

Mid-term evaluation of the Operational Programme for Cohesion Policy Funds 2014–2020

Final report

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Abbreviations used

Abbreviation	Explanation
EE	Enterprise Estonia
EC	European Commission
EU	European Union
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
MoER	Ministry of Education and Research
MA	Managing authority (Ministry of Finance)
EIC	Environmental Investment Centre
MoE	Ministry of the Environment
LG	Local government
MoC	Ministry of Culture
MoEAC	Ministry of Economic Affairs and Communications
AC	Activity
PA	Priority axis
IB	Intermediate Body
ISA	Information System Authority
GO	Government Office
SSSC	State Shared Service Centre
IA	Implementing Agency
MoSA	Ministry of Social Affairs
SFOS	Structural Funds Operational System
MoI	Ministry of the Interior
CGS	Conditions for granting support
GSAIB	Grant of support for the activity of an intermediate body

TRA	Technical Regulatory Authority
SDC	Sectoral development committee
CF	Cohesion Fund
EUCP	European Union Cohesion Policy

Introduction

1. Technopolis Group Eesti OÜ in co-operation with Ernst & Young Baltic AS, the Baltic Research Institute, and Praxis has, on the basis of public procurement No. 199 802, carried out a mid-term evaluation of the Operational Programme for Cohesion Policy Funds 2014–2020. The mid-term evaluation was carried out between November 2018 and April 2019 and covers Operational Programme activities from 01.01.2014 to 31.12.2018. The mid-term evaluation included all of the priority axes of the revised Operational Programme approved by the European Commission in December 2018, and all of the measures and activities thereunder.
2. The Operational Programme for Cohesion Policy Funds 2014–2020 describes the specific objectives and expected results of the use of EU funds across the areas to be financed. The EU funds are primarily invested in development leaps and structural reforms; the investments are focused on the comprehensive resolution of a limited number of problems with a significant impact, the funds are not spread over a host of low-impact investments, and are invested in sustainable projects (which do not place additional burdens on the state budget; no fixed costs are financed). The total amount of the Operational Programme for 2014–2020 is 4.6 billion euros and it is financed from EU funds as well as from Estonian state funds and the co-financing of beneficiaries.
3. The purpose of the mid-term evaluation was to assess the relevance, efficiency, impact, and sustainability of the Operational Programme at the priority axis level, except in the evaluation of project selection criteria, where we also analysed project documentation.
4. The evaluation included an assessment of the Operational Programme's:
 - **relevance**, i.e. the extent to which the objectives, measures, and activities of the Operational Programme are relevant, including the *project selection criteria*, i.e. the extent to which the project selection criteria support the objectives of the Operational Programme, as well as *partner consultation*, i.e. the extent to which partners are consulted during both the preparation and the implementation of the Operational Programme;
 - **efficiency**, i.e. the extent to which the objectives set are achieved;
 - **impact**, i.e. the Operational Programme's impact on achieving Estonia's strategic objectives;
 - **sustainability**, i.e. how sustainable the achieved objectives and activities are.
5. This report is the final evaluation report, which gives an overview of the evaluation methodologies used (chapter 1) and provides an overall assessment of the Operational Programme's relevance (chapter 2), efficiency (chapter 3), impact (chapter 4), and sustainability (chapter 5). Chapter 6 presents the findings, conclusions, and recommendations of the evaluation. The evaluation was carried out using the central system of structural funds (SFOS), quantitative data from the databases of the implementing agencies and Statistics Estonia, as well as qualitative data collection methods, such as surveys, literature analyses, in-depth interviews, focus group interviews, and workshops. The evaluation involved all intermediate bodies, implementing agencies, and social partners tied to the Operational Programme.
6. The report is supplemented by annexes presenting the data collected during the evaluation and more in-depth analyses of some of the evaluation questions: Annex A lists the data used in the evaluation, Annex B provides a more in-depth analysis of the involvement of social partners, Annex C lists the sample of the analysis of the project selection criteria, Annex D provides an analysis of the relevance of the selection criteria to project efficiency, Annex E presents a comparison of the project selection methodologies arising from the selection criteria, Annex F lists the measures included in the Operational Programme as well as the state of implementation of the Operational Programme at 31.12.2018, while Annex G presents an analysis of the efficiency of the priority axes. Additionally, in accordance with the terms of

reference, Annex H contains the project selection evaluation sheets, and Annexes I and J contain the information sheet, introducing the results of the evaluation in Estonian and English respectively.

7. We would like to thank the Ministry of Finance and the State Shared Service Centre for commissioning the evaluation, as well as all of the intermediate bodies implementing agencies, and social partners for all the help and assistance they have provided.

Executive summary

The mid-term evaluation of the Operational Programme for European Union (EU) Cohesion Policy Funds 2014–2020 was carried out between November 2018 and April 2019 and covers Operational Programme activities from 01.01.2014 to 31.12.2018. The mid-term evaluation included all of the priority axes of the revised Operational Programme approved by the European Commission in December 2018, and all of the measures and activities thereunder. The Operational Programme's relevance, efficiency, impact, and sustainability were evaluated at the priority axis level, except for the evaluation of the project selection criteria, which was carried out at the activity level, with information on completed projects also being taken into account.

