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**Annual Meeting of the EEA and Norwegian Mechanism 2014-2021 Estonia**

Date: April 21, 2023

Venue: State Shared Service Centre (Lõkke 4, Tallinn)

Virtual participation possible through Teams link

Added:

1. Agenda of the meeting
2. List of participants
3. Presentation

**Opening remarks and adoption of the agenda**

The Annual Meeting (AM) was opened by the Head of the National Focal Point (NFP), Mr Martin Karro, who welcomed the participants and introduced the agenda of the meeting.

Mr Jon Erik Strømø, co-chair from the donor side, welcomed the participants on behalf of the donors. He thanked Estonia for hard work and dedication to secure efficient implementation of the Grants.

Mr Harald Aspelund from the Embassy of Iceland was glad to see also the active involvement of Iceland and looks forward to strengthening the good cooperation.

**Annual Strategic Report**

Mrs Laura Pikkoja, from the NFP, gave a short overview of the Annual Strategic Report (SR). The presentation focus was mostly on political, economic and social context of programme implementation, presented by Mrs Miryam Vahtra from the Ministry of Finance of Estonia.

Mrs Laura Pikkoja emphasised that despite the crisis in the world, the status of programmes can be considered good. Further, the bilateral activities have intensified both at the national and the programme level and the status of bilateral cooperation is also considered good.

The main risks identified by the NFP are related to the consequences of the war in Ukraine. Together with COVID-19 related effects, it may cause some difficulties in achieving all the expected results before the end of the eligibility period. Nevertheless, the NFP is expecting that all projects can be carried out within the programming period.

Communication between all relevant parties is crucial in mitigating risks and the ongoing active communication is considered overall very good. On these bases the overall risk of the programmes, on a scale of 1-4, is assessed to be medium low (2).

Mr Jon Erik Strømø thanked for well written and informative SR, that gave detailed overview of key activities, the identified key risks and highlighted the results. He stressed the importance of more streamlined and harmonised reporting of results in the future SRs. He noted that Estonia is very active in mitigating the risks and takes good use of flexibility measures provided by the donors and he encouraged to continue to use these possibilities. Having good contact with FMO, embassy and other relevant partners is important and appreciated, especially during the ongoing challenging times.

**Decision:** The fifth Annual Strategic Report was approved.

**Progress of programmes and risk assessment**

Mrs Laura Pikkoja gave an overview of the overall status of programmes (EE-Localdev, EE-Research, EE-Innovation, EE-Climate).

She reported that all calls have been launched and all pre-defined projects appraised and are being implemented, and most of the funds therefore committed (31.03.2023 - 98%). There are 191 projects under these four programmes out of which 65 are finished and roughly half of the projects have donor partners. Disbursements to projects have increased as expected. The disbursement rate may seem low (31.03.2023 – 48%) while there is only one year left to implement but considering the slow start and the effects of the two crises in the world, NFP considers the progress good.

She gave overview of the main achievements, main challenges and brought out best project examples. The main challenges involved are limited time for implementing (EE-Localdev and EE-Climate programmes are most affected), changes in the economic environment, irregularities (EE-Innovation programme most affected), reallocating surpluses (all programmes affected).

Mr Jon Erik Strømø commented that **EE-Localdev** programme is highly interesting programme due to its various components. There is a risk related to time management, but the donors see the strong dedication and are hopeful that the renovation projects and new pre-defined project will succeed.

Regarding **EE-Research** programme the donors appreciate the good progress made and commended the effort of Programme Operator and implementing agencies. Since the programme is unique due to three countries involvement the results of the joint evaluation will be very valuable for the future mechanism.

Regarding **EE-Climate** programme the donors commend for good work and yet realise that there is time issue and active close monitoring is needed. He emphasised that when there are concerns and issues it is important to have good and efficient communication with DPP and FMO.

The donors are very happy about the reallocation in the amount of 1 million euros from **EE-Innovation** programme to EE-Localdev programme but are at the same time curious to know why the absorption of EE-Innovation programme is lower than expected.

Mr Tanel Tomson from the Ministry of Economic Affairs and Communications explained that regarding the overall economic situation it has been hard to attract companies when their main focus has been on surviving. But in general, he thinks they did well.

Mr Martin Karro added that innovation is related to investments and in tough times companies are not very eager to invest.

