JOINT OPERATIONAL PROGRAMME of
Estonia-Russia
Cross-Border Cooperation Programme 2014-2020
## Table of Contents

JOINT OPERATIONAL PROGRAMME of Estonia-Russia Cross-Border Cooperation Programme 2014-2020 .................................................................................................................. 3

INTRODUCTION .................................................................................................................. 3

1. DESCRIPTION OF THE PROGRAMME AREA ................................................................. 6
   1.1. Programme area map ................................................................................................. 7
   1.2. Core regions ............................................................................................................... 7
   1.3. Adjoining regions ..................................................................................................... 7
   1.4. Participation of the adjoining regions in Finland and Latvia ................................. 9

2. PROGRAMME STRATEGY ................................................................................................ 11
   2.1. Strategic and thematic objectives and priorities ....................................................... 11
   2.2. A justification of the chosen strategy ...................................................................... 14
      2.2.1. Socio-Economic and environmental analysis of the programme area .......... 14
      2.2.1.1. Business and SME development .................................................................... 21
      2.2.1.2. Promotion of border management and border security, mobility and migration management ................................................................. 30
      2.2.1.3. Environmental protection, climate change mitigation and adaptation .... 34
      2.2.1.4. Support for local & regional good governance ............................................. 41
      2.2.2. Lessons learned from previous experiences in Cross Border Programmes 45
      2.2.3. Coherence with other EU, national and regional strategies and EU financial instruments ............................................................................................................. 47
      2.2.4. Risk Analysis and Mitigating Measures .............................................................. 50
   2.3. Description of ‘Objectively Verifiable Indicators’ (OVI) ........................................ 56
      2.3.1. Expected result for each priority ....................................................................... 56
   2.4. Cross-cutting Issues ................................................................................................. 69

3. STRUCTURES AND APPOINTMENT OF THE COMPETENT AUTHORITIES AND MANAGEMENT BODIES ............................................................................................................. 70
   3.1. The composition of the Joint Monitoring Committee and its tasks ....................... 71
   3.2. Managing Authority and its designation process ..................................................... 72
   3.3. National Authorities ................................................................................................. 76
   3.4. Control contact points ............................................................................................. 77
   3.5. The procedure for setting up the Joint Technical Secretariat, and branch offices and tasks ............................................................................................................................... 78
   3.6. The audit authority and members of the group of auditors ..................................... 79
4. PROGRAMME IMPLEMENTATION............................................................................. 83

4.1. A summary description of the management and control systems .................. 83

4.2. Timeframe for Programme implementation..................................................... 85

4.2.1. The basic principles for project beneficiaries............................................... 86

4.3. A description of the project selection procedure ............................................. 88

4.4. A description of types of support per priority (a list of projects to be selected through direct procedures) .......................................................... 91

4.5. A description of the planned use of Technical Assistance and applicable contract award procedures ........................................................................... 102

4.6. A description of monitoring and evaluation systems, together with an indicative monitoring and evaluation plan for the whole duration of the Programme (Annexe 1) ................................................................. 102

4.7. Communications strategy for the whole programme period and an indicative information and communications plan for the first year (Annexe 2) ................................................................. 103

4.8. Information of fulfilment of SEA requirements ................................................ 106

4.9. An indicative financial plan.............................................................................. 108

4.10. Rules on the eligibility of expenditure ......................................................... 113

4.11. The apportionment of liabilities amongst participating countries .................. 114

4.12. The rules for the transfer, use, and monitoring of co-financing ..................... 115

4.13. A description of IT systems for the reporting and exchange of computerised data between the MA and the Commission ........................................ 116


Annex 1 Indicative monitoring and control plan .................................................. 117

Annex 2 Media plan and communication and visibility guidelines ....................... 120

Annex 3 List of Acronyms .................................................................................... 128
INTRODUCTION

The Estonia – Russia Cross-Border Cooperation (CBC) Programme 2014–2020 (hereinafter referred to as The Programme) is co-financed by the European Union under the European Neighbourhood Instrument (ENI), the Republic of Estonia and the Russian Federation. The Programme has been developed as a joint effort between representatives of Estonia and Russia. The representatives of both countries who were involved in the Programme’s preparation process have been also actively involved in the implementation of the Estonia-Latvia-Russia Cross-Border Cooperation Programme 2007-2013 (hereinafter is referred to as EstLatRus) within the European Neighbourhood and Partnership Instrument (hereinafter referred to as ENPI), and it is foreseen that they will be involved in the work of the Programme’s Joint Monitoring Committee (hereinafter referred to as JMC) in the future. Continuity between preparation and implementation contributes to effective management and the Programme’s result-orientated implementation.

The Programme will complement overall European Union - Russia relations, focusing on the eligible border regions on both sides of the border.

The Programme has been prepared in accordance with:

- Programming document for European Union support to ENI cross-border cooperation for the period 2014-2020 (Commission Implementing Decision C (2014)7172));
- The Concept for the Foreign Policy of the Russian Federation (adopted by the President of the Russian Federation on February 12th, 2013);
- Federal law on procurement № 44-FZ of April 5th, 2013;
- Tax Code of the Russian Federation;
- Related decrees of the President of the Russian Federation and the Russian Government;
  The Concept of Cross-Border Cooperation of the Russian Federation;
- The Concept of the Long-term Social and Economic Development of the Russian Federation through to 2020;

The applicable European Union rules on State aid and de minimis aid will be taken into account during the implementation of the programme in the territory of the European Union. If need be, the relevant Russian legislation on competition will be applied in the territory of the Russian Federation.

The Ministry of the Interior of the Republic of Estonia and the Ministry of Regional Development of the Russian Federation (which was abolished and from 8 September 2014 the Ministry of Economic Development of the Russian Federation took over its functions regarding CBC programmes), have acted as national authorities (which hereinafter are referred to as NAs), that are responsible for coordinating the Programme’s preparation process. In order to initiate Programme preparation, Estonian and Russian NAs organised two inter-ministerial meetings in Riga on 13 December 2012, at which it was decided that the process of preparation would continue in terms of the bilateral Estonia-Russia cross-border cooperation programme for the period 2014-2020. Both countries prepared joint ‘non papers’ as a basis for preparation for the new cross-border cooperation programme and these were submitted to the European Commission. In Moscow, on 29 April 2013, it was decided that a Joint Programming Committee should be established (hereinafter referred to as the ‘JPC’), and that the programming process should be launched. The JPC was formed on a partnership principle and included representatives from those national institutions that were responsible for such areas of work, as well as respective regional authorities from both countries. Representatives of the European Commission and the European External Action Service participated in the workings of the JPC as observers.

Preparation work on the Programme started in June 2013 when the first JPC meeting took place. All together a total of nine JPC meetings were organised, during which counterparts discussed and approved the Programme strategy, its implementation rules, management structure and financial aspects. All of the agreements were reached through comprehensive discussions and took into account the viewpoints of various parties, thereby ensuring that the Programme’s final version met the expectations of both countries and all participating regions.

The wide-ranging involvement and active participation of various stakeholders has been ensured. On 4 November, 2013 thematic seminars were organised (involving the environment and sustainable development, transport and border crossing, economic development including tourism, and social development) in order to analyse the needs of the Programme area and to
identify the specific thematic objectives and priorities in Estonia with a total of more than 150 participants.

As part of the Programme’s process of preparation, the Ministry of Regional Development of the Russian Federation organised a number of conciliatory meetings with representatives of the Russian regions which are included within the Programme area, and relevant federal executive authorities of the Russian Federation, in order to develop the Russian position on the Programme’s priority areas and proposals for ‘Large Infrastructure Projects’. On 5 November 2013 public hearings were organised in Russia with 38 participants from the St Petersburg, Leningrad and Pskov regions. On 22 January 2014 a joint seminar was organised in St Petersburg with 75 participants, including thirty representatives from Estonia. The interest shown in these seminars was very high and participants represented various ministries, sectorial organisations, regional and local government authorities, civil society organisations, and various experts, including partners from projects funded by EstLatRus and organisations that were new to this cooperation process. During these events, stakeholders discussed the needs of and challenges raised in the Programme area and proposed those topics that were relevant for cross-border cooperation as well as identifying possible project ideas that could be dealt with on a cooperative basis. During these events participants were asked to prioritise eleven thematic objectives (as proposed by the European Commission in order to deal with the cross-border cooperation process for the period 2014-2020), and conclusions were taken as a basis for JPC discussions and the decision-making process.

In addition both countries organised internal discussions and consultations so that relevant partners were consulted between the JPC meetings. In Estonia an analysis of the needs for territorial cooperation for Estonia and its regions were concluded, which also included cross-border cooperation with Russia. The outcome of the analysis was one important contribution to identifying Estonia’s needs. In addition, several internal discussions were organised with stakeholders from the regions as well as line ministries and relevant organisations in order to assess the needs and opportunities at national, regional, and local levels.

The JPC’s discussions and decisions have been based on the findings of the regional analysis and input from stakeholders.

The Strategic Environmental Assessment (SEA), under Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (SEA Directive), has been conducted simultaneous to the Programme’s drafting. The SEA process was officially initiated by the Estonian Minister of the Interior on 29 October 2014 and, according to the precepts of the open tender procedure, the SEA was conducted by Hendrikson & Ko Ltd, with the involvement of Russian experts. The Estonian Ministry of the Environment informed its Russian counterparts of the SEA process on 11 December 2014. As the first stage of the SEA process, the scoping
The full SEA report was submitted for approval to the Estonian Ministry of the Environment on 6 April 2015. The full report was approved on 17 April 2015.

All the agreements were reached through comprehensive discussions and took into account viewpoints of different parties thus ensuring that the final version of the Programme meets the expectations of both partner countries and receives the approval on national level by the governments of Estonia and Russia.

1. DESCRIPTION OF THE PROGRAMME AREA

The Programme area lies in the east of the Baltic Sea region and covers two distinct territories, namely the southern, northern, and eastern parts of Estonia and the north-western section of the Russian Federation, including the city of St Petersburg.

The area is divided by the border between EU Member State Estonia and Russia (which stretches for 338km and includes a 200km water border along the Lake Peipsi/Chudskoe-Pskovskoe area and the River Narva). Estonia and Russia also share a long maritime border across the Gulf of Finland.

The north-western area of Russia has a strategic position when it comes to co-operation with the European Union, and with the Baltic Region in particular. Being at the intersection between sea, river, air corridors, motorways and railways, the Programme area possesses a strong capacity in cargo flow and passenger traffic between the USA, the EU, and countries in the Asian region.

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1 For more detailed information on the SEA procedures please refer to Section 4.8 of this Programme
1.1 Programme area map

See notes for the map.²

The Programme area covers a total territory of 174,945, 8km², of which a total of 4,333, 13km² forms the adjoining area. A total of 32,298km² of the area belongs to Estonia and 142,647,8km² to Russia.

1.2 Core regions

The Programme area includes the following NUTS III regions (the Nomenclature of Territorial Units for Statistics) or their equivalents as core regions:

**Estonia:** Kirde-Eesti, Lõuna-Eesti, Kesk-Eesti

**Russia:** St Petersburg, Leningrad, and Pskov regions

1.3. Adjoining regions

The Programme area includes the Põhja-Eesti region (Estonia, NUTS III) as an adjoining region (4333, 13km2).

² Dark blue: Programme area
Light blue: adjoining regions
Pink: Estonian regions outside the Programme area
Green: Russian regions outside the Programme area
The Põhja-Eesti region should be included as an adjoining region in order to ensure the continuation of existing cooperation schemes that have been developed within the framework of previous cooperation programmes.

The capital city of Estonia is Tallinn, which is situated in the Põhja-Eesti region. Tallinn is the economic, cultural and administrative centre of Estonia with a high concentration of small and medium-sized enterprises (SMEs) and state institutions.

Therefore, together with Tallinn, the Põhja-Eesti region is an administrative and economic centre in Estonia, and its cooperation process with other regions both within and outside the national borders is crucial in order to ensure the development of the Programme’s region as a whole. The involvement of the Põhja-Eesti region (which includes Tallinn) will deliver substantial value by contributing to the achievement of the Programme’s objectives and to the development of core regions due to its economic, scientific and administrative capacity and its know-how, as most of the nation’s institutions and economic activities are located in Tallinn.

Involvement of adjoining regions is only allowed under Thematic Objectives (hereinafter referred to as TO) 1 (Business and SME development), TO 6 (Environmental protection, and climate change mitigation and adaptation) and TO 10 (the promotion of border management and border security, mobility and migration management).

The involvement of institutions from Tallinn and Põhja-Eesti is important in order to ensure a very real impact in terms of cross-border cooperation on the development of border areas. Besides this, Tallinn is also offering equal partnership to the city of St Petersburg, which is located within the core region.

The long-term cooperation process for these centres is based on an operational agreement and is focused on experience exchanges in various fields, such as city planning and housing, social and healthcare, youth issues, education and sport, culture, the environment, and tourism.

State institutions located in Moscow, which enjoy the legal monopoly in activities implemented within thematic objective 10 of the Programme in the core area, may act as beneficiaries. In accordance with the 'Special provisions on geographical eligibility' of the Programming document for EU support to ENI Cross-Border Cooperation, the Programme area on the Russian side includes Moscow as a major economic, social and cultural centre to address exclusively below listed priorities of the Thematic Objective 10 “The promotion of border management and border security, mobility and migration management”:

- increasing the throughput capacity of existing border crossing points through the development of BCP infrastructure and border management procedures;
- increasing the throughput capacity of existing border crossing points by refurbishing and improving border crossing roads and supporting infrastructure.

The scope of eligible partners from Moscow is limited to public entities only, namely:

- The Ministry of Transport of the Russian Federation;
• Federal State Government Institution “Directorate for Construction and Running of the Russian Border Service Objects” (Rosgranstroy).

These organizations enjoy legal monopoly in activities implemented within Thematic Objective 10 of the Programme in the core area with responsibilities for developing and realizing the state policy, legal regulation, managing the state property and functions of a federal public contracting authority, rendering of the state services in the area of arrangement of the border crossing checkpoints of the Russian Federation. The Ministry of Transport establishes, creates, develops and maintains border-crossing checkpoints at the state border of the Russian Federation and places of its crossing. The participation of these organisations in the Programme activities aimed at developing the existing border crossing points as well as simplifying and modernising border crossing operations and procedures is therefore necessary to achieve the Programme’s objectives.

Participation of these entities should bring substantial added value for the core area and strongly contribute to the achievement of the CBC impact and be essential for achieving the Programme’s objectives in a sustainable way.

1.4. Participation of the adjoining regions in Finland and Latvia

Partners from Latvia and Finland can participate in the Programme when the following requirements are met: partners must come from the regions adjoining the Programme area, projects are of common interest, and partners from Latvia and Finland can bring added value to the projects in circumstances such as the involvement of counterparts from Latvia developing existing trilateral cooperation schemes between the South Estonia (EE), Pskov (RU) and Vidzeme (LV) regions which can be fostered within the framework of previous cooperation programmes, especially the EstLatRus Programme.

The involvement of Finland and Latvia will be specified and justified at the project level. Their involvement will be essential when it comes to achieving the specific project objectives in the Programme’s core eligible area and will be a key to ensuring the sustainability of actions taken in the Programme’s core eligible area.

Specific provisions, including conditions and restrictions in relation to the participation adjoining regions in Finland and Latvia, will be defined in any calls for proposals with a special focus on TOs that are common for Programmes seeking opportunities for bilateral and trilateral projects.

In accordance with Article 39(2)(b) of Commission Regulation (EU) No 897/2014 (Implementing Rules), the total amount allocated under the Programme to activities outside the Programme area does not exceed 10 % of the Union contribution at Programme level. A list of eligible costs and activities and the conditions for financing will be specified in the ‘Guidelines for Applicants’.
If needed, necessary agreements will be concluded with authorities in the countries where the activity is implemented to ensure compliance with requirements of Implementing Rules Article 39.2(c).
2. PROGRAMME STRATEGY

2.1 Strategic and thematic objectives and priorities

Cross-border cooperation (CBC) is an integral component of the EU’s European Neighbourhood Policy (ENP), and of EU-Russia co-operation. It aims to promote co-operation across the borders between EU Member States and the countries in the European Neighbourhood and the Russian Federation.

According to the requirements of the programming document for EU support for ENI Cross Border Cooperation (2014-2020), it is envisaged that the Programme will contribute to the achievement of three strategic objectives:

- A) Promote economic and social development in regions on both sides of the common borders;
- B) Address common challenges in environment, public health, safety and security;
- C) Promotion of better conditions and modalities for mobility of persons, goods and capital.

Programme’s strategic objectives support the vision of the Estonian Regional Development Strategy 2014-2020: a) national competitiveness based on regional strengths and the benefits of a growing economy reaching all areas; b) ensuring the essential benefits for good quality of life (employment, services, various activity opportunities) in all regions.

The strategic objectives are also based on the guidelines for actions stipulated in the Concept of Cross-Border Cooperation of the Russian Federation. These guidelines are: a) cooperation in cross-border trade; b) cooperation in investment projects; c) cooperation in transport and logistics and communication; d) cooperation in sustainable exploitation of natural resources and environmental protection; e) cooperation in law-enforcement; f) cooperation in regulating migration and labour market; g) cooperation in science and research and people-to-people contacts.
The CBC’s strategic objectives are supported by actions that are included in four ‘Thematic Objectives’ (TO), with these being identified based on a socio-economic and environmental analysis of the Programme area, thematic seminars, and input from potential beneficiaries:

<table>
<thead>
<tr>
<th>Business and SME development</th>
<th>Strategic objective: A (TO1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of border management and border security, mobility and migration management</td>
<td>Strategic objective: A, B, C (TO 10)</td>
</tr>
<tr>
<td>Environmental protection, climate change mitigation and adaptation</td>
<td>Strategic objective: B (TO 6)</td>
</tr>
<tr>
<td>Support to local and regional good governance</td>
<td>Strategic objective: A, B, C (TO 5)</td>
</tr>
</tbody>
</table>

The Thematic Objectives (TOs), in turn, aim at supporting specific areas within each strategic objective, as stated in the information below:

<table>
<thead>
<tr>
<th>TO 1 Business and SME development</th>
<th>Increasing SME development and entrepreneurship by fostering cross-border business contacts and the development of services and products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increasing SME competitiveness and entrepreneurship by fostering cooperation between public, private and R&amp;D sectors</td>
</tr>
<tr>
<td></td>
<td>Improving the business environment through the development of business support measures and infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TO 10 Promotion of border management and border security, mobility and migration management</th>
<th>Increasing the throughput capacity of existing border crossing points through the development of BCP infrastructure and border management procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increasing the throughput capacity of existing border crossing points by refurbishing and improving border crossing roads and supporting infrastructure</td>
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</tbody>
</table>

12
<table>
<thead>
<tr>
<th>TO 6</th>
<th>Environmental protection, climate change mitigation and adaptation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improving the biodiversity of joint natural assets</td>
</tr>
<tr>
<td></td>
<td>Improving the quality of shared water assets by reducing their pollution load (including improving wastewater treatment facilities, improving solid (household and industrial) waste management and relevant facilities, and reducing pollution that is caused by the agricultural sector)</td>
</tr>
<tr>
<td></td>
<td>Increasing awareness of environmental protection and the efficient use of energy resources</td>
</tr>
<tr>
<td></td>
<td>Fostering shared actions in risk management and a readiness to cope with environmental disasters</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TO 5</th>
<th>Support to local and regional good governance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Improving co-operation between local and regional authorities and their sub-units</td>
</tr>
<tr>
<td></td>
<td>Improving co-operation between local and regional communities</td>
</tr>
</tbody>
</table>
2.2 A justification of the chosen strategy

The chosen strategy is based on the main findings of the regional analysis and inputs from regional thematic seminars that were conducted during the Programme’s preparation. The Programme’s intervention logic builds on the experience of the previous CBC trilateral EstLatRus Programme.

2.2.1 Socio-Economic and environmental analysis of the programme area

The following analysis of the socio-economic and environmental situation in the Programme area lays out the area’s general demographic, socio-economic, and environmental tendencies by concentrating on strengths and weaknesses and outlining medium term needs across the thematic objectives that are supported through the Programme.

General demographic tendencies

The Programme area’s total population numbers 8,699,800 inhabitants, with almost 58.9% of them living in St Petersburg.

Population per region (in thousands of people):

- **Kesk-Eesti**: 125.3 (2014)
- **Kirde-Eesti**: 149.2 (2014)
- **Lõuna-Eesti**: 320.3 (2014)
- **Põhja-Eesti**: 552.6, including Tallinn at 392.3 (2014)
- **Pskov region**: 656.6 (2014)
- **Leningrad region**: 1,763.9 (2014)
- **St Petersburg**: 5,131.9 (2014)

The total population of Estonia on 1 January 2014 was 1,315,819. In the last few decades Estonia’s population has decreased due to natural decrease and migration. Based on a prognosis, it is likely that in the coming decades the population of Estonia will continue to decrease. A total population of 1,195,000 is expected by 2040. However at the same time large urban centres and their suburban surroundings will gain in population levels. Furthermore, Programme areas of Kirde-Eesti and Lõuna-Eesti are forecast to have the highest decrease in population that is mainly due to internal migration.

During the last decade, the population of St Petersburg and the Leningrad region has been steadily growing, while the population of the Pskov region has been declining. According to the prognosis of Russia’s population which was carried out by the Federal State Statistics Service in 2013, it has been estimated that by 2031 St Petersburg will witness a sharp demographic increase (of more than 20%), while the population of the Leningrad region will

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grow slightly (an increase between 1% and 10%), and the demography of the Pskov region will be characterised by a significant population decrease (of more than 20% overall).

In St Petersburg since 2008 there has been an increase in population; however, this is due mainly to a migration increase which is greater than natural decline. Since 2012, population growth has been provided not only by migration but also by natural increase. However, negative trends prevail in the city’s demographic situation: low birth rates do not provide a replacement for the parental generation by a younger generation and the city’s demography is characterised by its ageing population.

Although during the last decade the natural decrease in the Leningrad and Pskov regions has slowed down, natural increase indicators are still negative. The population of the Leningrad region is growing mainly due to a migration increase.

**Population density and urbanisation**

The Programme area in Estonia consists of large urban centres, the industrialised north-east, and the sparsely populated rural areas.


Source: Nordregio.⁵

Coupled with low population density in general, Estonia is highly urbanised, with about 70% of its population living in cities. Large urban centres and surrounding suburban areas gain in

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population numbers, while rural areas and smaller urban areas continue to lose their population. According to the statistics, the majority of the population is located in Tallinn, Tartu, and Narva.

In Pskov and Leningrad regions the percentage of urban population is 70.3% and 65.2% respectively.

Low population density can have a direct effect on the development of the Programme area when we consider, for example, the need for a qualified workforce for businesses or the number of individuals that are locally establishing SMEs.

**Demographic structure of the population**

The demographic situation is characterised by low birth rates and an ageing population in most parts of the Programme area. Life expectancy in the cooperation area has improved since 2006, reaching around 65 years for men and 76 years for women in general, but in Estonia and in the Russian section of the Programme area these figures differ strongly region by region.

An elderly population takes a high share in rural areas, whereas larger towns and cities attract a younger population, in particular those with universities and modern, knowledge-based industry.

Part of Estonia’s Programme area - North-East Estonia and Tallinn - is characterised by having a significant share of the Russian-speaking population. In Estonia the average percentage of the Russian-speaking population is 28%, in Ida-Viru County and especially in the cities of Narva, Sillamäe, and Kohtla-Järve, the share of the Russian-speaking population is high.

In recent years the main positive tendency in St Petersburg’s demography has been the steady increase of the birth rate: from 8.4 per 1,000 of the population in 2005 to 12.6 in 2013, which represents a 50% increase.

In Estonia, a high mortality rate amongst men of working age means a low life expectancy for men, and a large gap in life expectancy between men and women leads to a significant deformation of the population structure in terms of gender balance.

In Estonia the share of the working-age population is at 47%. A steady trend is the number of women significantly surpassing the number of men: 357,600 against 303,900 people (54% and 46% respectively). It can be seen that there are 1,177 women per 1,000 men (this gap is even larger in urban areas, standing at 1,210 women, but is smaller in rural areas, at 1,102 women). The gap between the number of men and women is at its largest amongst people who are aged over seventy and is almost at three quarters (73.3%).
The share of the working-age population in Estonia has a negative trend in the Programme area. It declined between 2009 and 2012 by 26,900 people (from 408,000 to 381,100 people) and its share was 57.6% of the total population at the beginning of 2013. At the same time, the share of an elderly population increased by 4,400 people in 2009-2012 and reached 181,800 in total.

Migration

In Estonia, the trends in the form of outward migration have been negative since 2001 and have stayed negative. Net migration also became much more negative in 2012. In 2009, the number of emigrants exceeded the number of immigrants only by about 800, while in 2012 the difference was over 6,500. Also in 2012, the volume of internal migration within Estonia was 36,000 persons. The main direction in internal migration is towards the Programme’s adjoining region of Põhja-Eesti and Tallinn, and the sub-urban municipalities around Tallinn, and towards rural municipalities that are located around other larger cities.

In terms of external migration, there was an increase both in immigration and emigration in 2012 and 2013. Over 4,000 persons immigrated into Estonia in 2012 and almost 11,000 persons emigrated from Estonia at the same time, and the respective figures in 2013 are at 4,098 and 6,740. Most of the immigrants are in fact returnees, mostly from Finland.

The statistical prognosis for Estonia foresees a further negative trend in the decrease of its population, especially in rural and peripheral areas. In Kirde-Eesti, by 2040, the population is forecasted to have decreased by up to 25%. An even steeper decrease is foreseen in the Programme area in Lõuna-Eesti, with a decrease of up to 27%. Only Tartu County in the Programme area is projected to have a gain in its population levels in the next few decades.

In the Russian Federation’s share of the Programme area, the migration processes has resulted in an increase in population, with a significant influx of +100,000 people moving to St Petersburg in 2013. Leningrad and Pskov regions have also seen a positive tendency, +27,200 people and +238 people in 2012 respectively and +22,600 and +68 in 2013.

According to the official data, migration in St Petersburg and the Leningrad region is mainly internal (external migration represents less than 10% of the total for St Petersburg and even delivers a negative figure in the beginning of 2014 for the Leningrad region). In Russia there is a general trend in which the population is undergoing an internal migration towards the west - a so-called ‘western drift’. In the Pskov region migration was positive in 2011-2012 due to external migration.

Education

The negative demographic tendencies in the Programme area create a further need for a more educated and flexible workforce.
The Programme area offers a wide range of possibilities for acquiring higher education. In Estonia there are 6 public universities, 1 private university, 8 state and 8 private professional higher education institutions as well as 2 public vocational education institutions. In the Programme eligible area Tartu hosts the country’s oldest University – University of Tartu as well as the Estonian University of Life Sciences. Also 4 state and 1 private institution of professional higher education are situated in Tartu county. In Tallinn there are 4 public universities, 1 private university, 3 state and 7 private professional higher education institutions and 1 public vocational educational institution.

