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Linking Estonia and Latvia

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Estonia - Latvia Programme 2007-2013

**Cross-Border Co-operation Programme under
the European Territorial Co-operation Objective**

CCI No 2007 CB 163 PO 050

ANNUAL IMPLEMENTATION REPORT

2013

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Table of Contents

1. IDENTIFICATION.....	3
Summary on the main achievements of the Estonia – Latvia Programme 2007-2013	5
2. OVERVIEW OF THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME	5
2.1. Achievement and analysis of the progress.....	5
2.1.1. Information on the physical progress of the Operational Programme.....	5
2.1.2. Financial information as of 1 January – 31 December 2013	8
2.1.3. Information about the breakdown of the use of funds	9
2.1.4. Assistance by target groups.....	9
2.1.5. Assistance repaid or re-used	11
2.1.6. Qualitative analysis.....	12
2.2. Information about compliance with Community law	16
2.3. Significant problems encountered and measures taken to overcome them.....	16
2.4. Changes in the context of the operational programme implementation	18
2.5. Substantial modification pursuant to Article 57 of Regulation (EC) No 1083/2006	18
2.6. Complementarity with other instruments	19
2.7. Monitoring and evaluation.....	19
2.8. EU Strategy for the Baltic Sea Region.....	20
3 IMPLEMENTATION BY PRIORITY	22
3.1. Priority 1	23
3.1.1. Achievement of targets and analysis of the progress	23
3.1.2. Significant problems encountered and measures taken to overcome them.....	25
3.2. Priority 2	26
3.2.1. Achievement of targets and analysis of the progress	26
3.2.2. Significant problems encountered and measures taken to overcome them.....	28
3.3. Priority 3	29
3.3.1. Achievement of targets and analysis of the progress	29
3.3.2. Significant problems encountered and measures taken to overcome them.....	31
4 MAJOR PROJECTS	32
5 TECHNICAL ASSISTANCE	32
6 INFORMATION AND PUBLICITY	35
6.1. Information and publicity activities.....	35
6.2. Media monitoring.....	38
7. CHALLENGES FOR 2014	39

1. IDENTIFICATION

OPERATIONAL PROGRAMME	Objective concerned	European Territorial Cooperation
	Eligible area concerned	Estonia (Lõuna-Eesti, Lääne-Eesti) and Latvia (Kurzeme, Pierīga, Rīga, Vidzeme)
	Programming period	2007-2013
	Programme number (CCI No)	2007 CB 163 PO 050
	Programme title	Estonia - Latvia Programme 2007-2013
ANNUAL IMPLEMENTATION REPORT	Reporting year	2013
	Date of approval of the annual report by the Monitoring Committee	

The Annual Implementation Report of the Estonia - Latvia Programme 2007-2013 (hereinafter also referred to as the “Programme”) has been prepared in accordance with Article 67 of the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions of the European Regional Development Fund, the European Social Fund and the Cohesion Fund as well as the model provided in Annex VI of the Commission Regulation (EC) No 846/2009 of 1 September 2009 amending Regulation (EC) No 1828/2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006. The Commission Regulation (EC) 1828/2006 was further amended by Commission Regulation (EC) 832/2010 of 17 September 2010. Annex I of this Regulation replaces point 2.1.2 *Financial information of Annex XVIII* of the Commission Regulation (EC) No 1828/2006.

The Estonia - Latvia Programme 2007-2013 is a cross-border cooperation programme including the NUTS III regions from Estonia (Lõuna-Eesti, Lääne-Eesti) and Latvia (Kurzeme, Pierīga, Rīga, Vidzeme).

The Operational Programme (hereinafter also referred to as the “OP”) for the Estonia – Latvia Programme 2007-2013 was approved by the European Commission on 21 December 2007. The Amendment to the Operational Programme was approved by the EC in 2012.

The Agreement between the Estonian Ministry of the Interior, the Republic of Estonia and the Republic of Latvia on the management and administration of the Estonia - Latvia Programme 2007-

2013 came into effect in March 2009. The agreement stipulates the structure, as well as the rights and obligations of the Programme institutions and the main principles of the Programme implementation and management. In Estonia, the Ministry of the Interior hosts the Managing Authority (hereinafter also the MA), the Certifying Authority (hereinafter also the CA) and the Audit Authority (hereinafter also the AA) of the Programme.

In Latvia, the Ministry of the Environmental Protection and Regional Development is the responsible institution for the Programme as of 1 January 2011.

The main contact point for the applicants and beneficiaries is the Joint Technical Secretariat (hereinafter also as the JTS), which is located in Estonia, in Tartu. The JTS is established as a separate legal entity within Enterprise Estonia (hereinafter also as the EAS). During the previous years, the JTS had the Info-point in Riga. However, as there was no practical need for the info-point anymore because all the funds had been committed by the end of 2012 and there were no more calls for proposals to come, the decision was taken by the MC to close down the office space of the Riga info-point as of 1 January 2013. As of 1 January 2014 the Information Point is fully closed down based on the host agreement signed between EAS and the State Regional Development Agency in Riga.

The relations between the Programme authorities and the JTS as well as the JTS' activities and obligations are regulated by the Administration Contract between the Estonian Ministry of the Interior and the EAS.

In compilation of this Annual Implementation Report the recommendations provided in the EC letters (2014)131421 of 21/01/2014 and (2014)428582 of 20/02/2014 have been followed. As the programme period approaches to its end, this report aims at describing and identifying the main achievements of the projects of the Programme and does not focus so much on the administrative issues. It tries to show what has changed in the Programme area, did the Programme, through its projects and beneficiaries, manage to contribute to the targets as described in the Operational Programme.

The report includes the following annexes:

- 1) Summary on the main achievements of the Estonia - Latvia Programme 2007 - 2013
- 2) Information about the breakdown of use of the funds
- 3) List of the projects approved in 2013
- 4) List of supported projects during the Programme period
- 5) List of the projects contributing to the EU Strategy for the Baltic Sea Region

2. OVERVIEW OF THE IMPLEMENTATION OF THE OPERATIONAL PROGRAMME

2.1. Achievement and analysis of the progress

2.1.1. Information on the physical progress of the Operational Programme

The Estonia - Latvia Programme 2007-2013 has four priority axes: 1) "Increased cohesion of the Programme area" with two directions of support, 2) "Higher competitiveness of the Programme area with three directions of support, 3) "Active, sustainable and integrated communities" with two directions of support. Priority 4 is Technical Assistance (hereinafter also the TA). The total ERDF allocation to the priorities 1 – 3 is 35 934 836 EUR.

In 2013, 5 subsidy contracts were signed, by the end of the year 65 project applications had received financing from the Programme. As of May 2014 altogether 67 projects have been financed by the Programme, which is presumably also the final number. All in all, 40 amendments to subsidy contracts were formalised during the year. As of 31 December 2013, 37 projects had been completed with a final payment made. The total paid-out amount for these projects was 17 540 351,79 EUR.

The Programme funds had been committed already by the end of 2012. However, at the meeting on 13-14 December 2011 in Sigulda, Latvia the MC draw up a reserve list of four projects under priority 3 and as the finished projects' expenditures turned out to be less than initially budgeted, it had been possible to finance all four projects. The projects "Supporting the renaissance of Seto and Suiti ethnic cultures ("Seto-Suiti Renaissance") with the ERDF allocation of 107 309,95 EUR and "Through Youth Cooperation Towards More Sustainable Societies" ("Cooperation for Sustainability") with the ERDF amount of 22 820,80 EUR were approved in 2013, the two other projects in 2014. The total ERDF allocation for these four projects is 350 533,60 EUR.

In 2013, two MC meetings took place, on 14 May in Ventspils and on 15 November in Riga.

The most crucial decisions, besides approval of the project applications as mentioned above, were the following:

- to allow amendment to the Subsidy Contract, which concerns the changes in the project objective. A respective provision was included in the Programme Manual with the following wording under point 6.8: "Requests include changes to project objectives. Such requests may only be based on circumstances that are not under direct or indirect control of the partners". In case of this type of requests the MC has to take a decision.
- approval of the amendment of the technical assistance (hereinafter also "the TA") budget as there was a need to carry out additional audits (more information in the chapter 2.3) and therefore more resources were needed for audit activities.

- approval the Annual Work-Plan for 2014. The MC also discussed the TA budget for 2014, but as the Member States requested some additional information on the TA budget, it was approved later via written procedure on 3 March 2014.

In addition, at both MC meetings, a regular overview was provided by the Programme authorities on the audit activities, payments, of the Programme's commitments and expenditure, of the measures to improve management verification system, status and follow-up activities with the revenue-generating projects as well as of the implemented and upcoming information and communication activities; preparation of the Estonia - Latvia Programme 2014-2020.

The implementation of the projects continued smoothly in 2013. However, on a Programme level a setback was evidenced when the EC decided to interrupt the payment deadline due to the error rate being significantly above the materiality level as disclosed in the Annual Control Report of 2012. As a result, the CA also did not receive any interim payments. Please see chapter 2.3 for more details, as well as for corrective measures applied.

Nevertheless it could be concluded that the Programme has run well throughout the whole period. This is the result of efforts made by all Programme authorities. In general the projects have been successful and this is much thanks to the actions taken and helping the project partners and applicants as much as possible in the preparation and in the implementation phase throughout the whole programme period. Some of the most important activities are listed below:

- Decrease of administrative burden for the applicants and project partners already during the Programme period, including simplification of reporting procedures, introduction of flat rate for administration costs, launching system of pre-payments, simplifying the process of requesting project changes and promoting use of electronic signature on applications and reports.
- Intensive competence building of applicants and project partners with the help of large variety of public events and individual assistance. Here seminars on media relations and on procurement can be mentioned.
- Carrying out successful promotion campaigns about the results of the Programme.
- Harsh quality assessment of applications has resulted in a majority of projects having lasting impact after the end of the project, and there are no failed projects, *i.e.* all the projects approved by the MC have been carried or are being carried out.