Mrs Laura Pikkoja added that the surpluses from first calls have been used for additional calls and therefore many of the activities postponed to the final years of implementing. She commended Programme Operator and Implementing Agency for the good and effective work regarding the additional calls.

Mr Jon Erik Strømø underlined that this is no criticism from the donors’ side and that through challenging times EE-Innovation programme has been conducted better than other innovation programmes despite the low absorption rate.

Mr Steinar Matthíasson from the FMO wondered what the cause of lower interest during the first call was before the 2 crises in the world.

Mr Tanel Tomson explained that of course they had higher expectations and sees one of the reasons behind it connected with several similar calls in the country at the same time.

Mrs Katrine Steinfeld from the FMO gave an overview of programmes operated by the FMO (Active Citizens Fund (ACF), Social Dialogue – Decent Work, the Fund for Youth Employment, and the Fund for Regional Cooperation).

Mr Steinar Matthíasson reminded that the entire reserve was reallocated to ACF and that FMO appreciates the good work NFP has done to achieve that.

Mrs Laura Pikkoja added that ACF Fund Operator is hopeful with the new government in Estonia and sees new possibilities there for NGOs.

**Bilateral Cooperation**

Mrs Laura Pikkoja presented an overview of the Bilateral Funds both at the national and programme level. She emphasised the good progress since the last Annual Meeting (AM), that the Bilateral Funds are almost committed and disbursement to projects is almost 50%. Since Bilateral Fund has one more year to implement (until the end of April 2025), NFP is positive about finishing successfully on time. She thanked embassies, FMO and JCBF for good cooperation.

Mr Jon Erik Strømø thanked NFP and embassies for impressive work. He was impressed about the good variation of initiatives and strong bilateral component. He encouraged to continue the excellent discussions with the JCBF to maximise the effect of bilateral cooperation. This applies also for programmes and bilateral components in projects.

**National Management and Control System**

Mrs Laura Pikkoja emphasised that there have been no significant changes in relation to the national level MCS. As a result of the NFP annual performance analysis, the NFP can confirm that overall, the national management system is functioning well.

In 2022

* AA has conducted the MCS audit of the Estonian Business and Innovation Agency regarding EE-Innovation programme. The purpose of the audit was to assess the effectiveness of the control of purchases of non-procurers. In conclusion, the system audit issued an opinion of Category II, meaning that MCS works, but some improvements are needed.
* 6 project audits have been carried out. Ineligible costs were discovered in two projects (EE-Innovation) regarding full and fair competition and price comparison of purchases from non-procurers.

In 2023

* MCS audit of the Education and Youth Board (delegated body of EE-Research programme education part) will be conducted.
* Out of 10 planned project audits most audits have already been conducted and only one small irregularity discovered.

Since the previous Strategic Report, the Irregularities Authority has reported to FMO 8 new irregularity cases (public procurement, project cancellation, potential conflict of interest).

Mr Jon Erik Strømø was happy to see the continued good implementation in general. The donors note that the national setup for the implementation of the Grants works well and there is good functioning of the authorities involved. The donors take note that there have been some findings and are happy to see these followed up. The key is to continue to have a strong focus on implementation. It is also noted that the interim financial reports (IFRs) are submitted timely and prognosis improving in general. The donors have no major concern and see that the functioning of the system is very good.

Mr Kaur Siruli from the Audit Authority (AA) had some comments and ideas about the future. In 2024 AA wants to do less audits than foreseen. The main reason is that it is not proportional compared to the size of the NO/EEA Grants for Estonia. It is also burden to the parties involved and burden to the Technical Assistance budget. Since 2023 is probably the year of most operations regarding the NO/EEA Grants, the year 2024 should be the year of the most project audits (approximately 30 audits foreseen if done by the regulation and guidance). Also, AA is concerned about the level they should look into the operations. AA had several worries regarding EE-Innovation programme MCS and project audits – goods/services selected in a different manner than advertised, goods/services purchased from related company etc. From EU structural funds side AA has made it an issue and therefore from NO/EEA Grants side made it an issue too. The total projected error rate is above the tolerable error rate of 2% reaching up to 11,44%. This was also brought out in the Annual Audit Report and has received no feedback. AA takes a note that donors do not take it too seriously. This is acceptable from AA side because the competition and fair treatment has always raised the question of how strict AA should be. The achievement of objectives regarding NO/EEA Grants is also not that strict. AA is fully aware of the guidance from the FMO saying that when the results are not achieved, this is not necessarily a problem.

