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## 1. Joint programme strategy: main development challenges and policy responses

### 1.1. Programme area (not required for Interreg C programmes)

Reference: point (a) of Article 17(3), point (a) of Article 17(9)

The programme area is situated in the northern part of Europe, on the north-eastern coast of the Baltic Sea. In the east, the programme area extends as far as the EU's external border with Russia. The programme area covers the southern and south-western parts of Estonia and the northern and western parts of Latvia, covering a total territory of 65,968 km<sup>2</sup> (26,668 km<sup>2</sup> in Estonia and 39,300 km<sup>2</sup> in Latvia). Estonia and Latvia share a 343 km-long land border and a 214 km-long sea border. The programme area has a joint maritime border and a joint coastline of 1,139 km in the west (of which 497 km is within Latvia and 642 km is within Estonia), including 1,418 islands and islets (with an approximate total coastline of 1,283.5 km), all of which are within the Estonian section, and only thirteen of which are permanently populated. The Gulf of Riga is a bay of the Baltic Sea between Latvia and Estonia. Rīga and Kurzeme share a maritime border with Estonia. The Latvian region of Vidzeme has both a land and a maritime border area.

The programme area includes the following NUTS III regions within Estonia: Lõuna-Eesti (South Estonia) and Lääne-Eesti (West Estonia); and within Latvia: Kurzeme, Pierīga, Rīga and Vidzeme.

1.2 Joint programme strategy: Summary of main joint challenges, taking into account economic, social and territorial disparities as well as inequalities, joint investment needs and complimentary and synergies with other funding programmes and instruments, lessons-learned from past experience and macro-regional strategies and sea-basin strategies where the programme area as a whole or partially is covered by one or more strategies.

Reference: point (b) of Article 17(3), point (b) of Article 17(9)

### **Demographics, territory and cooperation governance [1]**

The programme area's population is about 0.4% of the population of the European Union: comprising approximately two million inhabitants in total, of which 0.5 million are on the Estonian side of the border and 1.4 million on the Latvian side. The population has decreased gradually in all the regions of the programme area combined. In 2014 there were 469,549 inhabitants in the 10 Estonian counties of the programme area, and by the beginning of 2020 the number had decreased to 465,213. In 2014 a total of 1,470,355 people lived in the four Latvian regions of Kurzeme, Vidzeme, Pierīga and Rīga, whereas in 2020, 1,423,298 lived there. The decline is not even and happens at a different pace in both countries. Due to migration, regions like Pärnu and Tartu counties in Estonia and Pierīga in Latvia are seeing a slight growth. In Latvia, emigration and natural change account for the decline, while in Estonia the migration trend is positive, but natural change contributes negatively.

In both countries, the most inhabitants reside in urban areas and the two largest ones in the programme, Rīga and Tartu, account for approximately 0.7 million people. The metropolitan area of Rīga is the fourth most populous in the Baltic Sea Region and accounts for 64% of all inhabitants of Latvia. As a central region of Latvia, it has a major impact on the country's economy, research, education and culture.

The age distribution of the population is rather similar in both countries. In average one third - 30% in LV and 25% in EE of the population is older than 65 years, younger population in the age of 15-30 forms 13 and 19% respectively.

South-Estonia comprises six counties and has approximately quarter of the population of Estonia, half of which lives in Tartu County, including the town of Tartu. Tartu is an important socio-economic centre with a university, a university clinic, science parks and businesses that provide profitable jobs, but Tartu has no such impact as Tallinn does in Harju County, where 58% of the Estonian population lives. The settlement in the region is mainly of an urban nature, and every county has its own cultural identity. Towns such as Viljandi, Võru, Põlva, Jõgeva and Valga provide jobs and services locally, although their capacity is different.

West Estonia is a marine region that includes Pärnu, Lääne, Hiiu and Saare counties. Kihnu Island in Pärnu County and Vormsi in Lääne County are the biggest inhabited islands in Estonia and have a very strong cultural identity and specific way of life. The region has a reputable resort and recreation industry, clean nature and the opportunity for its inhabitants to obtain good education at all stages. In this part of the programme area, Estonia and Latvia share the maritime border that meets the Rīga and Kurzeme regions in Latvia. The Gulf of Riga lies between Riga and Saaremaa and includes the island of Ruhnu, which is only 37 km from Cape Kolka on the Livonian coast, in the north of the Kurzeme.

There are six towns on the Estonian and 14 towns on the Latvian side of the programme area that have a population of more than 10,000 people. The territory along the land border in South-Estonia and Vidzeme is mostly rural area. Smaller towns such as Mõisaküla, Kilingi-Nõmme, Abja-Paluoja, Rūjiena, Ape and Alüksne are located there, play an important socio-economic role regionally and locally, and are closely involved in cross-border cooperation that brings added value for their development.

The twin town Valga-Valka with 12,040 inhabitants on the Estonian side and 4,100 (2020) on the Latvian

side is located on the border of the two countries. As such, it is the only shared urban area in the programme territory. Historically, another cross-border entity, Heinaste/Ainaži, was part of Estonia in 1919-1920 and was divided similarly to Valga-Valka in 1920 with the border agreement. Since then, the town of Ainaži has remained on the Latvian side while on the Estonian side, Ikla has transformed into a rural village.

Vidzeme in the north-east of Latvia covers 30.6% of the territory of Latvia and 14.7% of the population. It has significant international transport corridors crossing its area; a university in Valmiera, a city of national importance; and great potential to develop research and innovation in its defined smart specialisation areas.

Kurzeme with 15% of the Latvian population and 24.85 % of the Latvian territory in western Latvia is characterized by the forest-rural structure of the region that forms the determining basis of the region's economy. Regional centres such as Kuldīga, Saldus and Talsi are important as economic and service centres and form a population structure in the countryside.

In Riga region, including Rīga and Pierīga, lives and works 44.72% of Latvia's population. It is the most densely populated area and covers 5.17% of country's territory. Riga is the centre of economic, logistics, scientific and cultural activities around the Gulf of Rīga.

The programme area is sparsely inhabited with an average density without Rīga and Pierīga of 13.4 inhabitants per km<sup>2</sup>. Leaving aside Riga and Tartu, sparsely populated rural areas and demographic limitations challenge municipalities and businesses in terms of providing good connectivity, efficiency and accessibility of services and greater productivity and innovation.

More balanced regional development and smaller disparities through strengthening the regional urban areas have been of national importance in both countries. It is evident that small/micro municipal units have been less than capable to invest in and develop the areas far from urban centres to avoid marginalization. Today it is expected that the larger administrative units with a bigger population and tax base have a greater capacity to keep people in the regions by providing high quality public services, jobs and a good living environment.

Within the last 20 years several administrative reforms have been carried out both in Estonia and Latvia through optimizing the number of local municipalities. In Estonia the recent administrative-territorial reform was finalized in 2018, and as a result there are currently 40 municipalities in the Estonian side of the programme area with an average population of 5,000 residents. In Latvia the administrative-territorial reform was finalized in 2021 and as the result the number of municipalities was reduced from 76 to 28 in the programme area.

The post-reform challenge for the rural municipalities in the programme area is to efficiently link – socially and by infrastructure – the urban and rural areas. The smaller regional centres should also specialize, find their niche and create jobs with added value. With limited resources, local governments see the opportunity in shared cross-border development plans, community involvement, providing services closer to the citizens regardless the administrative border, and sharing labour and infrastructure.

***The main joint challenges related to demographics, territory and cooperation governance:***

- the capacity of municipalities in rural and remote border areas to adapt and provide (joint) public services, jobs and a good living environment in the situation of an ageing and decreasing population;
- there is a lack of regional data, local cross-border networks, joint strategies and active local municipality level cooperation patterns/habits for tackling the joint socio-economic challenges in the border area;
- a lack of municipality-level initiative and capacity for solving local challenges in cross-border

cooperation in the border area.

### ***Joint investment needs and lessons-learnt from past experience***

The programme has selected the ISO1 SO(ii) based on the long multilevel cross-border cooperation experiences obtained through the framework of the Estonian and Latvian Intergovernmental Commission for cross-border cooperation since 2004. The aim has been to facilitate administrative capacities in strategic planning that would result in introducing a change for local municipalities and communities, involving and activating the border area municipalities and local communities in finding and implementing the solutions and testing new practices for improving the local life. By selecting ISO1 SO(iii) the programme aims at enhancing integration of border communities by supporting interactions that bring people together and help build trust and long-lasting relations.

There have been a few cooperation agreements (in 2015) and memorandums (in 2019) concluded between the cross-border municipalities in the programme area. However, there is a need for working and viable cross-border planning and development models at the regional and local municipality level, networks that involve local authorities, state institutions as relevant and communities that address the challenges and provide solutions. The border regions could tackle the joint demographic and economic challenges such as quality and accessibility of services, social innovation, mobility and capacity of small businesses in the programme area through cooperation. Cross-border approach to planning and local development has the potential to provide innovative and smart solutions.

The two countries have used different options and formats for regional cooperation since the beginning of the 1990s, and most recently in 2018 a separate session was dedicated to the regional matters at the 1st joint session of the governments of Estonia and Latvia.

The best means for the cross-border cooperation mechanism was sought for since 2001 and by 2004 the relevant legislation and rules of procedure were established for the creation of government commissions in both countries. Today, both Estonia and Latvia recognize the Intergovernmental Commission for Estonian and Latvian Cross-Border Cooperation (hereinafter IGC) as an effective mechanism in resolving legal and administrative obstacles in cross-border regions. It has proven to be an essential platform for both constructive dialogue at the national, regional and local levels and an effective instrument for cross-border cooperation through which various border region inhabitants' obstacles at the legislative and administrative levels have been resolved. It is considered to be a good cooperation model appreciated on the EU, national, regional and local levels. Several remarkable achievements of the IGC work up to date relate to rescue and healthcare services, regional mobility and connectivity and institutional cooperation and governance. There is a mechanism – a survey based on a structured form – in place to identify the cross-border challenges and obstacles. Once a year, the border regions, municipalities, relevant ministries and stakeholders can submit the form in their national language and the proposals are discussed further in the IGC, as relevant. Over the years, the programme has contributed to several projects resolving the joint challenges that were identified and highlighted in the IGC, e.g. in 2007-2013 in coastal and maritime planning, improvement of first responders' efficiency and effectiveness in responding to an emergency in the border area to combat natural and manmade disasters, renovation of Valga-Valka old railway station that serves both Estonians and Latvians, and compilation of Estonian-Latvian and Latvian-Estonian dictionaries. Most recently in 2020, the programme financed a project that aims to harmonize the geodetic reference systems to provide precise, up-to-date and harmonized location-based data and services in border areas for public use that greatly simplifies the development of various infrastructure and services.

In Valga-Valka the programme has invested much into cross-border spatial and socio-economic development with initiatives during the period of 2017 to 2020. Two projects developed services for labour commuters to make it easier for people to look for work force and find jobs across the border. The

reconstruction of the joint city centre that that was completed in 2020 is expected to give a boost to local life, the business environment and tourism. This investment resonates with Valga municipality's master plan to adapt to demographic shrinking by turning the town territory more compact, bringing life back to the town centre by taking down or finding use for the old and empty buildings, and making the centre greener and accessible to pedestrians and cyclists. The investments have proven to be successful as the share of inhabitants of Valga and Valka considering Valga and Valka as a joint entity has increased from 21% in 2014 to 46% in 2021 (Programme survey, 2021).