In addition to managing of the 2007-2013 Programme, active preparation of the new Estonia - Latvia Programme 2014-2020 went on in 2013. In this field, the JTS has been the main driving force of the process, however much assisted by the MA. Close cooperation was evidenced between the Programme authorities and the Member States.

In 2013, 6 Joint Programming Committee (JPC) meetings as well as some smaller meetings in the fields of selected thematic objectives took place. The 4 thematic objectives were confirmed by summer 2013 and in the 2nd half of the year, the main focus had been on designing programme's intervention logic, setting output and result indicators, discussing the baseline and target values.

The first draft of the Operational Programme document was published for discussion within the JPC in July 2013 and was redrafted by December 2013 when the JPC confirmed its relevance for public hearing. It is expected to submit the Operational Programme to the EC in August 2014.

2.1.2. Financial information as of 1 January 2007 – 31 December 2013 in EUR*

Table 1

	Total funding of the operational programme (Union and national)**	Basis for calculating Union contribution (Total cost)	Total amount of certified expenditure paid by beneficiaries	Corresponding public contribution	Implementation rate in %
	a	b	c	d	e=c/a
Priority Axis 1 Increased cohesion of the Programme Area	26 035 355,00	Total costs	13 065 843,13	12 763 958,21	50,19%
Priority Axis 2 Higher competitiveness of the Programme area	12 579 750,00	Total costs	9 030 653,90	8 685 109,27	71,79%
Priority Axis 3 Active, sustainable and integrated communities	4 227 628,00	Public costs	3 499 494,95	3 499 494,95	82,78%
Priority Axis 4 Technical Assistance	4 681 047,00	Public costs	2 065 932,08	2 065 932,08	44,13%
Grand Total	47 523 780,00		27 661 924,06	27 014 494,51	58,21%

*Certified and sent to the European Commission as of 16.10.2013

** Based on Commission decision 24.10.2012

Certifying Authority (hereinafter also the CA) carried out its activities according to the work-plan for 2013. The CA sent to the European Commission an annual statement for the year 2012 on withdrawal and recovered amounts, pending recoveries and irrecoverable amounts on 26.03.2013. In this annual statement for the year 2012 the CA stated that 2,26 EUR ineligible costs were deducted from the Estonia - Latvia Programme priority 1 and 5932,22 euros from priority 2. The Programme had 47 976,63 EUR pending recoveries as of 31.12.2012 in the framework of priority 1.

The CA submitted 2013-2014 ERDF payment forecast to the European Commission on 12.04.2013. The indicative ERDF forecast for the year 2013 was 8 963 408¹ EUR and for the year 2014 it was 7 274 622 EUR.

Despite of the interruption of the payment deadline (a lifting letter from the EC was received on 06.03.2014; see also chapter 2.3. for further details), the CA continued submission of payment claims to the EC. In 2013 the CA certified and submitted three payment claims (No 13, No 14 and No 15) to the EC that included 4 731 223,66 EUR total certified costs for year 2013. The CA expects to receive total 4 737 170,06² EUR ERDF interim payments based on these payment claims. The CA fulfilled 53% of the payment annual forecast for 2013; the CA fulfilled 66% of the payment forecast for the period January-October 2013. By 30 September 2013 the CA had cumulatively certified 27 661 924,06 EUR total eligible costs to the EC.

The CA applied for and received bridge financing of 7,395 million EUR from the Ministry of Finance of the Republic of Estonia in 2013 (deadline for repayment is 01.12.2014). Due to the interruption of payments, the CA was not able to pay back 571 511,12 EUR of previous bridge financing to the Ministry of Finance. The Government of Estonia prolonged bridge financing repayment deadline until 01.09.2014.

The CA certified 6 948 472,90 EUR total eligible costs at project level (and paid out via State Treasury 5 584 262,78 EUR ERDF support during the period January 1, 2013 - December 31, 2013). The CA made 159 925 EUR ERDF pre-payments to projects; all together 6 Lead Partners requested pre-payments in 2013. The CA had sufficient resources for making all required ERDF payments to the project beneficiaries in 2013.

2.1.3. Information about the breakdown of the use of funds

The information about the breakdown of the use of the funds has been completed as foreseen in Part C of Annex 2 of the Commission Regulation (EC) No 1828/2006 of 8 December 2006 and transmitted to the European Commission via SFC2007 system.

2.1.4. Assistance by target groups

By their legal status, the project applicants in 2013 represented only the third and public sector, as only two projects from the reserve list of priority 3 were supported by the Programme in 2013. These two projects involve 5 partners – 3 from Latvia and 2 from Estonia. In total, the division of ERDF commitments between target groups is as follows (in EUR):

¹ The breakdown of the annual forecast 8 963 408 euros for year 2013 was following: 7 138 218 euros from January until October 2013 and 1 825 190 euros from November-December 2013.

² Expected 4 737 170,06 euros ERDF interim payments included 886988,16 euros extra payment due to the amendment of the ERDF support rate of the Operational Programme priorities.

Table 2

	TOTAL		2013		2012		2011		2010		2009		2008	
Local public authorities	8 184 832	22%	33 478	26%	1 483 118	18%	443 007	7%	41 883	1%	2 273 214	19%	3 910 132	71%
Regional public authorities	1 785 641	5%	0	0%	879 388	11%	113 844	2%	0	0%	792 409	7%	0	0%
Environmental bodies	2 804 163	8%	0	0%	0	0%	831 682	13%	274 065	7%	1 698 416	14%	0	0%
Universities and research institutions	4 815 604	13%	0	0%	349 995	4%	907 941	15%	2 179 756	53%	346 869	3%	10 31 043	19%
State institutions	13 312 511	36%	0	0%	5 484 063	65%	2 861 862	46%	0	0%	4 966 586	41%	0	0%
Other public bodies	2 379 001	7%	0	0%	183 426	2%	210 992	3%	856 177	21%	1 128 406	9%	0	0%
NGOs	2 380 772	7%	96 653	74%	0	0%	672 911	11%	750 244	18%	491 549	4%	369 415	7%
Private partners	666 302	2%	0	0%	0	0%	184 390	3%	0	0%	301 885	3%	180 027	3%
Total	36 328 826	100%	130 131	100%	8 379 990	100%	6 226 629	100%	4 102 125	100%	11 999 334	100%	5 490 617	100%

Environmental bodies comprise of all environmental organisations including state financed institutions environmental ministries among them. The section “State institutions” includes road authorities, ministries, rescue boards. “Other public bodies” include for example schools, hospitals, harbour operators and regional tourism development agencies. The supported NGOs include sports clubs, field specific umbrella organisations of businesses, cultural organisations and societies, and various other active community groups.

Examples of the projects implemented in the framework of the Programme

The examples of projects below illustrate the diversity of project partners and different set-ups of project partnerships, which is the result of the Programme’s approach of accepting nearly all legal bodies from public, private and third sector as eligible project partners.

The main aim of the project **Baltorgpotato**, which is one of the two projects having private partner as the lead partner and involves also research and non-governmental organisations, was to increase the competitiveness of stakeholders involved in organic potato food production chain. It brought together Estonian and Latvian organic potato growers with a potato starch producer Aloja Starkelsen in Latvia, which is among the leaders in organic potato starch production in the world. In the framework of the project, also scientists of both countries worked on new potato varieties that are especially suitable for local Baltic climate and weather conditions.

(D)rain for Life, having a partnership of research and non-governmental institutions, organized series of events on sustainable urban drainage systems in various Estonian and Latvian cities and

towns to encourage them to use more eco-friendly solutions and use the “nature mimicking” methods for their urban drainage systems. Joint feasibility studies are done in Baldone and Riga (Latvia) and Tartu and Pärnu (Estonia) to learn about the most efficient ways to drain surface waters back into the environment in ecological ways, without using costly piping networks. The project has involved local communities into discussions as well as dedicated them about these issues.

Renovation of Valga – Valka Railway Station was performed in the summer – fall of 2013 in cooperation of Valga and Valka town governments, and the renovated train station was opened for public in December 2013. The station is being used by both Estonians and Latvians who either travel into Latvia or Estonia by train or bus (as the international busses for Riga, Tartu and St. Petersburg depart from the railway station as well). The railway station building now features a comfortable waiting area for the passengers as well as modern information screens for train and bus departures. The railway station building has been renovated from the inside and from outside – the facade of the station has been reconstructed and looks like it did back in 1949, when it was first built in its current form.

Radio Classics was a project of two national radio broadcasting organisations and was not only about radio, as the name suggests. Besides radio broadcasts on public radio station classical music channels of both countries Klassika Raadio and Program Klasika, the project held joint events for young classical musicians of Southern Estonia and Northern Latvia, allowing them to meet their counterparts and demonstrate their skills. Events in Riga and Viljandi brought together young classical music performers from music schools and provided them a chance to perform in such prestigious venues as Latvian Radio Studio No 1 and Viljandi Traditional Music Centre. They also got a chance to shake hands with some well-known persons in the music industry, among them with Maestro Raimonds Pauls.