The Quacquarelli Symonds (QS) university rankings for Emerging Europe and Central Asia (EEAC) published for the first time in December 2014 a list which had the University of Tartu in fifth place and the Tallinn University of Technology ranked 26th out of 368 institutions. The University of Tartu especially excels in the first and last categories, earning a 95.4 point score for academic reputation and a 99.9 point score for web impact. The Tallinn University of Technology’s (TTU) best scores were for employer reputation (87.1) and papers per faculty (85.1).6

Two universities which are based in the Programme area on the Russian side of the border are mentioned in the QS World University Rankings 2014/15:7 St Petersburg State University ranks 233rd (with a rating of 66.9), and St Petersburg State Polytechnic University ranks at 481-490. Another highly rated higher education institution is Pskov University.

The level of education for Estonian residents is high, and the share of those with tertiary education is increasing. The adoption of the principle of lifelong learning can be measured with a basis in the rate of participation in job-related courses, which is something that has been growing steadily, although not very quickly. According to the Estonian Labour Force Survey, 31,500 people aged between 25-64 had attended a course during the four weeks preceding the survey in 2013; in 2010 their number was at 24,000.8

When compared to the previous academic year, there were nearly 5,000 students less in tertiary education in the academic year 2013/2014. The number of entrants also decreased.

In the academic year 2010/2011 there were a total of 43 vocational education institutions in Estonia, three of which were owned by municipalities and ten by the private sector. In addition, there were eight applied higher education institutions which were also providing vocational education curricula.

In the school year 2013/2014, admittance to vocational education decreased. A total of 11,325 students enrolled in vocational schools. Total enrolment in vocational education has steadily decreased in recent years, especially in terms of the number of students in secondary

vocational education. A high dropout rate continues to be a major problem in vocational education. Compared to the 2012/2013 academic year, the number of dropouts remained stable, but it is still large, totalling over 6,200.

The number of institutions that provide tertiary education has decreased since 2005 throughout the Russian section of the Programme area (in St Petersburg it has fallen from 87 to 77; in Leningrad region from four to two (excluding branch establishments of universities); in Pskov region from five to four (excluding branch establishments of universities). The number of students at this stage of education has also decreased in the Russian Programme area in absolute numbers (by approximately 90,000 people; St Petersburg accounts for 77,000 of the total figure). However, the number of students who graduated in 2013 with a bachelor, master, or specialist diploma has increased in comparison to 2005: in St Petersburg the increase has been from 73,900 people to 80,600; in the Leningrad region from 1,800 to 2,100; and in the Pskov region from 3,600 to 4,300. Universities and higher education institutions aside, there are numerous public scientific institutes and organisations, academic centres, and branches of higher education institutions, not to mention private higher education facilities throughout the cooperation area, thereby providing a good scientific research potential.

According to the results from the All-Russia National Census of 2002 and 2010, the level of education has been growing in the Russian section of the Programme area. As a result it can be seen that, when comparing 2010 to 2002, in 2010 there was a larger share of people who had received a professional education (a higher education or vocational education). In 2010 in the Programme area’s regions, a total of 27.94% of the population had a tertiary (higher) education, and 34.66% had a vocational education. In 2002-2010 the share of those with a tertiary education has grown in all three of the Programme area’s regions: by 7% in St Petersburg, and by 6% in Leningrad and Pskov regions. At the same time the share of those who started but did not complete their higher education has also been growing (approximately by between 1-1.5%) throughout the Programme area. Amongst those people with no professional education the share who had completed secondary studies has increased. The share of people with a basic general education, primary education, and no primary education have significantly decreased.

The eligible areas in Estonia and Russia are also covered by a wide network of vocational education centres, providing a large variety of skill acquisition opportunities.

Despite this, the vocational education courses that are provided often do not match market needs - specifically needs that directly stem from the market connectivity of Estonia and Russia in the border regions (in terms of language, small business establishment, and running such small businesses, etc.). There is a clear need to link the vocational education network, but also to provide various re-qualification courses in order to better meet the demands of the labour market. Although the connection has improved during recent years, unemployment due to non-qualification remains a problem, especially in rural areas.
Another problem is narrow specialisation during the educational process, which leads to specialists being prepared in very specific areas. This makes the re-orientation of young professionals impossible in the ever-changing economic environment, and also causes difficulties in communication, and prevents university graduates from being capable of responding flexibly to the changing needs of the economic environment.

**Labour market**

In Estonia in 2013, the employment rate for men aged between 20-64 was 76.2%, while that of women was at 70%. The labour force participation rate has increased mainly due to the decreasing number of pension-aged persons in the number of inactive persons and persons who are inactive due to studies. The number of students has decreased, since the number of young people at studying age is falling. In addition, there are more opportunities available for students to work and study at the same time and for pension-aged people to continue working or find a suitable job, because the economy is recovering.

According to Statistics Estonia, unemployed persons numbered 51,000 and the unemployment rate was 7.5% in the third quarter of 2014. Employment increased slightly, but overall changes in employment and unemployment were minor.

The number of long-term unemployed (i.e. people who had been looking for a job for one year or longer) has been stable for the last five quarters, and totalled 22,000 in the third quarter. The long-term unemployment rate was 3.3% in the third quarter.

The share of unemployed in all young people aged between 15-24 was a far higher 13.4% in the third quarter.

In the Estonian sections of the Programme area, amongst those registered as unemployed a total of 42% did not have any specialised professional training, while 7.8% of those who were registered unemployed were from the manufacturing and processing field, making it the industry with the largest share of the registered unemployed, and 5.1% were specialists in architecture and construction.

Within the Programme’s area in the Russian Federation, the unemployment situation varies significantly in St Petersburg and Leningrad region on the one hand and Pskov region on the other.

In St Petersburg the unemployment rate has been gradually decreasing in recent years - from 2.65% in 2010 to 1.14% in 2012. The city was in second place out of those regions with the lowest unemployment rate. In 2013 the unemployment rate in the region was at 1.5%.

In Leningrad region the unemployment rate has decreased between 2010-2012, from 5.18% to 3.25%. In 2012 Leningrad region had the fourth lowest unemployment rate in Russia. Since 2013 there has been a new increase in the unemployment rate reaching 4.3% in 2013 and 4.5% in 2014. The labour market situation in St Petersburg and Leningrad region has changed
drastically during the last few years due to the industrial and economic development of the region. However, the employment rate is not even throughout the region, and the economically less advanced north-eastern areas experience higher unemployment rates.

Pskov region is in 53rd place in Russia when it comes to the unemployment rate, which was at 6.63% in 2012 (while in 2010 it was at 9.53%), while the national average was 5.46%. The unemployment rate in the region in 2013 is at 7%.

The problem of unemployment is coupled with an increasing labour shortage due to the migration of the workforce, especially with the younger generation leaving rural areas for urban centres and St Petersburg in particular. The remaining workforce is often incompatible with the market demands in specific areas.

Challenges and opportunities

- An ageing population;
- Decreasing population in the Estonian and Russian section of the Programme area, in rural and peripheral areas, and in the industrial Kirde-Eesti region;
- A decrease in the number of tax payers supporting a sustainable social system;
- Challenges in providing public services in sparsely-populated areas and in areas with a decreasing population;
- A high number of good-quality universities in the Programme area;
- A relatively low level of tertiary education outside large urban centres;
- A mismatch of the skills needed in the labour market and in vocational education;
- A lack of a qualified labour force.

All Programme activities supported within different priorities will target economic and social development in regions on both sides of the common borders to increase the attractiveness of the area and face challenges and opportunities presented above.

2.2.1.1 Business and SME development

Cross-border regions offer unique opportunities for international companies and small and medium size enterprises (SMEs) when it comes to utilising the advantages that are available on both sides of the border. In the field of business and SME development, the CBC value between Estonia and Russia is in addressing common challenges that are faced by businesses in the border areas that national measures have not resolved or where previous experience in CBC programmes has excelled.

The administrative and business centre in Estonia, the area in which most of the economic activity is concentrated, is Põhja-Eesti (the county surrounding the national capital, Tallinn). Added to this can be Tartumaa (surrounding the major university town of Tartu) and Ida-Virumaa (the main industrial region). What’s more, SMEs are mostly concentrated in the
same areas, although most of the couple of hundred large enterprises are also located in the same three counties.9

The structure of the regional economies

More than 71% of the Estonian Gross Domestic Product (GDP) is derived from the service sectors, while the industrial sectors (including construction) yield 25%, and primary branches (including agriculture) approximately 4% of overall output.

The important sectors in the Estonian economy are the processing industry (which provides approximately 14.5% of the overall value added), transport, warehousing and communications (10%), commerce (13.5%), and property, rentals and lettings, as well as business services (21%). Agriculture and forestry amount to 2.2% of the overall value added, while construction is approximately 7%, and government, education and health care are more than 17%. The percentage of governmental administration, education and health care grew during the economically-difficult years because these sectors had to keep on working despite the credit crisis.

Amongst SMEs, the tertiary sector provides the largest share of Gross Regional Product (GRP) in most sections of the Estonian Programme area. The most important branches in the services sector are tourism and trade, followed by communications and transport. At the same time, in rural areas agriculture was still amongst the top three economic activities.

Since 2006, Russia’s GDP at current prices has more than doubled, and in 2013 it amounted to 66,755.3 billion RUB. The national average GRP per capita in Russia equalled 348,600 RUB, around 8,700 EUR in 2012 (the year in which the rouble was at its strongest within the 2011-2015 period). According to information for 2012, in various of the Programme area’s regions on the Russian side of affairs, GRP per capita varies greatly, between 459,300 RUB or 11,500 EUR (132% of the national average) in St Petersburg and 386,700 RUB or 9,700 EUR (111% of the national average) in Leningrad region, to 162,800 RUB or 4,070 EUR (46.7% of the national average) in Pskov region.

This and other indicators show a significant regional difference in the standard of living out of the three Russian regions in the Programme’s overall territory: in St Petersburg in 2013 the average monthly income was 1.6 times larger than in Leningrad region and 1.8 times larger than in Pskov region, the average salary in St Petersburg exceeds by 1.3 and 1.9 times the average salary in the Leningrad and Pskov regions respectively.

The service sector produces the largest share of the GRP in the St Petersburg and Pskov regions, while in the Leningrad region half of GRP is provided by the secondary sector, mainly due to construction activities. The most important activities in the services sector are in trade, followed by communications and transport. Agriculture provides a minor share of GRP in the Pskov and Leningrad regions, where the leading agricultural branches are cattle-

9 http://academicpublishingplatforms.com/downloads/pdfs/beh/volume10/201309191048_02_BEH_Vol9_Issue2
breeding and plant-growing. In terms of manufacturing activity, which in 2011 showed a gradual increase when compared to 2006, the most important sectors include timber and wood processing, food and drinks processing, the chemical industry, the production of equipment for the chemical and textile industries, peat extraction machinery, and electronics. In addition, on the Russian side of the Programme area are the important industrial enterprises of mechanical engineering and metal-working, plus the electrical power industry (the Pskov region is Russia’s largest producer of low-power electric motors). St Petersburg and the Leningrad region are characterised by a diversified economy which includes ship building, machinery, metallurgy, the chemical industry, fuel production, pulp and paper processing, and the printing industry, etc.

**Trade**

The volume of exports of goods and services amounts to over 80% of Estonian GDP. Exports of services constitute about one third of this figure. The main services which, when exported, deliver a profit to Estonian businesses are those various services that are related to transport though tourism also gets a look-in. More than two thirds of Estonian industrial production is intended for export. In 2012, 73% of Estonia’s total trade was with EU member countries. Estonia’s main trade partners are its neighbouring countries; Finland, Sweden, Russia, and Latvia.\(^{10}\)

In 2012 the value of goods exported from Estonia to the EU27 countries was 8.3 billion euros, accounting for 66% of Estonia’s total exports. SMEs generally show lower interest in export activities due to their large share amongst the number of active businesses and a high penetration of the local market. However, over 75% of export value is created through SMEs. Within the Programme area, in Kirde-Eesti, only 9% of SMEs export and 80% have never participated either in goods or service exports.

In 2014, the main countries of destination were Sweden (with 18% of Estonia’s total exports), Finland (15%), and Latvia (11%). Within these figures, electrical equipment, wood and wooden-based products were exported mainly to Sweden, while electrical equipment, metals and metal-based products went to Finland, and agricultural products, food preparations, and mineral products went to Latvia. The largest decrease was recorded in exports to Russia (down by 216 million euros), Finland (down by 138 million euros), and Lithuania (down by 81 million euros).

Considering the importance of the Russian market, and the most recent decrease in exports to Russia between 2012 and 2014, further efforts should be made to help SMEs to further their businesses and foster cross-border business development and cooperation opportunities.

SME exports in Russia only account for 1.1% of the country’s exports. As a result it can be seen that SMEs do not so far play an important role in Russia’s foreign trade activity. The

main issues for SMEs in this respect are the low accessibility of information and financial resources.\textsuperscript{11}

St Petersburg is by far the largest exporter of the Russian regions in the Programme area, though its volume of exports decreased dramatically in 2009-2010, but since then has almost regained its previous 2008 levels. Exports for the Leningrad and Pskov regions, although much lower than those of St Petersburg, have also been growing in recent years. The main share of imports also belongs to St Petersburg and this had been growing up to 2013. Imports largely exceed exports in St Petersburg and the Pskov region, whilst the foreign trade balance for the Leningrad region is positive and has an upward trend.

Within the structure of exports from St Petersburg and the Leningrad region, the largest share belongs to minerals; 65% and 82.8% respectively in 2013. Machines and equipment are St Petersburg’s second largest export with a share of 11%.

In 2013, St Petersburg’s main export markets were the Netherlands (10.6%), Finland (9.2%), the Czech Republic (7.6%), Latvia (7.4%), Estonia (7.3%), and the CIS countries (6.1%). The main suppliers of imported goods were China (20.7%), Germany (8.8%), South Korea (6.2%), Japan (5.6%), Finland (5.2%), and the CIS countries (1.7%).

For the Leningrad region in 2013 the main export markets were the Netherlands (34.5%), Switzerland (25.6%), the UK (14.9%), Finland (4.3%), and Sweden (1.5%). The region imported goods mainly from Germany (17.2%), China (7.9%), Finland (7.7%), Brazil (6.9%), France (5.9%), Italy (5.5%), and the CIS countries (0.7%).

In 2013, as well as in recent years, the Pskov region exported mainly to the CIS countries (38.9%), Estonia (25%), and Latvia (18%), and imported from China (16.5%), Germany (14.1%), Latvia (11.7%), and Italy (8%).

**SME activity in the Programme area**

In 2012, within SMEs in Estonia, a vast majority of businesses (87%) were micro enterprises, employing less than ten people. There are 5,652 small enterprises, representing 10.7% of the total number. About 2.1% of all businesses (1,122) are medium-sized enterprises.\textsuperscript{12}

In 2013, the percentage of SMEs in Estonia has remained high amounting to 98% of the overall number of businesses. A total of 52% of all SMEs were located in the Põhja-Eesti region and a staggering 41% of them were in Tallinn itself (40,932 SMEs). A total of 22% (over 20,000) of SMEs are located in Lõuna-Eesti, 8% in Kesk-Eesti, and 6% in Kirde-Eesti (less than 5,000).

The Kirde-Eesti border areas are lagging noticeably behind the national average.

The general trend is towards an increase in the number of SMEs in the Russian section of the Programme area and a growth in the main indicators for their activities.

Likewise, the situation substantially differs amongst the regions of the Russian Programme area. St Petersburg rates first amongst all Russian regions in the number of small enterprises it has per 100,000 people. At the beginning of 2013 there were more than 368,000 SMEs in the city, including 247,000 micro enterprises, 18,000 small enterprises, 535 medium-sized enterprises, and 103,000 individual entrepreneurs, which is approximately 72 SMEs per thousand people.\(^{13}\) The situation is significantly different in the Leningrad and Pskov regions. According to information from 2012, the number of SMEs in the Leningrad and Pskov regions is 62,900\(^{14}\) and 25,000 respectively\(^{15}\). The density of SMEs per thousand people in these two regions is 36 and 38.

**Entrepreneurship and new business development**

Considering the high share of SMEs amongst businesses on both sides of the border, the ability and willingness to establish and run such enterprises is an important factor for the sustainability and growth of regional economies.

In Estonia’s border regions the low levels of initiative stems from a lack of information and support measures when it comes to starting businesses, the lack of access to information regarding new markets, a lack of a qualified workforce in rural areas and, because of that, a weak entrepreneurial spirit. Regionally, the problems faced by SMEs differ.\(^{16}\)

On the Russian side of the Programme area, the knowledge of export opportunities for SMEs and the lack of financial resources for market expansion are the dominant issue, as mineral exports generally dominate the national export market and only 1.1% of the country’s exports are generated via SMEs.\(^{17}\)

**Business support structures**

The Estonian Business Support System is mainly coordinated by relevant ministries. The Business Support system also includes a number of foundations, non-profit, public and private institutions, which directly or indirectly are supporting the development of entrepreneurship and the internationalisation of businesses. This institution, relevant to the context of the current Programme is Enterprise Estonia:

- The Ministry of Economic Affairs co-ordinates the work of *Enterprise Estonia (EAS)*, one of the largest institutions within the national support system for entrepreneurship which

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\(^{13}\) Report by the chairman of the committee for entrepreneurship and consumer market development in St Petersburg, Elgiz Kachaev, on the results of the implementation of the programme for SME development in St Petersburg in 2013. Dated 29.04.2014.


provides financing for products, advice, partnership opportunities, and training for entrepreneurs, research and development institutions, and the public and third sector.

- In addition to EAS, further nation-wide business support structures are in place focusing on specific areas of development, such as: energy efficiency (Kredex) or environmental protection (KIK). Regional development centres and tourism development centres are situated in regions across Estonia and help in deepening the impact of EAS nation-wide efforts.

In Russia there are various business support institutions and/or instruments at the federal and regional level:

- In accordance with the Federal Law of 24.07.2007, N 209-FZ: ‘On the development of small and medium-sized enterprises in the Russian Federation’, the Department of Small and Medium-Sized Enterprises and Competition, which is part of the Ministry of Economic Development of the Russian Federation, prepares proposals for public policy and legal regulation in terms of the development of small and medium-sized enterprises and in competition in domestic markets, while also carrying out activities that are related to the distribution and provision of subsidies from the federal budget of the Russian Federation when providing state support for small and medium-sized businesses at the regional level;

- Regions in the Russian part of the Programme territory hold key SME-support institutions: public and private entities, associations, chambers for commerce and industry, NGOs, etc. They are coordinated by regional administrations: in St. Petersburg - the Committee for Entrepreneurship and Consumer Market Development, in Leningrad region - the Committee for Small, Medium-Sized Business and Consumer Market Development, in Pskov region - the State Committee for the Economic Development and Investment Policy.

Despite the large number of different business support measures, the businesses in the Programme area have a low level of incentive to grow or explore foreign markets, and local people are the least likely to start their own businesses when compared to national statistics. In order to inspire entrepreneurs and provide them with technical expertise and direct business development support in the Programme area, various business support infrastructure units have been established (business incubators, innovation incubators, business parks, industrial parks, technology centres, etc). Pskov region is the least advanced on the Russian side of the border, due to lack of finance. Something that should be considered is a strengthening of the capacity of the already-established business development infrastructure and instruments for the further development of entrepreneurship in the Programme area, both through cross-border experience exchange and in best practice cascading down from St Petersburg, which is more advanced in this subject area.
Tourism

Tourism is an important sector in the Programme region as a provider of business opportunities and jobs, and is good basis for cross-border co-operation. The Programme area has rich and diverse cultural traditions as well as good infrastructure and recreational resources in the border regions where various ethnic groups live (such as the Old Believers, the Seto and Võro people, etc.). The usage of cultural heritage in business and tourism delivers clear added value to the whole of the Programme area as an attractive place for businesses and visitors. Moreover, the tourism industry has a high potential for job creation.

In 2013, a total of 1.94 million foreign tourists stayed overnight in Estonia’s accommodation establishments.

The growth of inbound tourism in 2013 was achieved thanks to an increase in tourism from nearby source markets (Finland, Russia, Latvia, Lithuania, and also Poland).

The share of Russian overnights continued to increase: in 2012, they accounted for 15.5% of all foreign overnights; in 2013, this figure increased to 17.4%. The share of German overnights decreased slightly (from 6% to 5.4%). The market share for Sweden and Latvia remained roughly at the 2012 level (both accounted for 4% of all foreign overnights).

The regional distribution of foreign overnights changed slightly: Tallinn’s share as a destination decreased slightly for the second consecutive year (in 2011, Tallinn accounted for 67% of foreign overnights; in 2012 it had 65%, and in 2013 it was down to 64%). This can be explained by changes in source markets: the market share for nearby markets increased (tourists from these markets are more inclined to visit destinations outside Tallinn), whereas the share for several more distant western and southern European destinations decreased (they tend to prefer to stay in Tallinn). The share for Pärnu remained stable (12%), whilst the share for Tartu continued to increase (from 3.6% in 2011 to 4.6% in 2013), thanks to the increase in Russian, Latvian and Finnish overnights there. The trend towards Ida-Viru County in North-East Estonia also continued, thanks especially to a long-term increase from Russia but, in 2013, thanks also to a growth in Finnish visitors.

Of the 1.94 million foreign tourists staying overnight in accommodation establishments, a total of 1.4 million were holidaying. The number of foreign overnights on business trips was at 792,297 (an increase of 4.7%). Overnights on other trips amounted to 524,732 (an increase of 10%).

In 2013 tourism statistics for Russian regions was as follows: 6.2 million tourists for St Petersburg, a total of 1.9 million tourists for the Leningrad region, and over 320,000 tourists for the Pskov region. The trend for incoming tourism has been upwards in all three Russian regions within the Programme area in recent years.

In the suburbs of St Petersburg there are numerous modern multifunctional complexes for year-round treatment and recreation, with unique natural landscape features. A temperate maritime climate, sand dunes and equipped beaches, pine and spruce forests, the picturesque lakes and the waters of the Gulf of Finland, bromine and iodine-saturated air, mineralised water supplies, and therapeutic mud make this area attractive for rests and treatment. The city has more than 600 hotels (including around 450 mini-hotels) with more than 20,000 rooms, which is two times more than in 2007. However, due to the increase in the number of tourists, the plan is to continually increase the hotel business potential and also increase the number of rooms up to 34,000 in the coming years.

In the Leningrad region, the number of accommodation facilities (hotels, boarding houses, recreation, and tourist centres) in 2012 amounted to 606 units.

Accommodation facilities of a higher level of comfort (hotels and some cottages) account for about 25% of the total number of collective accommodation facilities. Occupancy of accommodation facilities is quite high due to their levels of comfort and the option of year-round operations (the average occupancy per year for the majority of facilities is 60%, whilst at some facilities it is up to 80%). The number of recreation and tourist centres is over 50% of the total amount of all accommodation facilities. Their occupancy in summer is close to 100%, but because of low comfort levels and an inability to operate all year round the average annual occupancy is rather low.

The Pskov region is rich in tourism and recreational resources and has a favourable geographical location. Cultural tourism is the main inbound tourism area (57%), while other important areas are entertainment and recreation (18%), and medical and health tourism (9%). In 2009, the number of tourists reached 278,000, while in 2010 it was at 304,000, in 2011 it reached 317,000, and by 2012 it was up to 324,500. Most visitors to the area come from St Petersburg (53.9%) and Moscow (19.2%). Foreign citizens come from 65 countries. They are mainly tourists from Latvia, Estonia, Lithuania, Belarus, Ukraine, Finland, Germany, and Sweden. In the region there are 45 travel agencies, 24 tour operators, 100 hotels, twenty companies with a recreation and sanatorium orientation, and a wide network of catering, entertainment, and recreation facilities.

**Regional attractions**

In addition to diverse cultural sites near the common border, other significant sites lie within the Programme area. For example, South Estonia is known for its wonderful nature, rich cultural heritage, and centuries-old traditions: the Hanseatic city of Tartu, Vastseliina Episcopal Castle which dates to the Middle Ages, the Forest Brethren Farm, and unique cultural areas and ethnic groups, such as in Peipsimaa and Setomaa, with all their traditions and customs. The Ahhaa Science Centre and the Estonian Road Museum, the world’s smallest ‘Traffic City’, Pokuland, and many other museums and theme parks offer interactive involvement for the whole family. South Estonia’s diverse nature offers a large number of options when it comes to enjoying an active nature holiday in summer or in winter, while Otepää is largely known as the winter sports capital.
In Kirde-Eesti, the Narva Fortress is the oldest and largest fortress in Estonia (built up between the thirteenth and seventeenth centuries), which can be seen together with the Ivangozorod Stronghold on the opposite side of the River Narva as a unique architectural ensemble in Northern Europe. Three wings of the fortress and the Tall Hermann Tower are open to visitors. The historical interiors in the north and west wings have been restored. In the five halls of the fortress the history of the town of Narva in the period between the eighteenth century and the beginning of the twentieth century is on display: products by local craftsmen, the flags of the guilds, plus various armaments, commodities, and architectural details.

To mention just a couple more tourism sites in the area, in Kirde-Eesti there are the Kuremäe Monastery, the Valaste waterfall, and the Saka-Ontika-Toila Limestone Bluff.

St Petersburg is the largest centre of Russian culture, and is famous for its magnificent architectural complexes, palaces, museums and theatres, such as the State Hermitage, the State Russian Museum, the Mariinsky Theatre, and the palaces and parks of Peterhof, Pushkin, and Pavlovsk. UNESCO declared the historic centre of Saint Petersburg to be a World Heritage Site.

The Leningrad region possesses one of the most advanced recreation, tourism and sport systems in Russia, with the Gulf of Finland, Lake Ladoga, and the Vuoksa lake and river system, all of which represents the greatest levels of value as well as a high potential for tourism development in the Ivangozorod, Vyborg, Gatchina, Priozersk, Vsevolozhsk, Volklov, Podporozhye, and Luga districts.

There are at present more than 4000 objects of cultural heritage in the region - monuments of history, architecture, culture and archaeology, including Staraya Ladoga, an ancient capital of Northern Russia.

The Pskov region is rich in tourism and recreational resources with a favourable geographical location and the most important tourist centres: those of Pskov, Pechory, Pushkinshiye Gory, Izborsk, Velikiye Luki, Gdov, Sebez and Porkhov, all of which are highly attractive.

There are several international events planned in the region. For instance Pskov will become the Host of the “XXXIX HANSEATIC LEAGUE Days of New Times” to take place in 2019. This event is dedicated to the partnership of HANSEATIC LEAGUE and is aiming at acquainting tourists with crafts, culture and traditions of the region. Each time it is being held in one of the Hansa cities and gathers thousands of tourists from cross-border regions.

A growing demand for different tourism services (holiday homes, weekend packages, various recreational tours and packages) is observed in the region, but the supply and quality of the services offered do not meet the demand. The gap is due to two factors: firstly the demand exceeding the supply in regions in which tourism was previously not a key industry; and secondly the lack of demand and operators made it unlikely that existing operators would shut down for improvements to increase the quality of the infrastructure.