In addition to the strengthening the local cross-border cooperation structures and governance, the programme aims at supporting the cross-border contacts and activities between the communities. The citizens, communities and organizations in the programme area do not have strong interpersonal contacts and partnerships, which is an essential precondition when developing an integrated border/programme area. It is especially in the scarcely populated rural areas that regular joint contacts and activities enhance the sense of community. It is evident that organisations outside bigger towns that locally deal with community building and societal activities do not have the resources to reach out to, involve and integrate people across the border. Mutual trust, knowledge and understanding builds the foundation for people to be engaged and active. That, in turn, is paramount for developing institutional capacity and citizens' involvement in cross-border planning and development of municipalities.

The Estonia-Latvia programme 2007-2013 was successful with supporting people-to-people activities: thousands of people benefitted from joint social and cultural activities and participated in joint education or training activities. Close to a hundred NGOs and municipalities were involved in the implementation of projects.

### **Priority 1 More cooperating cross-border regions and development of joint services**

The aim of the programme under the objective ISO1 is to encourage local level initiatives and joint actions to solve relevant legal and administrative issues and development needs of the border area.

The aim is also to enhance trust-building activities through joint events on community (NGOs) level, exchanges and initiatives in the field of culture and sports, developing skills, public awareness and knowledge in social justice, participation, responsibility and tolerance. Advantage is given to the societal groups and organizations that are at a bigger risk of exclusion, e.g. people with disabilities, seniors, youth, etc. This priority will be addressed under ISO1.

### **Mobility and commuting in the border area**

The programme area has several European (TEN-T) routes that have wider regional importance, such as Via Baltica (E67) in the West connecting the programme area from south to north and in the East the Riga-Pskov (E77) connecting Eastern Latvia and Southern Estonia to the Russian border. The supporting route Võru-Mõniste-Valga (T67) that runs parallel to the E77 highway is another significant regional route connecting many larger urban centres in the programme area to the twin-city of Valga-Valka at the border. However, the development of infrastructure over the years has mainly improved in and around urban centres, which are already quite developed in comparison to the rest of the programme area. This is especially evident in the border regions where poor conditions of the secondary roads hamper border area inhabitants' access to the bigger routes that reach and connect to main urban centres that have greater range of services. This in turn limits the mobility and interactions of the local inhabitants, quality of life, provision of services, tourism and business development, which can lead to declining and scarce populations which raise challenges to local governments.

Crucial infrastructure including better secondary road conditions would support the increase of interactions and mobility possibilities for the local inhabitants and the visitors of the border area. Most of

the secondary roads in the border area still have gravel surface, which pollutes the environment to a larger extent in terms of dust, fine (PM10) and especially fine (PM 2.5) particles. In addition, the bus lines are not established on the gravel roads: they have poor permeability in some places throughout the year. Upgrading the surface of such roads would facilitate the emergence of a bus line and mobility, as the roads would be navigable all year round.

In Estonia, the most affected border areas with the secondary (also referred as local) road network are Valga and Võru counties where respectively 51.5% and 46.3% of the roads have poor road surface. That affects also the mobility across the border in Smiltene and Aluksne municipalities where the share of gravel roads in poor condition is respectively 57% and 67% of the secondary roads. The above-mentioned border regions are considered as core areas of the programme.

In both countries, the state Transport Agencies implement the road construction and improvement plan based on the priority list. The list of the secondary road sections for improvement is based on the ranking of traffic density where the border area sections have always stayed at the end of the priority list due to smaller number of cars. Such unequal competition with regional centres has led to the situation where the poor infrastructure fails to support the cross-border interaction and commuting. However, the regional development plan of Vidzeme and South-Estonia cooperation memorandum[2] emphasise the improvement of the pavement as precondition for socio-economic development and connectivity.

#### ***The main joint challenges related to mobility and commuting:***

- the poor condition of the roads in the border area hampers the cross-border interaction, including joint provision of services, tourism and business development;
- lack of regional data about border areas for planning and implementing smart public services;
- lack of joint standards for building infrastructure, joint action plans and public services for the cross-border roads;
- missing links in road infrastructure hamper the cross-border mobility and connections between the rural and urban areas.

#### ***Joint investment needs and lessons-learnt from past experience***

The problem of the border area secondary road improvement has been around since 2010 when the Estonian and Latvian Intergovernmental Commission acknowledged the challenge.[3] Major improvement was achieved during the previous programme period 2007-2013 where 78 km of roads were reconstructed. That led to an overall increase of cross-border interactions on all levels, e.g. on Karksi-Nuia – Seda river section the traffic intensity increased from 369 (2011) to 988 (2019) vehicles per day, and on Kilingi-Nõmme – Mazsalaca section accordingly from 340 (2013) to 850 (2019). According to the involved local authorities, the improvement of cross-border roads provided better connectivity between Estonian and Latvian regional centres and helped to improve mobility, flow of goods (e.g., timber) and tourists. However, during the period of 2014-2020 no joint cross-border initiatives were carried out to meet the needs for the infrastructure in the border area due to the national procedures of prioritizing the roads. The Estonian and Latvian border municipalities raised the challenge again in 2018. As of 2020 there are six state road sections, that are identified and prioritized on both local and national levels as subject for addressing the matter in cross-border cooperation: V372/23113 Gaujiena-Lejaskrogs/Taheva-Valga that cross the border in Valga county and Smiltene municipality, 25189 Varstu-Tagakolga and 25112 Rõuge - Vastse-Roosa, 25108 Tsooru-Krabi and 25177 Tsiistre-Misso-Rammuka in Võru County. It is foreseen that the investment will be completed in combination with additional Estonian national co-financing. Better road infrastructure will create preconditions for development of joint public services in

local transport sector and provide more flexible access to urban centres, local and national heritage sites in the border area.

#### **Priority 4: Better connected programme area.**

The programme has selected the PO3 SO (ii) that aims at eliminating the missing links in the road infrastructure and ensure that the towns and villages across the border are better connected. The programme focuses on improving the surface of the road sections that is accompanied by piloting smart innovative solutions for better connectivity and service development. This priority will be addressed under PO3.

#### **Nature and biodiversity**

The programme area is rich with a clean natural environment and high biodiversity, and the landscape is diverse with forests, numerous rivers, lakes, mires, rolling hills and valleys. The coastline of the Baltic Sea has a long, rocky, sandy shoreline on the Latvian side and numerous habited and inhabited islands on the Estonian side. The diverse coastline in Kurzeme, Latvia, includes ecologically sensitive areas – dune forests, eroded sandy cliffs, coastal swamps and lagoon lakes as well as coastal and inland continental sand plains covered with coniferous forests and highlands with the most fertile agricultural soils. Unique natural complexes and internationally important protected habitats have been preserved in the coastal part. The coast of the Baltic Sea and the Gulf of Riga is a valuable marine habitat and area of economic activity. The ecologically sensitive situation of the coast is threatened by the growing pressure of construction and tourism.

The programme area includes two large biosphere reserves acknowledged by UNESCO: West-Estonian archipelago biosphere reserve and the North Vidzeme Biosphere Reserve.

There are hundreds of protected areas, including the Natura 2000 and Ramsari areas and seven national parks in the programme area. There are common natural treasures that both countries share in the border area: the Natura 2000 protected areas, national protected areas, green networks and eco corridors, river basin districts and the marine ecosystem of the Gulf of Riga. Protected landscape areas are territories remarkable for original and diverse landscapes and special beauty. The goals of such territories are to protect and preserve the cultural environment and landscapes characteristic of Estonia and Latvia in all their diversity, as well as to ensure the preservation of an environment appropriate for recreation and for tourism and use of environment friendly management methods.

By land distribution, the programme area is mainly covered by forests, farm- and grassland, arable land and crops. Land taken by urban areas and infrastructure such as construction and urban infrastructure, as well as urban green areas, and sport and leisure facilities cannot generally be reverted, and such process happens in both Estonia and Latvia. However, the volumes of urban land take have increased mainly around cities and bigger towns. Converting land into artificial surfaces as well as intensive forestry reduces the potential of ecosystems to provide important services such as the regulation of the water balance and protection against floods. Land occupied by man-made surfaces and dense infrastructure also fragments the landscapes.

The shared and valuable ecosystems in the programme area need joint efforts to be protected and to facilitate and improve the ecosystem services – the multitude of benefits that nature provides to society. Assessments of the ecological status of surface water show that 61% of river water bodies and 67% of lake water bodies are at good or high ecological status in Estonia. In Latvia these numbers are 20% and 22%, respectively. Nutrient and chemical pollution are the main pressures causing significant negative impacts, including eutrophication and loss of biodiversity in surface water bodies and coastal waters. Emissions into water bodies are discharged directly from point sources, mainly from wastewater treatment

plants and from diffuse sources, e.g., run-off from agricultural land, managed forests. These different sources cause pressure to the shared water bodies and ground water and affect their status on both sides of the border. Human induced activities such as agricultural intensification and forestry causes increase of nutrients/harmful substances.

In addition, the spread of expansive and aggressive alien species is a threat to the ecosystem services and lead to the loss of biodiversity.

There are differences in the setting of protection and usage conditions for similar green infrastructure elements in spatial plans in both countries. Functioning of the green infrastructure, especially in the border areas is at risk as the planning areas are not compatible. There is a need for harmonized scientific basis for land-use planning decisions from the biodiversity perspective.

#### ***The main joint challenges related to the nature and biodiversity:***

- unsatisfactory condition of the water bodies and coastal waters due to nutrient overload;
- loss of biodiversity due to the pollution, poorly coordinated (joint) resource management;
- lack of common approach for managing and ensuring the sustainability of the green networks;
- decline in the quality of the ecosystem services, especially in terms of habitat provision and supporting cultural services, such as recreational benefits.

#### ***Joint investment needs and lessons-learnt from past experience***

The two countries have cooperated over the past decade for managing the two shared water bodies – the river basin of Gauja/Koiva and Gulf of Riga. In 2015, three pilot maritime spatial plans were developed for Pärnu Bay and the western coast of Latvia. In 2014-2020, six projects were implemented to tackle different pollution and joint rescue related challenges. The collaborating institutions reported accumulated new knowledge and scientific findings in their field. In the projects dealing with surface water, there have been many benefits for common water bodies, ranging from marine safety to jointly developed management systems. For example, in the project GURINIMAS the developed integrated nitrogen management system involved economy-wide inventory of the nitrogen cycle and definition of the risk areas in the Gulf of Riga catchment where to act. This provides a harmonised framework to be implemented based on the existing river basin management plans, marine strategies and in frames of the existing bilateral and regional cooperation arrangements.