2.1.5. Assistance repaid or re-used

The Certifying Authority (CA) made 12 reclamation decisions in 2013 based on the audit reports. Based on these reclamation decisions the CA declared 68 305,21 EUR ineligible (including ineligible 54 064,19 euros ERDF support and 14 241,02 EUR co-financing). During year 2013, based on these reclamation decisions Lead Partners of the projects paid back 54 018,03 EUR of ineligible ERDF support. The CA expects that rest of the aforementioned reclaimed ERDF sum (46,16 euros) will be paid by the Lead Partners during year 2014 by set deadlines. The total interest and fine for delay paid by the projects by the end of 2013 was 302,95 EUR. The CA transferred all collected interest to the State Treasury of the Ministry of Finance of the Republic of Estonia. The CA cannot reuse the collected interest for the Estonia-Latvia Programme. Therefore the CA does not deduct collected interest sum from the eligible sums in the statement of expenditures.

The CA deducted 33 590,87 EUR recovered costs from the statements of expenditure that were submitted to the European Commission in 2013. The pending recoveries included total 34 714,34 EUR ineligible costs (incl. 29 507,10 EUR ineligible ERDF costs) based on the reclamation decisions as of 31.12.2013. The CA expects that these sums will be recovered and deducted from the statements of expenditure in 2014. There were no irrecoverable costs as of 31.12.2013.

2.1.6. *Qualitative analysis*

The 2007-2013 programme period is coming to an end and so does the Estonia – Latvia Programme. Thus a retrospect view should be taken on what was the initial aim of the Programme, whether this aim was followed throughout the 7-year period and what were the main achievements of the Programme. In short, did the implemented projects make any difference in the Programme area and in the quality of life of the people living therein. This is tried to be tackled below along with answering the questions raised **in the guiding letter of the EC of 21/01/2014 on the initially planned achievements, possible refocussing and occurred changes in the Programme area.**

The **overall objective** of the Programme is to promote sustainable development and economic competitiveness of the Programme area through achieving an integrated and cross-border approach to economic, social and environmental development in ways, which involve and benefit local people and communities.

In quantitative terms the Programme was meant to reach the target values of programme indicators. This topic has been explained in detail in chapter 3 and in general the Programme has performed well in this respect.

From qualitative point of view, in addition to the overall objective a few more quotations from the strategy chapter of the OP describe the aim of the Programme. “Co-operation between Estonia and Latvia in this Programme is motivated by the wish to accelerate socio-economic development of the Programme area and to make cross-border co-operation a part of daily life in the border regions. /.../

In order to realise the overall objective of the Programme, the supported operations must have a strong cross-border character and very high project quality. /.../

Cross-border co-operation under the Programme should in large part shift away from the exchange of experience and organising one-off events to regular co-operation under established cross-border partnerships in planning and implementation of development activities with tangible results for regions on both sides of the border.”

The achievement of these objectives can be well evidenced by the results of the implemented projects and by the change of the attitude towards cross-border cooperation of the beneficiaries and the people taking part in the projects. Some more outstanding results in the areas of environment, tourism, rescue services, infrastructure and entrepreneurship and people-to people activities are presented in a more clustered way in Annex 1 to the report as well as below where some individual projects have been described highlighting their achievements. Based on these examples and feedback of impact interviews it may be said that communities in the Programme area benefitted much from the different implemented projects.

The biggest change the Programme has brought for the people living in the area is the change in thinking about cooperation between Estonians and Latvians. This section testifies that regular cooperation between Estonia and Latvia has much advanced and thus the ambition included in the Operational Programme has become to a large extent a reality. The contacts between people had

been rare and the other country was visited mainly for the purpose of tourism. Few cases of regular cooperation between Estonian and Latvian organisations were mainly based on heads of organisation and their contacts. This approach has changed drastically and the number of people being in contact with their friends or colleagues on the other side of the border has increased significantly. Many new people discovered that it is possible to cooperate between Estonians and Latvians with mutual benefits equally with the partners from other countries. Naturally, mostly the change of thinking concerns people, who were involved in implementing the projects or participated at activities organised by the projects, but not only. We mean here contacts, which have lasted well beyond projects' lifetime. People have become more open and cooperation-minded, as they have seen the positive examples of cooperation projects themselves, or they have heard the experience of the others. It has broadened the geographical scope of an area, where they look for solutions or cooperation partners. Especially smaller organisations have become more self-confident, as they have been part of international cooperation.

Rare or non-existing cross-border contacts turning into regular cross-border communication is truth both for professionals and people busy with hobby activities, young and old. We know at least one case, where a love story started within a project has led to a marriage.

The intensified cooperation has brought along a great deal of new ideas from across the border, finding new fans to the topics, which were not so popular before. Be it robotics education in Latvia promoted by people from Estonia, growing organic potatoes in Estonia, facilitated by Latvians or boom of hockey in a small Estonian municipality triggered by Latvians, and where now even the local mayor is playing for local hockey team. Last, but not least, widening of professional and hobby networks across the border has definitely had an impact on many people, but as importantly people have discovered new and great cooperation partners also in their own country thanks to large project partnerships spreading the idea and benefits of cooperation.

To prove the successful cooperation, below some examples are provided **on the achievements of the individual projects**. Since 2012, the Programme has been assessing the impact through meetings and interviews with partners of implemented projects. By the end of 2013, 60 project partners had been interviewed, and the interviews will continue in 2014. Many of the interviews in a form of short videos are available on the programme social media sites thus through this communication initiative encouraging even more cooperation between the people of both countries.

Project **ICT DCNet** established Demo Centres in Tartu (Estonia), and Riga and Ventspils (Latvia) for showcasing various technology achievements. The centres helped local technology companies, especially start-ups, to demonstrate and promote their new and innovative products to various audiences. Among them are students, young professionals, foreign investors, business and civic leaders, who are visiting the Demo Centres. The Centres successfully continued their operations after the active implementation phase with their own resources and financing from other funders. Young entrepreneurs recognize the contribution by Demo Centres and events that they organize for domestic audiences, creating interest among young specialists, and foreign audiences that opens the door for new potential markets outside Estonia and Latvia. The Demo Centres serve as a platform where new technology can be easily showcased to foreign partners, and they serve as the

first step in further cooperation. ICT DCNet has also served as a platform to present the achievements of other technology related projects, established and earlier part-funded by Estonia - Latvia Programme, for instance, **Protolab**, which specializes in prototyping details for different industries and **SIB Net**, a project aimed at mapping technology expertise in Estonia and Latvia. The ICT DCNet project developed robotics curricula for use in universities in both countries, as well as organized several robotics competitions, attracting the attention of many school age robot builders throughout the Programme territory, which will hopefully result in greater interest about studies in technical disciplines.

One of the projects that has created several new jobs as a result of activities is **Good Fruit**. The project partners say that the Estonian - Latvian Fruit and Berry Development Competence Centre in Polli, Estonia and production facilities associated with it are now employing several people – 5 new positions have been created in Estonia and 2 in Latvia. The centre provides infrastructure and know-how for product development to Estonian and Latvian companies. It allows the entrepreneurs to test their products with relatively small volumes and thus reduce the product development costs. Research with the aim to introduce new technologies is being carried out. Infrastructure in Polli is continuously being developed. Close cooperation among Estonian and Latvian partners is continuing also after the project end and more and smaller farms and entrepreneurs from both sides of the border are using the established facilities. Good Fruit implementers are also planning follow-up activities in the field of food additive production and usage.

Project **Tolerance** improved the development of services for mentally disabled children and their involvement into the community, as well as increased the tolerance of the society towards disabled people. During the project a number of interactive activities were organized to provide children and their families more opportunities for open and interactive social life. Lifetime guiding materials that were published for families raising mentally disabled children are still being used several years after the end of the project. The printed handbook for the families having a mentally disabled child is used both by the families involved and not involved in the project. The handbook is freely available for download from the website www.ceribusparni.lv in Latvian and www.kliinikum.ee/attachments/article/114/minu_eriline_laps.pdf in Estonian. The experiences gained from exchange visits are used for making improvements in the welfare system in Latvia at various levels, including new policy initiatives. Members of the NGOs working with the people of special needs have visited the relevant Estonian organizations already several times, as well as managed to advocate for the study tour for the Latvian Ministry of Welfare representatives to Estonian Maarja Küla village, being home for children with mental disabilities. After this visit, several new initiatives have been adopted also in Latvia.

Valga – Valka Joint Rescue Capacity established stronger ties between fire and rescue services of twin towns Valga and Valka on the border between Estonia and Latvia. The construction of the new fire service on the Valga side is ready to serve both countries and is an example of infrastructure investment objects supported by the Programme. The fire station is equipped with the most contemporary tools used in firefighting and rescue operations. Also the staff of both fire and rescue stations has been trained in order to react immediately and effectively in case of an accident on

either side of the border. Cooperation continues within project **Joint Activities in Tough Environment**, which is currently being implemented. As Valka - Valga has a joint diameter – half of the town is on the Estonian side and half of the town – on the Latvian – many formal and informal cooperation activities are ongoing on a daily basis.

Regarding possible refocussing, it may be said that the Programme has been and currently is well on track towards the aims set in the Programme document and at the moment it would be too late for re-focussing. However, during the Programme implementation the efforts have in some cases been re-focussed to reach better quality results. Already in 2009 the MC stopped submission of projects in the field of tourism to avoid the situation that the funds meant for all the business sectors are committed to tourism projects before any other entrepreneurship development projects are supported. Due to this decision in the early phase of the Programme, a considerable number of projects, which have clearly contributed to the economic development of the Programme area, have been supported. An explicit re-focusing took place in 2009 in priority 3, which was supposed to support mostly “soft” cooperation projects. It was decided to reduce the maximum ERDF request from 300 000 EUR to 150 000 EUR and exclude any construction or reconstruction activities in the projects. These two restrictions had a great impact on quality of all the later priority 3 projects and had made it easier for the Programme to finance activities with strong cross-border element, which in turn has led to situation, where in many cases “cross-border co-operation is a part of daily life in the border regions”.