The evaluation included an assessment of the Operational Programme's:

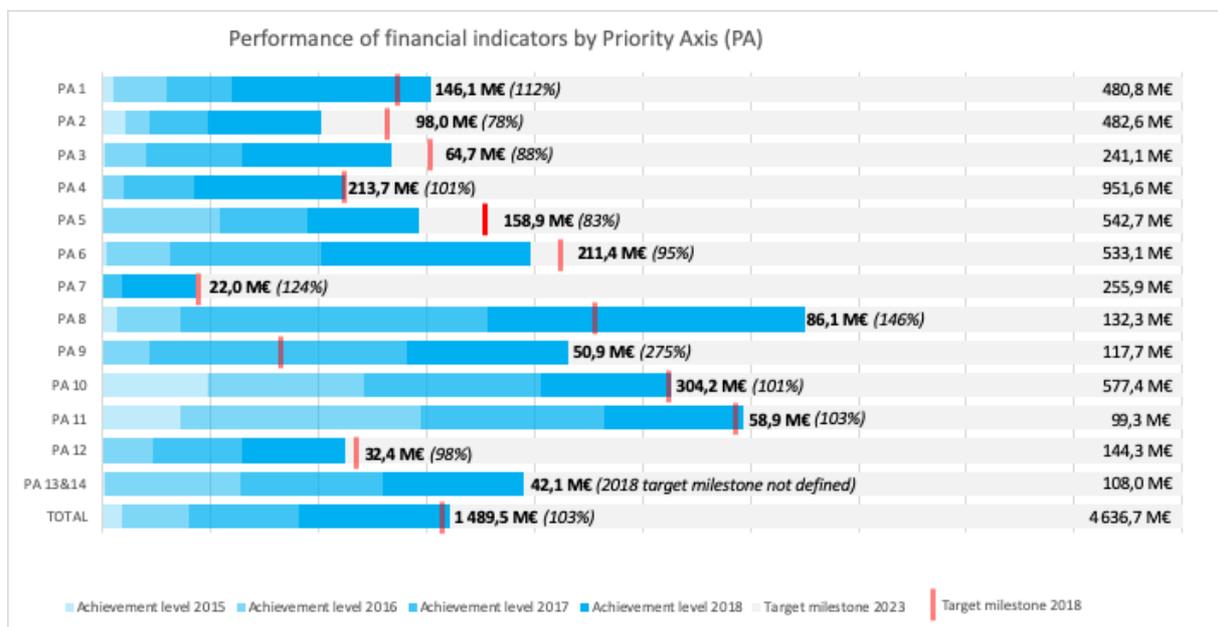
- **relevance**, i.e. the extent to which the objectives, measures, and activities of the Operational Programme are relevant, including the *project selection criteria*, i.e. the extent to which the project selection criteria support the objectives of the Operational Programme, as well as *partner consultation*, i.e. the extent to which partners are consulted during both the preparation and the implementation of the Operational Programme;
- **efficiency**, i.e. the extent to which the objectives set are achieved;
- **impact**, i.e. the Operational Programme's impact on achieving Estonia's strategic objectives;
- **sustainability**, i.e. how sustainable the achieved objectives and activities are.

The implementation of the Operational Programme was evaluated using both quantitative and qualitative data. The quantitative data collected consisted of the financial, output, and result indicators of the Operational Programme as of 31.12.2018, on the basis of which the efficiency of implementing the activities was evaluated at the activity level, using the traffic light method. The obtained data were compared to Operational Programme-wide result indicators, on the basis of which it was possible to provide an assessment of the degree to which the Operational Programme has helped with the fulfilment of strategic objectives. Two surveys of partners and implementing bodies, three workshops with experts, seven focus groups with partners, intermediate bodies, and implementing agencies, and 25 interviews with different actors in the implementation system were organised to interpret and validate the quantitative data. Four sectoral expert groups participated in the evaluation: a working group on the economy; a working group on education, research, and development; a working group on social and labour policy; and a working group on the environment. Also included in the evaluation were experts from the fields of transport, energy, and regional development.

The Operational Programme for Cohesion Policy Funds 2014–2020 describes the specific objectives and expected results of the use of EU funds across the areas to be financed. EU funds are primarily invested in development leaps and structural reforms; the investments are focused on the comprehensive resolution of a limited number of problems with a significant impact, the funds are not spread over a host of low-impact investments, and are invested in sustainable projects (which do not place additional burdens on the state budget; no fixed costs are financed). The total amount of the Operational Programme for 2014–2020 is 4.6 billion euros and it is financed from EU funds as well as from Estonian state funds and the co-financing of beneficiaries. Sectorially, the Operational Programme covers 11 areas, with the most funding going to social protection and health (19% of the total volume of the Operational Programme), entrepreneurship and innovation (15%), transport and education (13%), and research (11%). The areas are divided between 12 priority axes, plus two priority axes with technical assistance, wherein the running costs of implementing the Operational Programme are covered.