#### **Priority 3: Sustainable and resilient programme area**

The programme's aim is to preserve and improve the condition of and access to the common natural treasures in the programme area. The programme aims at implementing pilot activities and practical solutions for reducing the pollution. Joint actions by the institutions from both countries are needed for ensuring the quality of the ecosystem services with a focus on tackling pollution and fighting the loss of biodiversity. Under this priority all investments should be concentrated into the NUTS 3 border regions of Vidzeme, Kurzeme, Pierīga, West Estonia and South Estonia. Public sector and NGO institutions from the city of Riga and Tallinn can participate in the projects as partners through passing on the know-how and best practices of the capital cities in order the knowledge would reach also to the border regions. Under this PO the programme shall contribute to the mainstream biodiversity action in the Union policies and to the achievement of the overall ambition, according to the Regulation (EU) 2021/1060 recital (11). This

priority will be addressed under PO2.

## **Digital society**

According to the Digital Economy and Society Index (DESI) 2020, Estonia and Latvia are performing well in digital competitiveness ranking.

In Latvia there is wide availability of fast and ultrafast fixed and mobile broadband networks - 93% against the EU average 86% - and the increased take-up of e-government services. However, nearly half the population still lacks basic digital skills and the supply of ICT specialists has not kept pace with growing demand in the labour market. Despite the rising numbers of ICT graduates and the associated policy efforts, there is a need for further sustaining motivation for life-long learning, raising awareness of the relevance of digital skills in the labour market and encouraging enterprises to invest in these skills. Higher levels of digital skills is key element in making the labour market more inclusive while also boosting business productivity.

In Estonia the use of e-services remains consistently high, the fixed connectivity has improved since 2017 and with regards the ultrafast broadband Estonia's performance is above EU average. The key challenge in the Estonian and Latvian economies is the digitisation of companies that are still not fully exploiting the opportunities offered by digital technology, as well as more generally the integration of digital technology. Digital skills and uninterrupted internet coverage are paramount in the rural areas for the development of businesses. In 2020, 62% of the Estonian and 43% of the Latvian people aged 16 to 74 had at least basic digital skills. However, there is still a need for investment, as skills shortages and mismatches are among the main obstacles to business investment. Increasingly essential for being socially and economically (silver economy) active for longer are the digital skills and capacity for digitisation in the companies.

The investment needs relate to priority 2 and 5.

## **Economy and entrepreneurship**

In 2019, Estonia's GDP in current prices was 28 billion euros, of which Harju County in North Estonia has the share of 18 billion euros (65%), of which the share of Tallinn is 15 billion. The counties in the programme area are far behind with 11% from Tartu and smallest shares with less than 1% in Hiiu and Põlva counties. In recent years the disparity between Harju County and the rest of the country has started to decrease (2019).

The GDP per capita was 91% from the EE average in Tartu and 67% in Saare counties. The lowest GDP per capita was in Põlva County – 39% of the Estonian average. In several counties, GDP per capita has started to approach the Estonian average in recent years. Hiiu, Jõgeva and Tartu counties stand out in particular.

The GDP in Latvia amounted to 30.5 billion euros (2019): Rīga and Pierīga combined contributing 69%, Kurzeme 9% and Vidzeme 6% (2018). The regional economic disparities are significant and the gap in GDP per capita between the capital Riga and Vidzeme is more than twofold. GDP by sector: 3.9% agriculture, 22.4% industry and 73.7% services.

The business environment in South Estonia and North Latvia is based on small companies. From a total of 133,784 companies in Estonia (2019), 31% are located in the programme area, with the majority in Tartu (10%) and Pärnu (6%) counties. As many as 98% of the companies employ less than 50 people; the majority of them in turn are micro-businesses employing 1-9 people. In Latvia (2018) the situation is similar in terms of size of the businesses: 99% of the total 174,792 companies are small. From all SMEs

on the Latvian side of the programme area, 74% are located in Riga and Pieriga, 22% in Vidzeme and 12% in Kurzeme.

In both countries most of the businesses are engaged in manufacturing, professional, scientific and technical activities, construction and wholesale and retail.

The most important regional challenges related to entrepreneurial development in both countries are large and growing differences in entrepreneurial activity. In Estonia there is approximately threefold difference in counties' GDP per capita, growing inter-regional wage gap, and differences in corporate productivity.

The Riga region and the city of Riga stand out by contribution to the total national added value, concentration of employment, economy, creative industries, research and innovation institutions, etc. As such they could provide their support and incentives for innovation through partnerships with the companies and organisations in other regions of the programme area.

In Vidzeme the strategically significant development zones are formed and the region focuses on cooperation and triple helix network in bioeconomy, mechatronics, ICT and automatization, among others, to improve the innovation environment. There are Latvian Food Bio-economy cluster, Gauja National park tourism cluster and Latvian Wood construction cluster, Latvian IT cluster located in the region or strongly represented by regional members, and institutions like Vidzeme University of Applied Sciences and Cēsis affiliate of Riga Technical University and Institute of Environmental Solutions and Institute of Agricultural resources and Economics providing R&D support for SME-s in different fields. Due to high concentration of natural resources (forests, agricultural land), the most competitive economic sectors are agriculture and forestry, with processing and food production being the second.

The biggest economic centres in Kurzeme are Ventspils and Liepāja. The economic structure of Kurzeme is mainly based on raw materials and the advantages of geographical location and services with low added value. In terms of the structure of the economy (in terms of gross domestic product), the region stands out with an increased share of manufacturing and transport. The largest number of economically active companies are engaged in agriculture, forestry and fisheries. The region has the potential to use local resources like clay, quartz sand, sand – gravel, limestone, peat and sapropel, which are currently relatively underused; at the same time, large wood resources are little processed. Kurzeme is characterized by a productivity lag behind the European average, which in turn affects the region's competitiveness in attracting labour. There are a total of 15 scientific research centres in Kurzeme specializing in different fields, e.g. Ventspils High Technology Park that provides necessary infrastructure and support services for the development of companies in advanced industries. There is a relatively wide variety of specializations in research institutions provided by higher education institutions in the region.

South and West Estonia have a very diverse economy with different potential growth sectors: biotechnology and medicine, ICT, (creative) entrepreneurship related to folk culture, development of health and natural products and production, forestry and wood processing, rural and recreational tourism, aquaculture and fishery. The biggest challenges, including for Tartu and Pärnu, are low productivity and added value, and lack of investments.

Tartu and Rīga remain the leading engines for the knowledge-based economy. The R&D component and high quality of labour has a positive impact on productivity, and it is important to provide accessibility for companies to those resources. Science-based development remains with universities, but there are several regional competence and development centres and sectoral clusters (e.g. in Valmiera and Võru) that can offer support for innovation and development. Estonia has invested much in creating the preconditions for supporting innovation outside Tallinn and Tartu through a regional support structure: PlantValor – a health and natural products competence center, Tsenter – the Centre of Competence for Wood Processing and Furniture Manufacturing, BioCC – a biotechnology competence centre are all in South Estonia; The Centre of Excellence in Health Promotion and Rehabilitation and Small Craft Competence centre operate in Haapsalu and Saaremaa (West Estonia).

In terms of smart specialization, the matching growth areas of both countries are information and communication technologies, material technologies and biotechnology. In Latvia, bioeconomy is defined as one of the national smart specialization domains with strong competence in Vidzeme. As there are few specialized companies in one field, the networking options in one country can be limited and the companies and researchers are looking for partners in other countries.

In general, the capacity of small businesses for product development and innovation is modest and accessibility to the R&D measures limited; thus, there is a great potential to benefit from cooperation for developing and testing ideas and prototypes.

The number of businesses that operate according to the business model of the circular economy is small in Estonia and Latvia. However, companies that focus specifically on the development of circular products and services and related business models can have a clear advantage over linear companies and are therefore very successful. The adoption of the new business model does not depend only on the side of production, the consumer behaviour plays big role.

Shifting from a linear to circular economy requires both awareness and demand by consumers and means and motivation by the producers and businesses. The main barriers to the development of eco-innovation and the circular economy identified in Latvia are lack of motivation and resources available to businesses. Societal awareness about issues of sustainable consumption and production is also an issue. Support for companies implementing circular models and solutions is very low both in terms of funding and knowledge.

***The main joint challenges related to the economy and entrepreneurship:***

- innovation and growth lagging behind in rural areas;
- low capacity of the small and micro enterprises to access/use the opportunities and infrastructure for knowledge transfer and innovation;
- there is significantly low level of added value for products and services demonstrated by entrepreneurs in rural areas.

***Joint investment needs and lessons-learnt from past experience***

There is great potential for SMEs in the programme area to benefit from cooperation for the innovation and growth. So far, the programme has successfully supported joint development of products and services and joint marketing, which creates a good basis to set more ambitious goals. The nature of the products developed in 2017-2020 shows that in many SMEs, the innovation and involvement of R&D is happening already. During the 2017-2020 period, from five Estonian competence centres in the field of technology, two participated in the programme: the Center of Food and Fermentation Technologies, an R&D company based on extensive use of modern analytical methods, systems biology and synthetic biology principles, aiming at development and introduction of innovative food and fermentation technologies; and BioCC, a centre of bio competence with a focus on functional food. There were 72 SMEs participating in the programme from 2014 to 2020: 39 from Latvia, including 22 from Riga, four from Pieriga, eight from Vidzeme and five from Kurzeme; and 33 from Estonia, including 23 from Tartu, six from West Estonia, and one from Viljandi, Võru, Valga and Jõgeva. It is evident that the engines are Tartu and Riga when it comes to capacity to cooperate across the border. For micro-businesses in the rural part of the border area, the independent cross-border cooperation for reaching foreign markets, developing products/services or innovating remains unobtainable. The experience of such businesses under the roof of business support organisations (like in the projects of 2014-2020 period: CoopLocal, Wood and Furniture, DELBI2) is, however, very positive. The development actions in combined partnership with competence and

development centres, business associations, science parks, municipalities and universities have increased interest in looking for a market, new knowledge, and contacts in the neighbouring country. The most beneficial for the participating starting and older businesses were the project with concrete focus in some economic field, while projects that boosted the general entrepreneurial spirit and generated business ideas proved to bring less tangible/sustainable benefits.

Those SMEs that are capable and have resources for product development benefitted from cooperation in terms of growth, job creation, quicker development process, innovation, and efficient marketing.

The programme has assessed the risks and factors that may affect the capacity of the businesses to be supported by the programme to deliver results in the long term. Based on the successful practice of the 2014-2020 programme, the SMEs under this PO, as direct grant receivers, are subjects to the specific financial thresholds, financial capacity and thematic evaluation.

## **Priority 2: Jointly and smartly growing businesses**

The programme aim is to help SMEs in the programme area grow by helping them take up innovation as well as smart and green transformation using the created networks and connections in the cross-border business community. It is necessary to make the most use of the institutional SME support mechanism and the existing cross-border contacts in the programme area to make the needed incentives for the small companies more accessible. The programme does not focus narrowly on any particular economic sector, including the areas of smart specialization. The programme aims at supporting digitalization, automation, knowledge transfer that is implemented in cross-border cooperation between SMEs and/or cross-sectoral cooperation (e.g. knowledge transfer happens cross-border). Innovation is a key driver of competitiveness and economic growth. Innovation is understood as open innovation using networks, clusters, competence centres and collaboration with other SMEs to transfer knowledge for improving the products or creating new products, services or processes in order to succeed, compete and differentiate in the market. In addition, open cross-sectoral innovation – e.g. tourism and creative industries, wood and textile, etc. – is encouraged.

