences well. When the actual implementation starts, the stronger emphasis will be on the programmes’ communication. The role of the National Focal Point regarding information and publicity will be to act as a central point for advice and guidance, but also as a central point for monitoring over the communication activities.

### 3.7 Work plan

Altogether 11 open calls are planned to be launched under the programmes in 2013 and all the pre-defined projects are expected to start their implementation.

The table showing the main relevant dates in the planning of the launching events, partner events and open calls of the programmes is as follows:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Launch</th>
<th>Partner event</th>
<th>Open calls 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE07 Green Industry Innovation</td>
<td>12.03.2013</td>
<td>28.11.2011</td>
<td>preparatory visits' - rolling call since 12.03; ICT solutions 01.04</td>
</tr>
<tr>
<td>EE08 Public Health Initiatives</td>
<td>2nd quarter 2013</td>
<td></td>
<td>web-based projects 3rd Q; service network – 4th Q;</td>
</tr>
<tr>
<td>EE09 Mainstreaming Gender Equality and Promoting Work-Life Balance</td>
<td>4.04.2013</td>
<td></td>
<td>systems for promoting gender equality – 1st Q; balance between work, private and family life – 1st Q</td>
</tr>
<tr>
<td>EE10 Norwegian-Estonian Scholarship Programme</td>
<td>21.01.2013</td>
<td>-</td>
<td>preparation visits' - rolling call since 21.0117; mobility projects 01.02-01.04</td>
</tr>
<tr>
<td>EE11 Domestic and Gender-based Violence</td>
<td>4.04.2013</td>
<td></td>
<td>awareness-raising activities (gender-based violence) and analysis on sexual violence – 1st Q; awareness-raising activities (victims of trafficking) – 1st Q</td>
</tr>
</tbody>
</table>

17 The same open call for both financial mechanisms
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 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 the launching events of the programmes, open call conditions, work plans of the bilateral funds at programme level, etc. Since the year 2013 will be crucial in launching the programmes and setting up of management and control systems, the Cooperation Committee meetings will be convened according to running needs and in case of most programmes more than once a year thus it is too early to present a regular yearly plan.

Most important information activities during 2013 will be programmes’ launching events and partner days listed in the table above. Also press releases will be issued and specific information seminars will be carried out for each open call.

4 REPORTING ON PROGRAMMES

The EEA and Norway Grants’ moving from a project approach in 2004-2009 period to a programme approach in 2009-2014 period has both advantages (joint overall objectives and possible synergies without spreading funds thinly out) and disadvantages (danger of less focusing on special locations and target groups). In order to mitigate the risk of less focusing on special locations and target groups, several pre-defined projects addressing the most crucial needs in the chosen sectors were identified within the programmes in the preparation phase. In addition to that, many of the programmes are very much interlinked, which means that there is a clear focus on certain matters and therefore greater overall impact in certain sectors can be foreseen.

In general, at the present stage of implementation only the possible risks that may threaten the achievement of the programmes’ objectives given in the programme proposals can be indicated. As in most programmes no projects have yet been selected from open calls, it is too early to further analyse and emphasise those risks.

Still, with regard to the Green Industry Innovation programme, some risks can be pointed out. The Ernst & Young Baltic’s AS study “The role of green ICT in enabling smart growth in Estonia” 18 showed that the main obstacles that constrain wider and more pervasive development and adoption of green ICT in Estonia are: low awareness, uncertainty concerning advantages, constrained cooperation (low international cooperation experience) scarcity of financial resources. Innovative entrepreneurship and business projects that require development activities are long-term and it is very difficult to forecast their profitability. This is why Estonian private sector is not always too eager to take these risks. Therefore the approach of the Green Industry Innovation programme to develop the sector with cooperation projects enabling know-how transfer reduces possible risk factors.

Since the implementation of programmes was not started in 2012, the administrative and management risks were not assessed in detail. In 2013, the National Focal Point will organise the first risk assessment exercise to the Programme Operators using the methodology of the Structural Funds. The aim of the risk assessment exercise is to assess possible problems

during the implementation, their severity and to work out mitigation measures (training, guidance, supervisory activities, new developments etc) to the problems that receive a high risk score. Another benefit is getting information from Programme Operators about possible problems, also encouraging experience sharing and networking.

The risk assessment will be carried out in three parts. The first part will be held as a seminar to the implementing bodies where participants can bring out all risk factors that they can think of and if possible, also mitigation measures. As a second part the implementing bodies receive a summary table of all the risks and individual risk assessment takes place – how big the probability of the risk is and if the risk should realise, what its impact is. On the basis of individual assessments a summarised ranking will be made and in the third part, held as a seminar, the risks that are highest in the ranking list will be discussed and a more detailed work plan of mitigation measures for those for the next year will be developed.

Since the submission of programme proposals and their approval took longer time than initially expected, the Programme Operators are struggling with managing the timeframe so that reaching the set outputs and outcomes would not be under threat.

5 SUMMARY LISTING OF ISSUES AND RECOMMENDATIONS

At the very early phase of only starting to implement the programmes, there are no outstanding issues to be added to those that have already been mentioned under the previous points.

The main effort will be put into launching the programmes, setting up of management and control systems, organising partner events and launching of open calls. In all these activities the time factor is crucial – the programme operators 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

Since the implementation of programmes was not started in 2012, all information known by the cut-off date of the report is presented in the main part of the report and no attachments were compiled.