These two bigger re-focusing exercises in combination with smaller adjustments have helped the Programme to realistically pursue its aims and objectives.

2.2. Information about compliance with Community law

The Programme has been set up and is implemented according to the relevant Community legislation: Regulation (EC) no 1080/2006 of 5 July 2006 on the European Parliament and of the Council on the European Regional Development Fund; Council Regulation (EC) no 1083/2006 of 11 July 2006; Commission regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006; Commission Regulation (EC) No 846/2009 of 1 September 2009 amending Regulation (EC) No 1083/2006; Commission Regulation (EU) No 832/2010 of 17 September amending Regulation (EC) No 1828/2006.

The applicable legislative acts are available on the Programme web-site and appropriate provisions have been included into the Programme Manual. In addition, the subsidy contract signed between the Managing Authority and the lead partner lists all relevant Community legislation as well as refers to the Estonian and Latvian national legislation to be followed in the implementation of the projects.

The changes in the Community and national legislations are followed on a regular basis and if necessary, the approved legislative changes have been and will be incorporated in the Programme documents. So far there have been no problems with the implementation of the operational programme regarding Community Law.

2.3. Significant problems encountered and measures taken to overcome them

The Annual Control Report (ACR) of 2012 disclosed an error rate above the materiality level of 2%. The higher error rate occurred due to irregularities in two projects: *“Baltic Small Harbours Network” (Baylink)* and *“Raising the attractiveness and competitiveness of North Kurzeme in Latvia and Saaremaa Island in Estonia by improving tourism environment and its offer using the natural advantages of coastal municipalities” (“One Vacation - Two Countries”)*. The essence of the irregularities have been described in detail in the AIR 2012 but they were related to the non-compliance with the national public procurement rules (“Baylink”) and non-achievement of a part of the project’s sub-objective (“One Vacation – Two Countries”)

Based on the ACR 2012, with the letter of 11 April 2013, the EC, referring to a higher error rate, which may imply also errors in the system, informed the Programme authorities on the interruption of the payment deadline.

Having become aware of the high rate, the Programme authorities immediately started to design the corrective and complementary measures, which by the end of 2013 had also been effected. The main measures were the following:

- Carrying out additional audits to identify whether there are systemic errors in management and control system. Consequently, 25 complementary audits were conducted for the expenditure certified to the Commission in 2011 and 12 audits for the expenditure certified

to the Commission in 2012 bringing the number of audits of operations conducted in 2013 up to 37. Of those, thirty were outsourced to KPMG Baltics OÜ, five were done by the GoA members and two by the AA in Estonia.

The purpose of the 25 complementary audits was to determine the actual error rate in the expenditure certified to the Commission in 2011. The coverage of the complementary audits meant that the audited amount in total included ca 45% of the projects and 35% of the expenditure certified in 2011.

- Review of checklists for controlling the procurements by Estonian and Latvian FLCs. Since January 2012, the Estonian FLC uses the checklists elaborated and used by the Ministry of Finance of Estonia, which are very comprehensive and based on the Public Procurement Act of Estonia. In Latvia also the procurement checklists were considerably elaborated, the previous checklist were rather general whereas the new one consists of 9 different parts with the number of questions amounting over 50 in some parts. It covers all provisions of Public Procurement Act in Latvia. The checklists were reviewed and confirmed by the lawyers of the Regional Development Agency of Latvia hosting Latvian FLC.
- Site visit reports compiled by the Programme consultant of the JTS will in addition to the Programme consultant be reviewed and signed by the Head of the JTS. This 4-eye principle is to strengthen the quality of the report and to get further confirmation that the project is being implemented in line with the project application and the objectives will be achieved. In case of any deviations from the application form, the needed follow-up actions are included in the site visit report and the fulfilment is monitored by the consultant. Ultimately, when all necessary activities are fulfilled by the project partner, a follow-up report is compiled, which is also signed by the Head of the JTS. Implementation of the follow-up activities is one pre-condition for the CA for making payments to the Lead Partner.

Comprehensive letters describing all the reasons behind the high error rate and applied corrective measures were sent to the European Commission, DG REGIO on 14.06.2013 and on 18.11.2013.

The complementary audit work along with the adequate financial corrections revealed that the error rate originally reported was distorted by a combination of a single large case along with a small sample size. The actual rate after confirming the audit results and applying corrections suggested by the Commission for the 2011 expenditure was determined to be 0,91%.

The Annual Control Report for 2013 and Annual Opinion of 2013 were submitted to the European Commission on 31 December 2013. The Annual Opinion stated that the management and control system complies with the applicable requirements of the EU regulations and functions effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and underlying transactions are legal and regular.

For information, the error rate for 2012 expenditure was 0,78%. Based on the complementary audit results of the 2011 expenditure, the ACR 2013 and the information provided on corrective

measures, the EC made a decision to lift the interruption of payment deadline and not apply any suspension. A lifting letter from the EC was received on 06.03.2014.

It should be also mentioned that the beneficiaries did not suffer from the interruption of payments as the bridge financing received from the Estonian Ministry of Finance was sufficient to cover all payment requests.

2.4. Changes in the context of the operational programme implementation

In order to monitor changes in the context of the operational programme implementation, several context indicators have been listed in the Programme document. Mostly the trends of context indicators reflect macro-level developments in Estonia and Latvia, and more specifically also in the Programme area.

Connectivity between countries remained unchanged from 2012 but at the end of the year – seven bus lines and one train line connects larger centres of both countries. No regular direct air or water connections existed in 2013 between locations in the Programme territory, if not counting Riga – Tallinn flights (Tallinn is outside the Programme territory). Establishment of a new free of charge bus line between Riga Airport and Tartu Bus station for the passengers of airBaltic airline was underway in 2013 and it was completed in 2014.

Despite the decreasing population numbers in both Estonia and Latvia, economies in 2013 continued to recover from the consequences of the economic recession and showed signs of stabilization and growth. It includes decreasing unemployment rates (from 10,24% to 8,27% in the Programme territory in Estonia and from 13,65% to 7,95 % in the Programme territory in Latvia), growth of GDP per capita (0,8 % year on year change in Estonia and 4,1% year on year change in Latvia) and increasing number of enterprises and self-employed individuals in the programme area in both Estonia and Latvia.

Also other indicators show positive trends, for example, the number of households with internet access in the programme area increased 5,07% in Estonia and 2,9% in Latvia reaching 74,68% in Estonia and 71,60% in Latvia.

2.5. Substantial modification pursuant to Article 57 of Regulation (EC) No 1083/2006

There have been no cases of investments in infrastructure or productive investments, undergoing substantial modifications, caused by a change in the nature of ownership or cessation of productive activities, affecting the nature or the implementation conditions of the operation or which gave to a firm or a public body an undue advantage in 2013 – as stipulated in paragraph 1 under Article 57 of the Council Regulation (EC) No 1083/2006 of 11 July 2006, amended by Regulation (EU) No 539/2010 of the European Parliament and of the Council of 16 June 2010.

2.6. Complementarity with other instruments

As in 2013 only projects from the reserve list of priority 3 were supported, no additional checks regarding complementarity with other instruments were made in 2013.

The common checking process of the Programme has included the following: during the assessment procedure, in order to avoid double financing, the JTS checked the projects stored in Enterprise Estonia database, which had a link with the project applications submitted under the Estonia – Latvia Programme and may have received financing from the ERDF or ESF financed Estonian mainstream programmes.

On the Latvian side, similar procedures were carried out by Latvian National Responsible Authority. More precisely, Latvian National Responsible Authority carried out cross-checking with the relevant ministries to find out, whether similar activities had already been financed by other financing sources.

Cross-checking with other ETC programmes has been mostly carried out by the members of the MC, who represent Estonia or Latvia in selection committees of the ETC programmes, where Estonia or Latvia are involved, and have therefore a good overview of cross-border cooperation ideas, which are submitted to more than one ETC programme.

Also the lead partners confirmed by signing the application form, that the project, either in whole or in part, had not received or would not receive any complementary EU funding during the whole duration of the project. In addition the applicants were asked to describe any links to on-going and/or finalised related programmes, projects and activities, and explain the added value to be created through a particular project.

None of the projects received financing in the field of agriculture in 2013 therefore there was no need to do cross-checking with the Estonian Agricultural Registers and Information Board, which had been done during the previous years.

2.7. Monitoring and evaluation

The general basis for all the actions related to the proceedings of the project applications and reports are the Programme Manual and rules of procedure of the Monitoring Committee.

The technical tool for the proceedings regarding project application and monitoring of the projects is Navision (internal electronic database of the Enterprise Estonia for project related information, adjusted for the needs of Estonia - Latvia Programme). All documents related to different project processing steps are uploaded in Navision, which enables to follow the progress of a particular project.

On a project level, the JTS is carrying out regular site visits to each running project. On average each project is visited ca 2 times by the JTS during its implementation. The Programme consultants also

try to participate in project meetings (especially kick-off meetings), events or openings of investment objects. These visits significantly help the JTS staff to get a real overview of the project activities and partners, and establish stronger working relationship with the project staff. During the site visit, the “Site visit form” is completed, where the results of the visit are described. In 2013 the JTS carried out 32 site visits to projects.