All planned activities, including mentoring and training should contribute to the change in the participating SMEs that lead to growth. Combining the training with investing in product development and new technologies is an efficient way to provide the small companies with the needed acceleration/capacity raise.

The aim is to add value to businesses in different flexible partnerships that suit more for the capable SMEs, but also, typical to the programme area outside larger business centres, micro businesses seeking opportunities to enhance their competitiveness. Partners from the city of Riga and Tallinn must not be the only partners from Latvia and Estonia participating in the projects under the priority 2 and the activities carried out within the projects with participation of the partners from capitals have to contribute to the development of the NUTS 3 border regions (Vidzeme, Kurzeme, Pierīga, West Estonia and South Estonia) of the programme. Purchasing of equipment by the partners from Riga and Tallinn within the projects is only possible in well justified cases with the clear benefit to the rest of the partnership represented by the bordering regions (e.g. for the purposes of technology transfer or stimulus for innovation in production). Total cumulative budget of the partners from Riga and Tallinn together under PO1 may not exceed 20% of the total allocated budget of the priority 2. This priority will be addressed under PO1.

## **Tourism**

The programme area is rich with treasures worth seeing and experiencing. Foreign visitors to Estonia and Latvia come mostly from neighbouring countries, Germany and the United Kingdom. Supplementing the

services for business and conference travellers, there is a wide variety of tourism offers in the programme area that focus on nature, cultural and maritime heritage, local cuisine and recreation. Outside cities there are historic fishing villages along the shared coastline, the culture of the Coastal Swedes in Hiiumaa, Ruhnu and Vormsi islands and Noarootsi Peninsula, the Livs in Vidzeme and Kurzeme and South West Estonia, the Suiti cultural space in Kurzeme, the Kihnu cultural space on Kihnu Island and the Seto culture in South East Estonia. The Suiti cultural space is inscribed in the list of Intangible Cultural Heritage in Need of Urgent Safeguarding; the Seto leelo and Kihnu cultural space are in the Representative List of the Intangible Cultural Heritage of Humanity.

The share of the tourism sector in the economy of Estonia and Latvia is low, but it has been growing, reaching 8% of the GDP in Estonia and 8.3% in Latvia (2018). In 2019 foreign tourism increased in both countries compared to the previous years. Most of the foreign tourists stayed overnight in Tallinn (64%), in programme area about 20%, from which half in Tartu and Pärnu. In Latvia, similarly, the vast majority of both domestic and foreign tourists stay overnight in the capital city and the surrounding Pierīga.

In 2020 due to the COVID-19 pandemic crisis, both countries suffered significant decline in terms of domestic and foreign visitors, turnover and jobs in accommodation, catering and travel agencies and tour operators. The decline in overnight stays has been smaller in the regions outside capitals. The sector is expected to gradually recover, and the programme can contribute by developing new products and adding value to the already created ones that in turn support bringing back and creating jobs in the tourism business. The cross-border tourism products – routes and sites – are mostly outside the capitals and bigger urban centres. It takes joint effort to sustain the regional jobs in the sector as well as the existing products and raise the visibility and competitiveness of the tourism offer in the programme area.

The earlier cooperation has shown very good results in developing cross-border heritage-based tourism products, as the pre-conditions and opportunities in the programme area are similar. There is great potential to add value to the offer and attract more visitors in cooperation. The common challenge that has been not dealt with systematically in both countries is accessibility in terms of the physical environment, as well as the design of information exchange and services. Accessibility is understood as a broader concept based on life cycle and not on the narrow perspective of people with disabilities. Including the latter, the needs of many other target groups such as children, parents of young children, the elderly, and people with temporary disabilities, should also be considered when developing and marketing products. Current cross-border brands and products (developed from 2010 to 2022) provide a good basis for further initiatives to raise the competitiveness of the service providers along and near the routes and improved sites.

#### ***The main joint challenges related to tourism:***

- tourism services and experiences are not equally accessible for all groups of society;
- tourism product and service design process lacks social inclusion aspect;
- low competitiveness and added value of tourism products and services.

#### ***Joint investment needs and lessons-learnt from past experience***

The programme area is rich with diverse tourism potential and offer that has been developed significantly in collaboration over the past years. Tourism developers and organisations have created several cross-border products, networks and brands that show high level performance in terms of visibility and attracting visitors. However, those offers involve a complex approach of different actors that need to increasingly improve and add value to their service to strengthen the achieved position in the market and be competitive. A lot of companies whose services are an essential part of the tourism experience and the

customer's journey are very small, often "lifestyle" businesses that aim at sustaining their livelihood but at the same time lack capacity and motivation to develop and grow. The created cross-border networks, brands and offers provide a solid foundation for development of competitive tourism products and services with higher added value and (social) innovation element. Social innovations are new social practices that aim to meet social needs in a better way than the existing solutions. It is expected that the project partners take up these practices when developing and improving the products and services. In collaboration the service providers have access to resources – knowledge, networks – for raising their competitiveness. The programme aims at supporting the development of tourism products and services, and marketing that in turn would add value to the existing cross-border offers and brands created jointly and contribute to the growth and innovation of the collaborating businesses in the sector. Bilateral cooperation and smaller partnerships of SMEs for knowledge transfer and innovation is supported under PO1. Under this PO the partnerships are expected to have wide geographical coverage and innovative solutions, including green and digital, add value to the cross-border tourism brands, products and services.

In terms of accessibility, the targeted groups of society are not small, i.e. limited to the disabled; therefore, joint investments into accessibility would greatly contribute to social inclusion.

The basis for further cross-border activities is heritage-based thematic (military, industrial, culinary, hiking, cycling, active water tourism, gardens, culture) cross-border routes and brands developed in 2007-2020. The supported activities in relation to the existing products must introduce the improvement of the product or service in terms of accessibility. The development of new heritage-based products and services is supported as well. The marketing should focus on a specific and/or new market and customer segment and target their expectations/needs. More tailor-made solutions and specific approaches are expected. The development activities, while identifying synergies between the tourism products created during the current programme, should fill the gaps (e.g. thematic, territorial), connecting the different offers and service providers more.

#### **Priority 5 More accessible and sustainable cross-border tourism experience.**

The programme aims at development of cross-border tourism products that are attractive, sustainable, visible and accessible for all groups of society. The new developments and improvement of the existing products together with smart and targeted marketing are expected. Under this priority all investments should be concentrated into the NUTS 3 border regions of Vidzeme, Kurzeme, Pierīga, West Estonia and South Estonia. Public sector institutions and NGOs from the city of Riga and Tallinn can participate in the projects as partners through passing on the know-how and best practices of the capital cities in order the knowledge would reach also to the border regions. This priority will be addressed under PO4.

#### **Complimentary and synergies with other forms of support**

The programme has identified the potential synergies and complementarities with other national and EU programmes. The national support schemes with similar activities may create synergy and support the achievement of the programme goals. The programme has an overlapping geography with the Central Baltic, Baltic Sea Region, Estonia-Russia and Latvia-Russia programmes and thus the coordination measures focus on the activities under certain specific objectives: PO1/SO(iii), PO2/SO(vii), PO3/SO(ii), PO4/SO(vi) and ISO1(iii). However, as the focus of the SOs differs in different programmes, programme authorities and the monitoring committee ensure that the projects are funded from the most appropriate programme and the risk of double financing is avoided. In Latvia the national sub-committee (to the MC), which includes representatives from ministries, regions and NGOs, is engaged to form national positions on the relevance of projects and for consulting on the possible risk of overlapping with other national or international programmes. In Estonia the coordination is ensured by the representatives of the line ministries in the Monitoring Committee. In addition, specialists from the relevant line ministries and

authorities are consulted. Double financing risk is mitigated upon submission of applications by checking the applicants and projects in available data bases (in both countries) and based on the information provided by the applicants. During the calls and application procedure, the JS makes the applicants aware of the importance of the relevance and suitability of the funding and programme.

### ***EU Strategy for the Baltic Sea Region***

The EUSBSR is the Macro-regional Strategy in Europe and is characterized as the overarching governance paradigm for the region to tackle common challenges for the Baltic Sea Region. The EUSBSR and Interreg Programmes identify common needs, problems and opportunities that can be fully exploited only by building and strengthening cooperation that goes beyond borders, sectors and governance levels. The EUSBSR together with Interreg Programmes implement coordinated actions, strengthen contacts with each other and continue to build the interactive dialogue.

The Programme focuses on a limited number of EUSBSR Policy Areas for which effective cross-border cooperation adds value to local, national and regional policies and covers most important elements for the EE-LV border area. EE-LV programme contributes to the EUSBSR objective:

Saving the Sea policy areas, the following sub-objectives:

- clear water in the sea;
- rich and healthy wildlife.

Connecting the Region policy areas, the following sub-objectives:

- good transport conditions;
- connecting people in the region.

Increasing prosperity policy area, the following sub-objectives:

- Improved global competitiveness of the Baltic Sea region.

Education, knowledge transfer and employability, including transition from education to the labour market contribution to Policy Area Education horizontally.

Projects are encouraged to contact PACs, to identify contribution and cooperate in the frames of the EUSBSR. All projects under PO2 and PO4 are identified as contributing to the EUSBSR and cooperation in the framework of the strategy is obligatory to the project partners. As regards all other projects, contribution to the EUSBSR is assessed case by case, using Jems information to identify contribution either during the assessment of project applications or in the reporting phase. On programme level MA and JS are open to cooperation and exchange of information with other programmes and PACs.

PO1 focuses on enhancing growth and competitiveness of SMEs. Job creation in SMEs is supporting entrepreneurs, stimulates business growth and contributes to the EUSBSR objective Increasing prosperity, sub-objective Improved global competitiveness of the Baltic Sea region. It focuses on increasing cooperation between research institutions, SMEs and the public sector to stimulate innovation and entrepreneurship. Establishing and further strengthening transnational innovation networks and clusters and supporting internationalization through fostering capacity building and entrepreneurial mind-sets by introducing mentoring, practical joint trainings etc.

PO2 focuses on enhancing nature protection and biodiversity, green infrastructure in particular in the urban environment, reducing pollution, also on developing innovative and sustainable strategies aimed at waste prevention and management in border areas. All PO2 projects are considered to contribute to the EUSBSR objective Saving the sea, to the sub-objective Clear water in the sea or Rich and healthy

wildlife, as they support/promote the sustainable use of natural resources.

PO4 focuses on enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation. All PO4 projects are considered to contribute to the EUSBSR objective Connecting the Region, sub-objective Connecting people in the region.

There will be no specific activities foreseen, but the programme promotes the New European Bauhaus as relevant, e.g., under PO2 and PO4.

### ***Horizontal principles***

As a general approach, the operations are requested to contribute to and demonstrate the principles of sustainable development, equal opportunities and non-discrimination and equality between men and women throughout all the activities under all policy and specific objectives. In addition, by supporting sustainable and innovative ideas, the programme also aims at selecting operations that demonstrate contribution to digitalisation. Projects with a direct negative impact in relation to these principles are not approved.

Based on the preliminary estimate of the strategic environmental assessment of the Estonia-Latvia programme, the programme is unlikely to have significant impact to the environment under any of the POs and SOs and is in accordance with the ‘Do No Significant Harm Principle’.