As of 31.12.2018, EUR 1.5 billion, or 32% of the EUR 4.6 billion of the Operational Programme for Cohesion Policy Funds 2014–2020, has been paid out. In summary, the priority axes have been efficient **in terms of the fulfilling of** financial indicators, and an average of 103% of the target milestones for 2018 has been achieved. The majority of the priority axes fulfilled the financial indicators set for them in 2018. While the financial indicator achievement levels of five

priority axes did fall short of the target, they were nonetheless quite close (see figure below). The lower-than-expected performance may be due to several factors, the most common of which are the later opening of the measures and slower starting of the activities, lower application activity, and lower-than-expected demand. In the case of activities where public procurement had to be carried out or where state aid rules applied, delays may have occurred due to the time spent on interpreting the rules. At the same time, eight priority axes fulfilled or exceeded their objectives in 2018. Over performance was highest for priority axis 9, ‘Sustainable urban development’, where the objective fulfilment rate was 275%. The over performance was helped, for the most part, by higher-than-expected demand and interest in the activities, or the incorrect planning of target milestones (target milestones were set too low). The implementation of activities has also been affected by external factors such as administrative reform, which affected the implementation of all priority axes and caused delays in the starting of activities, the low capacity of local governments to apply for grants and implement projects, as well as the rise of construction prices on the construction market. Even so, in the big picture, **the implementation of the Operational Programme is moving according to plan** and, according to experts, by 2023 the target milestones in all priority axes will, in all likelihood, be met.



Even though the financial objectives of the priority axes have largely been fulfilled, and where they have not been fulfilled are very close to fulfilment, the achievement rates of the target milestones for output and result indicators differ considerably and the fulfilment of output indicators may not always correspond to the fulfilment of a **substantive objective**. For example, in the case of priority axis 4, ‘Growth-capable entrepreneurship and RD&I supporting it’, the financial objective has been fulfilled (101%), although the target for the result indicator ‘share (% of GDP) of private sector research and development (R&D) expenditures’ will not be achieved by 2023 (2012: 1.26%; 2018: 0.6%; goal 2023: 2%). Another result indicator that will not be fulfilled is ‘share of GDP created outside of Harju County and Tartu County in Estonia’s GDP’, which also shows a downward trend (2012: 29.7%; 2018: 25.8%; goal 2023: 30%). Therefore, **the reaching of target milestones for financial and output indicators does not automatically mean the achievement of real changes and objectives**: societal processes are significantly more complicated and considerably more time is needed to change existing trends. Similar to European peripheral regions and especially Eastern Europe, the EU's policies have helped with transnational convergence, but have also increased national social and regional differences – metropolitan areas have, regardless of the EU’s base documents placing value on unity, received more benefit than extensive peripheral regions, which are being abandoned by residents.

Support received from the EU Structural and Investment Funds has clearly **contributed** to the achievement of all priority axes’ objectives: the support has a direct impact on increasing employment, improving the health of the population, developing the living environment, and realising other

objectives. The impact of the Structural Funds is **long-term** and manifests itself in changes at different levels. The impact of the EU Structural and Investment Funds is particularly evident in **synergies between** multiple priority axes, which amplify each other's results. For example, these include the synergies between axes 1, 'Qualifications and skills meeting the needs of society and the labour market', 2, 'Increasing social inclusion', and 3, 'Improvement of access to and prevention of dropping out of the labour market'; as well as that between axes 7, 'Water protection', and 8, 'Green infrastructure and improved preparedness for emergencies'.

The Operational Programme has had a significant impact on the achievement of Estonia's most important strategic objectives. Its contribution has been greatest in the achieving of strategies that are directly connected to the Operational Programme – Estonia 2020, Europe 2020, and the Baltic Sea Strategy – and of objectives related to sustainable development. A significant positive impact was also identified in the realisation of the objectives of the Regional Development Strategy and the country-specific recommendations.

In terms of Estonia's development needs, in 2014 the Partnership Agreement highlighted the unfavourable structure and low capitalisation of the economy and noted that the current sources of growth for the Estonian economy are either exhausted or about to be exhausted. The main weaknesses of the Estonian economy that were pointed out were a narrow export base based on cost advantages, low innovation capacity, and the weak local impact of R&D; in addition, the low resource efficiency and high energy intensity of the economy were noted. All these aspects pointed to the structural underperformance of the Estonian economy. Broadly speaking, looking at the modest share of private or public sector spending on research and development, the situation is still the same today. At the same time, we found that **EU funding contributes, to an important extent, to structural changes in the form of an economy with greater knowledge intensity and lower resource intensity, although the impact of the corresponding investments has not yet materialised.**