The site visits are also carried out by Estonian and Latvian first-level control bodies. They, check the accuracy of the accounting system and the correct filing of documentation including public procurement documents, verify themselves on the existence of the goods and services procured or delivered during the Programme. In 2013, total 47 site visits were carried out by Estonian and Latvian first-level controllers.

The first-level controllers check the partner reports and ultimately issue a confirmation on the acceptance of the report to the lead partner of the project. Relevant information is also sent to the project partner. On the basis of the approved partner reports the lead partner compiles a progress report, which is sent to the JTS for approval and for further submission for a payment.

Each progress report, when submitted for a payment to the CA, is accompanied by a letter signed by the Head of the JTS confirming that the project has been so far duly implemented, is in accordance with all set requirements and the applied amount comprises of eligible expenditure only.

On the Programme level, the Managing Authority follows, through information received from the JTS, FLC or from Navision, the implementation of the projects. The Managing Authority submits a confirmation letter to the Certifying Authority on due implementation of the Programme bi-annually. The letter is accompanied by a site visit table, which summarises the information of the visits carried out by JTS and FLC as well as by the table on the implemented audits. In case some shortcomings are identified, a deadline is provided for their elimination in the site visit, and in the audit table.

2.8. EU Strategy for the Baltic Sea Region

The territory of the Estonia - Latvia Programme 2007-2013 is part of the area covered by the European Union Strategy for the Baltic Sea Region (hereafter “the EUSBSR” or “the Strategy”). The need to solve common problems jointly to have a wider and more sustainable impact was the main impetus for elaborating the EUSBSR. The Strategy was approved by the European Commission in June 2009 following an update in 2012 and Action Plan in 2013.

The updated Strategy addresses the key challenges of sustainable environment, prosperity, accessibility, safety and security. It has to reflect the Europe 2020 objectives of smart, sustainable and inclusive growth³.

The revised Communication on the EUSBSR specifies three overall objectives for the Strategy:

- 1) to save the sea;
- 2) to connect the region;
- 3) to increase prosperity.

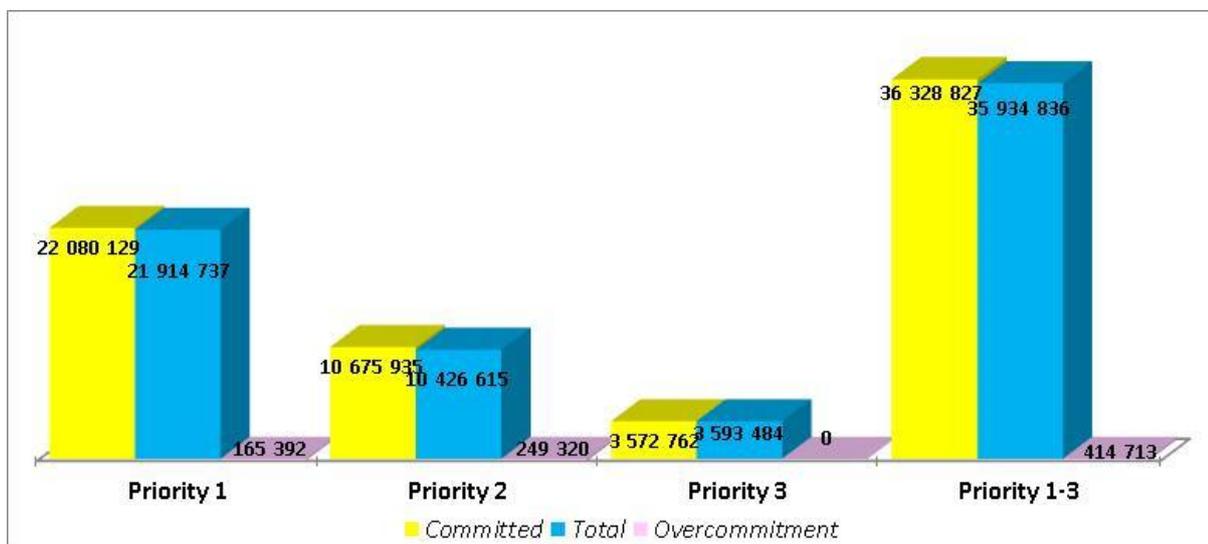
Despite of its rather local focus, the EUSBSR has been taken on board as much as possible in the implementation of the Programme. The projects, which results have a wider impact and can be used in the whole Programme territory or beyond it, or which could create new development potentials in the area the project is implemented, have been identified as contributing to the EUSBSR. The projects' objectives and activities should also directly comply with the priority areas of the Action Plan concerning the European Union Strategy for the Baltic Sea Region. The labelling is done in cooperation between National Responsible Authorities, Joint Technical Secretariat and Managing Authority.

Altogether 11 projects have been labelled to have a link to the EUSBSR, and these links have been noted on the Programme website (at each project description). The table including the projects contributing to the EUSBSR has been added as Annex 4 to the report. However there have been no changes compared to the Annual Implementation Report 2012.

³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions concerning the European Union Strategy for the Baltic Sea Region, Brussels, 23.3.2012 Com(2012) 128 final

3 IMPLEMENTATION BY PRIORITY

Chart 1: Financial overview at the end of 2013



As can be seen from the table above, there is a slight over commitment under priorities 1 and 2. However, the overcommitted sums will be covered by savings of the projects, which have not officially finished yet and rather the programme authorities need to decide by autumn 2014, what is the most appropriate way of committing the additional savings. Possibly the option of reallocating funding between the priorities within the limits of 10% flexibility rule as allowed by the Regulation (EU) 1297/2013 of the European Parliament and the Council of 11 December 2013, will be used. The approximate volume of savings from priorities 1, 2 and 3 will be 200 000 EUR.

The approach on reporting indicators has been reviewed under all priorities to reflect more up to date status with fulfilment of indicators. This revision is also in accordance with the letter no (2014)131421 of 21/01/2014 sent by the EC. More precisely, a column has been added to the indicators table, which shows fulfilment of indicators based on the last progress reports of the projects finished by the end of 2013 and a row has been added, which shows the share of female participants at joint training or education events. In addition, a following correction was made in data gathering. While the indicator tables of AIR 2012 included data from 10 projects, which contributed to indicator fulfilment of other than their own priority axis (*e.g.* project under priority 1 contributing to an indicator “Number of co-operation projects between enterprises and research or education institutions” under priority 2), such cases have been eliminated from indicator tables of this annual report and all the supported projects contribute only to fulfilment of indicators of their own priority axis.

Under each priority, some indicators remain under-fulfilled. The MC at its meetings has discussed the fulfilment of indicators and the Programme authorities have proposed to change the indicator targets to better meet the reality. The MC decisions, however, had been to leave the targets unchanged and rather to make efforts to achieve the set aims. In the light of this, in the project selection, the MC has always considered the indicator fulfilment at the time without any expense to

the quality of the projects. At this point, having a retrospective view of the Programme implementation it may be concluded that under-fulfilment of some indicators has not hampered the achievement of the objectives of the Programme as described in the different chapters of the report, especially in the chapter 2.1.6 and in Annex 1 to the report.

3.1. Priority 1 Increased cohesion of the Programme area

3.1.1. Achievement of targets and analysis of the progress

Table 3: Overview on the fulfilment of indicators under the 1st priority

Indicator	Objective	Baseline 2007	Target 2015	Achievement – 2013 (based on reports of finished projects)	Achievement forecast – 2015 (reports of finished projects + applications of ongoing projects)	Fulfilment % - 2013	Fulfilment forecast % - 2015
Priority 1							
1.Number of projects creating new or improving the existing cross-border transport connection links	Improved physical connectivity of the Programme area	0	10	2	5	20%	50%
2.Number of projects improving access to ICT networks or services	Improved physical connectivity of the Programme area	0	10	2	5	20%	50%
3.Number of projects developing joint use of infrastructure	Enhanced joint management of public services and resources in the Programme area	0	5	3	9	60%	180%
4.Number of projects developing collaboration in the field of public services	Enhanced joint management of public services and resources in the Programme area	0	5	4	10	80%	200%
5.Number of projects finding joint solutions to similar environmental problems	Enhanced joint management of public services and resources in the Programme area	0	10	4	9	40%	90%
6.Number of people participating in joint education	Increased knowledge and capacity of the target group	0	300	845	2075	282%	692%

or training activities							
6.1. Number of women participating in joint education or training activities	Increased knowledge and capacity of the target group		50% of the participants are women	367	982	43%	47%

Table 4: Priority 1 by direction of support

Direction of support	ERDF allocation	ERDF committed 2013	ERDF committed total	% of committed ERDF	ERDF paid
1.1 Reducing isolation through improved internal and external connectivity of the Programme area	21 914 737	0	12 035 065	55%	6 566 136
1.2 Enhancing joint management of public services and resources		0	10 045 065	46%	6 749 301
Total		0	22 080 129	101%	13 315 437

In total, twenty one projects have been supported under priority 1 – seven projects under direction of support 1.1 and fourteen under direction of support 1.2. **In 2013 no projects were approved under priority 1.** At the end of 2013, the amount over-committed under this priority was 165 392 EUR. However, the over-committed amount has been steadily decreasing, as all the finished projects report under spent sums, and the newest forecasts show no shortage of funds under priority 1 in the end of the Programme. It is rather more likely that some surplus could be generated, which would be used for increasing the ERDF share of two projects under priority 1 – “Estonian-Latvian, Latvian-Estonian Dictionary” and “Joint Actions in Tough Environment”. Also the share of funds paid out has improved significantly compared to the status in 2012 - from 42% to 60% of the total committed funds had been paid out by the end of 2013.