When selecting the projects for funding, the programme takes into account the principles of sustainable development through the use of Green Public Procurement, nature-based solutions, lifecycle costing criteria, standards going beyond regulatory requirements, avoiding negative environmental impacts, climate proofing and ‘energy efficiency first principle’ etc.

During the implementation of the programme the managing authority will promote the strategic use of public procurement to support policy objectives (including professionalization efforts to address capacity gaps). Beneficiaries are encouraged to use more quality-related and lifecycle cost criteria. When feasible, environmental (e.g. green public procurement criteria) and social considerations as well as innovation incentives should be incorporated into public procurement procedures.

Guidance on following the above principles shall be provided in the programme manual.

[1] The data about the Latvian territory and population is presented for the planning regions.

[2] Lõuna-Eesti koostööleping. 2020. Accessible  
18.12.2021 <https://media.voog.com/0000/0046/8927/files/L%C3%B5una-Eesti%20koost%C3%B6%C3%B6leping.pdf>

[3] In addition, on August 21, 2018 in Riga the Governments of the Republic of Latvia and the Republic of Estonia have made the joint statement on cross-border road sections (decision no. 29 page 5). Accessible  
18.12.2021  
[https://www.rahendusministeerium.ee/sites/default/files/document\\_files/REGO/ETK/IGC/2018\\_08\\_10\\_lv\\_ee\\_joint\\_statement.pdf](https://www.rahendusministeerium.ee/sites/default/files/document_files/REGO/ETK/IGC/2018_08_10_lv_ee_joint_statement.pdf)

1.3. Justification for the selection of policy objectives and the Interreg-specific objectives, corresponding priorities, specific objectives and the forms of support, addressing, where appropriate, missing links in cross-border infrastructure

Reference: point (c) of Article 17(3)

Table 1

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
1. A more competitive and smarter Europe by promoting innovative and smart economic transformation and regional ICT connectivity	RSO1.3. Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments	2. Jointly and smartly growing businesses	1. The regional economy in the programme area lacks enterprises that have the capacity to add value to their business through knowledge intensity, innovation and digitalisation. 2. Due to the existing expanding cooperation in different forms in the programme area, there are good preconditions for cross-border actions for innovation that contribute to growth and job creation. 3. Cross-border cooperation has great potential to accelerate the innovation capacity of companies through strong existing networks and clusters and cooperation activities in different economic sectors. 4. Cross-border and cross-sectoral business cooperation and open innovation provides opportunities to raise the competitive advantage of the small companies outside the large economic centres in the programme area.
2. A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate change mitigation and adaptation risk prevention and management, and sustainable urban mobility	RSO2.7. Enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution	3. Sustainable and resilient programme area	1. Loss of biodiversity causes nature to lose its ability to provide us with crucial ecosystem services such as clean water, air, food and natural resources. The more functional and biodiverse ecosystems are, the better our supply with everything required for human existence, and the better our resistance to environmental pollution and adaptation to climate change. 2.

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
			Lack of joint and coordinated activities for preserving the good quality of the ecosystem services through shared natural treasures. 3. Agricultural intensification and forestry pose a great risk to biodiversity in the programme area as there is increase of nutrients/harmful substances and human induced activities. 4. Cross-border and cross-sectoral co-operation has the potential to improve joint management and access to natural treasures as well as to create green and nature tourist attractions in the border area.
3. A more connected Europe by enhancing mobility	RSO3.2. Developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility	4. Better connected programme area	1. The poor conditions of the cross-border roads hamper the cross-border interaction, mobility, and quality of life of people in the border region. 2. The poor conditions of the cross-border roads hamper the provision of services, tourism and business development.
4. A more social and inclusive Europe implementing the European Pillar of Social Rights	RSO4.6. Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation	5. More accessible and sustainable cross-border tourism experience	1. Both countries' similarities in thematic tourism offer provides meaning and purpose for cross-border product development. 2. Potential to add value to and diversify the cross-border tourism offer in the programme area. The need for and potential of transformation and innovation. 3. Unsatisfactory accessibility to the sites and services for all groups of society.
6. Interreg: A better Cooperation Governance	ISO6.2. Enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular with a view to resolving legal and other obstacles in	1. More cooperating cross-border regions and development of joint services	1. Lack of viable local municipality level institutional cooperation practices for dealing with cross-border challenges on local level. 2. Lack of local municipality level cross-border development and action plans. 3. Need for regional data and its use for local development

Selected policy objective or selected Interreg specific objective	Selected specific objective	Priority	Justification for selection
	border regions (strands A, C, D and, where appropriate, strand B)		needs and (smart public) services. 4. Lack of joint standards for building infrastructure, joint action plans and public services.
6. Interreg: A better Cooperation Governance	ISO6.3. Build up mutual trust, in particular by encouraging people-to-people actions (strands A, D and, where appropriate, strand B)	1. More cooperating cross-border regions and development of joint services	1. Lack of continuous and strong cross-border contacts between the communities, especially in the scarcely populated rural areas. 2. The citizens, communities and organisations in the programme area are distanced from interpersonal contacts and partnerships, which is an essential precondition when developing integrated border/programme area. 3. It is evident that organisations outside bigger towns that locally deal with community building and societal activities are not capable to reach out to, involve and integrate people across the border using their own resources.

## 2. Priorities

Reference: points (d) and (e) of Article 17(3)

### 2.1. Priority: 1 - More cooperating cross-border regions and development of joint services

Reference: point (d) of Article 17(3)

2.1.1. Specific objective: ISO6.2. Enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens, civil society actors and institutions, in particular with a view to resolving legal and other obstacles in border regions (strands A, C, D and, where appropriate, strand B)

Reference: point (e) of Article 17(3)

Enhance efficient public administration by promoting legal and administrative cooperation and cooperation between citizens and institutions, in particular, with a view to resolving legal and other obstacles in border regions.

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The types of indicative expected activities:

- enhancing the adaption and provision of joint public services through pilot actions that tackle border area obstacles;
- encouraging the collection and transformation of regional data into (joint) new services;
- encouraging the local municipality level cross-border cooperation actions through cross-border networks, strategies and pilot actions;
- pilot activities and implemented solutions for setting up public services;
- implementing solutions for development needs other than services;
- compiling cross-border strategies and/or actions plans followed by joint implementation actions.

Under this specific objective the MC may decide on the selection of project(s) within the direct award procedure for the implementation on the border of both countries in case the demand for such activities would arise and be justified during implementation of the Programme.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
1	ISO6.2	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	5
1	ISO6.2	RCO116	Jointly developed solutions	solutions	0	5
1	ISO6.2	RCO83	Strategies and action plans jointly developed	strategy/action plan	0	10

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
1	ISO6.2	RCR79	Joint strategies and action plans taken up by organisations	joint strategy/action plan	0.00	2021	5.00	Joint electronic monitoring system	
1	ISO6.2	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	3.00	Joint electronic monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

Municipalities, planning regions, development centres, NGOs, regional and national state institutions.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The programme will not use ITI, CLLD or other territorial tools. The programme priorities are not targeting any specific territory in the programme area.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

The programme will not use financial instruments.

### 2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
1	ISO6.2	ERDF	173. Enhancing institutional capacity of public authorities and stakeholders to implement territorial cooperation projects and initiatives in a cross-border, transnational, maritime and inter-regional context	1,642,781.68

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
1	ISO6.2	ERDF	01. Grant	1,642,781.68

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
1	ISO6.2	ERDF	26. Other approaches - Cities, towns and suburbs	1,642,781.68

2.1.1. Specific objective: ISO6.3. Build up mutual trust, in particular by encouraging people-to-people actions (strands A, D and, where appropriate, strand B)

Reference: point (e) of Article 17(3)

Build up mutual trust, in particular by encouraging people-to-people actions.

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

The types of indicative expected activities:

- Joint education, training and exchange activities;
- Experience exchange trips and events for municipal and NGO staff;
- Improvement of services in border regions, and capacity building for relevant organisations;
- Skills transfer between communities to promote employment;
- Activities aiming at conservation, preservation and adaptation or development of cultural traditions, heritage, cultural events, meetings etc;
- Joint sports games; training camps, experience exchange of trainers.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
1	ISO6.3	RCO81	Participations in joint actions across borders	participations	1104	1658

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
1	ISO6.3	RCR85	Participations in joint actions across borders after project completion	participations	0.00	2021	330.00	Jems	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

Municipalities, planning regions, Public Transport Centres (EE), other public bodies (e.g. schools), SMEs, foundations, NGOs. Organisations and institutions from capital regions are eligible; however, the benefits and results should be targeted outside the capital area of the programme territory.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The programme will not use ITI, CLLD or other territorial tools. The programme priorities are not targeting any specific territory in the programme area.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

The programme will not use financial instruments.

### 2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
1	ISO6.3	ERDF	173. Enhancing institutional capacity of public authorities and stakeholders to implement territorial cooperation projects and initiatives in a cross-border, transnational, maritime and inter-regional context	768,523.75

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
1	ISO6.3	ERDF	01. Grant	768,523.75

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
1	ISO6.3	ERDF	31. Other approaches - Sparsely populated areas	250,000.00
1	ISO6.3	ERDF	26. Other approaches - Cities, towns and suburbs	268,523.75
1	ISO6.3	ERDF	30. Other approaches - Islands and coastal areas	250,000.00

## 2.1. Priority: 2 - Jointly and smartly growing businesses

Reference: point (d) of Article 17(3)

### 2.1.1. Specific objective: RSO1.3. Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments

Reference: point (e) of Article 17(3)

Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments.

#### 2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

#### **The types of indicative expected activities:**

- clustering, networking, mentoring and practical (joint) training activities for raising the capacity of SMEs to introduce innovation in product development. Implementing the gained knowledge;
- joint innovation and development in product/service development/improvement (including studies, existing research-based development process, prototyping);
- joint marketing to reach new export markets, including market research, attending trade fairs etc.
- development of cross-border cluster cooperation;
- joint activities for technology and/or green transfer and introducing innovation in SMEs;
- collaboration and experience exchange in science-industry technology transfer and joint R&D, mapping scientific services and equipment available for companies in Latvia and Estonia, promotion of cross-border knowledge and technology transfer activities;
- finding and implementing joint digitalization solutions, e.g. taking up new software, data digitation, digital technologies, AI, automation, robotics etc.

PO1 focuses on enhancing growth and competitiveness of SMEs. Job creation in SMEs supports entrepreneurs, stimulates business growth and contributes to the EUSBSR objective Increasing Prosperity and sub-objective Improved global competitiveness of the Baltic Sea region. It focuses on increasing cooperation between research institutions, SMEs and the public sector to stimulate innovation and entrepreneurship. Establishing and further strengthening transnational innovation networks and clusters and supporting internationalization through fostering capacity building and entrepreneurial mind-sets by introducing mentoring, practical joint trainings etc.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
2	RSO1.3	RCO87	Organisations cooperating across borders	organisations	0	29

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
2	RSO1.3	RCR84	Organisations cooperating across borders after project completion	organisations	0.00	2021	14.00	Joint electronic monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

The companies capable of product development, companies that are experienced and those that are new to the cross-border cooperation with other companies and support institutions; companies that are ready for product development and innovation but lack resources to participate directly and need an umbrella or support organisation to provide accessibility to the cross-border knowledge transfer; business support and R&D organisations, planning regions, universities, clusters, development and competence centres ready to support, mentor and train the companies to innovate and develop products.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The programme will not use ITI, CLLD or other territorial tools. The programme priorities are not targeting any specific territory in the programme area.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

The programme will not use financial instruments.