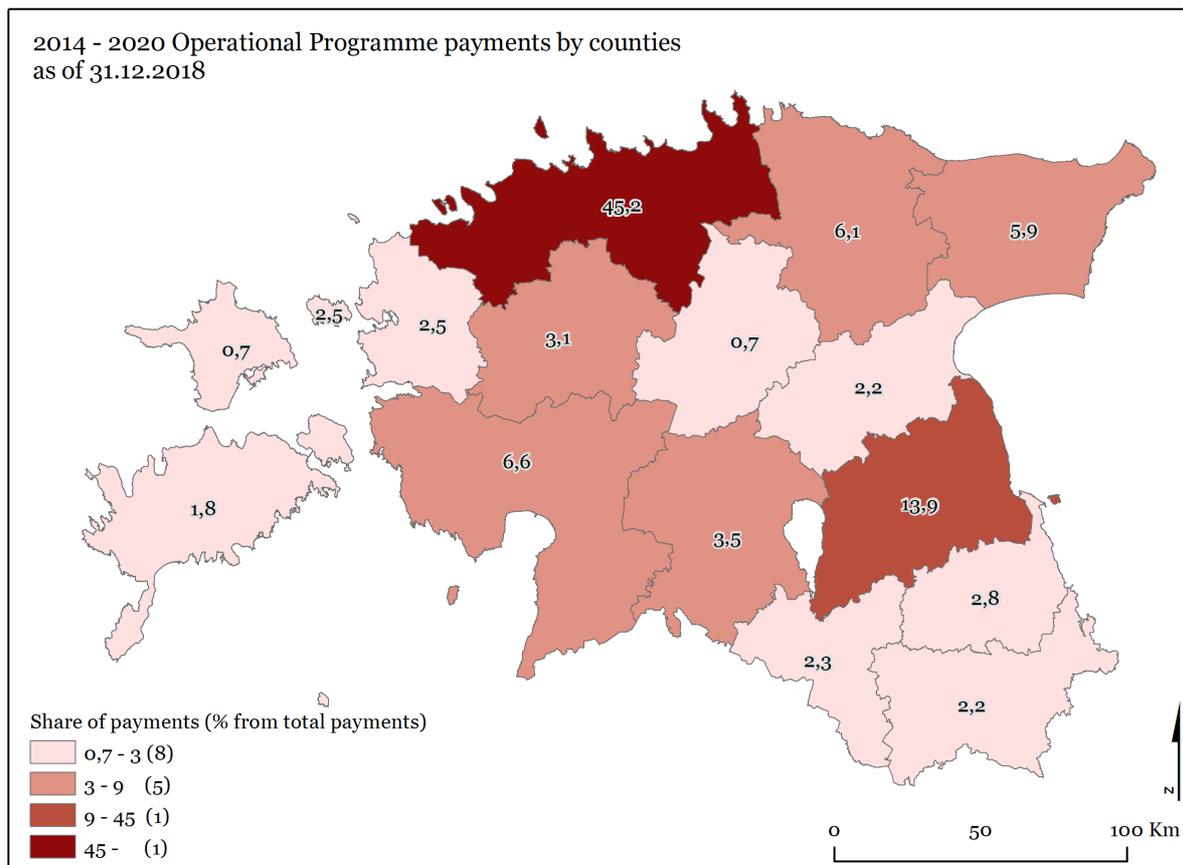
Estonia's socioeconomic situation has changed somewhat since the time of the development of the Operational Programme. What is positive is that the economy and employment have, driven by strong domestic and foreign demand, grown quickly. If Europe's economy were to enter a downwards trend within the next few years, it would, in turn, bring about a reduction in the sales and export volumes of Estonian companies, as well as in employment. Since the Operational Programme's sectoral objectives and activities are still relevant today, **there is no need for major changes in order to fulfil the objectives of the Operational Programme.**

However, the balance of regional development remains a major challenge. As a whole, regional disparities are still large and there has been no significant turn towards more homogeneous territorial development.¹ According to the latest academic literature, convergence has occurred between European and especially Eastern European countries as a result of the implementation of the EU Structural Funds; however, national social and regional disparities have increased, resulting in extensive marginalised peripheral regions that are being abandoned by residents. **Outside of Harju and Tartu counties, the challenges** are stalled structural change in business and the low creation of alternative employment (i.e. low added value), as well as a lack of investment (lack of capital) and the resulting emigration of the last 25 years, which has cumulatively reduced the volume and availability of services and employment.

The figure shows disbursed grants (EU grants, state funding, as well as beneficiaries' co-financing) by counties within the framework of the 2014–2020 Operational Programme, as of 31.12.2018 (excluding nationwide inter-county projects). The figure clearly shows the investment gap between Harju County and the other counties – nearly 50% of EU grants have gone to Harju and Tartu counties, while the majority of the remaining counties have had to accept an investment volume that is less than 5%.

¹

https://www.rahandusministeerium.ee/sites/default/files/document_files/REGO/eras_elluviimise_2017_a_sei_rearuanne_1_1.pdf



Supporting regional development is more effective when entrepreneurship, infrastructure, and living environment investments constitute a logical whole and if local governments have the opportunity and ability to participate in shaping policy and leading development processes. To date, decisions concerning regionally important education and infrastructure investments have been made by government agencies, often above the heads of locals. Ministries need **motivated and competent local partners** in order to implement policies. The professionalism of local government officials has grown as a result of administrative-territorial reform, although senior managers have, for the most part, remained the same. Local governments are still too small and there is a great deal of uncertainty in several local governments which were subject to problematic (forced) mergers, as a result of which there is a lack of willingness on the part of councils when it comes to the management of economic development, especially the initiation and co-financing of joint projects. In 2018, the institution of county governors, which had thus far co-ordinated county co-operation, was abolished, which is why the starting up of updated county development organisations is critical at this point. Seeing as local government joint funding is a difficult process, within the context of the current administrative situation, the solution for the strengthening of regional co-operation is ensuring the **implementation of a joint programme-based investment measure** for major regional urban centres of substantial volume and their functional hinterlands (primarily by county in Estonia), in place of the current numerous sectoral application-based measures, which have rather prompted competition between local governments. In Europe, joint funding measures intended to promote co-operation have been widely utilised and they generally reduce the ‘foreign money’ effect of oversized developments, although it is undoubtedly necessary to ensure strategic consulting in order to avoid so-called ‘white elephants’².