Both private and public sectors are now forced to invest more in improving tourism-related infrastructure and services by differentiating their offers and providing new services. In the future more emphasis will also have to be placed on offering innovative solutions in the area of tourism to ensure that the industry creates high added value for its services.22

Challenges and opportunities

- The main area of business activity is concentrated in Tallinn and St Petersburg;
- In rural and peripheral areas there is a lack of entrepreneurial attitude and new business creation;
- In Russia, exports are dominated by the minerals industry and by large companies;
- The low availability of high value jobs outside large urban centres;
- A lack of training and support activities needed to motivate job-seekers;
- The history and tradition of large industries has a positive impact on new business creation specifically in the Programme area;
- Tourism offers good opportunities for joint development because resources are complimentary and the border areas of both countries represent potential for providing a ‘joint tourism destination’.

With the help of the Programme cooperation activities shall aim to increase business development, including innovation and modernization, to ensure increase availability of high value jobs in the border areas. The Programme will focus specifically on activities with the aim to:
- Increase the overall entrepreneurial spirit in the Programme area by encouraging and supporting business start-ups, development and cooperation, promoting the entrepreneurship as a lifestyle, raising competence and capacity, including tourism development on local/regional level to jointly use tourism opportunities.
- Intensify the cooperation between business support organizations in Estonia and Russia to reduce gaps in information about the business environment in neighboring country, their support mechanisms and finding business contacts.
- Increase the popularity of strategic planning and business cooperation among SMEs to increase their competitiveness, interest towards development and expansion and extend their life cycle.

2.2.1.2 Promotion of border management and border security, mobility and migration management

In addition to general business incentives, attracting foreign and domestic investments into the region and increasing its competitive advantage requires transport and logistics capabilities that enable the smooth movement of people, goods and services in the region and surrounding areas.

22 https://www.riigiteataja.ee/aktilisa/3191/1201/3015/fisa.pdf#
The Programme area has a dense road network with relatively good connections to the national capitals and other cities and towns in the country. However, the capacity of border crossing points is limited and the quality of infrastructure is low, although the number of border crossings has and will increase annually.

There are three international road and two rail crossings on the Estonian-Russian border. Three of the major land routes linking the European Union to Russia go through the border crossing points of Narva-Ivangorod, Koidula-Kunichina Gora, and Luhamaa-Shumilkino.

Besides road and rail connections, there are also four international airports in the Programme area, these being Tallinn Airport and Tartu Airport in Estonia (although the latter has no regular connections), Pulkovo Airport in St Petersburg, and Pskov airport in Pskov in Russia.

Water transportation inside the Programme area is underdeveloped. However, the Programme area has a port infrastructure. There are six international ports operating on the coast of the Gulf of Finland, including one in Sillamäe, four in the Leningrad region, and one large complex port in St Petersburg. In the Pskov region there is a port in Starozhinets (on Lake Peipsi/Chudskoe-Pskovskoe).

In addition to this, within the Estonian Programme area there are 36 smaller ports: six of them are located on the Lake Peipsi/Chudskoe-Pskovskoe region and 28 in the Gulf of Finland. The small ports have minor levels of turnover, but they are important factors for the diversification of economic activities in the surrounding region.

On the Russian side of the Programme area, St Petersburg is Russia’s largest transport hub through which international cargo and passenger transportation is operated by all modes of transport. Within the city itself are all kinds of transport infrastructure: roads, the railway network, river and sea transport and airports. The Big Port of St Petersburg provides international cargo transportation between Russia and the EU. St Petersburg is a crossroads for Eurasian transport corridors, notably the ‘North-South’ and ‘Transsiberian’, as well as the Pan-European Corridor IX. St Petersburg’s transport and logistics complex (TLC) provides opportunities for the export of Russian business products and the supply of imported consumer goods, components, and equipment for all of the country’s industries. TLC development is one of the main priorities of the government’s policy for St Petersburg.

By volume of rail cargo transportation, St Petersburg is the second-largest railway hub after Moscow. St Petersburg’s railways connect Russia with Finland and Estonia. Ten railway routes converge here. This hub includes five railway stations. The railway has a developed industrial base which ensures the full cycle of primary and support activities.

In the Leningrad region are the most important road and rail routes. These connect St Petersburg to Moscow, the northern and eastern regions of Russia, and also to Finland and Estonia. The roads of federal importance are the M10 (‘Rossiya’), P21 (‘Kola’), P23 (‘Pskov’), A114, A118, A120, A121 (‘Sortavala’), A180 (‘Narva’), and the A181 (‘Scandinavia’).
In the Pskov region the roads total 10,500 kilometres in length. The main roads are the M20 (‘Pskov’) and M9 (‘Baltia’). The total railway distance is 1,100 kilometres. The Programme area in Russia is covered by a dense road network. Each of the regions within the Programme area has relatively good connections to administrative centres and the area’s largest city, St Petersburg. However, the quality of the roads is rather poor (especially with smaller regional and local roads), which is one of the essential road safety risks and also a delay factor for transit development.

In 2013, the number of border crossings increased overall by 11%, with 71% of crossings by land (on the Estonia-Russia border). Most crossings are through the Narva-Ivangorod border crossing point (BCP), through which a total of 3.6 million people passed in 2013 (44% of the overall number and an 11.2% increase since 2012). In 2013, approximately 20% of eastern border crossings were through the Luhamaa BCP.

Some annual differences can be observed in the type of BCP depending on whether they are for pedestrians, cars, busses or lorries.

Specifically, in comparison with other land BCPs, the number of private cars annually crossing the border has only risen at the Narva-Ivangorod post (3.2% in comparison with 2012), while the same figures for Koidula-Kunichina Gora and Luhamaa-Shumilkino have decreased. However, private car traffic has been replaced by buses with a 48% increase between 2008-2013 at Koidula BCP and a staggering 228% increase for the same period at the Luhamaa BCP.

Noticeable border crossing growth in the long term is predicted at approximately 10% per year. The present infrastructure lacks the capacity to face this annual increase and, more specifically, especially so during peak times (both seasonal and weekly).

The capacity of the Narva-Ivangorod BCP will be increased within the framework of the EstLatRus Programme. The reason for previously-defined bottlenecks at Narva-Ivangorod was the difference between the capacity and infrastructure capabilities of the BCPs on both sides: Narva-1 has two lanes for buses and Ivangorod has a separate terminal for buses thanks to which bus passengers could be serviced across four lanes. Similar differences were present regarding the throughput capacity of cars and pedestrians. In order to increase throughput capacity and synchronise the work of the BCPs, it was decided to plan and develop BCPs jointly by involving experts from both sides.

During peak periods the capacity of the border crossing points is overwhelmed, creating long queues. In this instance we can observe that the Russian side of the border has significantly higher throughput capacity when compared to the Estonian side. In two cases in 2013, Koidula BCP reached a level of capacity that was more than 83% of its estimated total capacity, which means queues of up to three or four hours.

Shortfalls can also be observed at other BCPs, such as Saatse-Krupp. Saatse-Krupp BCP holds a high level of value for the Estonian side as far as local communities are concerned,
where these are closely integrated, and several areas that include high-interest tourism attractions (specifically in Setomaa) that are not taken advantage of due to border crossing difficulties. These difficulties are even more evident during the tourism high season.

**Access to border crossing points**

Estonia’s Police and Border Guard Board considers the general state of access roads to land border crossing points to be good; however, the Road Authority sees further need for improvement, especially due to the constant wear of roads by heavy traffic levels using the roads near the border crossing points. In 2012-2013 improvements were initiated on access to Koidula BCP by rebuilding the Värskra road. Several sections of the Tartu-Luhamaa road are, according to the report by the State Audit Office, also in need of refurbishment.

In addition, constant oversight and upkeep is needed at the BCP parking facilities, which are meant predominantly for heavy traffic waiting to cross the border.

As the Narva-Ivangorod BCP is located in the middle of the eponymous cities, it places a heavy load on the streets and on local traffic. An upgrade of those streets that connect to the BCPs and further mitigating measures are needed in order to improve the quality of the city environment around the BCPs and on the streets that serve local traffic.

**Communications infrastructure**

Practical daily challenges that are faced on both sides of the border include long waiting times for vehicles to cross the border. After the introduction of the electronic queue system in Estonia, this problem has been somewhat alleviated. Similar positive effects could also be predicted with improvements in electronic border management on the Russian side of the border.

Along with development of Koidula and Luhamaa BCPs, the BCP infrastructure would allow for the separation of lorries from car traffic. A separate lane would need to be added for cars, ensuring a higher throughput capacity.

National regulation specifies the manning of BCPs. Currently, deficiencies in infrastructure and the technology being used decreases personnel capacity when it comes to processing more border crossings. With a modernisation of procedures and technology, border crossing personnel would be able to significantly increase the number of people and vehicles that are processed across the border.

**Challenges and opportunities**

- The throughput of BCPs is insufficient at peak times, which impacts upon visitors, local people, and business relations;
• The condition of roads and parking facilities near the border makes travel harder and impacts upon visitors, local people, and business relations.

The main challenge of the border region remains in the insufficient infrastructure for smooth border crossings which has to be addressed in order to boost the cultural and economic connection, it will reveal opportunities for the region and bring private capital because of direct inflow of the people. The biggest effect will be in tourism but also in agriculture on the both sides of the river.

In addition, the more general negative effects of the long queues on the border result in an overall negative impact on living conditions for the locals in the border region (from both pollution as well as worsening road conditions) as well as businesses that could generate much higher revenues with a higher volume of transit traffic.

While the development of transport and border infrastructure is addressed also nationally and in Estonia in accordance with the regulations related to the Schengen Agreement, the further development of the EU external border with Russia should be executed in a manner that good infrastructure and service quality can be ensured on both sides of the border.

Thus, to improve border crossing process the Programme shall focus on joint activities targeted to development of existing border crossing infrastructure and simplifying and modernizing border crossing operations and procedures, including the skills and working conditions of the border crossing point personnel.

2.2.1.3 Environmental protection, climate change mitigation and adaptation

Environmental considerations can be seen individually, but also as an element that is impacted by and which impacts upon the attractiveness of the Programme area, and which influences living conditions and investment interest.

The Baltic Sea Joint Comprehensive Environmental Action Programme (JCP) specifies a series of actions to be undertaken at ‘pollution hotspots’ around the Baltic Sea drainage basin. The most critical were municipal facilities and industrial plants, but the Programme also specified actions that were needed to mitigate pollution from agricultural areas and rural settlements, and sensitive areas such as coastal lagoons and wetlands where special environmental measures are needed.23

The most pressing issues are identified according to the HELCOM active pollution hotspot review from December 2014, two hotspots remain on the Estonian side of the Programme area, these being the Narva Power Plants (Oil Shale) and Kehra Industry (Pulp & Paper).24


Furthermore, more than 1.5 million tons of hazardous waste, including 0.7 million tons of liquid waste, are disposed of at Krasny Bor, on the Russian side of the Programme area. This landfill site is also included in the list of HELCOM ‘hotspots’.

The Russian Federation’s national programme, entitled ‘Environmental protection for the period 2012-2020’ foresees the construction of a plant for the destruction of hazardous waste at the ‘Krasny Bor’ landfill site in 2016.

The negative effects from sites mentioned on the HELCOM active pollution hotspot list are both local and regional, cascading effects, whereby pollution from the sites affects air and water quality on both sides of the border. Mitigating environmental risks from the top priority sites can bring further positive effects to the results of all other environmental protection projects carried out via the Programme by ensuring the sustainability of positive results – negative effects of the three mentioned sites would not counterbalance the positive efforts.

**Water bodies in the Programme area**

Within the Programme area, Lake Peipsi/Chudsko-Pskovskoe is the largest trans-boundary water body. It is also the largest trans-boundary water body in Europe and the fourth largest lake in Europe. The total area covered by Lake Peipsi/Chudsko-Pskovskoe is 3,555 km², of which 44% belongs to the Republic of Estonia and 56% to the Russian Federation. Lake Peipsi/Chudsko-Pskovskoe is a shallow lake; its average depth is 7.1m and its maximum depth 15.3m.

Environmental effects and human actions regarding Lake Peipsi/Chudsko-Pskovskoe are, thereby, always cross-border in nature. Furthermore, as the River Narva connects Lake Peipsi/Chudsko-Pskovskoe with the Gulf of Finland, both positive and negative developments in Lake Peipsi/Chudsko-Pskovskoe are carried into the Gulf.

The Gulf of Finland is a water body that separates Estonia from Finland and covers a total area of 29,500km². At its widest point the gulf stretches out to 125 kilometres and has a maximum depth of some 121 metres. The gulf’s eastern seashore borders Russia’s Leningrad region. The gulf’s largest ports, which see heavy use and have the highest impact on the environment, include St Petersburg, Vyborg, Vyssotsk, Ust-Luga, Tallinn, Paldiski, Muuga, Kunda, Sillamäe, Hanko, Helsinki, Kotka, Loviisa and Hamina.²⁵

Located in the Leningrad region, Lake Ladoga is European Russia’s largest freshwater lake. Excluding islands, the lake is approximately 6,700 square miles (17,600 square kilometres) in total area. The Ladoga is rich with fish. It is inhabited by roach, carp bream, zander, European perch, ruffe, an endemic variety of smelt, two varieties of Coregonus albula (vendace), eight varieties of Coregonus lavaretus, a number of other Salmonidae and also,

albeit rarely, endangered European sea sturgeon. Lake Ladoga has its own endemic Ringed Seal subspecies known as the Ladoga Seal.

**Lake Peipsi/Chudsko-Pskovskoe**

Considering the scope of the priorities, the focus of this Programme is predominantly on the improvement of the water quality in Lake Peipsi/Chudsko-Pskovskoe. Lake Peipsi/Chudsko-Pskovskoe is an important source of fresh water, and it is also important because of its fish stocks, recreation areas, and waterways. In addition, it provides a habitat for many species, including migratory birds.

Lake Peipsi/Chudsko-Pskovskoe is one of the best lakes in Europe for commercial fishing. The fish stock in Lake Peipsi/Chudsko-Pskovskoe is one of the richest in Europe. Fish populations generally thrive when the population is able to restock naturally in its existing environmental conditions, whilst resisting pressure from commercial fishing and the species is able to maintain its characteristic age structure. Fishing has a negative effect on the ecosystem if undersize fish are caught, fish habitats are damaged, or spawning is disturbed.

The status of Lake Peipsi/Chudsko-Pskovskoe is influenced by the everyday activities of about one million people living on the Estonian and Russian side of the catchment area, as well as activities that are related to agriculture, the extraction of mineral resources, forest management, and other economic activities. The main problem is the lake’s eutrophication (nutrient saturation, especially of phosphorous and nitrogenous compounds), which causes changes in the lake’s ecosystem, reduces fish stocks, decreases the quality of water and, in critical cases, also encourages the spread of blue-green algae that emits a poison which endangers the biota as well as the health of swimmers.

At the eastern section of Lake Peipsi/Chudsko-Pskovskoe the water quality in 2011 corresponded to ‘lightly polluted’, but in 2012 it decreased slightly to the level of ‘polluted’.

**The Gulf of Finland, the Baltic Sea and Ladoga Lake**

In the Gulf of Finland the growth of algae can result purely from natural causes, but most of the exponential growth can be put down to an excessive influx of nutrients that have entered the water as a by-product of human activity. Because of this, the gulf’s ecosystem is not only jeopardised by potential contamination at sea but also by inland pollution reaching the sea via waterways.

Surface water monitoring in the eastern section of the Gulf of Finland has shown that the concentrations of mineral forms of nitrogen and phosphorous meet established water quality

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26 [http://www.globalnature.org/15613/LIVING-LAKES/Europe/Peipsi-Chudskoe/02_vorlage.asp](http://www.globalnature.org/15613/LIVING-LAKES/Europe/Peipsi-Chudskoe/02_vorlage.asp)
28 [http://www.envir.ee/1204764](http://www.envir.ee/1204764)
standards. Concentrations of organic polluting substances (oil, phenols, and organ chlorine pesticides) were mainly below the estimation method’s detection limit. The main input in water pollution was provided by cuprum, iron and mercury. Concentrations of plumbum, manganese, zinc, cadmium were less than the maximum acceptable concentration (MAC).

The Baltic Sea is also threatened by water traffic, which is some of the most intensive in the world and is constantly growing due to the development of large Russian cargo ports. The results of water quality monitoring in Lake Ladoga in 2012 has shown that the waters are ‘lightly polluted’.

**Major sources of water pollution in the Programme territory**

Agriculture is the main source of nutrient water pollution on the Estonian side of the lake and the oil-shale industry has a great deal of influence on the outlet from Lake Peipsi/Chudsko-Pskovskoe into the River Narva. Part of this pollution is delivered by the River Rannapungerja directly into Lake Peipsi/Chudsko-Pskovskoe.

The general problem lies in the improper work of existing waste water treatment plants (WWTPs) in the Russian section of the Programme area, insufficient waste water disinfection at WWTPs or the absence of any disinfection at all in the regions, illegal landfills along water beds, and derelict manure depositaries.

There are 259 waste water treatment plants (WWTPs) in the Leningrad region. Amongst existing proposals is the creation of a unified regional state business with a modern network of waste water collection and transportation, and WWTPs that are built on the basis of the best available techniques (BAT) principle.

In the Pskov region only 28% of rural houses have a tap water supply, while a meagre 26% have a sewerage system. Only 48% of houses have central heating and 13% a hot water supply. WWTPs in the cities of Pskov and Velikie Luki need a great deal of refurbishment work.

Within the Pskov region are two water supply sources that come from surface water (the city of Pskov receives its supply from the River Velikaya while the city of Velikie Luki gets its supply from the River Lovat). Other towns and villages take their water supply from underground sources such as independent artesian wells.

The best situation in terms of waste water treatment is in St Petersburg. In 2013, a total of 98.4% of waste water was treated at thirteen WWTPs. From 2011 onwards, all of the treated waste water meets the HELCOM requirements.
Waste management

Estonia ranks high in regard to waste avoidance and recycling, generating 279 kg of waste per person and recycling 40% of it. Great efforts have been made to reduce illegal dump sites and to remove illegal and incompliant landfill sites. The target of the ‘Landfill Directive’ where it relates to biodegradable municipal waste going to landfill sites was achieved as early as 2009 for the 2013 target. In 2013 only a minor proportion of bio-waste is expected to be sent to landfill sites.

In Estonia for 2007-2011, more than 85% of waste was industrial waste and 79% of the total amount of waste generated was related to oil shale extraction and the power industry. A large proportion of industrial waste also comes from the wood and cement industry, although this is sent mainly for recycling.

Groundwater is either unprotected or weakly protected in more than half of Estonia. Therefore waste management on both sides of the border has a direct effect on joint environmental assets, such as Lake Peipsi/Chudsko-Pskovskoe, and further cascading effects on the Gulf of Finland.

Industrial companies, which form the basis of the economy in St Petersburg and the Leningrad Region, produce a large amount of various industrial waste products that needs to be managed. Additionally, according to the authorities of the Leningrad Region, 1.7 million tons of solid domestic waste is accumulated every year in the region. The latest statistics indicate that 500 of the approximately 9,000 businesses in the region reported an annual production of 3.7 million tons of industrial waste, which often includes hazardous substances. More than 200,000 tons of waste is annually delivered to authorised solid waste management sites in the Pskov region. However, about 30% of the population is not covered by a functioning solid waste disposal system. As a whole, the system for solid waste treatment and recycling facilities in Russian territory requires improvement and are amongst the cooperation targets for the forthcoming Programme.

Safe waste management, particularly its safe storage and disposal, remains a priority environmental problem for the Russian section of the Programme area.

The growth of household waste generation signals the necessity for radical reforms in waste management and, especially, the creation of a system for packaging waste management.

In the Leningrad region in 2014 there were 23 landfill sites for household waste and seven landfill sites for industrial waste. In St Petersburg there is only one landfill site and two waste treatment plants, treating nearly 15% of household waste for St Petersburg. The landfill and incineration installation for hazardous industrial waste is situated thirty kilometers from St Petersburg, near the village of Krasny Bor.

The regional target programme for household waste management for the period between 2012 and 2020 foresees the construction of waste treatment plants in St Petersburg on the basis of a public-private partnership.\(^{31}\) One of the targets is to provide an output of useful fractions from household of 81% in 2020 (with 6% in 2014).

A new version of the RF federal legal act, ‘On waste generated by production and consumption’ (as amended 29.12.2014), has established some very important provisions which will be able to radically change the waste management system:

- Liability for a producer (importer) for the utilisation of goods which have lost their consumer attributes and packaging;
- Responsibility for packaging waste utilisation is transferred from the producers of packaging to the producers of packed goods;
- The disposal of waste that contains useful components that are due to be utilised is prohibited.

It can be seen that the implementation of this legal act will provide SMEs with new opportunities in the field of packaging waste collection and its treatment. Such activities can be implemented within the framework of CBC Programmes.

**Energy efficiency**

The efficient use of energy has a twofold impact on joint environmental assets - air quality and the quality of joint water assets, these being Lake Peipsi/Chudskoe-Pskovskoe and the Gulf of Finland.

The high energy intensity for Estonia, or its proportion of primary energy in GDP, is related mostly to the production of oil shale energy.

According to statistical information that is available for 2011, the proportion of energy consumption by the various economic sectors in Estonia were as follows: housing 32.8%, transport 26.3%, manufacturing 22.8%, and the trade and service sector 18.1%.\(^{32}\)

According to the ‘National Development Plan for the Energy Sector Until for 2020’, the government will be required to implement activities that will increase the proportion of energy from renewable sources in its final energy consumption figures. Estonia’s objective in the field of energy from renewable sources is 25% of the total consumption figures by 2020.

The current national energy efficiency measures have focused mostly on improving housing energy performance levels, as this is the sector that is responsible for the highest energy

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\(^{31}\) Decree by St Petersburg’s city authorities of 29.05.2012 N 254: ‘On the approval of the regional target programme, “On household waste management for the period 2012-2020”’

consumption rates. At the same time, attention should also be given in the near future to all other sectors.

According to official United Nations statistics for 2010, emissions from GHGs (greenhouse gases) in Russia amounted to the equivalent of 2.2 billion tons of CO$_2$, which is 34.25% lower than in 1990. Within the area of the Russian Federation that is covered by the Programme, by far the main producer of GHG emissions is the city of St Petersburg.

In 2013, the regions of the Russian Programme area were included in the list of top ten north-western federal district regions with the largest levels of emissions into ambient air. The rankings for the regions are as follows:

- St Petersburg ranked fourth with total emissions of 536,600 tons, and eighth for emissions from stationary sources of 72.3 tons
- The Leningrad region ranked fourth with total emissions of 416,400 tons, and fourth for emissions from stationary sources of 244.7 tons
- The Pskov region ranked ninth for total emissions of 115,640 tons, and tenth for emissions from stationary sources of 27.61 tons

Motor transport is the main ambient air polluter in St Petersburg (86.5% in 2013) and in the Pskov region (76.6% in 2013). In the Leningrad region the share of motor transport pollution is only 41.2%, due to a rather large level of emissions from stationary sources. When analysing the period between 2010 and 2013, it can be argued that the volume of transport emissions has increased.

Nevertheless, the quality of ambient air in the Pskov region in comparison with other Russian regions is good.

The quality of ambient air in the Leningrad region in 2013 was satisfactory over the greater part of the region. Increased levels of annually-averaged concentrations of pollutants (up to 1.3 MAC of nitrogen dioxide (NO$_2$), and up to 1.9 MAC of benzapyrene) were fixed in Vyborg, Kingisepp, and Luga. The main sources of ambient air pollution are the sea ports in Primorsk and Ust-Luga and the oil refinery at Kirishy.

As most energy is consumed by private users, a lack of knowledge when it comes to managing households efficiently and being environmentally friendly is one of the main reasons for outdated patterns of behaviour.

Both countries are of the same opinion when it comes to promoting environmentally friendly, energy efficient, and attractive living conditions. Ecological footprint accounts for households may be introduced to promote the better distribution of a sustainable lifestyle.

Awareness-raising continues to be a significant tool to promote a sustainable lifestyle, educating pupils and their parents about the necessity of and the options available for
changing their everyday behaviour, saving money, and also promoting their participation in sustainable lifestyle activities. Pilot investments that support and promote the practical benefits of energy efficiency could supplement awareness-raising activities.

**Challenges and opportunities**

- Threats to water quality in Lake Peipsi/Chudsko-Pskovskoe and the Gulf of Finland: eutrophication; inflows of hazardous substances; pollution caused by shipping;
- Pollution and private and industrial waste causing negative effects on biodiversity of natural assets;
- Solid waste (industrial and household) represents a threat to ground water and water flowing into Lake Peipsi/Chudskoe-Pskovskoe and the Gulf of Finland from Russia’s side of the Programme area;
- Agricultural runoffs are the main source of nutrient inflow into Lake Peipsi/Chudsko-Pskovskoe and Gulf of Finland from Estonia’s side of Programme area.

The Programme activities shall aim to protect and preserve the environment and raise awareness where the effects of cross-border activities can be most beneficial, these being an improvement of joint water assets, and the improvement of waste management and energy efficiency.

**2.2.1.4 Support for local & regional good governance**

Social guarantees and access to healthcare, sport-related opportunities, and other social activities that help to create a community are of great importance to the attractiveness of the area. These provisions are all traditionally provided by local and regional government authorities both in Estonia and Russia. Due to this, it should be guaranteed that the necessary resources and competencies are available.

Considering the strong community and cultural ties between the regions in the Programme area, gaps in administrative capacity can best be filled by means of cross-border cooperation.

**Social inclusion**

**People-to-people and community-to-community interaction**

The Programme area contains a wealth of rich and diverse cultural traditions, both in the big cities such as St Petersburg as well as in the border regions in which various ethnic groups live. These areas are especially interesting due to their mix of various cultures.

There are two distinct areas in the Programme area in Estonia - the western coast of Lake Peipsi/Chudskoe-Pskovskoe and Setomaa. In the late seventeenth century the Russian Old
Believers settled on the central western coast of Lake Peipsi/Chudskoe-Pskovskoe. Now there are almost 15,000 Old Believers who have been born in Estonia.

The region of Kirde-Eesti has close cultural, historical, and social connections with the bordering Russian regions not only due to the high share of Russian-speaking people in the region but also due to its economic specialisation in the oil-shale and electrical power industry.

Up until now, the main activities of people in the region of Lake Peipsi/Chudskoe-Pskovskoe are fishing and vegetable-growing. Traditional fish and onion fairs are regularly organised in Old Believer locations such as Kasepää, Kallaste and Seto Lüübinitsa. These events are very popular amongst Estonian people but they are beginning to be of interest for foreign tourists. Additionally, the unique and poorly-studied Old Believer culture and traditions, especially in terms of the history of the church, needs to be preserved and rediscovered.

**Sporting opportunities**

Sports-related activities offer good opportunities for cross-border interaction for people and communities. Regional opportunities for engaging in sporting activities within the Programme regions in Estonia are very varied. Whilst opportunities that are supported by the state either on a national or municipal level or those that are privately operated are good for most parts of Lõuna-Eesti and, especially, Tartu and Narva in Ida-Virumaa, the choice and availability of sporting activities in regions that are further away from large cities is far lower. Positive trends have been observed as a result of the EstLatRus Programme in fostering team sports activities.

In Russia in recent years there has been an improvement in the basic indicators, such as an increase in the share of the population that is involved in physical training activities and sports activities on a regular basis, plus an increase in the share of students who are regularly engaged in sports activities, and an increase in the number of qualified training specialists and coaches that are available, and an increase in sports organisations and centres, and so on. One of the issues for the entire Programme area is also the lack of an efficient youth sports system, and the selection and training of a sports reserve for national sports teams.