2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO1.3	ERDF	026. Support for innovation clusters including between businesses, research organisations and public authorities and business networks primarily benefiting SMEs	2,000,000.00
2	RSO1.3	ERDF	027. Innovation processes in SMEs (process, organisational, marketing, co-creation, user and demand driven innovation)	830,271.56
2	RSO1.3	ERDF	028. Technology transfer and cooperation between enterprises, research centres and higher education sector	2,000,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO1.3	ERDF	01. Grant	4,830,271.56

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
2	RSO1.3	ERDF	26. Other approaches - Cities, towns and suburbs	2,000,000.00
2	RSO1.3	ERDF	30. Other approaches - Islands and coastal areas	1,500,000.00
2	RSO1.3	ERDF	31. Other approaches - Sparsely populated areas	1,330,271.56

## 2.1. Priority: 3 - Sustainable and resilient programme area

Reference: point (d) of Article 17(3)

2.1.1. Specific objective: RSO2.7. Enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution

Reference: point (e) of Article 17(3)

Enhancing protection and preservation of nature, biodiversity and green infrastructure, including in urban areas, and reducing all forms of pollution

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

### **The types of indicative expected activities:**

- actions aimed at safeguarding, maintaining and restoring of ecosystems and protection and preservation of cross-border biodiversity and key species;
- data gathering and data-driven biodiversity monitoring, analysing methods of collecting data, designing, adapting methods;
- testing in field the best measures for protection and restoration of biotopes in bad status;
- restoration and management of species and habitats, including re-introduction of species (for example freshwater pearl mussel) and taking into account implementation of Prioritized Action Framework (PAF);
- tackling invasive alien species including promoting common practices between Estonia and Latvia and increased public awareness;
- establishment of innovative measures for collecting biomass from semi-natural grasslands, residue of forestry, agriculture (for energy, composting, soil structure improvement, secondary products, etc);
- small-scale pilot activities in urban areas for preserving biodiversity;
- innovative and best practice measures to increase pollinator and other native animal species richness in urban areas (biodiversity friendly grass management; insect hotels; hedgehog, bat and bird friendly gardens; ponds), raising awareness about nature-friendly urban green areas;
- joint actions for tackling the cross-border challenges in the programme area such as pollution in shared water bodies, research on and management cross-border green networks, developing nature objects for recreational purposes and sustainable nature tourism, consideration of biodiversity at different levels of planning, development and implementation of solutions for new infrastructure (animal tunnels, pass ways) to avoid fragmentation of animal populations, development and implementation of nature-friendly approaches to manage the sides of roads and railways, creating new buffer zones and managing landscape elements important for species and habitats;

Under this specific objective the MC might decide on the selection of project(s) within the direct award procedure for the implementation on the border of both countries in case the demand for such activities would arise and be justified during implementation of the Programme.

**PO2** focuses on enhancing nature protection and biodiversity, as well as green infrastructure, in particular in the urban environment; reducing pollution, also on developing innovative and sustainable strategies aimed at waste prevention and management in border areas. All PO2 projects are considered to contribute to the EUSBSR objective Saving the sea and to the sub-objective Clear water in the sea or Rich and healthy wildlife, as they support/promote the sustainable use of natural resources.

All projects under PO2 are identified as contributing to the EUSBSR and cooperation in the framework of the strategy is obligatory to the project partners.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
3	RSO2.7	RCO86	Joint administrative or legal agreements signed	legal or administrative agreement	0	40
3	RSO2.7	RCO116	Jointly developed solutions	solutions	0	5
3	RSO2.7	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	5

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
3	RSO2.7	RCR84	Organisations cooperating across borders after project completion	organisations	0.00	2021	20.00	Joint electronic monitoring system	
3	RSO2.7	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	5.00	Joint electronic monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

Municipalities, NGOs, state institutions, planning regions and other public bodies, universities, R&D institutions, SMEs.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The programme will not use ITI, CLLD or other territorial tools. The programme priorities are not targeting any specific territory in the programme area.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

The programme will not use financial instruments.

### 2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
3	RSO2.7	ERDF	078. Protection, restoration and sustainable use of Natura 2000 sites	2,500,000.00
3	RSO2.7	ERDF	079. Nature and biodiversity protection, natural heritage and resources, green and blue infrastructure	2,500,000.00
3	RSO2.7	ERDF	073. Rehabilitation of industrial sites and contaminated land	1,975,047.20

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
3	RSO2.7	ERDF	01. Grant	6,975,047.20

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
3	RSO2.7	ERDF	26. Other approaches - Cities, towns and suburbs	1,000,000.00
3	RSO2.7	ERDF	30. Other approaches - Islands and coastal areas	2,975,047.20
3	RSO2.7	ERDF	31. Other approaches - Sparsely populated areas	3,000,000.00

## 2.1. Priority: 4 - Better connected programme area

Reference: point (d) of Article 17(3)

2.1.1. Specific objective: RSO3.2. Developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility

Reference: point (e) of Article 17(3)

Developing and enhancing sustainable, climate resilient, intelligent and intermodal national, regional and local mobility, including improved access to TEN-T and cross-border mobility

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

### **The types of indicative expected activities:**

-building dust-free pavement to the cross-border gravel road sections.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
4	RSO3.2	RCO46	Length of roads reconstructed or modernised - non-TENT	km	0	35

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
4	RSO3.2	PSRI	Traffic intensity	Cars per day		2018		Joint electronic monitoring system	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

The Estonian Transport Administration and State Limited Liability Company "Latvian State Roads".

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The programme will not use ITI, CLLD or other territorial tools. The programme priorities are not targeting any specific territory in the programme area.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

The programme will not use financial instruments.

#### 2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
4	RSO3.2	ERDF	089. Newly built or upgraded secondary road links to TEN-T road network and nodes	5,871,041.85

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
4	RSO3.2	ERDF	01. Grant	5,871,041.85

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
4	RSO3.2	ERDF	31. Other approaches - Sparsely populated areas	5,871,041.85

## 2.1. Priority: 5 - More accessible and sustainable cross-border tourism experience

Reference: point (d) of Article 17(3)

2.1.1. Specific objective: RSO4.6. Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

Reference: point (e) of Article 17(3)

Enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation

2.1.1.1 Related types of action, and their expected contribution to those specific objectives and to macro-regional strategies and sea-basin strategies, where appropriate

Reference: point (e)(i) of Article 17(3), point (c)(ii) of Article 17(9)

### **The types of indicative expected activities:**

- jointly developing sustainable and accessible tourism products and services based on diverse natural and cultural heritage of the programme area, e.g., tourism routes, joint offers, joint brands, etc;
- the physical improvement of existing sites that are of natural or cultural heritage, which are integral components of joint tourism products or services;
- the improvement of the tourism offers, sites, products and services in terms of accessibility to all groups of society, e.g. the elderly, children, families with children and disabled people;
- marketing of the created products and services, different types of marketing events and activities: media advertising, participation in fairs, visits, etc.

PO4 focuses on enhancing the role of culture and sustainable tourism in economic development, social inclusion and social innovation. All projects under this PO are considered to contribute to the EUSBSR objective Connecting the Region and sub-objective Connecting people in the region. All projects under PO4 are identified as contributing to the EUSBSR and cooperation in the framework of the strategy is obligatory to the project partners.

2.1.1.1b. Definition of a single beneficiary or a limited list of beneficiaries and the granting procedure

Reference: point (c)(i) of Article 17(9)

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### 2.1.1.2. Indicators

Reference: point (e)(ii) of Article 17(3), point (c)(iii) of Article 17(9)

Table 2 - Output indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Milestone (2024)	Target (2029)
5	RSO4.6	RCO87	Organisations cooperating across borders	organisations	0	54
5	RSO4.6	RCO84	Pilot actions developed jointly and implemented in projects	pilot actions	0	7
5	RSO4.6	RCO116	Jointly developed solutions	solutions	0	7

Table 3 - Result indicators

Priority	Specific objective	ID	Indicator	Measurement unit	Baseline	Reference year	Target (2029)	Source of data	Comments
5	RSO4.6	RCR104	Solutions taken up or up-scaled by organisations	solutions	0.00	2021	4.00	Joint electronic monitoring system	
5	RSO4.6	RCR84	Organisations cooperating across borders after project completion	organisations	0.00	2021	32.00	Joint electronic monitoring system/survey	

### 2.1.1.3. Main target groups

Reference: point (e)(iii) of Article 17(3), point (c)(iv) of Article 17(9)

Municipalities, planning regions, state institutions, SMEs, NGOs, development centres, national, regional and local tourism development organisations/umbrellas, relevant umbrellas for people with disabilities.

2.1.1.4. Indication of the specific territories targeted, including the planned use of ITI, CLLD or other territorial tools

Reference: Article point (e)(iv) of 17(3)

The programme will not use ITI, CLLD or other territorial tools. The programme priorities are not targeting any specific territory in the programme area.

#### 2.1.1.5. Planned use of financial instruments

Reference: point (e)(v) of Article 17(3)

The programme will not use financial instruments.

### 2.1.1.6. Indicative breakdown of the EU programme resources by type of intervention

Reference: point (e)(vi) of Article 17(3), point (c)(v) of Article 17(9)

Table 4 - Dimension 1 – intervention field

Priority	Specific objective	Fund	Code	Amount (EUR)
5	RSO4.6	ERDF	165. Protection, development and promotion of public tourism assets and tourism services	2,116,024.89
5	RSO4.6	ERDF	167. Protection, development and promotion of natural heritage and eco-tourism other than Natura 2000 sites	2,100,000.00

Table 5 - Dimension 2 – form of financing

Priority	Specific objective	Fund	Code	Amount (EUR)
5	RSO4.6	ERDF	01. Grant	4,216,024.89

Table 6 - Dimension 3 – territorial delivery mechanism and territorial focus

Priority	Specific objective	Fund	Code	Amount (EUR)
5	RSO4.6	ERDF	31. Other approaches - Sparsely populated areas	1,858,012.44
5	RSO4.6	ERDF	26. Other approaches - Cities, towns and suburbs	500,000.00
5	RSO4.6	ERDF	30. Other approaches - Islands and coastal areas	1,858,012.45

### 3. Financing plan

Reference: point (f) of Article 17(3)

#### 3.1. Financial appropriations by year

Table 7

Reference: point (g)(i) of Article 17(3), points (a) to (d) of Article 17(4)

Fund	2021	2022	2023	2024	2025	2026	2027	Total
ERDF	0.00	4,442,431.00	4,513,789.00	4,586,579.00	4,660,816.00	3,862,048.00	3,939,286.00	26,004,949.00
Total	0.00	4,442,431.00	4,513,789.00	4,586,579.00	4,660,816.00	3,862,048.00	3,939,286.00	26,004,949.00

### 3.2.Total financial appropriations by fund and national co-financing

Reference: point (f)(ii) of Article 17(3), points (a) to (d) of Article 17(4)