To sum up it is important to find a way to cut the number of audits. 5 to 6 audits should be enough keeping in mind that the focus should be on looking into places with more significant risks and not overdoing it.

Mr Jon Erik Strømø thanked for raising this issue. When it comes to procurement and interpretation of rules this cannot be concluded in the meeting. This is still an ongoing process and is something that is looked into with NFP and FMO. It is not given that the interpretation is that the donors look lightly upon current practice. It is good that there are findings, this shows that the system is functioning. Whether the risk-based approach is a good way forward is something that should be discussed as well as what is the best practice and what is regulation indicating. The donors don’t have perception that Estonia is a high-risk area and therefore are open to discuss this kind of approaches. The main dialogue should be between AA, NFP and FMO in order to draw the right conclusions. The donors are quite flexible to look into where simplifications on a risk-based approach can be done. But this needs to be assessed thoroughly and concluded separately from this meeting.

Mr Martin Karro confirmed that discussions about the non-procurers are ongoing. He added that risk-based approach may not necessarily decrease the workload but with the risk-based approach the focus would be in the right places.

**Decision:** AA will contact FMO to discuss the way forward with the audits. NFP will be involved in the discussions.

**Communication**

Ms Annika Mändla from NFP gave an overview of the publicity and communication activities. Similar to previous year this year NFP also plans article(s), social media quiz, TV clip(s), public awareness survey. This year there is also a possibility to see funded projects info on website on the map of Estonia. One interesting activity is that FMO films different projects in different Beneficiary States including in May 2023 in Estonia. NFP actively shares the news about EEA and Norway grants and the projects in Facebook.

Mr Jon Erik Strømø applauded NFPs effort in promoting the Grants and emphasised the importance of it at this stage of implementing. He brought out that dedicated communication workshop with all communication specialists from different related authorities could be something to consider. He understands the possible lack of resources to do communication activities more thoroughly therefore encourages to reach out to FMO for solutions if needed.

**Impact of the war in Ukraine and response of Estonia**

Mrs Ege Ello from NFP gave a short overview of the situation in Estonia after the Russia’s invasion to Ukraine. Estonia has provided nearly €400 million worth of military assistance to Ukraine. According to estimates, the people, state, private sector and civil society organisations of Estonia have donated €23.1 million to Ukraine. Over 128 000 Ukrainian war refugees (around 10% of Estonian population) have entered Estonia and approximately half of them stay in Estonia. As of March 13, 8 479 refugees had started to study in Estonia. There are four NO/EEA initiatives/projects directly supporting the refugee crisis situation and the common feature of these projects is “supporting the supporters”.

Mr Jon Erik Strømø appreciated the overview given and the demonstration how the war in Ukraine is impacting Estonia and possibly affecting the implementation of the Grants. He emphasised that the donors are flexible towards finding solutions how to mitigate the situation caused by the Ukrainian War in Estonia. He referred to the letter of FMO from March 2022 on the topic about the use of funds to address the refugee crisis in Beneficiary States. The donors are impressed about the measures already taken but encourage the NFP to continue to find ways to mitigate the refugee crisis situation and contact FMO in case there are any questions.

**Closing remarks**

Mr Martin Karro thanked all the participants for all the great discussions and active participation during the Annual Meeting (AM), for helping with the preparations and for all the feedback. He stressed that AM is not only reporting meeting but also cooperation meeting. He expressed no doubt that there will be a successful year ahead.

Mr Jon Erik Strømø was thankful for having the possibility to meet, interact and reflect upon where we are and for project visits. The donors appreciate the opportunity and the efforts put into it. It is always a pleasure to be in Estonia because things are very efficiently managed here. It is important to discuss what is challenging because it is all about finishing in the best way possible now. The donors are hoping for good progress with the negotiations regarding new mechanism. All the authorities have the experience regarding this programming period and now it is important to communicate if something needs to be improved. The donors are actively looking into what is the best setup for future mechanism and input from Beneficiary State is highly valued. He thanked Martin Karro for good work and wished all the best with new challenges.