In addition, while we see a growing number of sports clubs and associations over the entire Programme area, the opportunities for co-operation in this area are still lacking.

**Access to healthcare**

Access to healthcare has a vast impact on the attractiveness of the Programme area for locals or potential inward migrants. While the demographic tendencies present a positive picture of increasing life expectancy in national statistics, the Programme’s border areas still represent...
regions that have the lowest rates of life-expectancy and highest rates of drug and alcohol abuse, as well as those for the spread of HIV.33

People with a lower income have poorer levels of health. When compared a time ten years ago, there has been no significant change in the self-reported health status of working-age people in Estonia. The share of those who consider their health to be good or very good was at 55% in 2013, five percentage points higher than in 2004. Self-reported health status is strongly related to income, among other things. In 2013, less than half of the people in the lowest income bracket considered their health to be good or very good, whereas 80% of the people in the highest bracket reported themselves as being in good or very good health. The Europe Health Consumer Index 2012 shows that the health care system in Estonia offers the best value for money in Europe. Access and waiting times for some health care services remains a challenge in Estonia.

General quality levels of healthcare services are considered to be good and, both from a medical and health resort perspective, have high levels of use, not only by the locals but also by tourists from Russia.

The healthcare system in the Russian section of the Programme area is characterised by the insufficient accessibility of primary care, and specialised inpatient and tertiary care. Other issues include the incomplete compliance of the material and technical condition of healthcare facilities with approved standards due to a high degree of deterioration in key assets, and the inadequate use of modern information technology and telemedicine in health care. But within the last few years, the situation is changing thanks to measures that have been undertaken by the state: an increase in salaries for medical personnel and the opening of the new specialised centres which have the latest equipment. To some extent these improvements are confirmed by the steadily-increasing life expectancy in all Programme area on the Russian side of the border.

Public administration

In order to support the availability of social services, better access to healthcare, and vocational education, and to facilitate people-to-people cooperation within the Programme area, further attention must be paid to cross-border cooperation between local and regional government authorities throughout the Programme area.

There is a history of cross-border cooperation between local and regional authorities and NGOs within the Programme area. This mostly takes the form of project base cooperation rather than day-to-day interaction or common decision-making. It is a matter of necessity that cooperation in the region should be of a normal kind and that the administrative capacity of local and regional authorities (including cooperation when it comes to providing public

services and e-services, etc) should be increased through various training and networking activities.

The main positive developments when it comes to increasing the administrative capacity of local and/or regional government authorities has been through the introduction of a comprehensive e-services package that targets not only the administration officials themselves, but also the businesses and individuals. Businesses and private individuals are finding it easier to communicate with the authorities when using the new technology, delivering a positive outcome in relation to the speed in which administrative duties can be undertaken.

The key issue concerning the administrative capacity of regional units in Estonia over the past few years has been a lack of qualified personnel and fiscal resources that has hindered cooperation with external partners and has thereby hindered development.

Attention will be paid to cooperation and exchange of experience between public administrative bodies in the Russian Federation and Estonia.

An essential condition when it comes to improving the efficiency of public administrative bodies is the development of the state’s civil service system, thereby improving its human resource capacity.

The Programme area is characterised by underdeveloped levels of cooperation between state institutions and municipalities and the private sector, as well as the insufficient administrative capacity of the public sector.

Something that is necessary is the desire that cooperation in the region should be more reliable and that the administrative capacity of local and regional authorities (including cooperation when it comes to providing public services and e-services, etc) should be increased through various training and networking activities.

**Challenges and opportunities**

- A lack of support for local communities in creating a socially and physically attractive working and living environment;
- Relatively low access (in comparison to national averages) to the provision of good healthcare, recreation and an active life, rehabilitation, and the prevention of drug abuse;
- Low administrative capacity, related to cooperation between local and/or regional administrations and their sub-units in the use and development of e-services and joint planning.
The Programme activities shall aim to support initiatives of local communities to create socially and physically attractive conditions and attract investments in the regions. Joint actions in the fields of education, health, social, culture and sport should promote job creation and improvement of the living environment. Through cross-border cooperation additional opportunities shall be developed for filling the gap for need of qualified personnel and promoting economic activity. Community activities encouraging people to people cooperation should target creation of entrepreneurship opportunities.

2.2.2 Lessons learned from previous experiences in Cross Border Programmes

The current Programme must be viewed as a continuation of the 2007-2013 Estonia-Latvia-Russia ENPI CBC Programme that was co-financed by the European Union, the Republic of Estonia and the Russian Federation. In the context of Programme priorities, the need for a continued focus on cross-border co-operation in order to foster SME development, environmental protection, and further improvements in the administrative capacity of regional and municipal authorities. Furthermore, following previous experience and successes in projects, people-to-people cooperation remains an integral element of the Programme.

The European Commission monitoring report (monitoring reference: D-020296.01) provides a very positive evaluation on the general programming process and the set-up for the necessary management and technical elements of the EstLatRus Programme and, under the current Programme, no major changes are foreseen apart from the increase in administrative capacity and the duties of the Joint Technical Secretariat (JTS). The changes are in relation to aiding the existing and potential beneficiaries and creating more flexibility for the application, management and review processes which were suggested by the monitors in the aforementioned monitoring report.

The EstLatRus Joint Operational Programme (JOP) was being implemented through individual CBC projects. Sustainability of the financial programme depends upon the financial and economic viability of the constituent projects. Most of the beneficiaries are local or regional government authorities which are financially and institutionally sustainable. Reportedly, the continuation of services and the use of results generated by the CBC projects will be financed by the beneficiaries. NGO project partners in terms of ‘business-orientated’ projects have good financial prospects because they possess the motivation to use project results on a commercial basis.
The needs of ‘social-orientated’ NGOs in terms of financial support will have to be estimated by local government authorities.

The monitors concluded that, through its individual projects, the EstLatRus JOP would certainly improve the institutional and professional capacity of the partner organisations involved. Many of the beneficiaries obtained new levels of knowledge and skills in the design and implementation of international projects.
However, as the socio-economic analysis of the current Programme and working group conclusions show, there remains a significant need for improvements to be made in administrative capacity.

Some specific financing-related issues were identified. Local authorities were not allowed to finance the further development of certain sites. In order to avoid problems in relation to the EstLatRus Programme, consultations were held with the Joint Managing Authority (JMA) and Joint Monitoring Committee (JMC), and with the national authorities.

Similarly, some problems were identified in relation to Russian legislation. The discrepancy between national legislation and PRAG regarding the rules of origin was clarified in a timely fashion by the European Commission (EC) in order to prevent the development of a deadlock situation in public procurement during the EstLatRus Programme. In order to avoid similar risks, the legal issues regarding Programme implementation are more thoroughly discussed at the JPC level. Overall though, high, and increasing relevance of the Programme has been identified at the following levels:

- EU and national levels
- The local (regional) level
- The community level

During the drafting of the new Programme, the EstLatRus Programme is at the peak of implementation activities. For example, amongst the applicants, the opportunity to fund tourism development in the region has been proven and will continue to be supported under the SME development chapter. In addition, as mentioned before, people-to-people cooperation projects have proven to be especially successful and important to the people living along the border regions. Due to this, people-to-people cooperation has been integrated in the form of horizontal activities across the scope of the new Programme.

Implemented projects perform well, facilitated by good and committed JMA & JTS management activities that serve to create a source of good practice in operational and financial management, internal monitoring, risk mitigation, and a fostering of partnerships. It is noteworthy that the use of international staff is also planned from the outset, thereby ensuring a knowledge of languages and legislative backgrounds; the establishment of branch offices in the participating countries in order to be closer to the applicants and project partners, and to inform them about the Programme (this practice was not in place before 2007-2013).

During the monitoring and evaluation of the EstLatRus Programme, the following issues have been defined as key in the context of the planned future bi-lateral Programmes:

- As the CBC enjoys high levels of visibility and a positive reputation, maintaining the size of the intervention is important so that it remains commensurate with reasonable
expectations and the avoidance of a sudden downsizing of the budget available for projects;

- The existing needs and anxieties that are related to change are high, covering the maintenance of a balanced response and a commitment to all areas of relevance in order to maximise CBC impact;

- As such projects dominate in the areas of tourism, economic development, and environment, solutions are to be sought to ensure the ability of tri-lateral partnerships (of EE, LV and RU entities) in order to participate under a bi-lateral scheme.

2.2.3 Coherence with other EU, national and regional strategies and EU-financed programmes

The 2014-2020 Programme contributes to the achievement of the European Union headline targets that were listed in the Europe 2020 Programme. The Programme also contributes to the achievement of the goals that have been set out in the EU Strategy for the Baltic Sea Region: saving the sea, connecting the region, and increasing prosperity.

The EU Strategy for the Baltic Sea Region is the first comprehensive EU strategy to target an EU macro-region. The eight EU countries that make up the Baltic Sea Region (Sweden, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Poland) face several common challenges which are reflected in the jointly-agreed Action Plan for the Strategy. The Strategy helps to mobilise all relevant EU funding and policies and coordinate the actions of the European Union, EU countries, regions, pan-Baltic organisations, financing institutions and non-governmental bodies to promote a more balanced development of the Baltic Sea Region.

The Programme intends to contribute to the EUSBSR objectives "Increase prosperity" and "Save the sea" through the implementation of activities under Thematic Objectives 1 (Business and SMEs development) and 6 (Environmental protection, climate change mitigation and adaptation). The connections between the EUSBSR and the Estonia–Russia CBC programme will be ensured with the administrative cooperation and e.g. the development of activities related to marine issues, tourism and culture within the areas covered by these documents. A regular exchange of information will be organised between the administrative bodies. Coordination between different instruments will be guaranteed by Ministry of Finance of Estonia who is coordinating the Baltic Sea Region programme and is participating in the internal working group of the EUSBSR.

For the Estonian Programme area, the Programme has been developed in accordance with and in support of the strategic framework, ‘Estonia 2020’, that sets out the guiding principles for the competitiveness development and provides a basis for the Regional Development Strategy 2014-2020.

34 http://www.balticsea-region-strategy.eu/
The Programme follows the principles that have been set out in the Regional Development Strategy 2014-2020 for Estonia, carrying on the principles of national strategic priorities. Moreover, it directly supports the overall strategic vision whereby all regions in Estonia should contribute to the increase of economic competitiveness in the national economy and that access should be provided for jobs, services, and a good living environment in all regions of Estonia.

The Programme also supports the achievement of the Estonian Business Development Strategy 2020 as the aforementioned strategy allows mostly for the primary development of high-impact industries. The success of secondary level priorities in regional business and SME development will be aided through the Programme.

Also, the Programme supports the priority of the Estonian Tourism Development Strategy 2014-2020 when it comes to developing regional tourism capabilities.

In addition to the aforementioned Estonian government-approved strategic documents, the Programme also supports the fulfilment of goals that have been set out in strategies and development documents listed in the Regional Development Strategy 2014-2020.

The development of the transport system and logistic services has the potential to promote the socio-economic development of the region to deliver the objectives of Baltic 21, VASAB 2010 Plus, INTERREG V, the EU Lisbon strategy for economic growth and employment, and the EU Gothenburg strategy for sustainable development, and to increase the competitiveness of the region through the development of the transport infrastructure and through business development. It also supports the priorities of the Russian Federation’s Transport Strategy (2008), which states the need for the development of transport routes.

The Programme is consistent with the Concept of the Long-Term Socio-Economic Development of the Russian Federation up to the year 2020, as approved on 17 November 2008, and in ‘2020 Strategy: New Growth Model - a New Social Policy’, which was developed in 2011, as well as with the State Programme for 2013-2020: ‘Regional Policy and Federative Relations’ and other national programmes that concern with specific areas and sectors.

Business and SME development is one of the priorities of the 2020 Strategy which aims at the improvement of the business climate, the promotion of entrepreneurship, support provided to SMEs and their integration into the economy, clusters and international cooperation, fostering innovations and modernisation, and increasing networking in this area. This objective is also very important in general social and economic development strategies for St Petersburg, and the Leningrad and Pskov regions, and there are specific programmes relating to this area in

each of the three regions. Specific measures within the Programme’s ‘Business and SME Development’ thematic objective, such as cooperation between science parks, educational institutions, industrial parks, SMEs and public sector institutions, the preservation of cultural and historical heritage, the development of the business environment and innovation infrastructure, and development of the tourism and creative industry are also all supported under general strategies and more specific programmes in the Programme area.

The implementation of the Programme contributes to reaching goals of the Strategy of social and economic development of the North-Western Federal district up to the year 2020 and the Strategy of a Long-Term Innovative Development of the Russian Federation until 2020”.

Development of cross-border business contacts and services-products within the framework of the ‘Business and SME Development’ thematic objective will facilitate Russia to strengthen Russian position in integration processes of the Eurasian space by maintaining balanced relationships with the European economic partners as mentioned in the Concept of a long-term social and economic development of the Russian Federation up to the year 2020.

Cooperation between science parks, educational institutions, industrial parks, SMEs and public sector institutions (triple-helix cooperation) to foster innovation and modernization will aid Russia at one the most important tasks stated in the Strategy of a long-term innovative development of the Russian Federation up to the year 2020 which is the development of innovative manufactures and an increase of a quantity of innovative businesses.

The promotion of border management is supported under Russia’s Federal Targeted Programme: ‘The Russian Federation’s State Border (2012-2020)’, which favours a border-crossing infrastructure arrangement and the creation of favourable conditions for foreign trade activity and international relations. The necessity of improving the border-crossing infrastructure as well as developing customs and border procedures is also incorporated into the strategies of the three Russian regions in the Programme area.

The Programme also contributes to the implementation of the Russian State Programme: ‘Protection of the Environment’ for 2012-2020 and ‘Energy Efficiency and Energy Development’ for 2013-2020, and regional programmes in these areas which prioritise the sustainable use and protection of ecological resources, plus energy and ecological efficiency, efficient water and air pollution management, and wastewater treatment, along with increasing awareness and fostering international cooperation in terms of environmental protection.

The Programme coincides with the priorities of the State Programmes of the Russian Federation for 2013-2020: ‘Regional Policy and Federative Relations’, since the latter aims at the well-balanced development of the Russian Federation’s regions and increasing the capacities and efficiency of their authorities. Besides this, the efforts that have been made in the fields of education, health, social affairs, administrative capacity, culture, and sport, and that will be furthered under the Programme, are also in coherence with the Russian national and regional programmes concerning each of the aforementioned areas specifically.
The Programme will contribute to the achievements of different national policies’ objectives but support only the activities with clear cross-border impact, utilising the added value of cross-border cooperation in the selected directions of support.

The Programme is a continuation of the tri-lateral EstLatRus 2007-2013 Programme and allows for further comprehensive regional development through the creation of synergies and following the basically similar principles and priorities in the Estonia-Latvia Programme 2014-2020 and the Latvia-Russia Programme 2014-2020.

In addition to national strategies that the Programme follows and supports, the priorities of the Baltic Sea Region 2014-2020 Programme are supported within the development of the Programme.

The potential overlapping of funding shall be avoided through the coordination of decision making processes carried out by the JMC of the respective programmes, especially by cooperation of Estonian and Russian national authorities responsible for implementation of different programmes. As well the Managing Authority may consult the list of projects recommended for funding with the European Commission to avoid double funding and promote synergies with existing projects, where possible.

The Programme has been developed in accordance with bi-lateral agreements between Estonia and Russia, and with other co-operation documents such as the Memorandum of Understanding on cross-border co-operation.

On a regional level, the Programme objectives must be achieved through projects that are also in accordance with regional strategies and development documents for the Programme Area.

2.2.4 Risk Analysis and Mitigating Measures

The aim of the risk assessment is not to look at the risks that are posed for each individual TO but rather to consider the risks that are relevant to the overall success of the Programme.

The risks are analysed on two levels: general risks regarding implementation and beneficiary action/inaction-related risks.

General Programme-specific risks:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Possible Risk</th>
<th>Likelihood of occurrence (unlikely-very likely)</th>
<th>Impact (low-high)</th>
<th>Risk level (low-high)</th>
<th>Mitigating measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity for Implementation (Programme level)</td>
<td>Likely</td>
<td>High</td>
<td>High</td>
<td>Training and awareness-raising, co-ordination and co-operation exercises, inclusion in the final stages of programming</td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>--------</td>
<td>------</td>
<td>------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Communication failure between newly appointed institutions</td>
<td>Likely</td>
<td>High</td>
<td>High</td>
<td>Capacity development (the recruitment of an adequate number of suitable personnel at JTS) in order to address systemic weaknesses</td>
<td></td>
</tr>
<tr>
<td>Administrative capacity failures</td>
<td>Likely</td>
<td>High</td>
<td>High</td>
<td>Training and the performance assessment of JTS, AA, CCP, MA, BO, and NA</td>
<td></td>
</tr>
<tr>
<td>Procedural short-falls or changed needs</td>
<td>Unlikely</td>
<td>Medium</td>
<td>High</td>
<td>Annual review of the application procedures, reporting procedures, the inclusion of a procedure review in system audits</td>
<td></td>
</tr>
<tr>
<td>Time estimation failures</td>
<td>Likely</td>
<td>High</td>
<td>High</td>
<td>Regular process review</td>
<td></td>
</tr>
<tr>
<td>Failures to meet defined indicators</td>
<td>Unlikely</td>
<td>Medium</td>
<td>Medium</td>
<td>External factors must be identified during system</td>
<td></td>
</tr>
<tr>
<td>Challenges related to different legal environment</td>
<td>Likely</td>
<td>Medium</td>
<td>High</td>
<td>CCP involvement to ensure JTS and MA awareness. Taking into account previous experience with EstLatRus Programme</td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>--------</td>
<td>--------</td>
<td>------</td>
<td>-----------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Reporting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The reporting mechanisms are unclear</td>
<td>Likely</td>
<td>Medium</td>
<td>Medium</td>
<td>Periodic review of reporting processes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>JTS training</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Seminars for beneficiaries (in national languages, if needed)</td>
<td></td>
</tr>
<tr>
<td>Misinterpretation of project cost eligibility by beneficiaries and auditors</td>
<td>Likely</td>
<td>Medium</td>
<td>Medium</td>
<td>Joint training and consultations for project financial managers and auditors, as well as the CCPs</td>
<td></td>
</tr>
<tr>
<td><strong>Corruption and fraud</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative capacity failure</td>
<td>Unlikely</td>
<td>High</td>
<td>Medium</td>
<td>Implementation of controls</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Implementation of overview</td>
<td></td>
</tr>
</tbody>
</table>
In addition to Programme specific risks, as stated above, we foresee the need to mitigate project-based risks that are associated to the actions or inaction of the applicants and beneficiaries:

<table>
<thead>
<tr>
<th>General applicant related risks</th>
<th>Likely</th>
<th>Medium</th>
<th>Medium</th>
<th>Improving the Programme rules based on previous EstLatRus experience Programme to include more information events (in national languages, if needed) for applicants and beneficiaries.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low awareness of different procurement schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of experience in international/cross-border projects</td>
<td>Likely</td>
<td>Low</td>
<td>Medium</td>
<td>Beneficiary training and consultations by JTS</td>
</tr>
<tr>
<td>Effectiveness of Implementation (Beneficiary)</td>
<td>Unlikely</td>
<td>High</td>
<td>Medium</td>
<td>Beneficiary training</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>----------</td>
<td>------</td>
<td>--------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Administrative capacity failure by beneficiaries</td>
<td></td>
<td></td>
<td></td>
<td>Project-based audits and reviews, result-orientated monitoring of the Programme (ROM), on-spot-visits by the JTS or MA</td>
</tr>
<tr>
<td>Beneficiaries failing to plan time for amendments to projects and/or contracts</td>
<td>Likely</td>
<td>High</td>
<td>High</td>
<td>Project-based review, ROM, on-spot visits, assistance and consultations by the JTS</td>
</tr>
<tr>
<td>Changes in the project timetable</td>
<td>Likely</td>
<td>Medium</td>
<td>High</td>
<td>Project-based audits and reviews, ROM, on-spot visits, assistance and consultations by the JTS</td>
</tr>
</tbody>
</table>
During Programme implementation, the risks are monitored by system audits. If the risks occur, the relevant mitigating measures will be taken in order to decrease their impact on the implementation of the Programme.

The MA/JTS will carry out on-the-spot visits.

Annually the MA presents to the JMC any information that concerns the situation in terms of the defined risk areas. During the annual reporting stage, the need to change the list of evaluated risks can be determined (new risks can be added if necessary).
2.3 Description of ‘Objectively Verifiable Indicators’ (OVI)

According to the ENI CBC 2014-2020 renewed methodology for OVI, the indicators in the next chapter are divided into ‘Common Output Indicators’ (COI) and ‘Result Indicators’ (RI), with expected results and a list of indicative supported actions for each TO.36

The selection of applicable COI has been chosen from the common list provided by the Commission. In cases where no COI is applicable, Programme specific indicators have been developed and are marked as ERI.

Result indicators have been developed to measure wider societal impact of the Programme. The values have been aggregated from responses to specific reference group questionnaires.

2.3.1 Expected results for each priority

Given the high percentage of the population that live in urban areas (especially in the big cities) and the increasing tendency of young people to migrate to cities and towns or who are leaving the region entirely to work or study abroad, efforts are required in order to promote polycentric development and to increase the attractiveness of rural areas and smaller towns. To this end, activities that are aimed at improving employment prospects, increasing living standard, and providing opportunities for spending leisure time are required. The Programme will also address issues that are related to encouraging local communities to get involved in NGO work and joint activities with neighbours across the border.

The Programme area, especially the rural areas, is in clear need of those measures that are aimed at increasing the competitiveness of the labour force through the provision of support to an economically-inactive population. In order to ensure that the qualifications of the workforce meet the demands of the modern economies, the cooperation of educational institutions and businesses needs to be promoted and potential employees have to be trained for the professions that are demanded by the market. Initiatives that are aimed at encouraging the younger generation to initiate their own businesses in rural areas as opposed to leaving the region should also be supported.

Thematic Objective (TO) 1 - business and SME development

Joint efforts and the use of expertise from across the border could significantly alleviate regional SME development issues such as: the development of business support mechanisms and the introduction of new market opportunities.

36 The **input** indicators measure the available financial, administrative and regulatory resources.
Common interests lie in an increase in the numbers of SMEs and the subsequent increase in the jobs that are created as a result. The experience in various business support structures and information sharing in the make-up of such structures on both sides of the border can improve overall results.

Furthermore, in trying to support the resolution of those issues that involve outward migration from the Programme area and the attraction of youth or business support measures that are related to youth entrepreneurship and start-ups should remain in focus.

Thereby, the Programme area (in general and specific cooperation between, for example, Lõuna-Eesti and the Pskov Region or Ida-Viru and Narva with the Ivangorod, Pskov and Leningrad Regions) could benefit from long-term cooperation between business-support organisations. These institutions could obtain more information about the cross-border business environment, to motivate people to start their own business, and to help small businesses to seek out more opportunities through cooperation and to raise competitiveness.

In order to encourage entrepreneurs to develop according to their own capacity, it is necessary to make a distinction between two main target groups: (a) people planning to start business and young enterprises that can benefit from the idea of cross-border cooperation to ensure business sustainability and growth; and (b) advanced businesses already planning to expand and cooperate internationally.

Next to business establishment, their sustainability and export potential show the actual impact and success of SMEs. Naturally, cooperation in business and/or product development with the most significant trade partners helps ensure sustainability and growth.

Based on existing cultural ties and existing sites, tourism routes and simple tradition, there exists a high level of potential for tourism and cultural-based SME development in the border regions, which will serve to improve the quality of services that target locals, as well as tourists and, in addition, help in the improvement of the attractiveness of the Programme area.

This would not only have an impact on attracting new visitors and new enterprises but also creates a more pleasant living environment for those people who are already in the Programme area. Specifically, this is important when considering the importance of flow and the steady increase of tourism from Estonia to Russia and Russia to Estonia.

The priorities for Thematic Objective 1 are:

- Increasing SME development and entrepreneurship by fostering cross-border business contacts and developing services and products;
- Increasing SME competitiveness and entrepreneurship by fostering cooperation between the public, private and R&D;
- Improving the business environment through the development of business support measures and infrastructure.
The expected results should be represented in the better co-operation of the public and private sector. Local entrepreneurs are expressing some interest in business development and have financial and managerial support from the public sector for developing high export-value and high tourism-value ventures.

In addition, of those SMEs that were founded inside the Programme area, young people are especially motivated to start their own businesses.

<table>
<thead>
<tr>
<th>Indicator no</th>
<th>Priority</th>
<th>Indicator name</th>
<th>Output (OI)</th>
<th>OI target</th>
</tr>
</thead>
<tbody>
<tr>
<td>COI 2(^{37})</td>
<td>Increasing SME development and entrepreneurship by fostering cross-border business contacts and developing services and products</td>
<td>Number of enterprises that are substantially and actively involved in projects as final beneficiaries</td>
<td>0</td>
<td>80</td>
</tr>
<tr>
<td>COI 7</td>
<td>Increasing SME development and entrepreneurship by fostering cross-border business contacts and developing services and products</td>
<td>Number of improved cultural and historical sites as a direct consequence of programme support</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>COI 14</td>
<td>Increasing SME competitiveness and entrepreneurship by fostering cooperation between the public, private and R&amp;D sectors</td>
<td>Number of organisations using programme support for cooperation in education, R&amp;D, and innovation</td>
<td>0</td>
<td>6</td>
</tr>
</tbody>
</table>

\(^{37}\) COI (or Common Output Indicators) measures the direct products of selected activities and concerns the direct beneficiaries for projects and are only affected by whatever actions may lead to their being insensitive to any external impact. Result indicators measure the broader societal impact of a particular objective or priority. They span beyond the direct beneficiaries of the support and cover a wider group of society. ERI indicators are Programme-specific output indicators in fields in which no COI was available.

\(^{38}\) Interact, List of Common Output Indicators for ENI CBC 2014-2020
| COI 6 | Improving the business environment through the development of business support measures and infrastructure | Number of organisations using programme support for promoting local culture and preserving historical heritage | 0 | 15 |

<table>
<thead>
<tr>
<th>RI</th>
<th>Priority</th>
<th>RI Baseline</th>
<th>RI Target</th>
<th>Source of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>The strength of joint development in products and services by businesses</td>
<td>Increasing SME development and entrepreneurship by fostering cross-border business contacts and developing services and products</td>
<td>2,2</td>
<td>3,0</td>
<td>Programme-level survey 39</td>
</tr>
<tr>
<td>Attractiveness of cultural and heritage sites to visitors</td>
<td>Increasing SME development and entrepreneurship by fostering cross-border business contacts and developing services and products</td>
<td>3,0</td>
<td>3,8</td>
<td>Programme-level survey</td>
</tr>
<tr>
<td>The strength of cross-border activities by institutions in education, R&amp;D, and innovation sectors</td>
<td>Increasing SME competitiveness and entrepreneurship by fostering cooperation between the public, private and R&amp;D sectors</td>
<td>2,6</td>
<td>3,1</td>
<td>Programme-level survey</td>
</tr>
</tbody>
</table>

39 All programme level surveys are conducted using specific reference groups for each indicator over the entire Programme area.
The quality of the cross-border business environment

Improving the business environment through the development of business support measures and infrastructure

2,2

3,0

Programme-level survey

**Indicative list of supported actions:**

- Cooperation between science parks, educational institutions, industrial parks, SMEs and public sector institutions (triple-helix cooperation) in order to foster innovation and modernisation;

- The development of cross-border business contacts and services-products (contact-meetings, fairs, and joint product development and marketing, including local/regional tourism products and services such as tourism routes);

- Support for the development of the creative industry and cultural tourism;

- Educational programmes for launching start-ups;

- Support services and infrastructure such as industrial parks, incubators, and clusters;

- Local/regional tourism objects and routes;

- Promoting entrepreneurship (start-ups or enterprise schools).