In general, the fulfilment of indicators under priority 1 is good or very good, with a few exceptions, *i.e.* indicators nr 1 and 2, both of 50% fulfilment by the end of 2015.

The under-fulfilment of indicator nr 1 can be explained by the concurrence of the following factors:

- on one hand, priority 1 was meant to finance many different activities to achieve better cohesion of the Programme area, therefore it was not possible to finance many infrastructure projects.
- on the other hand, the number of possible transport connection links to be created or improved between Estonia and Latvia is limited, hence the choice of possible project “sites” has been limited, and the “owners” were not always ready to submit their application, which also required submission of thoroughly prepared technical documentation.

Nevertheless, the Programme has found optimal solutions to support maximum fulfilment of the given indicator in current circumstances and in this respect 50% fulfilment rate is good.

The under-fulfilment of indicator nr 2 has been mostly caused by the following factors:

- the set target value reflects the interest of Estonian and Latvian authorities in the topic and willingness to invest in it, but in most cases the topic of ICT networks and services is addressed on a national level. In the framework of the Programme these services should have been developed jointly with a cross-border impact, which would have required unified requirements that had been problematic, e.g. the ID-card authentication systems for e-services in Estonia and Latvia are non-compatible.

However, the Programme has supported several projects, which had developed joint interactive solutions or mobile applications in their particular area. The projects “Smart Botanic Gardens”, “Cultural heritage”, “Development of Estonian-Latvian Medical Area” (DELMA) and Development of Estonian-Latvian and Latvian-Estonian Dictionary (“Dictionary”) may be provided here as examples. In the first one, interactive map for the visitors of the Estonian and Latvian botanical gardens were prepared, whereas in the project “Cultural heritage” an electronic database of over 20,000 heritage sites in Estonia and Latvia was compiled. The project DELMA developed telemedicine services to enable immediate distant consultation and diagnosis in case of need and the dictionary project will make an Estonian – Latvian – Estonian dictionary with 40 000 headwords available online.

Despite special efforts of the JTS in coordination with the MC to receive more applications in the field of ICT such as presentations of the Programme at events organised by respective stakeholders, number of consultations with the field institutions and umbrella associations, the indicator has remained with the lowest fulfilment rate under priority 1.

Nevertheless it may be concluded, as mentioned earlier in this chapter, the under-fulfilment of this indicator does not have any impact on the achievement of the objectives and of the better coherence of the Programme area. It may be said that the ICT solutions have been developed where there has been an actual need. Most of the interactive services prepared within the projects are accessible to the public and complement very well the general tendency of developing user-friendly e-services, which has been one of the national priorities both in Estonia and Latvia during last years.

Very high fulfilment rate of the indicator nr 6 “Number of people participating in joint education or training activities” can be explained by two main factors. On one hand there was very little reliable data available in 2007 to make good quality forecasts about the possible Estonian - Latvian cooperation projects. On the other hand the partners of the projects have done a good job in involving a large number of people to project activities.

3.1.2. Significant problems encountered and measures taken to overcome them

There were no significant problems under priority 1.

3.2. Priority 2 Higher competitiveness of the Programme area

3.2.1. Achievement of targets and analysis of the progress

Table 5: Overview on the fulfilment of indicators under the 2nd priority

Indicator	Objective	Baseline 2007	Target 2015	Achievement – 2013 (based on reports of finished projects)	Achievement forecast – 2015 (reports of finished projects + applications of ongoing projects)	Fulfilment % - 2013	Fulfilment forecast % - 2015
Priority 2							
1.Number of projects promoting entrepreneurial spirit and skills	Increased overall economic competitiveness of the Programme area	0	15	8	10	53%	67%
2.Number of projects supporting the development of economic activities with higher value added	Increased overall economic competitiveness of the Programme area	0	20	7	10	35%	50%
3.Number of projects encouraging the development of cross-border trade	Increased overall economic competitiveness of the Programme area	0	10	4	7	40%	70%
4.Number of co-operation projects between enterprises and research or education institutions	Increased overall economic competitiveness of the Programme area	0	10	6	9	60%	90%
5.Number of new or improved joint tourism products or services	Increased attractiveness of the Programme area for visitors	0	20	4	20	20%	100%
6.Number of projects developing joint use of infrastructure	Increased attractiveness of the Programme area for visitors	0	10	6	6	60%	60%
7.Number of	Increased	0	300	1249	1715	416%	572%

entrepreneurs benefiting from the projects aimed at improving the business environment	capacity of business operators in the Programme area						
8. Number of people participating in joint education or training activities	Increased knowledge and capacity of the target group	0	1400	1148	1588	82%	113%
8.1. Number of women participating in joint education or training activities	Increased knowledge and capacity of the target group		50% of the participants are women	351	571	31%	36%

Table 6: Priority 2 by direction of support

Direction of support	ERDF allocation	ERDF committed 2013	ERDF committed total	% of committed ERDF	ERDF paid
2.1. Facilitating business start-up and development	10 426 615	0	3 541 382	34%	3 153 660
2.2. Increasing the attractiveness of the Programme area		0	6 681 641	64%	3 889 869
2.3. Enhancing employable skills and human resources		0	452 913	4%	452 913
Total		0	10 675 935	102%	7 496 442

Altogether sixteen projects have been financed under priority 2, nine under direction of support 2.1, six under direction of support 2.2 and one under direction of support 2.3. **No projects were approved in 2013 under priority 2.** At the end of 2013, the amount over-committed under this priority was 249 320 EUR. However, this amount is steadily decreasing, as all the finished projects report certain under spent sums. The underspent sum will be allocated to reserve list projects of priority 3, which were submitted already in 2011 and to priority 1 to increase the ERDF share of two projects mentioned under 3.1.1. (“Estonian-Latvian, Latvian-Estonian Dictionary” and “Joint Actions in Tough Environment”) as allowed by the flexibility rule stipulated by the Regulation (EU) 1297/2013 of the European Parliament and the Council of 11 December 2013.

The payment rate under priority 2 continues to be good with slightly over 70% of the total ERDF allocation of the priority being paid out by the end of 2013.

In general, the fulfilment of indicators under priority 2 is good, with the lowest indicator fulfilment rates being 50% of the target by 2015 for indicator nr 2 “Number of projects supporting the development of economic activities with higher value added” and 60% of the target by 2015 for

indicator nr 6 “Number of projects developing joint use of infrastructure”. Regarding indicator nr 2, despite the Programme efforts to attract the entrepreneurs such as organising contact making tours for Estonian and Latvian timber and food processing companies, presentations at a number of thematic events for entrepreneurs, and encouraging entrepreneurship by the MC with the criteria of calls for proposals, their participation remained modest, which was mostly caused by the economic recession falling within the Programme period. Based on the Programme experience it may be said that the target value of 20 projects was too optimistic for this indicator. Indicator nr 6 by its nature rather belongs to priority 1, where it is also represented and shows better fulfilment rate.

Very high fulfilment rate of the indicator nr 7 “Number of entrepreneurs benefiting from the projects aimed at improving the business environment” can be explained by two main factors. On one hand the target value of the indicator was under-estimated, as due to the fact that very few Estonian – Latvian cooperation projects in similar field had been carried out there was very little reliable data available in 2007 to make some sound forecasts for the possible Estonian - Latvian cooperation projects. On the other hand the partners of the projects have done a good job in involving a large number of entrepreneurs to project activities and hopefully it will lay a good ground for the next Estonia – Latvia Programme, where entrepreneurship support will be a top priority.

3.2.2. Significant problems encountered and measures taken to overcome them

There were no significant problems under priority 2.

3.3. Priority 3 Active, sustainable and integrated communities

3.3.1. Achievement of targets and analysis of the progress

Table 7: Overview on the fulfilment of the indicators under the 3rd priority

Indicator	Objective	Baseline 2007	Target 2015	Achievement – 2013 (based on reports of finished projects)	Achievement forecast – 2015 (reports of finished projects + applications of ongoing projects)	Fulfilment % - 2013	Fulfilment forecast % - 2015
Priority 3							
1.Number of projects improving services for the communities	Improved availability of services in the Programme area	0	10	10	12	100%	120%
2.Number of projects increasing the activity of local communities	Increased activity of the local communities	0	10	17	24	170%	240%
3.Number of rural municipalities involved in project implementation	Increased activity of local communities in the Programme area	0	80	28	38	35%	48%
4.Number of non-governmental organisations involved in project implementation	Increased activity of local communities in the Programme area	0	40	22	39	55%	98%
5.Number of participants benefiting from joint social and cultural activities	Increased social and cultural integration of the people in the Programme area	0	40000	70253	79473	176%	199%
6.Number of people participating in joint education or training activities	Increased knowledge and capacity of the target group	0	300	1420	2531	473%	844%
6.1. Number of women participating in joint education or training activities	Increased knowledge and capacity of the target group		50% of the participants are women	657	1213	46%	48%

Table 8: Priority 3 by direction of support

Direction of support	ERDF allocation	ERDF committed 2013	ERDF committed total	% of committed ERDF	ERDF paid
3.1 Improving the environment for active and sustainable communities	3 593 484	130 131	1 521 381	42%	1 205 155
3.2. Promoting grass-root level actions		0	2 051 380	57%	1 923 837
Total		130 131	3 572 762	99%	3 128 992

Altogether twenty eight projects have been financed under this priority, nine projects under direction of support 3.1 and nineteen under the direction of support 3.2. **In 2013, two projects** were approved under priority 3, which belonged to the reserve list, as sufficient funding was cumulated from under spending of finished projects. By the end of 2013 priority 3 has a surplus of 20 722 EUR, and with the help of additional surplus from priority 2 two additional reserve list projects of priority 3 have been supported in 2014.