Table 8

Policy objective	Priority	Fund	Basis for calculation EU support (total eligible cost or public contribution)	EU contribution (a)=(a1)+(a2)	Indicative breakdown of the EU contribution		National contribution (b)=(c)+(d)	Indicative breakdown of the national counterpart		Total (e)=(a)+(b)	Co-financing rate (f)=(a)/(e)	Contributions from the third countries
					without TA pursuant to Article 27(1) (a1)	for TA pursuant to Article 27(1) (a2)		National public (c)	National private (d)			
6	1	ERDF	Total	2,580,096.00	2,411,305.00	168,791.00	672,072.00	672,072.00	0.00	3,252,168.00	79.3346469186%	0.00
1	2	ERDF	Total	5,168,391.00	4,830,272.00	338,119.00	1,346,280.00	380,226.00	966,054.00	6,514,671.00	79.3346432997%	0.00
2	3	ERDF	Total	7,463,300.00	6,975,047.00	488,253.00	1,944,067.00	1,107,061.00	837,006.00	9,407,367.00	79.3346321027%	0.00
3	4	ERDF	Total	6,282,015.00	5,871,042.00	410,973.00	1,636,361.00	1,636,361.00	0.00	7,918,376.00	79.3346388199%	0.00
4	5	ERDF	Total	4,511,147.00	4,216,025.00	295,122.00	1,175,079.00	669,156.00	505,923.00	5,686,226.00	79.3346412893%	0.00
	Total	ERDF		26,004,949.00	24,303,691.00	1,701,258.00	6,773,859.00	4,464,876.00	2,308,983.00	32,778,808.00	79.3346390143%	0.00
	Grand total			26,004,949.00	24,303,691.00	1,701,258.00	6,773,859.00	4,464,876.00	2,308,983.00	32,778,808.00	79.3346390143%	0.00

#### 4. Action taken to involve the relevant programme partners in the preparation of the Interreg programme and the role of those programme partners in the implementation, monitoring and evaluation

Reference: point (g) of Article 17(3)

The national and programme authorities have ensured the wide involvement of stakeholders, potential applicants, experts and the wider public from both countries from the very beginning of the programming process in 2019. The Estonian Ministry of Finance conducted a survey in 2019 to prepare the Interreg programmes: 276 people were included through web questionnaires and focus group interviews to identify the fields of cross-border cooperation and recommendations for implementation mechanisms. The survey reached all local authorities in all Estonian counties, the Association of Estonian Cities and Rural Municipalities, several development centres, universities, sectoral associations and umbrella organisations, managing bodies of Interreg programmes and project partners. As the proposals for the cooperation topics and programme implementation were outlined for each Interreg programme the received input for the Estonia-Latvia programme was specific to the programme area and potential beneficiaries.

The National Authority of the Republic of Latvia formed a consultative working group (CWG) before the programming process started. The CWG consists of representatives of regional level and line ministries. It is an advisory group that consulted the National Authority on the possible policy objectives, specific objectives and relevant activities to be introduced into the programme in accordance with national and regional planning documents and strategies. The first meeting of the CWG took place in January 2020, where the group was introduced with the outline, content and terms of the draft regulations for the Cohesion Policy. After this first meeting, a collection of proposals and a vision for possible cooperation project ideas for the future programme was performed. A compilation and analysis of the proposals submitted by national, regional and local level respondents was conducted by the LV NA before the first meeting of the joint programming committee (JPC).

The JPC gathered for the first meeting on 12 March 2020 and has had five meetings since. The two national delegations of the committee consist of the national authorities, representatives of the Latvian planning regions, and South and West Estonia with representation of the islands. For setting the programme focus, the JPC decided to consult the stakeholders, based on the preparations and preliminary selection of the policy objectives. The programme launched two web surveys in May and July 2020 (16 days and 26 days respectively). The first round gathered proposals, preferences and project ideas for all the policy and specific objectives. The second round collected more targeted ideas for greener Europe, people-to-people, business and tourism topics. The programme used mailing lists and the contacts of the project partners from the 2014-2020 programme and publicly available email addresses to reach all local authorities, planning regions, county development centres, relevant sectoral associations and umbrella organisations, such as chambers of commerce and industry, science parks and universities. The list included around 100 SMEs. The survey was published in the national and English languages on the programme's website at [estlat.eu](http://estlat.eu); it was also launched via direct mailing and advertised on Facebook. Altogether, 219 respondents from all the regions of the programme area and several that operate nationwide, replied. Respondents came from all sectors and were represented as follows: municipalities 35%, NGOs 20%, state institutions 15%, other public institutions 15% and private companies 15%. The programme managed to raise interest outside the segment that is familiar with the programme - 36% of the respondents did not have previous experience with the programme. The responses of the surveys were analysed and discussed by the programming team and the JPC. In the process of determining the focus of the programme regarding the specific objectives, the stakeholder contribution was substantial. In the surveys, the organisations indicated the topical challenges that relate to the border area and have the potential to be solved in cross-border cooperation. As the web surveys are a rather passive way to get information and several issues might need further explanation and clarification, the programming team organised additionally active consultations with 24 Estonian and 26 Latvian experts and stakeholders to facilitate a dialogue. They were provided with the draft proposal papers on the thematic focus, cross-

border challenges and project ideas that were prepared and discussed at the task force meetings between the JPC meetings. During six joint (virtual) Estonian-Latvian workshops, the experts and stakeholders discussed ideas and gave feedback for the planned types of activities and their cross-border cooperation potential. To some extent, the synergies and overlaps with mainstream programmes and measures were also discussed, e.g. in relation to business, tourism and cross-border roads. In addition, a separate meeting with the experienced project partners from both sides of the border was organized to discuss the simplified cost options and simplifications of the programme procedures.

The programme impact evaluation that was carried out during spring and summer 2020 aimed at finding out if the 2014-2020 programme caused positive changes in the programme area and possibly outside of it. All partners of the operating and completed projects were invited to share their insight either through a web questionnaire or focus group interview. Altogether, 123 people, representing projects from all four specific objectives, contributed to the evaluation. The main conclusions and recommendations were introduced to the JPC at its third meeting and the future support areas like business, tourism and environment were discussed in the light of the evaluation results. The programme also received a valuable expert assessment from the survey on the intervention logic and system of indicators that was taken into consideration during the preparation of the new programme.

Between the five JPC meetings and 25 task force meetings, the members of the JPC – representatives of the regions – were actively involved in developing the new programme. Many JPC members come from organisations that have expert knowledge and experience in tourism, business and living environment development.

The public hearings for involving the wider public to comment the draft programme document was held electronically from 8 November to 8 December 2021 in Estonia and Latvia. Twelve organisations from Estonia and Latvia submitted their comments and proposals that addressed all the programme priorities. The provided input reflects the involvement and potential future cooperation of some stakeholders, e.g. public transport centres and municipalities who see the possibilities for the joint service development under ISO1. In addition, the public hearing showed great interest of organisations in tourism development and activities for sustaining biodiversity and reducing pollution. The programme intends to work closely during and between the calls for proposals to widen the target group and raise its knowledge about the specific focus of the programme. One hundred four participants from all groups of expected types of organisations at the public web seminar on 22 November 2021 to introduce the new programme, reflects the high level of interest to the new programme.

Programming information, process and documents of the public hearings and news was updated regularly at <https://estlat.eu/en/2021-2027>. For more substantial updates, the Joint Secretariat posted news on Facebook to invite the broader public to follow the developments on this section.

5. Approach to communication and visibility for the Interreg programme (objectives, target audiences, communication channels, including social media outreach, where appropriate, planned budget and relevant indicators for monitoring and evaluation)

Reference: point (h) of Article 17(3)

The communication actions and channels during the implementation of the 2021-2027 programme are built on the achievements of the current programme period and positive image of the programme. The programme has a wide audience that includes beneficiaries, stakeholders and target groups that are familiar with the programme, which makes it easier to reach out during the next programme period. Over the years the programme has accumulated significant knowledge and experience to attract both new and experienced applicants and make sure they can absorb the available funds in the best way. The programme logo, INTERREG brand and European emblem shall be used according to the EU regulations (CPR) and Interreg brand book. Visual identity is an efficient tool to promote the EU support and the benefits the Interreg programme brings to people and organisations.

## TARGET GROUPS

Potential applicants and beneficiaries (some identified as ambassadors/multipliers): includes municipal and state institutions, NGOs, foundations, private companies, etc.; intermediary bodies that help disseminate and promote the programme's messages: county development centres in Estonia, administrations of the planning regions in Latvia, SSSC, umbrella organisations like science parks, municipal and trade associations, competence centres, etc.; clients and stakeholders like the European Commission, national state institutions, Latvian and Estonian embassies; the general public – people in Estonia and Latvia and Europe.

## OBJECTIVES AND EXPECTED RESULTS

The main objective of communication is building awareness and the visibility of the EU support, the programme and the INTERREG brand. The aim is to show people in Estonia and Latvia the benefits of cross-border cooperation in different areas, especially through the achievements and results of the projects.

### 1. The programme information is easy to access, relevant and timely

**Result:** participants at programme events, potential applicants and project beneficiaries are satisfied.

**Qualitative indicator:** measured in the reports/feedback sheets: average evaluation by the beneficiary at least "4" on the scale: 1 very unsatisfied, 2 unsatisfied, 3 neutral, 4 satisfied, 5 very satisfied.

**Measured:** every event, communication situation, 2022-2028 partner/progress reports.

### 2. The most relevant potential applicants are reached

**Result:** there is a sufficient number of good quality applications targeting the objectives of the programme and projects.

**Quantitative indicator:** numbers/statistics from the programme: number of consultations, applications,

participants (most relevant target group as identified in the IP, considering the focus of the call) during the call.

**Measured:** annually 2021-2026, provided there are calls for proposals.

### 3. Achievements of the projects and the programme are visible

**Result:** the appearance of the programme and projects in the media (online, print, radio, TV) in 2022-2028.

**Quantitative indicator:** number of programme and project related articles/appearances in the media.

**Measured:** the SSSC media monitoring platform; on the LV side: outsourced media monitoring service.

### 4. Social media fan base and web page visits increase

**Result:** the programme's presence and content in social media is active and attractive. The social media channel(s) bring visitors to the website.

**Quantitative indicator:** the number of visitors and visits on the programme's website are at least at the 2021 level (approximately 2,200 and 1,000). Social media fan base increase by 2028.

**Measured:** social media and website analytics, annually 2022-2028.

### 5. The awareness of the EU and Interreg increases

**Result:** people in Estonia and Latvia have increased knowledge of the EU support and Interreg.

**Qualitative indicator:** positive opinion change towards the EU.

**Measured:** the survey by the European Commission, every other year.

## **MEANS AND CHANNELS OF COMMUNICATION**

The communication strategy is implemented by the joint secretariat and specifically by the communication officer. The programme website will be linked to the single website portal providing access to all programmes of the member states. The programme practises primarily electronic communication. The programme and EU logos promote the EU and Interreg brand, the thematic icons for the SO-s will help to make the publicity less formal and the programme presence immediately recognisable in the programme area. When organising programme events, the principle of green and environmentally responsible approach is followed through all the aspects from choosing the locations for the events to the catering and promotional give-away items. In addition to its own events the programme continues to make use of various public events organised by other institutions that resonate with the thematic focus and aims of the programme and attract a larger number of people. The programme shall actively cooperate with neighbouring Interreg programmes for wider reach and visibility, as well as for capitalisation of the achievements of the programmes. The programme takes also active part in the communication activities initiated by the Commission.