In tourism development, the focus should remain on local/regional tourism services, products, and destinations in order to increase the attractiveness of border areas.

**Thematic Objective (TO) 10 - Promotion of border management and border security, mobility and migration management**

Whilst the development of transport and border infrastructure is also addressed nationally and in Estonia in accordance with the regulations that are related to the Schengen Agreement, the further development of the border between EU member state Estonia and Russia should be executed in a manner which allows for good infrastructure and service quality being ensured on both sides of the border.
In order to achieve this, and to improve the border-crossing process, the Programme shall focus on the development of the existing border crossing infrastructure and on improving the skills and working conditions of the personnel at border crossing points.

The priorities for Thematic Objective 10 are as follows:

- Increasing the throughput capacity of existing border crossing points through the development of BCP infrastructure and border management procedures;
- Increasing the throughput capacity of existing border crossing points by refurbishing and improving border crossing roads and supporting infrastructure.

Through those actions that are supported via the Programme we should see an increase in the throughput capacity of the land-based BCP between Estonia and Russia, as well as an increase in the quality of BCP infrastructure on both sides of the border, which should result in shorter queues at the BCP and a higher number of individuals and vehicles that can be checked through each day, month, or year.

<table>
<thead>
<tr>
<th>Indicator no 40</th>
<th>Priority</th>
<th>Indicator name</th>
<th>Output (OI)</th>
<th>OI target</th>
</tr>
</thead>
<tbody>
<tr>
<td>COI 35</td>
<td>Increasing the throughput capacity of existing border crossing points through the development of BCP infrastructure and border management procedures</td>
<td>Number of border crossing points with increased throughput capacity</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Increasing the throughput capacity of existing border crossing points by refurbishing and improving border crossing roads and supporting infrastructure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COI 37</td>
<td>Increasing the throughput capacity of existing border</td>
<td>Increased throughput capacity of trucks on land border</td>
<td>0</td>
<td>30%</td>
</tr>
</tbody>
</table>

COI (or Common Output Indicators) measures the direct products of selected activities and concerns the direct beneficiaries for projects and are only affected by whatever actions may lead to their being insensitive to any external impact. Result indicators measure the broader societal impact of a particular objective or priority. They span beyond the direct beneficiaries of the support and cover a wider group of society. ERI indicators are Programme-specific output indicators in fields in which no COI was available.
Crossing points through development of BCP infrastructure and border management procedures

<table>
<thead>
<tr>
<th>Luhamaa – Shumilkino</th>
<th>2014</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual nr of private cars crossing the border</strong></td>
<td>Increasing the throughput capacity of existing border crossing points by rebuilding border crossing roads and supporting infrastructure</td>
<td>438 000</td>
<td>570 000</td>
</tr>
<tr>
<td><strong>Wait time for private cars at the BCP</strong></td>
<td>Increasing the throughput capacity of existing border crossing points by developing the BCP infrastructure and border management procedures</td>
<td>Off-Peak times: &lt;1h Peak times: ~2 h</td>
<td>Off-Peak times: &lt;0,5h Peak times: ~1 h</td>
</tr>
<tr>
<td><strong>Annual nr of trucks crossing the border</strong></td>
<td>Increasing the throughput capacity of existing border crossing points by rebuilding border crossing roads and supporting infrastructure</td>
<td>109 500</td>
<td>142 500</td>
</tr>
<tr>
<td><strong>Wait time for trucks at the BCP</strong></td>
<td>Increasing the throughput capacity of existing border crossing points by developing the BCP infrastructure and border management procedures</td>
<td>Off-Peak times: &lt;3h Peak times: ~24h</td>
<td>Off-Peak times: &lt;1h Peak times: ~10h</td>
</tr>
</tbody>
</table>
Indicative list of supported actions:
- Development of the existing border crossing points;
- A simplification and modernisation of operations and procedures that are required for border crossings.

Thematic Objective (TO) 6 - Environmental protection, climate change mitigation and adaptation

Within the framework of the Programme, joint activities should focus on resolving issues that concern sustainable use and the protection of joint ecological resources by increasing joint readiness to eliminate and decrease pollution, monitor the environmental situation of common resources, and decrease energy consumption.

An awareness of energy-saving solutions should span more widely across the region’s industries.

An unsustainable use of resources is often caused by the intentional choice of individuals who prefer to pay bigger bills, but who are not ready to invest in solutions that could considerably cut their energy costs. Systematic theoretical and practical knowledge about a sustainable way of living, including examples of using innovative technology and an exchange of good practice, is required in order to encourage society to adopt a more environment-friendly level of behaviour.

Moreover, the negative effects of low awareness and capabilities in waste management, something that may have both direct and indirect consequences on the general environment, as well as a negative impact on the quality of resources, such as those of Lake Peipsi/Chudsko-Pskovskoe, is an area that should be addressed jointly.

The priorities for Thematic Objective 6 are as follows:
- Improving the quality of shared water assets by reducing their pollution load, including improving waste water treatment facilities, improving solid waste management and relevant facilities (for both household and industrial waste) and reducing the pollution that is caused by the agricultural sector;
- Improving the biodiversity of joint natural assets;
- Increasing awareness in environmental protection and the efficient use of energy resources;
- Fostering shared actions in risk management and a readiness to cope with environmental disasters.

The mid- to long-term results of supported actions should show an improvement in the awareness of environmentally-friendly production methods and a better use of resources by the general public.
The investments that are made serve to increase regional capabilities when it comes to dealing with environmental disasters (forest and sea).

<table>
<thead>
<tr>
<th>Indicator no</th>
<th>Priority</th>
<th>Indicator name</th>
<th>Output (OI)</th>
<th>OI target</th>
</tr>
</thead>
<tbody>
<tr>
<td>41</td>
<td>Improving the quality of shared water assets by means of reducing their pollution load, including improving waste water treatment facilities, improving solid waste management and relevant facilities (for both household and industrial waste) and reducing the pollution that is caused by the agricultural sector</td>
<td>The number of projects that are related to the purification of common water assets</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>COI 18</td>
<td>Improving the biodiversity of joint natural assets</td>
<td>Additional waste recycling capacity (by number of improved facilities)</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>ERI #</td>
<td>Increasing awareness in environmental protection and the efficient use of energy resources</td>
<td>The number of persons actively participating in environmental actions and awareness-raising activities</td>
<td>0</td>
<td>1000</td>
</tr>
<tr>
<td>ERI #</td>
<td>Fostering shared actions in risk management and a readiness to cope</td>
<td>Members of the population who benefit from forest fire protection</td>
<td>0</td>
<td>20% of Programme area</td>
</tr>
</tbody>
</table>

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41 COI (or Common Output Indicators) measures the direct products of selected activities and concerns the direct beneficiaries for projects and are only affected by whatever actions may lead to their being insensitive to any external impact. Result indicators measure the broader societal impact of a particular objective or priority. They span beyond the direct beneficiaries of the support and cover a wider group of society. ERI indicators are Programme-specific output indicators in fields in which no COI was available.
<table>
<thead>
<tr>
<th>RI</th>
<th>Priority</th>
<th>RI Baseline</th>
<th>RI Target</th>
<th>Verification Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased capacity in environmental protection for joint water assets</td>
<td>Improving the quality of shared water assets by means of reducing their pollution load, including improving waste water treatment facilities, improving solid waste management and relevant facilities (for both household and industrial waste) and reducing the pollution that is caused by the agricultural sector</td>
<td>3,1</td>
<td>3,6</td>
<td>Programme level survey</td>
</tr>
</tbody>
</table>
| Increased awareness in environmental | Increasing awareness in environmental | 2,7         | 3,2       | Programme level survey | 42 Due to the relatively small contribution to environmental protection via the Programme, the wider societal effects of the activities were deemed to have too small of an effect by the JPC to measure separately  
43 A Programme-level survey conducted amongst municipalities and/or service providers. |
Indicative list of supported actions:

- An increasing readiness to eliminate pollution in the Baltic Sea and Lake Peipsi/Chudsko-Pskovskoe (in relation to equipment, joint activities, and reaction);

- Educational projects that are related to energy;

- Joint actions for improving rescue fire services and protecting forests:

- Reconstruction of waste water treatment plants;

- Increasing awareness in environmental protection;

- Joint actions to ensure the sustainability of the fishing industry;

- The design, construction, and reconstruction of solid waste recycling plants;

- The design, construction, and reconstruction of safe storage locations for solid household and industrial waste.

Thematic Objective (TO) 5 - Support for local & regional good governance

The public administration body requires development and also requires an improvement in capacity. It is necessary to strengthen the general accountability of the public authorities, to improve the state civil service and the legal regulation of municipal services, to develop human resource capacity in public and municipal administrative bodies, to improve licensing and enforcement activities, to improve the quality and accessibility of public services, to
develop a system of legal education for the public, and to ensure the availability of legal information.

The Programme should support initiatives by local communities to create socially and physically attractive conditions and to attract investment into the regions. It should promote job creation and the improvement of the living environment. Through cross-border cooperation potential additional opportunities should arise which will help to fill in the gap for the need of qualified personnel and the promotion of economic activity. Community activities that encourage people-to-people cooperation within the Programme area should aid in the creation of entrepreneurship opportunities.

The priorities for Thematic Objective 5 are as follows:

- Improving cooperation between local and regional authorities and their sub-units;
- Improving cooperation for local and regional communities.

The inhabitants of the Programme area have better access to health and sports facilities through financial aid that has been provided by the municipalities or through the municipalities.

The municipalities have established funding schemes for cross-border social activities and vocational and language training.

<table>
<thead>
<tr>
<th>Indicator no</th>
<th>Priority</th>
<th>Indicator name</th>
<th>Output (OI)</th>
<th>OI target</th>
</tr>
</thead>
<tbody>
<tr>
<td>COI 14</td>
<td>Improving cooperation between local and regional authorities and their sub-units</td>
<td>The number of participating organisations cooperating across borders for improved governance</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>ERI #</td>
<td>Improving cooperation for local and regional communities</td>
<td>The number of participants at events that are aimed at vocational and language training</td>
<td>0</td>
<td>200</td>
</tr>
</tbody>
</table>

**Note:** COI (or Common Output Indicators) measures the direct products of selected activities and concerns the direct beneficiaries for projects and are only affected by whatever actions may lead to their being insensitive to any external impact. Result indicators measure the broader societal impact of a particular objective or priority. They span beyond the direct beneficiaries of the support and cover a wider group of society. ERI indicators are Programme-specific output indicators in fields in which no COI was available.
### Indicative list of supported actions:

- Education - cooperation between (vocational) schools in fields such as teaching methodology (including Russian language), and the development of curricula;

- Health - active life and recreation, rehabilitation;

- Social - youth services, employment, HIV/AIDS prevention.

Cooperation of local and regional communities in the following fields:

- Culture – the preservation and promotion of cultural and historical heritage on a municipal level;

- Sport – an exchange of know-how and contacts.

Cooperation between local/regional administrations and their sub-units in order to increase change experience in various fields such as e-services and joint planning.

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45 Due to the limited availability of funds allocated to the current to, the effects of the activities carried out via the Programme do not have significant enough effects to measure in more than one result indicator (as agreed by the EstRus JPC)
2.4 Cross-cutting Issues

Cross-cutting issues such as environmental protection and HIV/AIDS are integrated into the Programme strategy through those actions that are contained in TO 6 and TO 5. The scale of the Programme is not large enough to have a direct impact on the improvement of the environment. Despite this, there are direct implications in terms of raising awareness in environmental protection, in the use of energy efficient production methods, and in lessening the risk of environmental disasters occurring.

HIV prevention activities are addressed through creating opportunities for raising awareness and supporting cross-border healthcare co-operation.

Supporting cross-border co-operation under all Programme priorities will have an indirect effect on improving community ties and the living environment across the Programme area.

Fostering democracy and human rights, as well as gender equality are not directly addressed due to the small size of the Programme, however, all projects carried out, should take into account the above mentioned principles.
3. STRUCTURES AND APPOINTMENT OF THE COMPETENT AUTHORITIES AND MANAGEMENT BODIES

The following chapter has been drafted according to the Commission Implementing Regulation (EU) No 897/2014.

The following chart illustrates the implementation structure and bodies involved in the implementation of the Programme.
3.1. The composition of the Joint Monitoring Committee and its tasks

Within three months of the date of the adoption of the Programme by the Commission, following the approval of the Programme by the Governments of the Republic of Estonia and the Russian Federation, one single committee - a JMC shall be established. The JMC’s ‘Rules of Procedure’ will be adopted by the JMC at its first meeting. The Joint Monitoring Committee shall meet at least once a year.

The JMC shall be responsible for monitoring the implementation of the Programme and progress towards achieving its objectives, and shall examine all issues that affect the performance of the Programme.

The JMC shall include an equal number of representatives who are appointed by each participating country, from both national and regional levels, up to seven persons from each country as the members of the JMC and also as their deputies.

The European Commission shall participate in the work of the JMC as an observer.

Decisions that are taken by the JMC shall be made by the consensus of delegations from participating countries (one vote per delegation). In exceptional cases the JMC may put certain decisions to a vote. The JMC may also take decisions through a written procedure.

The JMC shall in particular carry out the following tasks:

(a) Approve the Managing Authority’s work programme and financial plan, including any planned use of technical assistance;
(b) Monitor the implementation by the Managing Authority of the work programme and financial plan;
(c) Approve the criteria for selecting projects that are to be financed by the Programme;
(d) Be responsible for the evaluation and selection procedure that is applicable to projects that are to be financed by the Programme;
(e) Approve any proposal to revise the Programme;
(f) Examine all reports that are submitted by the Managing Authority and, if necessary, take appropriate measures;
(g) Examine any contentious cases that are brought to its attention by the Managing Authority;
(h) Examine and approve the annual report;
(i) Examine and approve the annual monitoring and evaluation plan;
(j) Examine and approve the annual information and communication plans.

Furthermore the JMC shall also handle the following duties in line with the CBC Implementing Rules:

• Approving the application pack before launching the Call for Proposals by the MA;
• Take the final decision on the selection of projects and on the grant amount that is allocated for each project;
• Take a decision (on the pre-approved list provided in this document) on large infrastructure projects that are not to be selected through a calls for proposals;
• Approve the annual MA plan of the information and visibility actions:
• Review the outcome of the audit and take control of exercises by reviewing the annual audit reports, and also take any required decisions on necessary actions that are related to recoveries;
• Establish task forces for the specific needs of the Programme’s implementation if and as appropriate.

The JMC shall have a chairperson on an annually rotating principle who shall represent the National Authorities—these being the Estonian Ministry of Finance and the Ministry of the Economic Development of the Russian Federation. The JMC in its work shall be assisted by the JTS and the MA. The JTS will be responsible for the preparation of all documentation that relates to the meetings. In principle, the documents that are required for the JMC shall be available before the meeting. Details on composition, chairmanship, and decision making in the JMC will be determined in the JMC’s Rules of Procedure.

The costs incurred by holding JMC meetings will be financed from the Technical Assistance budget.

While carrying out its duties and task, especially selection of projects, the JMC shall follow the principles of transparency, equal treatment, non-discrimination, objectivity and fair competition.

3.2. Managing Authority and its designation process

The Programme shall be implemented in shared management with the Republic of Estonia. The participating countries have decided to appoint the Cross-Border Programmes’ Implementation Unit of the Ministry of Finance of the Republic of Estonia as the Programme’s Managing Authority (which hereinafter is referred to as the MA).

The following chart illustrates an internal set up of the MA:
The MA shall be responsible for managing the Programme in accordance with the principle of sound financial management and in order to ensure that decisions that are taken by the JMC comply with the regulations and provisions that are in force.

The MA’s main tasks shall include the management of the Programme, the selection and monitoring of projects, usage of the technical assistance, and ensuring the financial management and monitoring the Programme.

The Republic of Estonia shall submit the formal decision to the Commission as soon as possible, after the programme adoption by the Commission. The MA shall be designated following the requirements of Article 25 of (EU) No 897/2014 Implementing Rules. The designation procedure shall be based on a report and opinion issued by the Financial Control Department of the Ministry of Finance of the Republic of Estonia acting as an independent audit body that assesses the compliance of the management and control systems against the designation criteria. According to the 2014-2020 Structural Assistance Act of Estonia the Managing Authority will be designated by the decree of the minister.
For Programme management and implementation purposes, the MA shall ensure the existence of sufficient properly-qualified human resources, the requisite computerised management and accounting tools, and financial circuits that comply with the relevant EU legislation.

In regard to the Programme’s management, the MA shall carry out the following duties:

(a) Supporting the work of the JMC and providing it with the information that it requires in order to be able to carry out its tasks; in particular data that relates to the progress of the Programme in achieving its expected results and targets;
(b) drawing up and, after approval by the JMC, submitting the annual reports and the final report to the Commission and the Ministry of Economic Development of the Russian Federation;
(c) sharing information with the Joint Technical Secretariat, the Audit Authority, and any beneficiaries that is relevant to the execution of their tasks or project implementation;
(d) establishing and maintaining a computerised system in order to record and store data on each project that is necessary for monitoring, evaluation, financial management, controls, and an audit, including data on individual participants in projects, where applicable. In particular, it shall record and store technical and financial reports for each project. The system shall provide all of the data that is required for drawing up payment requests and annual accounts, including records of amounts recoverable, amounts recovered, and amounts reduced following any cancellation of all or part of the contribution for a project or a programme;
(e) carrying out, where relevant, environmental impact assessment studies at the programme level;
(f) implementing the information and communications plans;
(g) implementing the monitoring and evaluation plans.

As regards the selection and management of projects, the Managing Authority shall handle the following tasks:
(a) drawing up and launching the approved selection procedures;
(b) managing the project selection procedures;
(c) providing the lead beneficiary with a document setting out the conditions for support for each project including the financing plan and execution deadlines;
(d) by the request of the Russian project Lead beneficiary or beneficiary, to provide confirmation about Russian partners participating in projects (after Grant Contract is signed) in order these partners could apply for the customs duties and tax exemption;
(e) signing contracts with lead beneficiaries;
(f) managing projects.

As regards technical assistance, the MA shall handle the following duties:
(a) managing the contract award procedures;
(b) signing contracts with contractors;
(c) monitoring contracts.
As regards financial management and the control of the programme, the MA shall carry out the following duties:

(a) verifying that services and supplies have been provided, delivered, or installed, and that any work that is required has indeed been carried out, and verifying whether expenditure that has been declared by the beneficiaries has been paid by them and that this complies with applicable legal acts, and the Programme’s rules and conditions for the support of projects;

(b) ensuring that beneficiaries who are involved in project implementation maintain either a separate accounting system or a suitable accounts code for all transactions that relate to a project;

(c) putting in place effective and proportionate anti-fraud measures whilst also taking into account those risks that have been identified;

(d) setting up procedures to ensure that all documents regarding expenditure and all audits that are required to ensure a suitable audit trail are held in accordance with the requirements;

(e) drawing up the management declaration and annual summary;

(f) drawing up and submitting payment requests to the Commission;

(g) drawing up the annual accounts;

(h) taking account of the results of all audits that are carried out by or under the responsibility of the Audit Authority when drawing up and submitting payment requests;

(i) maintaining computerised accounting records for any expenditure that is declared to the Commission and for payments that are made to beneficiaries;

(j) keeping account of any amounts that are recoverable and of amounts that are reduced following the cancellation of all or part of the grant.

Verification work will include the following procedures:

(a) administrative verification for each payment request that is made by beneficiaries;

(b) on-the-spot project verification work.

The frequency and coverage of on-the-spot verification work shall be proportionate to the value of the grant for each project and the level of risk that has been identified by such verification work and by audits undertaken by the Audit Authority for the management and control systems as a whole.

On-the-spot project verification work is carried out on a sample basis.

The operations of the MA shall be financed from the Programme’s technical assistance budget.

The MA works in close cooperation with the Financial Department of the Ministry, which is where the technical payment procedures, payments and pre-payments to the beneficiaries, and technical day-to-day accounting tasks are carried out.

Further details on the operation and functions of the MA are defined in the full description of the management and control systems of the Programme. The separation of functions for employees of the MA shall be provided by the job descriptions of the employees. It will be supported by the electronic monitoring system for projects, for which each authority has full reading access and its own distinctive writing rights in order to ensure the separation of functions between authorities.
3.3. National Authorities
The participating countries shall prevent, detect and correct any irregularities, including fraud and the recovery of amounts that have been unduly paid.

There will be four core areas of involvement for participating countries:
- Management;
- Control;
- Audit;
- Recoveries.

The Republic of Estonia has appointed the Ministry of Finance, the Regional Development Department, and the European Territorial Cooperation Unit as a national authority that represents the Republic of Estonia. According to the Act on Amendments to the Government of the Republic Act and Amendments to Other Associated Acts (36 SE), regional development that was in the area of governance of the Ministry of the Interior, was transferred to the area of governance of the Ministry of Finance to the sphere of responsibility of the Minister of Public Administration. The Russian Federation has appointed the Ministry of Economic Development, Department for Regional and Cross Border Development as the national authority that represents the Russian Federation.

The national authorities (which hereinafter are referred to as NAs) shall bear ultimate responsibility for supporting the MA in the management of the Programme, especially within its own national borders.

Additionally, the NA shall handle the following duties:
- Maintaining responsibility for the set-up and effective functioning of management and control systems at a national level;
- Ensuring the overall coordination of those institutions that are involved at a national level in the implementation of the Programme including, *inter alia*, those institutions that are acting as control contact points and as members of the group of auditors;
- Representing the country in the JMC.

For the Russian Federation, the national authority is the ultimate body responsible for implementing the provisions that have been set out in the financing agreement between the European Union and the Russian Federation, co-signed by the MA or the country hosting the MA (Republic of Estonia).

The NAs will be the recipients of the recovery order, and the prevention, detection, and correction of irregularities, in cases in which the MA is unsuccessful in recovering any amounts that are due from the beneficiary and shall pass it on to the identified responsible institution within its national borders.
3.4 Control contact points

The participating countries take all possible measures to support the MA in its control of the programme obligations and appoint Control Contact Points (CCPs). CCPs act as assistants to the MA and support the MA in the elaboration of guidance on expenditure verification, providing clarification and training on national rules (such as procurement, labour law, taxes, etc), as well assisting the MA during on-the-spot verification work in respective country.

The Republic of Estonia has appointed the Estonian Ministry of Finance, the Head of the INTERREG Programmes Supervision Unit to fulfill the functions of Control Contact Point.

The following chart illustrates an internal set up of the INTERREG Programmes Supervision Unit:

The Russian Federation has appointed the Ministry of Economic Development of the Russia Federation, the Head of Unit for coordination and legal support of regional and cross border cooperation (Department for Regional and Cross Border Cooperation Development) to fulfill the functions of Control Contact Point.

In Estonia, the examination of the expenditure will be carried out by INTERREG Programmes Supervision Unit advisers who are public officers. The independence between public officers and the Control Contact Point will be ensured on functional level and will be set in details in job descriptions of the Head of the Unit and as well advisers.

CCP in Russia shall mainly assist the MA in its verifications and control tasks in the territory of Russia providing information and clarifications on the national rules that have consequences for conducting the audits or additional checks on projects, helping MA to organize trainings for projects’ auditors, if necessary and shall receive information about the quality of expenditure verifications from the MA. Possible broadening of tasks may be decided in later stage of the implementation of the Programme, which will be specified in the description of management and control systems.
The detailed description of duties and responsibilities of the Control Contact Points and the public officers shall be defined in the description of management and control systems and in the job descriptions of these positions.

The further details on the responsibilities and tasks of the national authorities and Control Contact Points will be defined in the full description of the Programme’s management and control systems based on the requirements of (EU) No 897/2014 Implementing Rules and, in particular, Article 31 and 32, and the Financing Agreement.

3.5. The procedure for setting up the Joint Technical Secretariat, and branch offices and tasks

The participating countries have decided to set up a Joint Technical Secretariat (which hereinafter is referred to as the JTS) in order to perform certain tasks of the MA under the responsibility of the latter. The JTS will have a limited mandate to act as Programme body until the first meeting of the JMC. The JTS in full will be established after the JMC decision. The JMC adopts the rules of procedure of the JTS. The rules of JTS will also specify the tasks of Branch offices. The JTS shall assist the MA and the JMC in carrying out their respective functions. In particular, it shall inform potential beneficiaries about funding opportunities under the Programme and will assist beneficiaries in project implementation.

The MA shall set up the JTS. The main office of the JTS shall be located in Tartu, the Republic of Estonia, and will be hosted by the EAS. Detailed definitions of the tasks and responsibilities of the JTS, and regulations governing its supervision and the right to issue instructions to the JTS shall be laid down in the administrative contract between the Ministry of the Finance, acting as the MA, and the EAS.

The tasks of the JTS will be carried out under the responsibility of the MA and in line with the CBC Implementing Rules. The tasks of the JTS shall, in principle, include the following (the definition of tasks of the JTS will be discussed and approved during the first JMC meeting):

- assist the MA in carrying out communication and information activities;
- support the MA in the development of various documents of the programme including guidelines of the calls for proposals and follow-up of the projects implementation;
- consult national and regional authorities on the programme related issues at their request;
- assist MA in its contacts with Estonian and Russian beneficiaries;
- take part in administrative checks and eligibility verifications of the applicants located in Estonia and Russia;
- send reports on programme implementation to the national authorities at their request;
- organize events in Estonia and Russia, financing the participation of Estonian and Russian authorities in programme events;
- monitor the projects under implementation;
- participate in the process of project evaluation;
- consult potential participants of the programme on legal conditions of participation in the programme, project management, assist in finding partners and preparing project proposals;
- consult MA and beneficiaries from Estonia on Russian legislation;
- monitor the implementation of visibility rules by project partners.

The task of the Branch offices may include communication, information, assistance to the Managing Authority in the project evaluation and implementation follow-up taking into account limits set out in Articles 27(3)\(^{46}\) and 37(3)\(^{47}\) of the Commission Implementing Regulation (EU) No 897/2014.

The detailed tasks of the Branch Office will be specified in the financing agreement and in the description of management and control systems.

The JTS shall establish branch offices in St Petersburg and Pskov. The hosting institutions for branch offices shall be recommended by the Russian National Authority and shall be approved by the JMC. The branch offices shall function as an integral part of the JTS, shall be functionally independent of the hosting institution, and shall be supervised in its work by the head of the JTS.