In the evaluation of selection criteria, it was concluded that the large majority of **the criteria employed in project selection are in accordance with the general selection criteria approved by the monitoring committee** (except for project impact on horizontal themes). For

² <https://euroscopemag.eu/valencia-the-white-elephant-of-spain/>

the most part, the general selection criteria are relied upon when setting out selection criteria, and these are adjusted based on the nature of the specific activity. An exception is **project impact on horizontal themes**, the use of which as an evaluation criterion is relatively uncommon. We suggest clarifying the use of this criterion in the general evaluation criteria, so as to further encourage the funding of projects contributing to horizontal themes. In addition, when evaluating the selection criteria, it was observed that, in the case of the individual activities, the rating scales or thresholds were set too low, while at the same time there were activities in the case of which the selection criteria had not been explained in sufficient detail or where there were inconsistencies in the rating levels.

As for selection methodologies, the selection methodologies listed in the conditions for granting support have, in most cases, been clarified in the selection methodologies of implementing agencies, which are generally also published on the websites of the implementing agencies. The analysis showed that **selection methodologies can differ significantly depending on the specific nature of the activity** (in particular, between different implementing agencies), but are largely in line with the general selection methodology. In the case of the granting of support to intermediate bodies, the general selection methodology is worded in very general terms, only covering the approval of the project and the granting of support. Since in the case of the granting of support to an intermediate body, specific activities are agreed upon on the basis of annual or multiannual action plans, based on the evaluation, a proposal was made to supplement the general selection methodology with the obligation to verify whether the action plans are also in accordance with the general selection criteria.

Partner consultation during the implementation of the Operational Programme can be improved. During the evaluation, it was found that partner consultation was primarily based on the EU's (Article 5 of the CPR, European Code of Conduct on Partnership) and the Estonian National Engagement Framework (Good Practice of Engagement). The forms of engagement have been diverse and partners have been satisfied with the wealth of opportunities for participation, although there are several things they consider problematic, such as the lack of consideration given to the proposals of partners, insufficient feedback on the reasons why input from partners could not be taken into consideration, and deadlines that were too short for providing feedback on often extensive discussion material. Partners feel the need to clearly understand what can be changed in each stage, what the restrictions are, and how their input affects the final decision. However, areas of deeper concern are the low institutional capacity of NGOs to voice their opinions, inconsistencies in engagement, and an occasional lack of transparency (for example, in the work of the sectoral committees); partners also feel that what has been agreed upon between partners and government agencies as the result of thorough engagement processes can fall by the wayside upon reaching political decision-making stage. It is recommended that an early agreement be reached with partners regarding the timetable for engagement and the channels that are suitable for the partners, as well as to explain to partners the goals and limitations of each engagement process, to provide clear feedback on proposals, and to plan support measures for the new funding period to raise the organisational capacity of NGO umbrella organisations. As the partners are of the opinion that the majority of the problems do not just relate to engagement in the context of structural instruments, but also to the general engagement practice of the state, the solutions, as a whole, should also be predominately developed at the level of the state's overall engagement policy.

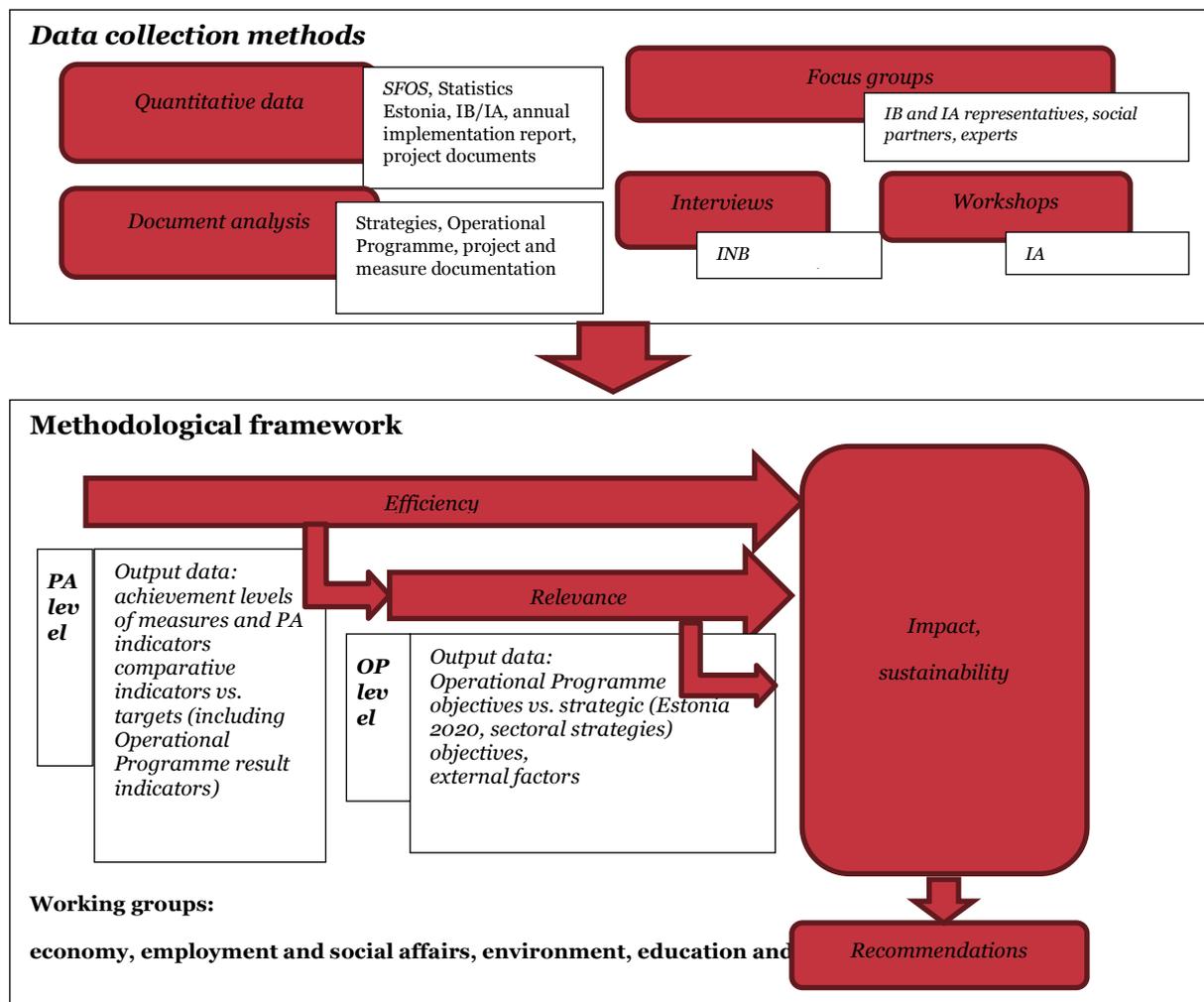
Additional funds from the performance fund should be directed to activities which prevent problems and create added value, such as R&D and innovation in business, education, and regional development. The performance reserve, comprising 6% (EUR 210 million) of the volume of structural funding, which has not yet been distributed, will be distributed based on the results as of 31.12.2018 (co-financing by the state and the beneficiaries will be added). The performance reserve will be distributed on the basis of the milestones set for the performance framework indicators for 2018 (the performance framework sets out 15 financial indicators and 40 output indicators) by priority axis and fund. The use of the performance reserve will be decided by the Government of the Republic within the process for the state's budgetary strategy for 2019 by priority axis and fund (on 31.05.2019), and the final decision will be made by the European Commission along with the approval of the revisions to the Operational Programme.