**BUDGET: 215 00 EUR.**

## 6. Indication of support to small-scale projects, including small projects within small project funds

Reference: point (i) of Article 17(3), Article 24

Small projects are financed under all Programme Objectives except priority 4. Widest use of small projects is foreseen for eliminating border obstacles, bringing border regions and local people closer together and to increase Programme visibility to the wider population.

Financing through Small Project Funds, as defined in the Article 2(10) of the CPR and Article 25 of the Interreg Regulation, is not planned by the Programme. Small projects are supported through calls for proposals and with the use of simplified cost options for financing these projects. The Programme defines small projects according to EU regulations with a budget of maximum EUR 200 000 ERDF and a duration of 2 years. The call-specific terms are specified in the Programme Manual.

Even though the focus of the small projects is mainly on solving grass-root problems, the target groups may include municipalities, NGOs, state institutions, planning regions and other public bodies, universities, R&D institutions, SMEs, clusters, development and competence centres and umbrella organisations.

## 7. Implementing provisions

### 7.1. Programme authorities

Reference: point (a) of Article 17(6)

Table 9

Programme authorities	Name of the institution	Contact name	Position	E-mail
Managing authority	State Shared Service Centre	Ege Ello	Head of the Managing Authority, Head of Cross-Border Co-operation Programmes Management Division	Ege.ello@rtk.ee
Audit authority	The Ministry of Finance of the Republic of Estonia	Kaur Siruli	Head of the Financial Control Department	Kaur.siruli@fin.ee
Group of auditors representatives	Ministry of Environmental Protection and Regional Development of the Republic of Latvia	Zanda Janusauska	Director of Audit Department	Zanda.janusauska@varam.gov.lv
Group of auditors representatives	Ministry of Finance of the Republic of Estonia	Kaisa Kallas	Head of the Audit Unit II of Financial Control Department	kaisa.kallas@fin.ee
Body to which the payments are to be made by the Commission	State Shared Service Centre	Janika Otsing	Financial Specialist	Janika.Otsing@rtk.ee

## 7.2. Procedure for setting up the joint secretariat

Reference: point (b) of Article 17(6)

MA is located in the State Shared Service Centre (SSSC). It is a government agency under the administration of the Ministry of Finance that provides various support services to the central government agencies in Estonia. The MA, after consultation with the MSs, sets up a JS with staff taking into account the programme partnership. The JS is a separate team located in the SSSC in Tartu, Estonia. Implementation structure and tasks of the MA and JS substantially remain from the 2014-2020 period. The tasks of the JS, the number and qualification of staff members correspond to the functions carried out by the JS.

The JS assists the MA and the MC in carrying out their respective functions and acts as a main contact point for applicants and project partners. The JS carries out the day-to-day implementation of the programme. The JS provides information to potential beneficiaries about funding opportunities under Interreg programme and assists beneficiaries in the implementation of projects. It assists and supports the projects, in the frames of management verifications controls SCOs, monitors progress made by projects during the implementation phase and carries out the programme communication and visibility activities. The JS tasks are financed from the technical assistance budget, based on the principles of transparency, accountability and predictability.

The detailed tasks and responsibilities of the JS are laid down in the DMCS, in the internal procedures of the SSSC and in individual job descriptions. The staff structure aims at ensuring efficient and flexible use of staff and programme implementation. As the programme supports projects that involve partners both from Estonia and Latvia, the team must consist of members who are proficient in English, which is the official language of the programme, and in one of the official languages of those MSs that participate in the programme, to ensure that there is an equal share of project consultants who are native speakers of Latvian and/or Estonian to professionally assist the preparation and implementation of projects.

### 7.3. Apportionment of liabilities among participating Member States and where applicable, the third or partner countries and OCTs, in the event of financial corrections imposed by the managing authority or the Commission

Reference: point (c) of Article 17(6)

The Managing Authority is responsible for reimbursing the amounts concerned to the European Commission in accordance with the apportionment of liabilities among the participating countries as laid down in the programme/in the regulation.

The MA receives technical assistance (hereinafter TA) as a flat rate of reported costs of projects from the European Commission. The monitoring committee approves the TA costs beforehand, together with the work plan for each year. Participating Member States transfer their co-financing to TA according to their co-financing rate and payment schedule stated in the Financing Agreement to the bank account of Estonian State Treasury. The Managing Authority will ensure sound financial management of the TA costs. If by the end of the programme implementation period the Member State has transferred more funds, the Member States will decide on the use of these funds.

The criteria for apportionment of liabilities among the participating Member States shall be the following:

- if the systemic deficiency concerns the programme circuits related to the use of the technical assistance funds by the Managing Authority, Joint Secretariat, Financial Controls and/or the Audit Authority, the country of the administration hosting the Programme body responsible for the use of the technical assistance funds shall have the final responsibility for reimbursing to the programme accounts the amount identified as a result of the financial correction;
- if the systemic deficiency concerns one specific MS, this MS shall be responsible for reimbursing to the programme accounts the amount identified as a result of the financial correction;
- if the systemic deficiency concerns the whole system, each MS shall be responsible for reimbursing to the Programme accounts the amount representing the percentage of the financial correction applied to the expenditure incurred by the beneficiaries of the respective country and declared by the MA to the European Commission.

The MA ensures that any amount paid as a result of an irregularity is recovered from the lead partner or partner. The MA is responsible for reimbursing the amounts concerned to the general budget of the Union.

The ETC Regulation sets out the basic principles for recovery of funds. Any irregularities, suspected fraud or detected fraud must be reported to the heads of the MA and AA. The MA is responsible for the follow-up of the financial impact of the irregularity and MA either withdraws the amount from the next payment to the project or initiates a recovery procedure and is responsible for the respective reporting to the European Commission.

If the lead partner does not succeed in securing the repayment from a project partner, the Member State on whose territory the beneficiary concerned is located must reimburse the MA the amount unduly paid. Where a Member State has not reimbursed the MA any amounts unduly paid to a partner, those amounts must be subject to a recovery order issued by the Commission which must be executed, where possible, by offsetting against amounts due to the Member State under subsequent payments to the same Interreg programme. Such recovery shall not constitute a financial correction and shall not reduce the support from the ERDF to the respective Interreg programme. The amount recovered shall constitute assigned revenue in accordance with Article [177(3)] of Regulation (EU, Euratom) [FR-Omnibus].

Suspected fraud is an irregularity which is the subject of a primary administrative or judicial finding giving rise to the initiation of proceedings at the national level to establish the presence of intentional behaviour, in particular fraud as is referred to in the Convention on the protection of the European Communities' financial interests. Member States shall report irregularities in accordance with the criteria set out in Annex XII of the Regulation (EU) No 2021/1060 and shall inform the managing authority and the audit authority of the programme. Reporting to OLAF takes place in cooperation with and is responsibility of AFCOS (Anti-Fraud Co-ordinating Service) of the participating Member States.

8. Use of unit costs, lump sums, flat rates and financing not linked to costs

Reference: Articles 94 and 95 of Regulation (EU) 2021/1060 (CPR)

Table 10: Use of unit costs, lump sums, flat rates and financing not linked to costs

Intended use of Articles 94 and 95 CPR	Yes	No
From the adoption, the programme will make use of reimbursement of the Union contribution based on unit costs, lump sums and flat rates under the priority according to Article 94 CPR	<input type="checkbox"/>	<input checked="" type="checkbox"/>
From the adoption, the programme will make use of reimbursement of the Union contribution based on financing not linked to costs according to Article 95 CPR	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## Appendix 1

### A. Summary of the main elements

Priority	Fund	Specific objective	Estimated proportion of the total financial allocation within the priority to which the simplified cost option will be applied in %	Type(s) of operation covered		Indicator triggering reimbursement		Unit of measurement for the indicator triggering reimbursement	Type of simplified cost option (standard scale of unit costs, lump sums or flat rates)	Amount (in EUR) or percentage (in case of flat rates) of the simplified cost option
				Code(1)	Description	Code(2)	Description			

(1) This refers to the code for the intervention field dimension in Table 1 of Annex 1 CPR

(2) This refers to the code of a common indicator, if applicable

Appendix 1

B. Details by type of operation

C. Calculation of the standard scale of unit costs, lump sums or flat rates

1. Source of data used to calculate the standard scale of unit costs, lump sums or flat rates (who produced, collected and recorded the data, where the data is stored, cut-off dates, validation, etc):

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2. Please specify why the proposed method and calculation based on Article 94(2) is relevant to the type of operation:

3. Please specify how the calculations were made, in particular including any assumptions made in terms of quality or quantities. Where relevant, statistical evidence and benchmarks should be used and, if requested, provided in a format that is usable by the Commission:

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4. Please explain how you have ensured that only eligible expenditure was included in the calculation of the standard scale of unit cost, lump sum or flat rate:

5. Assessment of the audit authority or authorities of the calculation methodology and amounts and the arrangements to ensure the verification, quality, collection and storage of data:

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## Appendix 2

### A. Summary of the main elements

Priority	Fund	Specific objective	The amount covered by the financing not linked to costs	Type(s) of operation covered		Conditions to be fulfilled/results to be achieved triggering reimbursement by the Commission	Indicator		Unit of measurement for the conditions to be fulfilled/results to be achieved triggering reimbursement by the Commission	Envisaged type of reimbursement method used to reimburse the beneficiary or beneficiaries
				Code(1)	Description		Code(2)	Description		

(1) This refers to the code for the intervention field dimension in Table 1 of Annex 1 to the CPR and Annex IV to the EMFAF Regulation.

(2) This refers to the code of a common indicator, if applicable.

## B. Details by type of operation

### Appendix 3: List of planned operations of strategic importance with a timetable - Article 22(3) CPR

There were no projects of strategic importance identified during the programming phase. Projects, which will provide a significant contribution to the achievement of the objectives of the Programme and are particularly important for communication purposes, might be identified and implemented during the Programme life cycle.

The strategic project(s) can be selected within the calls for proposals or decided further on by running a targeted call for proposals. Relevant thematic areas could include nature protection, biodiversity and green infrastructure under priority 3 and sustainable and socially inclusive tourism under priority 5. Other priorities are considered, if projects from these thematic areas have potential to ensure wide communication and recognition of the Programme.

## DOCUMENTS

Document title	Document type	Document date	Local reference	Commission reference	Files	Sent date	Sent by
EST_LAT map	Map of Programme Area	14-Feb-2022		Ares(2022)2264085	EST_LAT map	28-Mar-2022	Kaare, Külli
Programme snapshot 2021TC16RFCB043 1.0	Snapshot of data before send	28-Mar-2022		Ares(2022)2264085	Programme_snapshot_2021TC16RFCB043_1.0_en.pdf Programme_snapshot_2021TC16RFCB043_1.0_et.pdf EST_LAT map.pdf	28-Mar-2022	Kaare, Külli