The payment rate under priority 3 is the best of the three priorities with more than 87% of the total ERDF allocation of the priority being paid out by the end of 2013.

Under priority 3 the approach on reporting indicators has been reviewed similarly to priority 1 and 2 for this annual report. Regarding fulfilment of indicators priority 3 is the most successful of the three. Only indicator nr 3 “Number of rural municipalities involved in project implementation” has clearly not met the targets.

The under-fulfilment of indicator nr 3 has been mostly caused by the following:

- administrative reform in Latvia in 2009 reduced the number of local municipalities in Latvia for more than 4 times, which meant that several potential individual partners were merged and the number of rural municipalities as potential project partners was drastically reduced on Latvian side;
- the fact that the Programme restricted any construction or reconstruction activities in applications under priority 3 since 2010, made the Programme less attractive for local municipalities, but clearly contributed to more active participation of the third sector and altogether supported more qualitative and cooperation minded implementation of priority 3.

The MC discussed the fulfilment of this indicator and agreed that reaching a certain number of participating rural municipalities was not regarded as one of the main objectives of priority 3. Rather the MC encouraged participation of NGOs to have an impact on real grass-root level, which is illustrated also by good fulfilment rate of indicator nr 4.

High fulfilment rate of indicator nr 2 “Number of projects increasing the activity of local communities” is mostly caused by the fact that the average project budget under priority 3

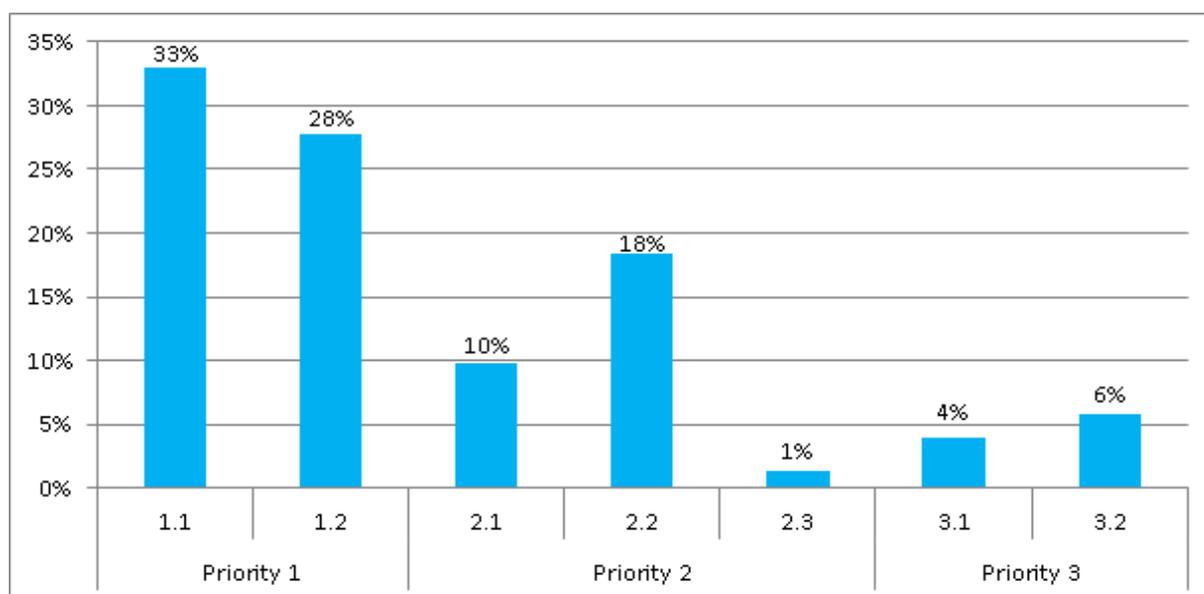
(approximately 127 000 EUR) is smaller than expected in the beginning of the Programme, which has logically resulted in an over-fulfilment of the indicator, as majority of priority 3 projects qualify for this indicator.

Over-fulfilment of indicator nr 6 “Number of people participating in joint education or training activities” is caused by the same reasons already given for the same indicator under priorities 1 and 2.

3.3.2. Significant problems encountered and measures taken to overcome them

There were no significant problems under Priority 3.

Chart 2: Share of each direction of support to the total funding



4 MAJOR PROJECTS

Financing of major projects is not applicable in the framework of the Estonia - Latvia Programme 2007-2013.

5 TECHNICAL ASSISTANCE

The overall budget of Technical Assistance for the Estonia – Latvia Programme 2007-2013 is 4 681 047 EUR with the Community amount of 2 293 713 EUR. With the amendment to the Operational Programme in 2012, the co-financing rate of Community contribution was changed from 35.76% to 49% and national contribution, consisting of Estonian and Latvian contributions, has been reduced from 64.24% to 51.00%. In 2013 the transitional period was applied where the national co-financing rates were on a lower level and ERDF co-financing on a higher level of 88,20%, in order to reach the co-financing levels of the OP by the end of the Programme.

In 2013, the total TA expenditure made up 583 989 EUR, of which the Community contribution was 515 078 EUR. The total spent TA expenditure for the period 2007-2013 is 2 740 434 EUR with Community funding of 1 286 223 EUR. In calculation, until the end of 2012, Community co-financing rate of 35,76% was applied, for 2013 the applied rate was 88,20%.

The table on the next page shows the TA expenditure by budget lines. The budget has been approved by the Monitoring Committee and has been spent keeping in mind the best practice and benefit for the Programme. By the decision of the MC, the TA budget of the current period is used also for the preparation of the Estonia - Latvia Programme 2014-2020. The MC allocated 150 000 EUR for this purpose to cover all the preparation period over the years out of which altogether 44 663 EUR has been spent.

Table 9 Technical Assistance in 2013

	Eligible expenditure 2007-2012				Planned budget 2013				Eligible expenditure 2013				Total eligible expenditure 2007-2013			
	Total	Tartu office	Riga IP	Program-ming 2014-2020	Total	Tartu office	Riga IP	Program-ming 2014-2020	Total	Tartu office	Riga IP	Program-ming 2014-2020	Total	Tartu office	Riga IP	Program-ming 2014-2020
Joint Technical Secretariat																
Staff costs	952 412	817 900	134 512	0	245 000	191 000	54 000	0	193 394	174 142	19 252	0	1 145 806	992 042	153 764	0
Office expenses	157 524	135 052	22 472	0	31 720	25 720	6 000	0	22 359	20 790	1 569	0	179 883	155 842	24 041	0
Travel and accommodation	98 780	82 167	16 472	140	55 202	35 380	10 000	9 822	40 028	35 285	3 902	842	138 808	117 452	20 374	982
Programme Meetings (MC)	29 847	21 997	0	7 849	39 060	10 700	0	28 360	16 646	3 614		13 032	46 493	25 612	0	20 882
Database	35 495	35 495	0	0	3 000	3 000	0	0	0	0		0	35 495	35 495	0	0
External expertise, analysis	166 863	166 863	0	0	58 200	21 000	0	37 200	42 361	19 561		22 800	209 224	186 424	0	22 800
Publicity and marketing	203 453	203 453	0	0	58 800	58 800	0	0	45 240	45 240		0	248 693	248 693	0	0
Reserve	0	0	0	0	11 383	0	0	11 383	0	0	0	0	0	0	0	0
JTS TOTAL	1 644 373	1 462 927	173 456	7 989	502 365	345 600	70 000	86 765	360 029	298 632	24 723	36 674	2 004 402	761 560	198 179	44 663
Managing Authority, Audit Authority, Certifying Authority																
Labour costs	409 647	0	0	0	153 499	0	0	0	124 725	0	0	0	534 372	0	0	0
Office costs	37 532	0	0	0	112 089	0	0	0	64 688	0	0	0	102 221	0	0	0
Travel and accommodation	64 893	0	0	0	48 101	0	0	0	34 546	0	0	0	99 439	0	0	0
MA/AA/CA TOTAL	512 072	0	0	0	313 689	0	0	0	223 960	0	0	0	736 032	0	0	0
TOTAL JTS + MA/AA/CA	2 156 445	1 462 927	173 456	7 989	816 054	345 600	70 000	86 765	583 989	298 632	24 723	36 674	2 740 434	761 560	198 179	44 663

Table 10 Fulfilment of the indicators under Technical Assistance

Priority 4. Technical assistance					
Indicator	Objective	Baseline 2007	Achievement – 2013	Programme target - 2015	Fulfilment % - 2013
1. Percentage of all projects approved for funding implemented successfully	Efficient assessment, selection and monitoring procedures of the Programme	0	100%	95%	100%
2. Number of events, seminars and trainings organised for the publicity, information and capacity building about the Programme	Increased knowledge and capacity of the target group about the Programme	0	91	32	284%
3. Number of participants to different Programme events (conferences, workshops, seminars, trainings)	Increased knowledge and capacity of the target group	0	3108, including 2104 female	1 200 thereof at least 50% female	259%, including 68% female

6 INFORMATION AND PUBLICITY

6.1. Information and publicity activities

The focus of 2013 information and publicity activities has been on showcasing the results achieved by the Programme to various target audiences in Estonia and Latvia, as well as informing all interested stakeholders about the preparations of the new Programme for 2014-2020 period.