As of 31 December 2018, **all activities that are part of the performance framework have fulfilled their objectives and qualify for performance reserve funds.** In view of the objectives and principles of the Operational Programme, it is reasonable to direct additional funds into those activities where, even after achieving the milestones for 2018, there is still demand for additional funds as well as the capacity for absorption, and which would also be supported in the next funding period to ensure sustainability. It is therefore advisable that, first and foremost, additional funds be directed to R&D and innovation in business, to education, and to regional development, since these are all geared towards creating added value for the economy and society, and have a long-term impact. In addition, there is a need for further investments in social inclusion activities (first and foremost services directed towards disabled persons and children (including their parents), and labour market services), as well as in information society development (creation of base infrastructure for services), transportation (increasing the share of public transport users and cyclists), state governance, and the environmental sector.

1 Methodology

1. The Operational Programme evaluation methods were selected based on the principles of the European Commission’s (EC) evaluation guide³ for 2014–2020, as well as the objectives set out in the terms of reference. The evaluation is a mid-term evaluation of the Operational Programme, where we evaluate the efficiency of what has been achieved so far, as well as the relevance, impact, and sustainability of the activities.
2. Because it is a so-called **bottom-up evaluation methodology**, we started with the evaluation of the **efficiency** of the priority axes, i.e. the extent to which the set objectives are achievable and how effectively the funds have been used (see Figure 1). Knowing the extent to which the objectives are achievable allows us to evaluate the **relevance** of the established objectives and activities, and to determine the extent to which they contribute to the achievement of Estonia’s strategic objectives – the results of the evaluation of efficiency provide an input for evaluating relevance. The evaluation covered all 42 Operational Programme measures. The efficiency of the Operational Programme was evaluated at the priority axis level and relevance was evaluated at the level of the Operational Programme (i.e. by assessment of the sectors rather than the priority axes).

Figure 1. Methodological framework of the mid-term evaluation



³ European Commission, DG Regio (2014): The programming period 2014–2020. Guidance document on monitoring and evaluation. European Cohesion Fund, European Regional Development Fund. Concepts and Recommendations: http://ec.europa.eu/regional_policy/sources/docoffic/2014/working/wd_2014_en.pdf

3. The **evaluation of the project selection criteria** was carried out in parallel with the evaluation of efficiency and relevance, as the two processes were relatively independent of each other. The evaluation of the project selection criteria covered 34 measures (see the list of measures in Annex D).
4. After the evaluation of efficiency and relevance, we carried out an evaluation of the Operational Programme’s **impact and sustainability** – the extent to which the Operational Programme has had an impact on Estonia’s socioeconomic development, and the level of sustainability of the Operational Programme’s impacts. In developing our recommendations, we took into account the data collected during the evaluation, as well as the findings and observations made during the evaluation.
5. We evaluated the Operational Programme using both quantitative and qualitative data. We started by collecting and analysing the following **quantitative data**:

Level of data collection	Data type	Data source
Operational Programme level	Operational Programme result indicators	Sectoral development plans and strategies (Estonia 2020), Statistics Estonia (sector result indicators), sectoral databases (e.g., haridussilm.ee)
Priority axis level	Priority axis financial indicators	Ministry of Finance SFOS (output and financial indicators), implementing agencies
Measure level	Activity budgets, Operational Programme output indicators, output indicators of intermediate bodies and implementing agencies	
Project level (for evaluating selection criteria)	Project budgets and result indicators	

6. The evaluation is based on data on the financial, output, and result indicators, as of 31.12.2018, of the implementation of all measures of the revised Operational Programme approved by the European Commission in December 2018 (see Annex F, which includes the rates of achievement of output indicators for both completed and on-going projects). The implementation of the measures was evaluated using the traffic light method⁴:

green – 85–100% achievement level on 31.12.2018 of the target milestone set for 2018 (incl. overachieved levels): target achievement is progressing well, achievement of the final targets by 2023 is likely;

yellow – 65–84% achievement level on 31.12.2018 of the target milestone set for 2018: problems have arisen in target achievement, but achievement of the final targets by 2023 is likely;

red – lower than 65% achievement level on 31.12.2018 of the targets set for 2018: there are significant problems and lags in target achievement; achievement of the final targets by 2023 may not be possible.

⁴ Based on EC implementing regulation (EU) No. 215/2014 of 7 March 2014: <https://eur-lex.europa.eu/legal-content/ET/TXT/?uri=CELEX%3A32014R0215>

7. To describe and validate the results of the quantitative data analysis, **qualitative data collection methods** were used:
8. **Literature analysis** – literature and document analysis was used for mapping the objectives of the sectoral strategic and priority axes. It was also an important starting point for understanding the priority axes and activities, as well as their objectives. Sectoral experts supplemented the literature and document analysis by providing an assessment of the efficiency of the axes and comparing the objectives and activities set out in the Operational Programme with the needs and trends in the fields (incl. impact assessment).
9. **Interviews** – we conducted 25 personal interviews with implementation system officials to obtain information about the planning and implementation of the Operational Programme, the design and background of the monitoring systems, and the project selection criteria.
10. **Focus group interviews** – we conducted focus group interviews with two types of target groups: social partners and intermediate bodies and implementing agencies.
11. Focus group interviews with social partners were carried out in December 2018 with the aim of obtaining feedback on the development of the Operational Programme and engagement in its implementation. In total, two focus groups with 17 participants were put together in Tallinn and Tartu.
12. Focus group interviews with intermediate bodies and implementing agencies were carried out in February 2019 in Tallinn with the aim of determining the current state of the implementation of the measures and activities. In total, five focus groups were put together as follows:
 - measures implemented by the Ministry of Education and Research, the Ministry of the Interior, Innove, and Archimedes;
 - measures implemented by the Ministry of Social Affairs, the Ministry of Culture, Innove, and the State Shared Service Centre (SSSC);
 - measures implemented by the Ministry of Economic Affairs and Communications, Enterprise Estonia, the SSSC, the Environmental Investment Centre (EIC), the Consumer Protection and Technical Regulatory Authority (CPTRA), and the Information System Authority (ISA);
 - measures implemented by the Ministry of the Environment and the EIC;
 - Measures implemented by the Ministry of Finance, the Government Office, and the SSSC.
13. **Workshops** – during the period of January–March 2019, we conducted three workshops (in Tallinn, Tartu, Jõhvi) with a total of 69 sectoral experts. The primary objective of the workshops was to acquire input for evaluating the relevance of the activities; however, efficiency, impact, and sustainability were also recorded.
14. **Survey** – we organised two online questionnaires with the aim of studying the experience and opinions on engagement of, on the one hand, the ministries that organised the engagement processes, and, on the other, the partner organisations. The questionnaire-based survey of the ministries took place from 27.12.2018 to 10.01.2019. The invitation to participate was sent to all of the ministries listed as engagers of sectoral partners in section 12.3 of the Operational Programme for Cohesion Policy Funds 2014–2020 ('List of partners involved in the preparation of the Operational Programme'), plus the Government Office as the sectoral committee co-ordinator. A similar form tailored specifically to the work of the sectoral committees was also sent to the heads of the sectoral committees. The online form was open from 19.02.2019 to 19.03.2019.
15. The questionnaire-based survey of partners lasted from 12.12.2018 to 04.01.2019. The invitation to participate was sent to 359 people, wherein the list of recipients was based on the

list partners presented in section 12.3 of the Operational Programme for Cohesion Policy Funds 2014–2020 ('List of partners involved in the preparation of the Operational Programme') and the list of members of the Cohesion Policy Funds 2014–2020 monitoring committee. The list was also supplemented by lists of sectoral committees. County governments and other organisations that had ceased operations during the implementation period were excluded from the recipients. A total of 74 respondents, i.e. 20% of the recipients of the invitation, participated in the survey. See Appendix B for details.