The JTS will employ international staff, ensuring a knowledge of the Estonian, Russian and English languages. For the recruitment processes and staff matters, a separate task force shall be established by the JMC which will involve the representatives of participating countries. The staff of the JTS main office shall be employed by the EAS under the Labour Law of the Republic of Estonia. The staff of the branch offices in Russia shall be employed by hosting institutions under the Labour Law of the Russian Federation.

The operation of the JTS and its branch offices shall be financed from the technical assistance budget.

Further details on the operation and tasks of the JTS and its branch offices shall be defined in the full description of the Programme’s management and control systems.

### 3.6. The audit authority and members of the group of auditors

The Audit Authority (which hereinafter is referred to as the AA) shall be situated in the Member State that is hosting the MA. Participating countries have decided to appoint the

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\(^{46}\) Following a decision of the participating countries, branch offices may be set up in the participating countries. Their role shall be described in the programme and may include communication, information, assistance to the Managing Authority in the project evaluation and implementation follow-up. In no event, may the branch office be entrusted with a task involving exercise of public authority or the use of discretionary powers of judgment regarding projects.

\(^{47}\) Procurement by branch offices shall be limited to ordinary running costs and costs for communication and visibility activities.
Ministry of Finance of the Republic of Estonia, Financial Control Department, to act as the Programme’s AA that is completely independent of the Cross Border Programmes’ Implementation Unit fulfilling the functions of the MA and Regional Development Department, European Territorial Cooperation Unit fulfilling the functions of the NA.

The Audit Authority (AA) shall ensure that audits are carried out on the management and control systems, on an appropriate sample of projects and on the annual accounts of the Programme. Therefore AA is responsible for the preparation and approval of audit guidelines, the audit strategy for setting out the audit methodology, the sampling method, and the audit plan to verify and issue an opinion about whether the management and control systems of the JOP function effectively, and to verify the expenditure that has been declared; and for the coordination of all audit activities that are related to the Programme.

Within nine months of the financing agreement being signed, the Audit Authority shall submit to the Commission and the Ministry of Economic Development of the Russian Federation an audit strategy under which audits shall be carried out. The audit strategy shall set out the audit methodology for the annual accounts and for projects, the sampling method for audits that are to be carried out on projects, and the planning of audits for the current accounting year and the two subsequent accounting years. The audit strategy shall be updated annually from 2017 until the end of 2024.

The AA shall be assisted by a ‘Group of Auditors’ (which hereinafter is referred to as the GoA), which comprises representatives (one representative from each participating country) who are appointed by each participating country, and which shall be set up within three months of the designation of the MA. It shall draw up its own rules of procedures and shall be chaired by the AA. The Republic of Estonia has appointed the Ministry of the Finance of the Republic of Estonia, Financial Control Department, as a representative in the GoA. The Russian Federation has appointed the Ministry of Finance as a representative in the GoA to represent the Russian Federation.

The Republic of Estonia has authorised the Audit Authority to carry out directly its duties on its territory.

Audit tasks within the borders of the Russian Federation are externalised. For audit activities that are to be carried out within the territory of the Russian Federation, the AA shall subcontract the appropriate external auditing body and shall ensure that this body has the necessary functional independence.

The GoA shall handle the following duties:
- assisting the AA in the elaboration of the audit strategy, plans and manuals;
- supporting the AA in the selection of the audit company to be in charge of carrying out system and/or sample checks and in the assessment of the audit methodology that has proposed by the selected audit company;
- participating in and/or attending any checks that are carried out within their territory by the selected audit company;
- reviewing and/or commenting on the outcome of checks that are carried out by the selected audit company within their territory, including any contribution that is made during the contradictory procedure and providing an opinion on eligible or ineligible amounts;
- contributing to a follow-up of audit findings, including the implementation of any remedy actions;
- contributing to the preparation of the audit opinion on the annual accounts and the annual audit report.

The GoA’s tasks may include assisting the AA in the elaboration of the audit strategy, plans, manuals, and reports, reviewing the audit results, and making proposals for any actions that may be necessary.

Further details on the operation and functions of the AA and the GoA will be defined in the full description of the Programme’s management and control systems and in the rules of procedure for the GoA based on the requirements of ENI CBC Implementing Rules and, in particular, Article 28 and the financing agreement.

The operations of the AA shall be financed from the technical assistance budget.

3.7 Structure of the Programme related institutions within the Estonian Ministry of Finance

The following chart illustrates the organisational relationship of the Programme related institutions within the Ministry of Finance acting as the MA, NA, CCP and AA:
In order to ensure that the principle of the separation of functions is respected between the NA, MA and the AA, within its organisational framework the Ministry of Finance of the Republic of Estonia ensures that all three functions are fulfilled by three separate departments or units. The separation of functions between the departments or units that are in charge of the authorities is ensured by the decrees of the Ministry of Public Administration which nominate the respective three departments or units (in their statues) within the ministry to carry out the functions of the three authorities, and authorise the head of each department or bureau to serve as the head of the respective authority. This authorisation includes the right to sign all matters that concern the functions of the authorities where these are delegated to the respective head of department or unit, who signs all documents that the respective authority issues. By means of the above mentioned decrees, the head of each department or bureau has powers conferred upon them so that they might carry out the tasks of the respective authority independent of ordinary subordination within the ministry.

The tasks of the AA include an assessment of the management and control system of the Programme, once it has been finalized, including the principle of separating functions, regardless of whether such separation is between the different functions of authorities or between authorities and beneficiaries.
4. PROGRAMME IMPLEMENTATION

4.1 A summary description of the management and control systems

The management and control systems shall be built up following general principles that have been set out in Implementing Regulation (EU) No 897/2014.

The following bodies shall be involved in management and control of the Programme:

- Joint Monitoring Committee
- Managing Authority
- National Authorities
- Joint Technical Secretariat and its Branch Offices
- The Audit Authority and Group of Auditors
- Control Contact Points
- Bodies responsible for expenditure examination

The functions of these bodies (except bodies responsible for expenditure examination) have been shortly described under chapter 3 and will be stipulated in a more detailed in the full description of management and control systems, including division of functions within each body, their internal organization in compliance with the principle of separation of functions between and within such bodies.

Examination of expenditures declared

Estonia and Russia are responsible for establishing control systems in their countries, in order to ensure that all Programme and project expenditure incurred is in accordance with the Programme’s eligibility rules, the financing agreement, and national legislation.

Expenditure declared by the lead beneficiary and beneficiary in support of a payment request shall be examined by an auditor or by a competent public officer being independent from the lead beneficiary or the beneficiary. The auditor or the competent public officer shall examine whether the costs declared and the revenue are real, accurately recorded and eligible in accordance with the contract.

In Estonia, the examination of the expenditure will be carried out by INTERREG Programmes Supervision Unit advisers who will fulfill functions of the public officers. The public officer shall have the necessary technical expertise in carrying out its examination work. The independence between public officers and the Control Contact Point will be ensured on functional level and will be set in details in job descriptions of the Head of the Unit and as well in the job description of advisers.

In Russia a decentralised control system will be used. Expenditure declared by each lead beneficiary and beneficiary in support of a payment request shall be examined by an external audit company, selected using procurement procedure in compliance with the relevant provisions of the financing agreement between the European Union and the Russian
Federation separately for each lead beneficiary and beneficiary, which meets at least one of the following requirements:

- be a member of a national accounting or auditing body or institution which in turn is member of International Federation of Accountants (hereinafter – IFAC);

- be a member of a national accounting or auditing body or institution. Where this organisation is not a member of IFAC, the auditor shall commit to undertake the work in accordance with IFAC standards and ethics;

- be registered as a statutory auditor in the public register of a public oversight body in a CBC partner country, provided this register is subject to principles of public oversight as set out in the legislation of the country concerned.

**Data management**

Electronic data systems are set up to ensure such functions as accounting, data storage, monitoring and reporting, in line with Article 30.1(c) of Implementing Regulation.

The Programme will either be using the e-Monitoring System that has been developed by Interact.

**Preventing, detecting and correcting irregularities**

In accordance with Article 31(3) of Implementing Regulation (EU) No 897/2014 and national legislation, NAs shall ensure establishment and effective functioning of their national systems for prevention, detection and correction of irregularities. They with support of other institutions involved at national level in Programme implementation, including, inter alia, the institutions acting as CCPs and as member of the group of auditors, shall prevent, detect and correct irregularities, including fraud on their territories. They shall notify these irregularities without delay to the MA and the EC and keep them informed of the progress of related administrative and legal proceedings. Detailed procedure will be elaborated by the MA and approved by the JMC.

The MA shall be responsible for pursuing the recovery of amounts unduly paid.

**Contract award procedure for Technical Assistance and projects selection procedures**

For the technical assistance relevant national procurement rules will be applied. MA, AA and JTS will use Estonian national procurement rules. JTS BOs in the Russian Federation may conduct procurements which are connected to the activities supporting the Programme implementation and are included into the annual technical assistance budget and are agreed with the MA. Relevant procurement rules applied by the branch office are described in the financing agreement and also, taking into account that procurement by branch offices shall be limited to ordinary running costs and costs for communication and visibility activities.
The Programme foresees the use of both direct awards and calls for proposals. The detailed assessment criteria will be approved by the JMC. The assessment criteria will be published in the guidelines for applicants for the respective call.

Arrangements for auditing the functioning of the management and control systems have been briefly described in p. 3.6. The role of NAs and the responsibility of the participating countries have been described in p. 3.3. and 4.11. Systems for monitoring and reporting where the responsible body entrusts execution of tasks to another body have been described in p. 4.6. Further details will be described in the full description of the management and control systems.

MA shall ensure effective systems and procedures to ensure an adequate audit trail that will be described in the full description of the management and control systems.

4.2 Timeframe for Programme implementation

The period of execution for the Programme shall start, at the earliest, on the date of the Programme’s adoption by the European Commission following the approval of the Programme by the governments of Estonia and Russia and shall end on 31 December 2024 at the latest. All project activities that are financed by the Programme shall end on 31 December 2022 at the latest.

The JMC will approve the work programme on annual basis. Work Programme includes both calls for proposals and the activities planned to be organized with technical assistance. JMC also approves the monitoring and evaluation plans annually as well as the information and communication plans.

The number of calls will be flexible depending e.g. on the progress of the Programme.

The full launching of Programme activities is pending on the entry into force of the respective financing agreement.

Within three months of receiving the approval of the Programme by the European Commission, following the approval of the Programme by the Estonian and Russian Governments, the following points shall be enacted:

- The members of the JMC should be nominated by the participating countries, and the first meeting of the JMC shall be held;
- The JMC’s Rules of Procedure shall be approved.

Within six months from receipt of notification from the European Commission on the description of the management and control systems:

- The detailed procedures and documents necessary for the launch and completion of the first call for proposals should be developed and approved by the JMC and the first call for proposals should be launched.
- The recruiting of the JTS and BOs shall be completed.
The full launching of Programme activities is pending on the entry into force of the respective financing agreement.

- The Programme’s first Annual Work Plan should be developed and approved.

By the end of the calendar year which supersedes the year in which the European Commission reaches its decision on Programme approval:

- The financing agreement between the European Union and the Russian Federation’s government should be signed, thereby releasing Programme funds to the projects.

The full applications for large infrastructure projects selected through direct award have to be submitted to EC by the end of 2017 and contracts for LIPs selected through direct award have to be signed by 30 June 2019. All other project contracts need to be signed by the end of 2021 at the latest.

4.2.1 The basic principles for project beneficiaries

**The lead beneficiary** is the body which signs a grant contract with the MA and which assumes full legal and financial responsibility for the project implementation *vis-à-vis* that authority, plus it receives the financial contribution from the MA and ensures that it is managed and, where appropriate, distributed in accordance with the agreements that have been drawn up with its beneficiaries. The Lead beneficiary alone is responsible to the MA and is directly accountable to the MA for the operational and financial progress of activities.

Both lead beneficiaries and beneficiaries shall be held liable for the improper use of project funds and shall be addressed as regards any recovery as described in detail in Section 4.11 of this Programme.

The following bodies can act as lead beneficiaries and beneficiaries:

- National, regional and local public authorities;
- Associations that are formed by one or more national, regional or local authorities;
- Public equivalent bodies (any legal body that is governed by public or private legal requirements), which have been established for the specific purpose of meeting any needs that are in the general interest, and which do not have an industrial or commercial character, but which do have a legal personality, and are financed by national, regional, or local authorities;
- Other bodies that are governed by public legal acts, or which are subject to management supervision by those bodies, or which have an administrative, managerial or supervisory board more than half of whose members are appointed by national, regional, or local authorities, or by other bodies which are governed by public legal acts (such as, for example, municipal and national enterprises, trade unions, medical institutions, museums, etc);
• Associations that are formed by one or more bodies which are governed by public legal acts as defined under the third bullet point, above;
• NGOs and other non-profit-making bodies;
• Educational organisations (schools, preschool institutions, vocational schools, colleges, institutes, or universities);
  Small or medium-sized enterprises48 (which hereinafter are referred to as ‘SMEs’) (only within Priority 1).

Additional requirements for the SMEs will be stipulated in the guidelines of the call for proposals.

**Geographical eligibility**

Lead beneficiaries and beneficiaries must be located within the Programme area (in other words they must have their legal, registered address there). In case of LIPs within TO10, the beneficiary which is a public authority, may be situated in Moscow provided that it has no representation in the Programme area.

Up to a limit of 20% of the EU funding may be used for financing expenditure that is incurred by beneficiaries from adjoining areas described in Section 1.3.

Each project shall involve at least two partners, of whom at least one beneficiary shall be located within the Estonian side of the Programme area and at least one beneficiary shall be located within the Russian Federation side of the Programme. All beneficiaries shall actively cooperate in the development and implementation of projects as well as in project staffing and/or financing.

**The nature of the projects**

The nature of the projects can be one of three types:

• Integrated projects in which each partner carries out part of the activities of a joint project on its respective side of the border;
• Symmetrical projects in which similar activities are carried out in parallel within the territory of Estonia and Russia;
• Single-country projects with a cross-border effect, which take place mainly or entirely on one side of the border, but which are for the benefit of all beneficiaries.

All projects must be cross-border in nature, having at least one in Estonian side of the Programme area and at least one in the Russian side of the Programme area.

4.3 A description of the project selection procedure

An assessment of project applications

The assessment procedure consists of an administrative eligibility check and a quality assessment.

The administrative eligibility check, which is based on administrative eligibility criteria, will be carried out by the JTS (with active participation of the BOs on the Russian side of the Programme area) on behalf of the MA. During the administrative eligibility check the JTS can ask assistance from the NAs to verify the legal status of lead beneficiaries and beneficiaries, as well as for a determination of whether the project overlaps with other EU or publicly-financed activities. Before the JMC meeting on adopting projects for funding the Managing Authority may send the proposed list of the projects to the EC for consultation on possible double funding and promote synergies with existing projects, where possible. The results of these consultations may be taken into account by the JMC.

The participating countries may invite representatives of the European Union Delegation to participate in the project selection process as observers to better promote synergies between the Programme and other EU-funded activities on the country, where possible.

The outcome of the administrative eligibility check shall be approved by the JMC.

The quality assessment shall be performed by a selection committee. The organisation of and technical support given to the quality assessment process will be ensured by the MA and JTS. Detailed description and function of the selection committee shall be decided by the JMC and will be described in the rules of procedures of the selection committee and the description of the management and control systems.

The quality assessment will be based on predefined quality assessment criteria. The quality assessment criteria shall be listed in the Guidelines to Applicants and shall be approved by the JMC.

As regards the LIP projects, the JMC will carry out an analysis of the eligible project summaries. The analysis is based on the results assessment of the achievement of target values of Programme output indicators and the availability of Programme funds planned for LIPs. In cases where the total grant asked by LIPs exceeds the existing Programme budget planned for LIPs, the JMC will decide the amount of grant to be allocated to each LIP according to the analysis. The JMC might ask applicant to reduce the scope of activities and the estimated Programme grant accordingly taking into account information provided in the application while taking final decisions and allocation of grant.

The quality assessment process shall be carried out by providing a qualitative judgement that is expressed in terms of scores. The ‘four eye’ principle shall be applied - i.e. each application shall be assessed by at least two assessors. If necessary, additional specific (technical or thematic) expertise shall be engaged.
The quality assessment process shall begin with an introduction session during which the assessors shall receive instructions, agree on a harmonised interpretation of assessment criteria, sign a confidentiality statement, and distribute applications amongst the assessors. The introduction session shall be chaired by the MA. The minutes of the introduction session shall be prepared by the JTS.

Furthermore, the assessors shall carry out an individual assessment using electronic copies of application forms and annexes. An output of the assessment for each application is formed by the use of an individual evaluation grid containing scores and comments.

The quality assessment process shall conclude with a closing session during which consolidated evaluation grids will be developed. No voting will be used. The consolidated evaluation grids will include individual scores from each assessor involved along with consolidated comments. If the scoring for a particular application differs considerably between the assessors involved then all comments shall be included in the evaluation report, and a third assessment shall be carried out. The closing session will be chaired by the MA. The minutes of the closing session shall be prepared by the JTS and will include selection committee recommendations for decision-making. Together with the consolidated evaluation grids, the minutes of the opening and closing sessions shall constitute the ‘Evaluation Report’, which shall be forwarded to the JMC at least three weeks before its next meeting.

Conflicts of interest in the project selection procedure are mitigated through a procedure whereby all assessors (both internal and external) are obligated to sign a declaration of impartiality and confidentiality stating that they are not legally connected to and have no family links, economic or other shared interest with any entity applying for a grant. If cases of conflicts of interest arise, the person in question shall retreat from the further proceedings regarding that specific application.

All further information regarding the project assessment and the selection procedures will be defined in the description of management and control systems. Detailed rules about the selection procedure will be set out in the JMC and SC Rules of Procedure.

**Project selection (decision-making)**

The JMC shall select the projects to be financed and the amounts of the grants to be awarded at its meetings. The JMC is responsible for the final evaluation and selection procedures applicable to projects to be financed by the programme and the Managing Authority for managing the selection procedures. Key principles, such as equal treatment and transparency, non-discrimination, objectivity and fair competition are respected in the project selection process and the same rules and conditions will be applied to all applicants. Main principles will be enacted for instance by preventing conflicts of interest of the JMC members; by ensuring that the proceedings of the JMC are conducted in camera and are confidential; by preventing disclosing confidential information during the award procedure; by ensuring that contacts between the JMC/MA and applicants will be transparent and ensure equal treatment, etc. All the details will be included in the description of management and control systems.
Applications will be treated equally i.e. they will be assessed against pre-defined eligibility, evaluation and award criteria. Applications will be ranked according to the total scores received in the evaluation process. The applications that will receive programme support will be selected starting from the highest-ranking one.

The JMC decision shall contain due reasoning for the approval or rejection of the applications. Following the decision by the JMC, the MA shall issue letters to applicants notifying them of the said decision and informing them of the reasons for project approval or rejection.

When taking any decision on a project, the JMC may indicate a list of minor corrections that are to be made to the proposal. In such cases, the final decision on a project can only be made after these minor corrections have been successfully applied. Such minor corrections cannot result in changing the project score and consequently its ranking. The final approval decision in these cases can either be made by the JMC via a written procedure or can be entrusted to the JMC chairperson. The envisaged procedure shall be described in the minutes of the JMC meeting.

In cases in which the JMC decision does not follow all or part of the recommendations of the assessors, it shall provide due reasoning for its decision during the meeting. When making the decision, the JMC should take into account the ranking of projects resulting from the assessment process. Reasoning shall be documented in the minutes of the JMC meeting which are distributed to all JMC members and observers, including the EC.

**Contracting projects**

Following the decision that was taken by the JMC, the MA will prepare a grant contract to be signed with the lead beneficiary of the approved project. On behalf of the MA, the contract shall be prepared by the responsible project and financial managers at the JTS and shall be signed by the head of the MA.

The lead beneficiary shall sign the Partnership Agreement with all beneficiaries, laying down provisions for the distribution of tasks, responsibilities, and the Programme's financial contribution. A ‘Model Partnership Agreement’ shall be developed by the MA and made available on the Programme’s website.

The procurement of goods, works or services that is carried out within the framework of the project will adhere to the following rules:

- Project lead beneficiaries and beneficiaries located in the Russian Federation will carry out procurement in compliance with the relevant provisions of the financing agreement between the European Union and the Russian Federation;
- For procurement that is carried out by lead beneficiaries and beneficiaries who are located in Estonia (and who are considered contracting authorities according to the Public Procurement Act of Estonia), this shall be in accordance with national public procurement legislation, irrespective of the legal status of such lead beneficiaries.
and beneficiaries, as is compliant with those European Union's directives that are applicable for procurement procedures;

- When carrying out a public procurement it should be ensured that, whenever appropriate, equal access to procurement is ensured for possible sub-contractors from all participating countries.

The list of contracts that are signed by the MA will be published on the Programme’s website.

**JTS support during project implementation**

The JTS will apply the following measures in order to support project implementation:

- Seminars with a management focus (such as project management, procurement, financial management and auditing, information, and visibility provisions, etc), in order to provide beneficiaries with the knowledge of how they should implement projects;
- Ad-hoc meetings with project and/or financial managers in order to discuss the progress of project implementation;
- Quality workshops and/or content-related training for ongoing projects, either thematic or cross-thematic; (1) in order to steer those projects towards the results that are expected at the Programme level; (2) to accumulate the expertise that is generated by these projects for Programme needs, and; (3) to allow for an exchange of ideas amongst project beneficiaries and partners;
- A database of approved projects (with information to be uploaded from the projects);
- Mailings lists and various feedback tools (guidance events, individual consultations, surveys, a question-and-answer section on the website, etc.);
- Individual consultations with projects and on-the-spot visits based on issues that have arisen during the monitoring of the progress reports for the projects or in self-evaluations that are conducted within the projects. The self-evaluation of a project is undertaken by means of monitoring project performance by all beneficiaries themselves, as each project is required to establish adequate decision-making, steering, and monitoring mechanisms (e.g. a steering committee), whose task is to follow the project implementation process, assess its performance, and provide guidance on further actions to be taken.

**4.4 A description of types of support per priority (a list of projects to be selected through direct procedures)**

Projects that are to be supported under all of the Programme’s thematic objectives shall be selected through calls for proposals and, in cases that are singled out in Article 41(1) of Implementing Regulation (EU) No 897/2014, through the means of direct awards.

Up to 30% of EU funding for the Programme may be allocated to large infrastructure projects (LIPs).
TO 1 and TO 6 projects are funded through calls for proposals and direct awards.

TO 10 projects are funded only through direct awards based on the list of LIPs stated in this sub-chapter.

TO 5 projects are funded only through calls for proposals.

The number of calls for proposals shall be decided by the JMC depending on the Programme’s progress. For each call for proposals the JTS shall provide applicants with relevant documents, setting out the conditions for participation in the call, plus the selection and implementation of the project, and including specific requirements concerning the project’s deliverables, the financial plan, and the time-limit for execution.

Based on the progress in the programme implementation the JMC may also launch thematic calls for proposals.

Projects may be awarded through direct award only in the following cases and provided this is duly substantiated in the award decision:

- the body to which a project is awarded enjoys a de jure or de facto monopoly;
- the project relates to actions with specific characteristics that require a particular type of body based on its technical competence, high degree of specialisation or administrative power.

After adoption of the Programme the MA shall provide the EC with the full project applications including the information referred to in Article 43 of the Regulation No 897/2014 together with the justification for a direct award.

The projects proposed for selection without a call for proposals shall be approved by the EC based on a two-step procedure, consisting of the submission of a project summary followed by a full project application. For each step, the EC shall notify its decision to the MA within two months of the document submission date. This deadline may be extended where necessary. Where the EC rejects a proposed project, it shall notify the MA of its reasons.

Joint Programming Committee has identified the following Large Infrastructure Projects without call for proposals as direct awards:

1. Development of historical riverside protection area in Narva/Estonia and Ivangoord/Russia III stage/ River Promenades III

Priority: Increasing SME development and entrepreneurship by fostering cross-border business contacts and the development of services and products

<table>
<thead>
<tr>
<th>Lead Beneficiary</th>
<th>Narva City Government, Department for City Development and Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary</td>
<td>Administration of MF &quot;City Ivangoord, Kingisepp district,</td>
</tr>
</tbody>
</table>
| Estimated indicative total costs: | 4 583 000 MEUR*  
* (indicative budget subject will be revised when the summary and full application will be submitted) |
|-----------------------------------|---------------------------------------------------------------|

| Estimated budget share allocated to the acquisition of infrastructure (EUR): | 4 350 000 EUR  
Narva: 1 900 000 EUR  
Ivangorod: 2 450 000 EUR |
|-----------------------------------------------|---------------------------------------------------------------|

<table>
<thead>
<tr>
<th>Description:</th>
<th>The project includes:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In Ivango: Redevelopment of technical documentation, construction of the river promenade (ca 500m), incl. shore reinforcement, installation of sustainable LED lighting, construction of the pier and the necessary tourist infrastructure, landscaping (ca 2 ha).</td>
</tr>
<tr>
<td></td>
<td>In Narva: Re-construction of the promenade area – coastal recreation Joaorg incl island, shore reinforcement, reconstruction of Joaorg bridges (2 pcs), installation of sustainable LED lighting, construction of footpaths, bike lanes, viewpoints, observation platform, parking for cars, required low infrastructure and landscaping.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross border impact:</th>
<th>Re-construction of abovementioned riverside areas will help to solve problem of poor accessibility to historical values and create conditions for business development in CBC area.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Continued construction of promenades on both sides of the River Narva and activities for their use will be implemented through a common project, because only in this case it will yield the greatest synergies and the best possible contribution to the objective of the project, thus making cross-border cooperation between the two cities more productive/efficient.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective:</th>
<th>The overall objective is integrated construction and improvement of the historical promenade areas in Narva/Estonia and Ivango:Russia and conversion of the CBC area into attractive place as united tourist destination.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Historical riverside areas are in acute need to be reconstructed to prevent their further ruining; reorganisation of riverside areas is also needed.</td>
</tr>
</tbody>
</table>
Promenades makes area safe and comfortable for tourists and visitors. Strategic need for reconstruction of promenades is indicated in common plans of the cities, the cities agreed to develop riverside area by stages. Additionally these historical objects will positively influence touristic flows in the whole region.