The following information, publicity and communication activities were carried out by the Programme in 2013:

- **Estonia – Latvia Road Trip** – an **annual event** of the Programme for stakeholders, partners, journalists and general audience –to showcase 12 Programme-supported projects in both countries.
- The above event celebrated European Cooperation Day 2013 on September 20. More than 200 participants departed from two locations in Estonia and two locations in Latvia and met for joint networking near the border of Estonia and Latvia. The event got significant attention also by various media channels.

- **Joint Partner day** – event for the partners of approved projects on June 2013 in Ape, Latvia;

- **Information seminars on reporting and publicity requirements** for the partners of the approved projects (1 in Latvia and 1 in Estonia);
- **Specialized trainings** for partners of the approved projects on procurement and communication issues (2 events in Latvia, and 2 events in Estonia);
- **Youth poster campaign for European Cooperation Day 2013** – a campaign involving young people, carried out jointly with Latvia – Lithuania, Estonia – Latvia – Russia and Central Baltic Programmes;
- **Programme newsletter and news updates** – 1 edition of the newsletter, each in English, Estonian and Latvian, as well as regular news update e-mails to contacts, each consisting of at least three news items;
- **Regular updates of the Programme website**, about a 70 stories on Programme and project activities;
- **Regular posts on Programme social media pages** on Facebook and YouTube;
- **Media outreach activities** in relation to Programme organized events and approved projects.

In 2013, the main emphasis of all communication activities was communicating successful implementation, results and impact of projects not only by traditional over-the-distance channels but also by bringing the target audiences to project sites and events. Programme

representatives visited about 2/3 of all projects implemented in 2007-2013 for assessing their impact, during which among other things the materials for Programme communication were prepared. Another important direction in 2013 communication work was keeping the potential stakeholders informed about ongoing the preparations of Estonia - Latvia Programme 2014-2020 through direct messages, social media and website updates.

In order to inform the existing Programme audiences and reach also new audiences that might potentially be interested not only in the results and impact of the current Programme, but also consider involvement into the new one, the division of the Programme target audiences could be characterized as follows:

- **Existing stakeholders** – all Programme authorities and people involved in implementing the projects in Estonia, Latvia and European Union institutions;
- **Local communities** – people from the regions that are directly benefiting from the activities implemented by the project partners in the Programme territory in Estonia and Latvia;
- **General public** – people from all walks of life that are interested in the results of territorial cooperation and that potentially might be interested in cooperation during the next period in Estonia and Latvia.

In 2013 the major communication activity was the **Estonia – Latvia Road Trip** – an annual special event, in which all three target groups were involved. All together about 200 participants boarded four specially chartered busses – two in Estonia, departing from Tallinn and Tartu, and two in Latvia, departing from Rīga and Alūksne. Programme messages were delivered to audiences as soon as they got on board – each received a specially printed “Estonia – Latvia Passport” with project information and throughout the trip with the help of special video messages the participants were introduced to different Programme achievements. Each bus made 3 stops at project sites to allow the participants to gain a first-hand insight into the projects, in total 12 projects were covered. Project site visits offered participants not only information, but also hands-on experience in various areas. For example, project working with organic potatoes allowed the participants to learn how potato starch was made, winter sports project offered a chance to try out biathlon shooting, cross-border fire and rescue project offered a chance to all participants to try out the tasks of a firefighter, to mention some of the activities. As a result of these events, the Programme had 849 photos for using in various channels – both photos commissioned by the Programme and photos voluntarily provided to the Programme by the participants.

As the road trip took place on the week of the **European Cooperation Day 2014** – a day designed to celebrate the success of cooperation between the European countries as well as with the neighbouring countries – this full-day trip for travellers on all four busses concluded in one location close to the Estonia – Latvia border. Participants from both countries had a chance to meet and share their impressions from the day, and enjoy a meal prepared jointly by Estonian and Latvian chefs. Despite the unpredictable autumn weather conditions in the Baltics, the day was sunny and the event turned into a really beautiful joint evening for

Estonians and Latvians, during which they could share their impressions and opinions about cooperation.

The Programme also joined forces with three other territorial cooperation programmes in the Baltics to organize a **Youth poster campaign for European Cooperation Day 2013**, which included a slogan crafting workshop and poster photographing in the streets, markets and parks of Riga. The activities allowed talking about the work of the programmes with people in the streets who expressed interest in the campaign. It was one of the first times, when so many programmes in the region organized a joint action. It also resulted in a brochure full of slogans about cooperation and visual materials in the form of posters and photos that have been and still are used in various communication events and on the website and social media sites.

The **Programme social media** strategy, successfully started at the beginning of 2012, was continued in 2013. Items about the work of the Programme and projects along with other Estonia – Latvia cooperation related items that might be of interest to people working with cross-border projects, were posted on Programme Facebook profile daily. The number of followers at the end of 2013 was close to 400, but the most popular posts (news, pictures and videos from the Road Trip) were seen by as many as 3000 Facebook users in Estonia and Latvia. Posts about the project impact in some cases received the attention from about 300 followers, which given the scarcity of population in the border areas is a good result. According to Facebook insights, the traffic to the profile increases the most during larger campaigns... The Programme also continued to use YouTube channel for video uploads. In 2013, all together the Programme produced and uploaded 15 videos from events as well as videos featuring project implementers, made during the impact interviews. According to YouTube statistics, all videos together have been viewed about 2000 times. The most popular video with close to 500 views was Estonia – Latvia Road Trip campaign promotional video. Since the establishing of YouTube account at the beginning of 2012, the total views for the channel is 13 385.

The **Programme website www.estlat.eu** was constantly updated, with around 70 news items on running project events and Programme activities. On the website, among other information, the list of supported projects including all partners as well as short description of the objectives and activities can be found. In 2013, new section for the Estonia – Latvia Road Trip was added. The section on the Planning for 2014-2020 has been regularly updated with new information. Estonian, and Latvian-language sections have been updated with the newest Programme and campaign information. All together from January 1 until December 31, 2013 the website was visited 23,380 times by 13,344 unique visitors, 55% of whom returned to the site several times. 42% of all visitors were from Estonia, 32 % - from Latvia, the rest were mostly from other countries in the European Union. On September 5, 2013 the site received the highest number of visitors – 579 and it was in connection with the Estonia - Latvia Road Trip campaign. From users, who viewed the page from a mobile device, there are slightly more iOS users (52%), followed by Android users (41%) and Windows Phone users (3%). There are very few users that connect from other platforms (4% taken together).

The **Programme newsletter** was issued in spring 2013 in the English, Estonian and Latvian languages. After that it was decided that instead of preparing the newsletter, it would be more useful to send out regular news updates as the news come in. There have been several mailings sent directly to about 1430 Programme contacts directly, each containing at least 3 news items, almost all of them have included some information on the developments with the preparation of the new Programme.

The Programme continued to organize various special activities for the supported and running projects. Two **Communication seminars** took place in spring 2013 – one in Riga, Latvia and one in Viljandi, Estonia, to provide partners of the running projects training in basic communication activities. **Joint Partner day** was organized in Ape, Latvia in June 2013, in order to provide the partners of the supported and running projects with networking opportunities, as well as to collect their ideas for planning of the Programme for 2014-2020.

6.2 Media monitoring

In 2013, the Programme was covered by at least 10 media outlets and stations, but the Programme-funded projects received much more extensive coverage, mostly in local and regional media outlets, in some cases also on national media. The Programme does not use professional media monitoring services, but monitors media using its own resources, therefore not all media impressions can be precisely counted.

The Estonia – Latvia Road Trip and other European Cooperation Day activities received the largest media attention – all of it positive or neutral – as both were covered by national and local level media outlets in Estonia and Latvia. In Estonia, Maaleht (The Rural Paper) published a positive article about the road trip campaign, accompanied with several photos. In Latvia, Latvian Public Radio as well as Latvian Public Media portal covered the poster campaign and the road trip in two broadcast and two online news stories. Programme and project representatives were interviewed for these stories. Also Latvian regional television Re:TV and Valmiera TV featured a news clip about the visit to Aloja Starkelsen factory, and the story included an interview with the representative of the Programme Managing Authority. Local newspapers devoted some coverage to the events organized by the Programme through the eyes of the employees of the secretariat (Auseklis and Malienas Ziņas). All Programme media coverage was either initiated by the secretariat or by media representatives, and was free of charge.

Several projects, for instance FoodArt, Art School Walk, BaltOrgPotato, Radio Classics, DELBI and others were active in 2013 with arranging their own media coverage. In some cases this coverage was ensured through agreements with media outlets, involving compensation from the project budgets.

7. CHALLENGES FOR 2014

The key words for 2014 will be finalising programming of the Estonia – Latvia Programme 2014-2020 and preparation of implementation tools for the next programme.

A number of important steps are still to be made in the context of the next programme document; starting from finalising the wording of result indicators, setting their baseline and target values, dividing financial allocations between priority axes, arranging public hearings both in Latvia and Estonia of the programme document and strategic environmental assessment report, finalising ex ante assessment and organising national approval procedures of the documents to be submitted to the European Commission.

In parallel the programme authorities will work on designing the practical implementation tools of the new programme, including development of the e-monitoring system, setting rules for additional simplification measures, and updating procedures and related documents for application, reporting and requesting changes in project activities and budget.

Closure of the current Estonia – Latvia programme remains one of the main focus points of the Programme authorities, including close monitoring of all projects still running, so that their possible delays would not endanger timely closure of the programme, and the JTS will compile the first draft closure report.

The closure of the Programme means a lot of work also in the field of publicity, including a book of stories about all the approved projects and closure event in autumn 2014.