<table>
<thead>
<tr>
<th>Thematic Objective:</th>
<th>TO1: Business and SME development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justification for direct award:</td>
<td>Organizations who are participating in the implementation of the project possess specific technical competence and administrative power to implement the activities.</td>
</tr>
</tbody>
</table>

2. Development of the unique Narva-Ivangorod trans-border fortresses ensemble as a single cultural and tourist object. 2nd stage

Priority: Increasing SME development and entrepreneurship by fostering cross-border business contacts and the development of services and products

<table>
<thead>
<tr>
<th>Lead Beneficiary:</th>
<th>Foundation Narva Museum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary:</td>
<td>1. Foundation Narva Museum. The foundation's main task is to deal with preservation, conservation and development of Narva Castle and bastions, as well as preserving and popularizing history of Narva. SA will implement all the project activities that are to take place on the Estonian side.</td>
</tr>
<tr>
<td></td>
<td>2. “Museum Agency” of the Leningrad Region is the authority that administrates the museums of the Leningrad region, including Ivangorod museum. According to the Russian legislation, the Museum Agency has an obligation to use the federal monument Ivangorod Fortress safely and properly.</td>
</tr>
<tr>
<td></td>
<td>3. Narva City Department for Development and Economy</td>
</tr>
<tr>
<td>Associated partners:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Administration of Municipal Formation “City Invangorod Kingssepp municipal district”.</td>
</tr>
<tr>
<td></td>
<td>5. Estonian Ministry of Culture</td>
</tr>
<tr>
<td>Estimated indicative</td>
<td>Priority I- 6,6 MEUR*</td>
</tr>
</tbody>
</table>
| total costs: | Priority II- 6.8 MEUR*  
* (indicative budget will be revised when the summary and full application will be submitted) |
|---|---|
| Estimated budget share allocated to the acquisition of infrastructure (EUR): | Priority I: 5 269 000 MEUR  
Priority II: 6 219 000 MEUR |
| Description: | The project includes:  
*Priority I*- Restoration of Kristervall bastion and walls encircling the castle (northern and southern walls)  
*Priority II*- Preservation of historical fortifications located in the historical part of the city on the border with the RF, opening a safe access to the Honor bastion, the curtain wall and the territory, developing a complete complex of objects together with the bastion Victoria as a tourist product in order to create more comfortable conditions to attract tourists.  
On RU side:  
- conservation and reconstruction of the Watch Bell Tower in the Large Boyar City (studies, design project, construction),  
- restoration of the former infirmary (Lazaret) in the Large Boyar City (studies, incl. Architectural and archaeological, design project, construction).  
- continuation of conservation works of the North-Eastern and South-Eastern towers of the original fortress from 1492 (design project, construction) etc.  
Cross border impact:  
Investment in conservation/restoration and development of tourism attractions will positively influence the employment in Narva and Ivangoerd both in short and long terms. The jobs will be created during the implementation of the project activities (restoration of Kristervall bastion, Honor bastion and towers in Ivangoerd fortress, renovating Western Yard, creating tourism attractions) and right after the completion of the project activities (new tourist attraction will need people to operate them). Also indirectly the investment will increase the employment in Narva and Ivangoerd and possibly in the nearby cross-border region, as the increased amount of tourists will require more
accommodation, places to eat and other services. Overall the attractiveness of the cross-border region will improve and its undeserved reputation of a backward place will gradually wither away. Increased revenues from taxes will allow local governments to provide more services to the inhabitants and investing in needed infrastructure and upkeep; service sector will flourish to accommodate all the tourists that come to visit the new tourist attractions thus creating more jobs and improving the existing tourism sector services.

### Objective:

The overall objective is restoration of dilapidated architectural and historical monuments, creation of permanent exhibition and creation and improvement of tourist infrastructure. This historical heritage objects selected for the funding are important cultural sites in the area and have very big potential to influence positively the tourists flow in the regions.

### Thematic Objective:

TO1: Business and SME development

### Justification for direct award:

Organizations who are participating in the implementation of the project possess specific technical competence and administrative power to implement the activities.

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### 3. Economically and Environmentally Sustainable Lake Peipsi area 2/ Common Peipsi 2

**Priority:** This project supports several Programme priorities, such as:

- Improving the quality of shared water assets by reducing their pollution load (including improving waste water treatment facilities, improving solid waste management and relevant facilities (for both household and industrial waste) and reducing the pollution that is caused by the agricultural sector);
- Improving the business environment through the development of business support measures.

<table>
<thead>
<tr>
<th>Lead Beneficiary:</th>
<th>Värksa Rural Municipality Government</th>
</tr>
</thead>
</table>
| **Beneficiary:**  | 1. Alajoe Rural Municipality Government  
|                   | 2. Mustvee City Government  
|                   | 3. Kallaste City Government  
<p>|                   | 4. Mäksa Rural Municipality Government |</p>
<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Luunja Rural Municipality Government</td>
</tr>
<tr>
<td>6.</td>
<td>Räpina Rural Municipality Government</td>
</tr>
<tr>
<td>7.</td>
<td>Tartu City Government</td>
</tr>
<tr>
<td>8.</td>
<td>NGO River Barge Society</td>
</tr>
<tr>
<td>9.</td>
<td>NGO Estonian Water Works Association</td>
</tr>
<tr>
<td>10.</td>
<td>State Committee of the Pskov region on economic development and investment policy</td>
</tr>
<tr>
<td>11.</td>
<td>State Committee of the Pskov region on nature management and protection of the environment</td>
</tr>
<tr>
<td>12.</td>
<td>Administration of Gdovsky area</td>
</tr>
<tr>
<td>13.</td>
<td>Administration of Pskovsky area</td>
</tr>
<tr>
<td>14.</td>
<td>Administration of Pechorsky area</td>
</tr>
<tr>
<td>15.</td>
<td>Municipal enterprise of the Pskov city “Gorvodokanal”</td>
</tr>
</tbody>
</table>

### Estimated indicative total costs:

15,5 MEUR*  
*(indicative budget will be revised when the summary and full application will be submitted)*

### Estimated budget share allocated to the acquisition of infrastructure (EUR):

13 908 000 MEUR

### Description:

The project includes improvement of wastewater facilities in RU side and construction and improvement of infrastructure in small harbours in EE side. Additionally is planned to improve traditional business environment in Peipsi area.

### Cross border impact:

Lake Peipsi/Chudsko-Pskovskoe is a transboundary water body, which situates in the territories of the Republic of Estonia and the Russian Federation. Both countries face the same problems and challenges of environment and economic character around the lake. Therefore the most efficient way how to contribute to the improvement of the environmental situation and encourage the economic development of the lake area is to do it jointly.

The proposed complex of activities will contribute to the development of Lake Peipsi/Chudsko-Pskovskoe area as a competitive area for living and tourism with diverse choice of services to local people and tourists using improved contemporary infrastructure.

### Objective:

The overall objective is to promote sustainable socio-economic and environmental development of the Lake Peipsi area.
Activities, which are included in the project, have a considerable influence on Lake Peipsi/Chudsko-Pskovskoe area – they support economic development and contribute to the improvement of environmental condition.

The exclusive competence of the Ministry of Finance of the Republic of Estonia is planning and coordination of the regional development. As the project supports the regional development of the area around Lake Peipsi/Chudsko-Pskovskoe by contributing to the improvement of environmental situation of Lake Peipsi and by contributing to the socio-economic development of the area, the Ministry of Finance is the most appropriate organisation to lead the project.

<table>
<thead>
<tr>
<th>Thematic Objectives:</th>
<th>TO 1: Business and SME development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TO 6: Environmental protection and climate change mitigation</td>
</tr>
</tbody>
</table>

| Justification for direct award: | Organizations who are participating in the implementation of the project possess specific technical competence and administrative power to implement the activities. |

4. **Improvement of the accessibility of the remote areas in South-East Estonia and Pskov region for traditional entrepreneurship and sustainable development / SME ACCESS**

The project supports two of the priorities set out in the Programme:

- Increasing SME development and entrepreneurship by fostering cross-border business contacts and developing services and products;
- Improving the business environment through the development of business support measures.

<table>
<thead>
<tr>
<th>Lead Beneficiary:</th>
<th>Värska municipality (Estonia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary:</td>
<td>1. The Estonian Road Administration (ERA);</td>
</tr>
<tr>
<td></td>
<td>2. State Committee of the Pskov region for economic development and investment policy (Russia);</td>
</tr>
<tr>
<td></td>
<td>3. State Committee of road facilities of the Pskov region (Russia);</td>
</tr>
<tr>
<td></td>
<td>4. Administration of Pechory district (Russia).</td>
</tr>
</tbody>
</table>
## Estimated indicative total costs:

<table>
<thead>
<tr>
<th>Estimated indicative total costs:</th>
</tr>
</thead>
<tbody>
<tr>
<td>4, 8 MEUR*</td>
</tr>
</tbody>
</table>

*(indicative budget will be revised when the summary and full application will be submitted)*

## Estimated budget share allocated to the acquisition of infrastructure (EUR):

<table>
<thead>
<tr>
<th>Estimated budget share allocated to the acquisition of infrastructure (EUR):</th>
</tr>
</thead>
<tbody>
<tr>
<td>4, 3 MEUR</td>
</tr>
</tbody>
</table>

## Description:

The project includes improvement of road infrastructure.

The main problem for local entrepreneurs is the ability to sell their products or provide services on site due to the absence of a comfortable and high-quality road infrastructure. Tourist sites, handicraft workshops and agricultural farms lose their attractiveness due to poor accessibility of the settlements in border areas. Farmers producing ecological products have to make an extra effort and to use alternative forms of transportation, which increases their costs and makes the product less competitive comparing with similar types of products supplied by the producers locating in regional centres even if the quality of products is lower.

Because of current unfavourable situation exists serious threat that businessmen, craftsmen and farmers from border areas close their business and move to another region, larger city, capitals or abroad.

High quality of road infrastructure is essential also for the development of tourism in the region. The project area is located in the historic Seto area, which is visited by many tourists and where is a Seto museum in Värksa (ca 20 000 visitors per year), Saatse Seto museum (ca 5 000 visitors per year).

## Cross border impact:

Good road infrastructure is also important for creation of better living environment for local inhabitants who are entrepreneurs and/or workers of local businesses. Economically active local population is the key factor for sustainable socio-economic development of border areas.

## Objective:

<table>
<thead>
<tr>
<th>Objective:</th>
</tr>
</thead>
<tbody>
<tr>
<td>The overall objective is the improvement of business and living environment of border areas through traditional business promoting and better road infrastructure and traffic possibilities</td>
</tr>
</tbody>
</table>
in Värska municipality, Estonia and Pechory district, Russia. Good road infrastructure will create better conditions of living environment for local inhabitants and will influence in a positive way tourism.

<table>
<thead>
<tr>
<th>Thematic Objective::</th>
<th>TO 1: Business and SME development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justification for direct award :</td>
<td>Organizations who are participating in the implementation of the project possess specific technical competence and administrative power to implement the activities.</td>
</tr>
</tbody>
</table>

5. Reconstruction of border crossing points: *I.Shumilkino (RU) – Luhamaa (EE)*

The project supports both related Programme priorities:

- Increasing the throughput capacity of existing border crossing points by developing the BCP infrastructure and border management procedures;
- Increasing the throughput capacity of existing border crossing points by rebuilding border crossing roads and supporting infrastructure.

<table>
<thead>
<tr>
<th>Lead Beneficiary :</th>
<th>Estonian Tax and Customs Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiary :</td>
<td>1. The Ministry of Transport of the Russian Federation</td>
</tr>
<tr>
<td></td>
<td>2. Federal State Government Institution “Directorate for Construction and Running of the Russian Border Service Objects” (Rosgranstroy)</td>
</tr>
<tr>
<td></td>
<td>3. State Real Estate Ltd</td>
</tr>
<tr>
<td></td>
<td>4. Police and Border Guard Department</td>
</tr>
<tr>
<td>Estimated indicative total costs:</td>
<td>1. Shumilkino- Luhamaa <strong>8,5 MEUR</strong>*</td>
</tr>
<tr>
<td><em>(indicative budget will be revised when the summary and full application will be submitted)</em></td>
<td></td>
</tr>
<tr>
<td>Estimated budget share allocated to the acquisition of</td>
<td>1. 7 650 000 MEUR</td>
</tr>
<tr>
<td>Description:</td>
<td>1. <em>Shumilkino</em> (RU) - <em>Luhamaa</em> (EE)</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>RU:</td>
<td>full reconstruction (design, reconstruction, equipping)</td>
</tr>
<tr>
<td>EE:</td>
<td>building of new terminal for the cars and extra lines for the cars</td>
</tr>
</tbody>
</table>

**Cross border impact:**

The number of border-crossings has grown, so there is a need to establish preconditions for smooth border-crossing. In order to achieve this objective the following activities are planned: to increase the capacity of the road and pedestrian border crossing points through establishing of additional gates, work places with necessary equipment for performing customs, border and other types of control.

The project contributes to the EU and RU policy on sustainable development providing the preconditions for economic growth and social progress of cross border regions through creation of environment for attracting target groups interested in investments (improved conditions for the border crossing promote to increase the flow of tourists, foreign trade representatives and other entrepreneurs).

<table>
<thead>
<tr>
<th>Objective:</th>
<th>The objective of the action is the minimization of the negative effect of existing border barriers, which limits currently cross-border regions’ economic and social potential. As well the aim is to improve the security, efficiency and comfort of the border crossing and further travelling.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Ministry of Transport of the Russian Federation is responsible for developing and realizing the state policy, legal regulation, managing the state property and functions of a federal public contracting authority, rendering of the state services in the area of arrangement of the border crossing checkpoints of the Russian Federation.</td>
</tr>
<tr>
<td></td>
<td>Estonian partners are institutions fulfilling the tasks deriving from law and the orders issued by the Estonian Government. They are responsible for performing border and custom control, ensuring the border regime and developing the state border.</td>
</tr>
<tr>
<td></td>
<td>All partners are de jure or de facto monopoly on account of its</td>
</tr>
</tbody>
</table>

101
administrative power, technical competence, and specialisation.

<table>
<thead>
<tr>
<th>Thematic Objective:</th>
<th>TO 10: The promotion of border management and border security, mobility and migration management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justification for the direct award:</td>
<td>Organizations who are participating in the implementation of the project possess specific technical competence and administrative power to implement the activities.</td>
</tr>
</tbody>
</table>

### 4.5 A description of the planned use of Technical Assistance and applicable contract award procedures

Technical Assistance shall be used to finance activities that prove necessary for the effective and efficient administration and implementation of the Programme. This concerns preparation, management, monitoring, evaluation, information, communications, networking, complaint resolution, controls, and an audit.

Costs for preparatory actions shall be eligible in accordance with provisions of Article 36 of Implementing Regulation (EU) No 897/2014. 15% of the EU funding is foreseen to be used for Technical Assistance, with a further contribution of 10% of national contributions from both Estonia and Russia. The allocation of 15% of EU funding towards TA is vital due to the small size of the overall budget of the Programme and the need to ensure effective running of management and control functions, as well as the JTS with its branch offices.

JMC decides about the technical assistance budget on annual basis.

### 4.6 A description of monitoring and evaluation systems, together with an indicative monitoring and evaluation plan for the whole duration of the Programme (Annex 1)

Programme monitoring and evaluation shall aim at improving the quality of the design and implementation, as well as at assessing and improving its consistency, effectiveness, efficiency and impact. Furthermore, the findings from monitoring and evaluations shall be taken into account in the programming and implementation cycle. Please find further information regarding the monitoring and evaluation systems and activities under Annexe 1 of this document.
4.7 Communication strategy for the whole programme period and an indicative information and communications plan for the first year (Annex 2)

The JTS and project beneficiaries shall be responsible for ensuring adequate visibility of the EU contribution to the Programme and its projects, as well as the contribution by the participating countries, Estonia and Russia, in order to strengthen public awareness of the actions being taken by Estonia, Russia and the EU, and to create a consistent image for the support by Estonia, Russia and the EU in all projects. The JTS shall also ensure that the communication strategy and visibility measures that are undertaken by the project beneficiaries comply with the Commission’s guidance and the guidance of NAs in Estonia and Russia.

Direct communications via informative events will be carried out through several means, including a webpage, annual events and sets of seminars which will be organised by the JTS, participation in events that will be organised by or which will be held in cooperation with other institutions (the approved projects of intermediaries and other programmes), information activities, and also through smaller scale events, such as consultation days in the regions where these are requested. These activities will focus on the Programme’s potential and actual beneficiaries.

During the first year, the main activities will be related to general information-sharing regarding the Programme, the first stages of setting up the website, and the production of visual identity of the Programme (logo, brandbook, promotional items).

The indicative first year plan for media and communication activities foresees:

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>SPECIFIC OBJECTIVE</th>
<th>ACTIVITY</th>
<th>TIMELINE</th>
<th>INDICATOR</th>
<th>RESPONSIBLE BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme is a well-known and trusted actor in cross-border cooperation.</td>
<td>The Programme is known among the target groups.</td>
<td>Information events are organized.</td>
<td>Months 1-3</td>
<td>#Number of events and participants</td>
<td>MA + JTS + BO</td>
</tr>
<tr>
<td></td>
<td>The difference between CBC and other funding instrument is recognized.</td>
<td>Media coverage is sought after.</td>
<td>Ongoing</td>
<td>#Coverage</td>
<td>MA + JTS + BO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Programme website and social media tools are created.</td>
<td>Months 1-9</td>
<td>#Number of existing tools /visitors and users</td>
<td>Communication officer + BO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>PR-material is distributed.</td>
<td>Months 1-9</td>
<td>#Distributed</td>
<td>Communications</td>
</tr>
</tbody>
</table>

Please find the Communication strategy for the whole programme period in Annex 2
<table>
<thead>
<tr>
<th>Category</th>
<th>Status</th>
<th>Key Performance Indicators</th>
<th>Responsible Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produced material</td>
<td>9</td>
<td>Number of presentations and listeners</td>
<td>JTS + BO</td>
</tr>
<tr>
<td>Programme is presented in various events</td>
<td>Ongoing</td>
<td>#Number of presentations and listeners</td>
<td></td>
</tr>
<tr>
<td>Information about applying for funding is easily available</td>
<td></td>
<td>Functionality of the website is ensured.</td>
<td>Communication officer</td>
</tr>
<tr>
<td>Website is kept up to date</td>
<td>Ongoing</td>
<td>#Uploads of applicant’s package</td>
<td></td>
</tr>
<tr>
<td>Functionality of the website is ensured</td>
<td>Months 1-9</td>
<td>#Feedback</td>
<td></td>
</tr>
<tr>
<td>The internal communication works well</td>
<td></td>
<td>Timetable to be confirmed later.</td>
<td>MA</td>
</tr>
<tr>
<td>Committee meetings are organized</td>
<td>Ongoing</td>
<td># Number of committee meetings</td>
<td></td>
</tr>
<tr>
<td>Committee members are informed of the current issues by email.</td>
<td></td>
<td># Number of information emails</td>
<td></td>
</tr>
<tr>
<td>Team meetings are organized regularly</td>
<td>Ongoing</td>
<td># Number of team meetings</td>
<td></td>
</tr>
<tr>
<td>The programme is implemented efficiently and transparently</td>
<td></td>
<td># Feedback</td>
<td></td>
</tr>
<tr>
<td>The best practices of the projects are shared with all projects.</td>
<td></td>
<td>Not applicable during the first year of implementation.</td>
<td></td>
</tr>
<tr>
<td>Information about the Programme’s current issues is available</td>
<td></td>
<td>Programme website and the social media sites are actively updated.</td>
<td>Communication officer + BO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>#Visits on the website</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>#Followers on social media</td>
<td></td>
</tr>
<tr>
<td>Activity</td>
<td>Obligations</td>
<td>Period</td>
<td>#SHared information</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Attention is paid to the capacity building of the applicants.</td>
<td>Toolbox for communication is created.</td>
<td>Months 1-9</td>
<td># Uploads # Quality of the communication plans (percentage of plans that are of good quality)</td>
</tr>
<tr>
<td></td>
<td>Capacity building events for applicants are organized</td>
<td>Months 3-6</td>
<td>#Number of events and participants # Quality of the communication plans</td>
</tr>
<tr>
<td>The results of the Programme are widely disseminated.</td>
<td>Results can be easily found.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benefits are aware of the Programme funding.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lead Beneficiary and beneficiaries understand the importance of communication.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CBC instrument is International and national</td>
<td></td>
<td>To be defined jointly with other Programmes.</td>
</tr>
</tbody>
</table>
an important contributor towards an area of shared prosperity and good neighbourliness.

authorities and politicians are aware of CBC and its importance.

The purpose and benefits of CBC are understood.

In order to ensure transparency in terms of the usage of Programme funds, the list of projects that are awarded within the Programme which allows the data to be sorted, searched through, extracted, compared, and easily published will be maintained on the Programme’s website. This list shall be updated regularly. The list of projects shall be provided to the European Commission no later than on 30 June of the year following that in which the projects were selected.

<table>
<thead>
<tr>
<th>Indicative Budget (€)</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotional items and give-aways</td>
<td>2,000</td>
</tr>
<tr>
<td>Publications, newsletters, brochures</td>
<td>1,000</td>
</tr>
<tr>
<td>National and regional public events, seminars, etc.</td>
<td>2,000</td>
</tr>
<tr>
<td>Website and other media ⁵⁰</td>
<td>1,000</td>
</tr>
<tr>
<td>Monitoring and assessment</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td><strong>6,000</strong></td>
</tr>
</tbody>
</table>

4.8 Information of fulfillment of SEA requirements

The Strategic Environmental Assessment (SEA) has been carried out in accordance with European Parliament and Council Directive 2001/42/EC of 27 June 2001 (SEA Directive) on the assessment of the effects of certain plans and programs on the environment. The SEA was compiled by Hendrikson & Ko Ltd in cooperation with SEA expert from Russia. The elaboration of the Environmental Report was based on the contract signed between the Enterprise Estonia and the company on 16 September 2014.

⁵⁰ As a general principle, the Programme does not plan to purchase media time or space for commercials in order to promote the outputs and results of the projects.
The SEA under the SEA Directive has been conducted simultaneously with the drafting of the Programme. Contracted SEA experts have attended the JPC meetings, as well arranged meetings and had communication with relevant environmental authorities. The Estonian Ministry of the Environment informed its Russian counterparts of the SEA process on 11 December 2014.

The general aim of the SEA is, according to Article 1 of the EU SEA Directive, “to provide for a high level of protection of the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development”.

Current SEA is also based on the principles of the convention on environmental impact assessment in a transboundary context, setting obligations to the joining countries to cooperate in order to assess and reduce transboundary environmental impacts. Also the Programme and SEA take into account the principles set in the Transboundary Convention of industrial accidents. According to Annex 1 of the Directive 2001/42/EC the requested and relevant information and outcomes of the SEA are presented in the Environment Report.

The cooperation programme, object of the SEA, is remarkably supporting also “soft projects” (institutional and community cooperation, support to small enterprises). Investments to the objects are related rather to small objects (such as reconstruction of small solid waste and wastewater treatment facilities, border crossing facilities with related roads and structures). From this perspective the changes e.g. from the environmental impacts perspective are not big. Nevertheless, the impacts could be significant if not addressed properly during development. Also, support to the positive impacts within implementation is important.

Alternative scenarios where not considered in preparation of the cross border cooperation programme within the period of current SEA. Comprehensive assessment with the 0-alternative (programme is not implemented) has been performed within the compliance analysis. The implementation of Programme activities has generally positive environmental impacts and corresponds to the environmental objectives set by the Programme.

Within the assessment of external impacts possible alternatives within assessment criteria are described with appropriate mitigation measures.

Within the external impact analysis the impact of the Programme was assessed based on following criteria: impact to the Natura 2000 network area, impact on biodiversity, impact on the state of water-bodies, surface and groundwater quality, impact of noise and vibration, impact of air pollution, risk of environmental disasters, impacts related to waste management, impact to local and regional entrepreneurship, way of life and impact on the cultural heritage.

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Positive impacts resulted by the implementation of the Programme will appear within all assessed criteria, negative effects are largely related to the development of objects and their relation to the protected values. Transboundary aspects, which should be taken into account when preparing the projects, were also addressed.

According to current information the implementation of the Programme does not have significant negative impacts to the environment that would require monitoring measures or follow-up procedures. Of course such measures and conditions could be set to projects and plans compiled within the Programme.

The stakeholders were engaged into the SEA process in the SEA scoping phase and in SEA report publication phase whereas in the Scoping phase the number of letters received was considerably larger (14 letters and 3 letters). For both phases also public consultation meetings were held to discuss the SEA aspects. Also, it should be noted, that in three occasions SEA aspects were discussed in meetings organised within the Programme preparation process and valuable feedback and comments were received.

The correspondence related to the publication process of the SEA process is provided within the SEA scoping report documentation (Appendix 1 of SEA document) and of the SEA report is provided in the Appendix 4.

The public consultations on the draft Environment Report were performed from 4 March 2015 to 16 March 2015 and the documentation has been available at the EstLatRus web page of the Programme. Draft Environment Report was made publicly available through announcements in Estonia’s newspaper Eesti Päevaleht and Official Journal in 4 March 2015.

The comments on the draft Environment Report were received from Estonian Ministry of Culture and National Road Administration and they are provided with answer letters in the Appendix 4 of the SEA report. The relevant comments have been integrated or additional information provided.

After public consultations process, the revised Environment Report has been submitted for approval to the Estonian Ministry of the Environment on 6 April 2015 which is designated national supervisory body on SEA. The full report was approved on 17 April 2015.

4.9 An indicative financial plan

4.9.1 Annual provisional financial appropriations for commitments and payments as envisaged for support from the EU for each thematic objective and technical assistance (the first year’s costs include preparatory actions).
<table>
<thead>
<tr>
<th></th>
<th>INDICATIVE PROVISIONAL COMMITMENTS BY THE EC</th>
<th>CO-FINANCING</th>
<th>PROGRAMME'S INDICATIVE PROVISIONAL COMMITMENTS - EC funding -</th>
<th>PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS - EC funding -</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects</td>
<td>2 058 869,00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL 2015</td>
<td>2 058 869,00</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects</td>
<td>2 408 807,00</td>
<td>2 023 428,50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TA</td>
<td>153 143,00</td>
<td>170 000</td>
<td>170 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL 2016</td>
<td>2 408 807,00</td>
<td>2 176 571,50</td>
<td>170 000</td>
<td>170 000</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects</td>
<td>3 823 806,00</td>
<td>2 027 190,5</td>
<td>8 423 500</td>
<td>1 700 000</td>
</tr>
<tr>
<td>TA</td>
<td>153 143,00</td>
<td>311 000</td>
<td>311 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL 2017</td>
<td>3 823 806,00</td>
<td>2 180 333,5</td>
<td>8 734 500</td>
<td>2 011 000</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projects</td>
<td>2 670 584,00</td>
<td>2 023 428,50</td>
<td>6 053 024</td>
<td>5 200 388,3</td>
</tr>
<tr>
<td>TA</td>
<td>153 143,00</td>
<td>340 000</td>
<td>340 000</td>
<td></td>
</tr>
<tr>
<td>TOTAL 2018</td>
<td>2 670 584,00</td>
<td>2 176 571,50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Projects</td>
<td>TA</td>
<td>TOTAL 2019</td>
<td>TOTAL 2020</td>
</tr>
<tr>
<td>------</td>
<td>----------</td>
<td>----</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td>6 393 024</td>
<td>5 540 388.3</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 899 192.00</td>
<td></td>
<td>2 023 428.50</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>153 143.00</td>
<td></td>
<td>340 000</td>
<td>340 000</td>
</tr>
<tr>
<td></td>
<td>2 899 192.00</td>
<td></td>
<td>2 176 571.50</td>
<td>340 000</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 946 266.00</td>
<td></td>
<td>2 023 428.50</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>153 143.00</td>
<td></td>
<td>340 000</td>
<td>340 000</td>
</tr>
<tr>
<td></td>
<td>2 946 266.00</td>
<td></td>
<td>2 176 571.50</td>
<td>340 000</td>
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<td>2021</td>
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<td>2 023 428.50</td>
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<td>153 143.00</td>
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<td>2 176 571.50</td>
<td>340 000</td>
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<td>2 176 571.50</td>
<td>340 000</td>
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<tr>
<td>2023</td>
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<tr>
<td>Year</td>
<td>Projects</td>
<td>TA</td>
<td>TOTAL</td>
<td></td>
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<td>2023</td>
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<td>2 023 428,50</td>
<td>153 143,00</td>
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<td>0</td>
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<tr>
<td>TOTAL 2015-2024</td>
<td>16 807 524,00</td>
<td>17 416 334</td>
<td>16 807 524</td>
<td>16 807 524</td>
</tr>
</tbody>
</table>

The indicative financial contributions of the Russian Federation to the Programme:
2017: 1 874 047,5 euro;  
2018: 3 264 857,25 euro;  
2019: 2 176 571,5 euro;  
2020: 1 088 285,75 euro.  
Total: 8 403 762 euro.

**Indicative preparatory actions financed by 2007-2013 TA:**

- Joint Programming Committee's meetings (organisational expenses and travel and accommodation costs);  
- costs of elaboration of different Programme documents (description of management and control systems etc);  
- organisation of thematic workshops and seminars;  
- translation costs;  
- travel and accommodation costs for external experts, stakeholders, study visits;  
- database preparation;  
- other relevant costs in accordance with JPC decisions.
### 4.9.2 Provisional amounts of financial appropriations of the support from the Union and co-financing for the whole programming period for each thematic objective and technical assistance

<table>
<thead>
<tr>
<th>Thematic objective</th>
<th>EC Funding (a) *</th>
<th>Co-financing by beneficiaries (b)</th>
<th>Co-financing rate (in %) (c) **</th>
<th>Co-financing by Estonia and Russia</th>
<th>Total funding (d) = (a)+(b)+(c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thematic objective 1</td>
<td>5 714 558,16</td>
<td>571 455,82</td>
<td>10</td>
<td>12 904 709,49</td>
<td>19 190 723,47</td>
</tr>
<tr>
<td>Thematic objective 10</td>
<td>2 857 279, 08</td>
<td>285 727, 91</td>
<td>10</td>
<td>1 239 396,64</td>
<td>4 382 403,63</td>
</tr>
<tr>
<td>Thematic objective 6</td>
<td>4 285 918, 62</td>
<td>428 591,86</td>
<td>10</td>
<td>2 047 083,86</td>
<td>6 761 594,34</td>
</tr>
<tr>
<td>Thematic objective 5</td>
<td>1 428 639, 54</td>
<td>142 863, 95</td>
<td>10</td>
<td>0</td>
<td>1 571 503,49</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>2 521 128,60</td>
<td>0</td>
<td>0</td>
<td>1 225 144,00</td>
<td>3 746 272,60</td>
</tr>
<tr>
<td>Total</td>
<td>16 807 524,00</td>
<td>1 428 639,54</td>
<td>10</td>
<td>17 416 334</td>
<td>35 652 497,54</td>
</tr>
</tbody>
</table>
4.10 Rules on the eligibility of expenditure

Eligible Programme expenditure is regulated by Articles 36 and 48 of Implementing Regulation (EU) No 897/2014. Those costs that are referred to in Article 49 of Implementing Regulation (EU) No 897/2014 shall not be considered to be eligible as technical assistance costs.

Grants may not exceed an overall ceiling expressed as a percentage and an absolute value which is to be established on the basis of estimated eligible costs. Grants shall not exceed the eligible costs. The following direct costs of the beneficiary shall be eligible:

- the costs of staff assigned to the project under the following cumulative conditions:
  - they relate to the costs of activities which the beneficiary would not carry out if the project was not undertaken,
  - they must not exceed those normally borne by the beneficiary unless it is demonstrated that this is essential to carry out the project,
  - they relate to actual gross salaries including social security charges and other remuneration-related costs;

- travel and subsistence costs of staff and other persons taking part in the project, provided they exceed neither the costs normally paid by the beneficiary according to its rules and regulations nor the rates published by the EC at the time of the mission if reimbursed on the basis of lump sums, unit costs or flat rate financing;

- purchase or rental costs for equipment (new or used) and supplies specifically for the purpose of the project, provided they correspond to market prices;

- the cost of consumables specifically purchased for the project;

- costs entailed by contracts awarded by the beneficiaries for the purposes of the project;

- costs deriving directly from requirements imposed by the Regulation No 897/2014 and the project (such as information and visibility operations, evaluations, external audits, translations) including financial service costs (such as costs of bank transfers and financial guarantees).

The following costs relating to the implementation of the project shall not be considered eligible:

- debts and debt service charges (interest);

- provisions for losses or liabilities;

- costs declared by the beneficiary and already financed by the Union budget;

- purchases of land or buildings for an amount exceeding 10% of the eligible expenditure of the project concerned;
- exchange-rate losses;
- duties, taxes and charges, including VAT, except where non-recoverable under the relevant national tax legislation, unless otherwise provided in appropriate provisions negotiated with CBC partner countries;
- loans to third parties;
- fines, financial penalties and expenses of litigation;
- contributions in kind as defined.

More detailed eligibility rules, including retroactivity of the grant, additional categories of ineligible costs, as well as use of lump sum, unit costs, flat rate and use of indirect costs within supported projects financed by the Programme will be provided in the Programme’s guiding documents for respective call for proposals.

4.11 The apportionment of liabilities amongst participating countries

According to Article 75 of Implementing Regulation (EU) No 897/2014, the MA shall be responsible for the recovery of any unduly paid amounts.

Where a particular recovery relates to a breach of legal obligations on the part of the MA, the MA shall be responsible for reimbursing the amounts concerned to the European Commission or NAs. Where the recovery relates to systemic deficiencies in the Programme management and control systems, the Programme-participating countries will jointly bear financial liability, whereby each participating country shall be liable proportionately to their respective share in the overall Programme budget, responsible for reimbursing a share of any losses from the Programme’s funds where such losses relate to payments that have been made to project partners.

With regard to the Technical Assistance (TA) expenditure based on joint decisions by the participating countries, the participating countries will jointly bear financial liability proportionally to their respective share in the overall TA budget, whereas regarding systemic errors connected to the TA, liability is with the participating country hosting the organisation spending the TA. The MA shall recover from the Lead Beneficiary any amounts that have not been repaid or which have been over-paid together with any interest on late payments. The beneficiary shall repay the Lead Beneficiary such amounts in accordance with the agreement that exists between them. The MA may recover directly from the beneficiaries any such amounts together with any interest on late payments.
Participating countries bear liability for the possible financial consequences of any irregularities that may be committed within the programming area of the Lead beneficiary and/or the beneficiary in accordance with the Financing Agreement.

Where the recovery relates to a claim against a lead beneficiary that has been established in Estonia and the MA is unable to recover the debt within nine months of issuing a recovery order, the state of Estonia itself shall pay the amount due to the MA and will have to claim it back from the lead beneficiary.

Where the recovery relates to a claim against a lead beneficiary that has been established in the Russian Federation and the MA is unable to recover a debt within nine months of issuing a recovery order, the Russian Federation’s level of responsibility is such as it is established in the financing agreement.

Procedures for prevention, detection and correction of irregularities, including fraud and the recovery of amounts unduly paid, together with any interest will be included in the management and control systems. Furthermore, management and control systems will include contract award procedures for technical assistance and project selection procedures, as well as the role of national authorities and responsibilities of the participating countries.

**4.12 The rules for the transfer, use, and monitoring of co-financing**

Participating countries have centralised national financing systems. The organisations responsible for allocating national financing depend on which system is used. Annual national co-financing for the Programme comes from the state budgets of financing organisations and will be allocated to projects according to national and EU legislation and decisions taken by the JMC. National co-financing shall also be used to co-finance the Programme’s technical assistance.

Estonian national co-financing is allocated annually from the state budget, and following allocation it is transferred to the MA. Applications for Estonian national co-financing are made using the same application form as for ENI financing and the financing decision is included in the Grant Contract.

The role of the MA as a body that is responsible for the use of national co-financing in the Estonia-Russia Programme will be defined in national legislation which covers the management of ENI CBC programmes in Estonia. The payment procedures for Estonian co-financing follow the same procedures as for ENI financing.

Russian annual contributions are allocated from the state federal budget and transferred to the MA. The European Bank for Reconstruction and Development will act as an agent to transfer money to the MA.

Provisions concerning the transfer, use and monitoring of the national contribution by the Russian Federation will be defined in the Programme’s financing agreement.

The EU funds may be used on either side of the EU external border for the benefit of the eligible regions. The Implementing Rules apply to the funds within the whole Programme.
area. The indicative allocation of European Union funding in the ENI CBC Strategy Paper 2014-2020 to the Estonia - Russia Programme stands at €16,807,524.00 for the years 2014-2020 and an additional allocation from the European Regional Development Fund (ERDF) for the years 2018-2020 amounts to €1,826,238.00 which may be available subject to the mid-term review by the CBC and the availability of matching ENI funds.

4.13 A description of IT systems for the reporting and exchange of computerised data between the MA and the Commission

In order to ensure the adequate storage and processing of Programme and project data a secure limited access computerised programme management system - a programme database - shall be operated by the MA and the JTS. The database ensures the storage and processing of the full Programme lifecycle information and it is based on project-level data. The Programme will ensure the availability of information of its supported projects. It is a tool that is used for project receipts, filing, assessments, reporting, monitoring and evaluation, payments, and aggregating data on a Programme level.

Platform for exchange of computerised data between the MA and the EC referred to in Article 4 (5)(m) of Regulation No 897/2014 shall be used.

In addition program will continue to use KEEP database, which gathers information on EU-funded projects.

4.14 Language adopted by the Programme

At the Programme level the English language shall be used. Project proposals should be submitted in English. Contracts shall be concluded in English, and all official documentation and communications that are related to Programme implementation should be in English.

At the Programme level, any costs that are related to interpretation and translation work should be budgeted from the TA budget. On a project level, interpretation and translation costs may be included in a project budget.

Programme related documents, that are not decided to be translated by the JMC, will be translated into national languages upon the decision of the NA.

4.15 Currency

Expenditure incurred in a currency other than euro shall be converted into euro by the beneficiaries using the monthly accounting exchange rate of the EC in the month during which that expenditure was incurred.
Annex 1

**Indicative monitoring and evaluation plan**

According to the article 4 (5)(f) of the European Commission Implementing Regulation (EU) No 897/2014 the Managing Authority (MA) has the responsibility to draw up an indicative Programme monitoring and evaluation plan for the whole duration of the Programme. Programme monitoring and evaluation shall aim at improving the quality of the design and implementation, as well as assessing and improving its consistency, effectiveness, efficiency and impact. Furthermore, the findings from monitoring and evaluations shall be taken into account in the programming and implementation cycle. Each year the MA will draw up an annual monitoring and evaluation plan to be carried out by the MA. The annual plan shall be approved by the Joint Monitoring Committee (JMC) and submitted to the European Commission and the Ministry of Economic Development of the Russian Federation not later than 15 February.

The monitoring and evaluation plan will serve as a tool to determine progress as well as possible weaknesses in the programme implementation and will help to take targeted actions and necessary adjustments if needed. This plan will be used by MA, JTS and JMC.

Evaluation reports by external expertise will be published on the Programme website.

An indicative Technical Assistance (TA) budget is prepared for the whole Programme duration and for external evaluation expertise is planned total of 208 000 EUR- 70 000 EUR for external result oriented monitoring and 68 000 EUR for mid-term evaluation. TA budget will be approved by the JMC; therefore it is subject to change, if necessary.

The JMC may decide to make additional evaluation or monitoring of the Programme.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>Responsible body</th>
<th>Frequency</th>
<th>Required data or measures</th>
<th>Indicative budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal project monitoring</td>
<td>On-going data collection, preparation of progress reports, checking the progress, if necessary, taking remedial actions, updating of action plans</td>
<td>Project lead beneficiary and beneficiaries</td>
<td>Continuous (as part of project management)</td>
<td>Internal data - description of monitoring and evaluation arrangements as means for data to determine progress of the project</td>
<td>Within budget of respective lead beneficiary and beneficiary</td>
</tr>
<tr>
<td>2. Day to day monitoring</td>
<td>Checking the progress, taking</td>
<td>MA/JTS</td>
<td>On-going</td>
<td>Internal data – project reports, on-the-spot</td>
<td>Within budget of MA/JTS</td>
</tr>
<tr>
<td>of projects</td>
<td>remedial actions, updating action plans, financial flows, data collection, programme annual reporting</td>
<td>checks, management information system, etc.</td>
<td>respectively</td>
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</tr>
<tr>
<td>3. Internal result oriented monitoring</td>
<td>Reviewing the project performance with focus on results and taking appropriate actions for improvement</td>
<td>MA/JTS</td>
<td>Mixed data - internal/external project reports, on-the-spot checks, management information system, etc., as well as questionnaires, surveys for additional assessment</td>
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</tr>
<tr>
<td></td>
<td>At project start-up and after 6 months of implementation (based on risk analysis)</td>
<td></td>
<td>Within budget of MA/JTS</td>
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</tr>
<tr>
<td>4. External result oriented monitoring by programme</td>
<td>Independent reviewing of the progress of projects and programme as whole towards achievement of set targets for further improvement of performance and lessons learnt</td>
<td>External experts</td>
<td>Annually</td>
<td>As required by external experts</td>
<td>70 000 EUR for whole programme duration</td>
</tr>
<tr>
<td>5. Mid-term evaluation</td>
<td>Independent evaluation with the aim to evaluate Programme’s performance.</td>
<td>External experts or MA/JTS</td>
<td>2018 and after 2020</td>
<td>Mixed data – internal/external – to be specified in terms of reference</td>
<td>68 000 EUR</td>
</tr>
<tr>
<td>6. Ex-post evaluation</td>
<td>Evaluation with the aim to learn broad lessons applicable to other programmes, policy review</td>
<td>External experts</td>
<td>At latest stage of programme life cycle (after 2020)</td>
<td>As required by EC</td>
<td>Contracted and financed by EC</td>
</tr>
</tbody>
</table>
Annex 2

Communication and visibility guidelines

Introduction

The Programme’s communications and visibility guidelines are formulated in order to ensure communications between Programme bodies, provide information to applicants and project beneficiaries, local communities, and any other interest groups of the Programme. The MA is responsible for the implementation of any visibility activities that relate to the Programme. The MA will take all necessary steps in order to ensure the visibility of the EU financing and co-financing by the Russian Federation and the Republic of Estonia in relation to its own activities and to the activities of those projects that have been financed under the Programme. Such measures will comply with the relevant rules on the visibility of external actions as laid down and published by the European Commission on the website: http://ec.europa.eu/europeaid/communication-and-visibility-manual-eu-external-actions_en and visibility requirements by NAs.

In order to ensure equal and overall coverage of information and visibility activities in the Programme area, the MA will also use the JTS and branch offices in Pskov and St Petersburg for preparation and forwarding information within the Programme area.

The JTS and the project beneficiaries shall be responsible for ensuring the adequate visibility of the EU, Estonian and Russian contribution to the Programme and its projects, in order to strengthen public awareness of the actions being taken by both countries along with the EU and to create a consistent image of the support with Estonia, Russia, and the EU in all projects. The JTS shall also ensure that the communication strategy and visibility measures that are undertaken by project beneficiaries comply with the European Commission’s guidance and with the guidance of NAs within Estonia and Russia.

In order to ensure the transparency of the usage of Programme funds, the list of projects that are awarded under the Programme which allow data to be sorted, searched through, extracted, compared, and easily published will be maintained on the Programme’s website. The list of projects shall be provided to the European Commission no later than on 30 June of the year following that in which the projects were selected.

Routine tasks that are involved in ensuring the timely and efficient implementation of communication measures shall be delegated to the JTS. The JTS shall be assisted in carrying out communication activities by the BOs in Russia.

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52 This plan outlines the main information activities that are to be carried out by the MA in order to facilitate an effective implementation of the Programme. The Programme’s JMC will confirm an annual information plan as part of the JTS annual work programme. The annual information and communications plan will be submitted to the Commission no later than 15 February.
The Programme will have its own visual identity based on the principle of equal visibility by participating countries and the EU, which shall consist of the following main elements: the flags of Estonia, Russia, and the EU along with the Programme logo, and information about Programme funding. These elements apply to the entire Programme brand book.

A large range of communications measures shall be employed with the aim of ensuring an adequate spread of information to the following target groups:

- The general public;
- Potential and actual applicants;
- Project beneficiaries;
- Programme stakeholders;
- Public authorities and non-governmental organisations;
- Economic and social partners;
- EU authorities;
- Other programmes operating within the same area.

The following communication channels are planned to be used:

- The Programme’s website;
- Electronic communication tools;
- Events;
- Mass media;
- Promotion and information gadgets and publications;
- Social media.

The communication strategy for the Programme will be implemented in the following stages:

- Ensuring efficient communication between the Programme’s implementing bodies, social and economic partners, the EC, and the national governments of Estonia and Russia;
- Informing the general public and all potential applicants about the Programme and its calls for proposals;
- Providing information on application and assistance in forming a partnership to all potential applicants;
• Assistance in preparation for contracting and project implementation for all beneficiaries, including clear guidance on project promotion and Programme visibility requirements;

• Promoting the Programme’s achievements to the general public.

The language of the Programme is English. In order to ensure openness and the publicity of activities in all participating countries, the main information about the Programme’s activities shall also be published in respective languages (Estonian and Russian).

1. The aim of information activities

Information activities will provide the general public, beneficiaries, and stakeholders with information about the Programme and its objectives, the prerequisites for obtaining Programme funds, and the procedures that are to be followed. The plan’s main goals are as follows:

- Provide potential applicants, beneficiaries and stakeholders with accurate and reliable information about the Programme and its operation;

- attract a wide number of applicants and achieve a large number of applications and/or project proposals of high quality;

- increase public awareness about the Programme in terms of it being co-financed by the EU and the participating countries;

- contribute to the Programme’s efficient implementation;

- ensure an operational information flow between the EC and the Programme management bodies;

- highlight the role of the EU, Estonia and Russia and ensure that assistance from the EU, Estonia and Russia is transparent;

- present the Programme’s results and achievements;

- provide a tool through which to receive input and feedback from beneficiaries.

2. The distribution of tasks

The budget and any documents regarding communication and visibility activities are approved by the JMC.

Following this, the Programme’s MA is responsible for overall strategic communication activities. The activities that are set out in the current Programme communication plan and annual communication plans are the responsibility of the JTS. Branch offices in Pskov and St Petersburg among other tasks are responsible for the provision of information to the
applicants and beneficiaries, the translation of information into the required national language, and organising events within their areas.

3 Target groups

Information about the Programme will be disseminated so that it reaches the various target groups, which are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Programme documents</th>
<th>Information events</th>
<th>Networking and cooperation</th>
<th>Media activities</th>
<th>Electronic tools (website, social media and news updates)</th>
<th>Publications and promotional materials</th>
<th>Partner events</th>
<th>Feedback tools and activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicants</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>Beneficiaries of approved projects</td>
<td>√</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Media</td>
<td>*</td>
<td>*</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td></td>
<td></td>
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<tr>
<td>Intermediaries</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Various Programme institutions</td>
<td>√</td>
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<td>√</td>
<td>√</td>
<td>√</td>
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<td></td>
<td></td>
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<tr>
<td>EU institutions</td>
<td>*</td>
<td>*</td>
<td>√</td>
<td>√</td>
<td>*</td>
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<td></td>
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<tr>
<td>General public</td>
<td>*</td>
<td>√</td>
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<td>√</td>
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<td></td>
</tr>
</tbody>
</table>

* targeted indirectly
4. Information and communications tools

The main communication tools that are envisaged to support the visibility of the Programme activities are the following: a programme website, newsletter, events, seminars, press releases and announcements.

In addition to the general abovementioned communication tools, other methods can be used depending on which phase of Programme implementation is currently active.

The use of traditional media sources will be described and agreed upon within each annual communications plan. In the use of traditional media, local and regional media should be preferred.

The Programme’s website at estonia-russia.eu

Pages on the Programme’s website may be considered to be the most important tool when it comes to providing general information on Programme implementation for large target groups. Information on the site shall be available in three languages, these being English, Estonian and Russian, of which English is the main language. The Programme’s website contains all of the official documents that relate to Programme implementation, rules and regulations, and guidance for the applicants, partners, authorities, and other cooperating bodies.

News will also be delivered by email to persons who are on the media contact list and to the relevant state and regional authorities. A database of past news or newsletters is available on the Programme’s website.

The website will include the following features and major areas of information:

- All background information on the Estonia-Russia Programme 2014-2020;
- A section with information for beneficiaries, explaining the application procedure, requirements, documents to be submitted, etc.
- Programme-related documents for downloading;
- A partner-search database;
- A project idea database;
- Examples of Programme achievements;
- A section for beneficiaries with information on project implementation;
- A list of beneficiaries and/or a database of approved projects;
- A news section, with updates on the Programme and project developments (launches, events, results, a calendar of forthcoming events and important dates, etc);
- A restricted access area for the individual Programme structures;
Contact information and consultation options.

Actual news can be published on the website as a newsletter or in another appropriate way, depending on innovations in media and IT and feedback from the target groups.

The news section will contain information about recent and forthcoming Programme-related events, the facts about Programme implementation (state of play, calls for proposals and documents related to them, selected projects according to the provisions of Article 44 of the IR, financing allocations, etc), and other relevant general information and, as far as possible, short presentations of the most innovative projects. **Newsletter**

A Programme newsletter is produced by the JTS four times a year. The newsletter will provide updates on Programme progress, project news, and general Programme news, as well as an administrative section.

The newsletter will be published electronically on the Programme’s webpage.

**Events and seminars**

The Programme’s JTS shall upon need organise information seminars for applicants and partners between four to eight times per year.

The focus of seminars will depend on the current stage of Programme implementation; in the beginning they will provide information about the possibilities offered by the Programme, whereas later more targeted events for the beneficiaries will be arranged.

Seminars shall consist of general information and guidance that is related to Programme implementation and also workshops for project lead beneficiaries and beneficiaries. A launching seminar will be arranged for project start-ups after the contracts have been signed.

The MA will also participate (if needed) in seminars and events (such as, for example, fairs) which shall be arranged by those cooperating bodies that are presenting and marketing the programme.

In addition to regular seminars, the Programme’s MA and JTS shall organise annual events where the Programme's state of play will be presented, as well information regarding ongoing projects throughout the Programme area.

**Press releases**

Press releases will be produced about any issues regarding important Programme-related activities such as the results of the JMC meetings and when other newsworthy events may take place. These releases shall be available in Estonian, English, and Russian and the releases shall be transmitted via e-mail to the media contact list.
Announcements

Announcements shall be published in the main newspaper in the Programme area when launching the Calls for Proposals. Announcements may also be used for providing information about forthcoming seminars and events.

The use of other communication tools will be included in the annual communications plan.

5. Programme visual identity elements

In all of the information and publicity measures, identical visual elements shall be used. The EU, Russian and Estonian flags and Programme logo shall be presented within official standards.

6. Indicative budget

Costs for implementing the information plan will be covered by the Programme’s technical assistance budget. Presented below is an indicative budget for the years 2015-2023:

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Promotional items and give-aways</td>
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<td>1,000</td>
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<td>1,000</td>
<td>2,000</td>
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<td>14,000</td>
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<td>Publications, newsletters, Brochures</td>
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<td>2,500</td>
<td>2,200</td>
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<td>National and Regional public events, seminars, etc.</td>
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<td>15,000</td>
<td>15,000</td>
<td>10,000</td>
<td>20,000</td>
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<td>Website and other media&lt;sup&gt;53&lt;/sup&gt;</td>
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<td>Total expenditure</td>
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<td>25,000</td>
<td>25,000</td>
<td>26,000</td>
<td>16,000</td>
<td>154,700</td>
</tr>
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</table>

<sup>53</sup> As a general principle, the Programme does not plan to purchase any media time or space for commercials in order to promote the outputs and results of the projects. The cost of advertising space that is related to specific activities (as stated in Section 4.4) are budgeted under the section, ‘National and regional public events, seminars, etc’.
The Programme’s promotional activities after 2020 focus on running projects, summing up the results of the Programme, and the Programme’s promotion. Running projects are provided with daily assistance when it comes to marking objects and events according to the publicity requirements. Also, special thematic seminars are organised for running projects that cover project closure, final reporting, the sustainability of project results, and publicity requirements after project closure. A publication, which will be printed after 2020, will summarise the Programme’s results and will include facts and figures about the Programme. The Programme’s big closing event will be held in 2022 in order to gather together the Programme’s stakeholders, project representatives, and other interested parties in order to present the Programme’s results and to provide input for the next Programme.

7. Annual information and communication plans

Annual communication plans are prepared by the JTS and are approved by the JMC. The annual plans are developed in such a way as to ensure that communications activities support the Programme’s specific phase - more information targeting applicants during the initial stages, followed by information on support for project implementation, and communications in terms of the results and achievements in the later stages.

8. Internal communications

The Programme’s internal communications between the JMC, the MA, and all other Programme bodies is carried out by the JTS.

The JTS is responsible for circulating information regarding Programme implementation and administrative changes. This information is included in the Programme’s newsletter, presented at events etc.

Organisation for all internal events (including JMC meetings) is conducted by the JTS as tasked by the MA. Tasks relating to event organisation and management include (but are not limited to) the following:

- holding preparatory meetings (if needed);
- budget planning;
- practical arrangements for accommodation, travel, location, etc, rentals;
- minutes of events;
- producing internal and public communication materials post-event, etc.

Internal communications tools, including: a Programme management information system, a limited-access document exchange system, email alerts regarding administrative or Programme-related news and Skype meetings.
Annex 3

List of Acronyms

AA - Audit authority
BAT - Best available technique
BCP - Border crossing point
BO - Branch office
CBC - Cross-border cooperation
CCP - Control contact point
CIR - Common Implementing Regulation
COI - Common output indicator
DMCS - Description of the management and control systems
EAS - Enterprise Estonia
EC - European Commission
EE - Estonia
EEAC - Emerging Europe & Central Asia
ENI - European Neighbourhood Instrument
ENPI - European Neighbourhood and Partnership Instrument
ERI - Programme specific output indicator
ESTLATRUS - Estonia-Latvia-Russia ENI CBC Programme
EU - European Union
EUR - Euro
FI - Finland
GDP - Gross domestic product
GHG - Greenhouse gas
GOA - Group of auditors
GRP - Gross regional product
HELCOM - Baltic Marine Environment Protection Commission - Helsinki Commission

JMA - Joint Managing Authority

JMC - Joint Managing Committee

JOP - Joint Operational Programme

JPC - Joint Programming Committee

JTS - Joint Technical Secretariat

LIP - Large Infrastructure Project

LV - Latvia

MA – Managing Authority

NA - National Authority

NGO - Non-governmental organisation

OI - Output indicator

OVI - Objectively verifiable output indicator

QS - Quacquarelli Symonds

R&D - Research and Development

RI - Result indicator

RU - Russia

RUB - Rouble

SEA - Strategic environmental assessment

SME - Small and medium-sized enterprise

TA - Technical assistance

TLC - Transport and logistics complex

TO - Thematic objective

TTU - Tallinn University of Technology

UNESCO - United Nations Educational, Scientific and Cultural Organisation

WWTP - Waste water treatment plant