16. In parallel with this, we evaluated the **relevance and efficiency of the project selection criteria**. The aim of the evaluation of the selection criteria was to analyse the relevance and efficiency of the project selection criteria and methodologies in the selection of projects that are fit for purpose. The evaluation of the selection criteria was based on 34 activities, which are listed in Annex D.⁵ The evaluation consisted of an analysis of various activities implemented through implementation schemes (open calls, investment plans, GSAIBs). The evaluation did not include an analysis of financial instruments.
17. The questions analysed during the evaluation of the selection criteria were divided into four thematic blocks:
 - the conformity of the employed project selection criteria with the general selection criteria, and the validity of the weighting of the selection criteria with regard to the achievement of the objectives;
 - the conformity of the employed selection methodologies with the general selection methodology approved by the monitoring committee, and the expediency of selection methodologies established outside of CGSs or GSAIBs;
 - the clarity and transparency of the selection methodologies and criteria;
 - the contribution of the selection criteria to the selection of efficient projects.
18. The analysis of the selection criteria consisted of two parts. First, the selection criteria and methodologies were analysed at the activity level, and then the scores given to completed projects were compared with the performance of the activities in order to determine how the particular selection criteria helped select efficient projects. For this purpose, a sample of completed projects was formed.
19. During the analysis of the selection criteria, the following activities were carried out:
20. **Document analysis** – in order to identify the employed selection methodologies and criteria, information was collected through document analysis. For this purpose, we analysed the CGSs, GSAIBs, and other documents (e.g., IA selection methodologies and other working procedures) related to the selection methodologies and criteria of the activities included in the sample. On the basis of the document analysis, an analysis card was prepared for each activity, which was used as the basis for further interviews and for answering the evaluation questions.
21. **Formation of the project sample** – the sample was formed on the basis of 34 activities within the scope of the evaluation (see Table 2 in Annex C). The sample was formed on the basis of the list of completed projects as of 31.12.2018. As there were no completed projects for 10 of the activities, the sample was formed from projects from 24 activities. In total, 136 projects from nine priority axes were included in the analysed sample. The formation of the sample was based on the following principles:
 - only activities where at least one project had been completed were included in the sample (24 activities in total);
 - where fewer projects were included in the sample than had been completed within the AC, the projects were selected randomly;

⁵ The list of activities included in the sample was provided in the terms of reference.

- where possible, at least 5% of the projects were selected from each measure;
 - where the number of projects was ≥ 50 and < 120 , at least 10% of the projects were selected from each measure;
 - where the number of projects was ≥ 10 and < 50 , at least 20% of the projects were selected from each measure;
 - where the number of projects was ≥ 1 and < 10 , at least 33% of the projects were selected from each measure.
22. **Interviews** – after the document analysis, semi-structured interviews were conducted with IAs implementing the studied activities, as well as some IBs (where necessary, if answers could not be obtained to all the questions during the interview with the IA). The activities were grouped thematically based on the suggestions of the IAs, and each interview covered one or more activities. A total of 16 interviews were conducted, mostly with multiple interviewees (usually 2–3) participating in a single interview. The interviews were aimed at exploring the actual functioning of the selection systems, verifying the information collected through document analysis, and gathering the opinions of the IBs and IAs on the functioning of the selection systems (incl. with regard to the selection of the most efficient projects).
 23. **Data requests** – in order to obtain project-level information, data on the performance of the projects included in the sample were requested via SAP BO from the SFOS through the Ministry of Finance. The data received were from 29.03.2019, and in addition to general information about the projects, we also received data on the target milestones and achievement levels of the projects, as well as an assessment of the efficiency of the activities. Activity efficiency was evaluated on the basis of the assessment of efficiency of activities contained in the SFOS.
 24. **Analysis of selection criteria and methodologies** at the activity level – based on the collected data, the selection criteria and methodologies employed by IAs were compared with the general selection criteria and methodologies. The analysis included an investigation of whether the selection methodologies reflect the general selection criteria and whether the selection procedure covers all the steps provided for in the general selection methodology. It also included a mapping of the establishing of selection methodologies outside of CGSs/GSAIBs, as well as an analysis of the weighting of the selection criteria, the evaluation of contribution to horizontal themes, the composition and evaluation procedures of the evaluation committees, and the measures taken for ensuring transparent and clear evaluation.
 25. **Efficiency analysis of completed projects** – information about the efficiency of the projects included in the sample was compared with the scores given to the projects during project selection. In order to determine the efficiency of the projects, two sets of data were examined: the fulfilment of the project indicators and the project efficiency assessment included in the final report. Based on this information, two values were assigned to each project: fulfilment of indicators and efficiency. This was done on a scale of ‘fulfilled’, ‘partially fulfilled’, ‘delayed’, ‘insufficiently fulfilled’, and ‘no data’; where the indicators were fulfilled, the projects were assigned a numerical value and project efficiency was evaluated on the basis of the description presented in the final report. These two values were then compared with the scores given to the projects. To this end, a coefficient of correlation between the two efficiency evaluations and scores was calculated. In addition, the deviation of the score of each project from the average score of the projects under the same AC was calculated in order to examine whether projects which received a higher than average score were actually more efficient and vice versa. The efficiency of projects deviating significantly from the average (more than standard deviation) was examined separately. Project analysis proved possible for 88 projects (initial planned sample was 136), as data could only be obtained from IAs concerning 16 activities (out of 24).
 26. **The overall assessment** of the Operational Programme’s relevance, efficiency, impact, and sustainability was put together on the basis of the actual Operational Programme

implementation indicators, the information obtained from the implementers of the Operational Programme, and the sectoral knowledge of the evaluation experts. The assessment is based on the data gathered during the evaluation, taking into account factors that are external to the Operational Programme (both Estonian and foreign socioeconomic and political trends and developments) to the extent that they could be identified and taken into account during the evaluation.

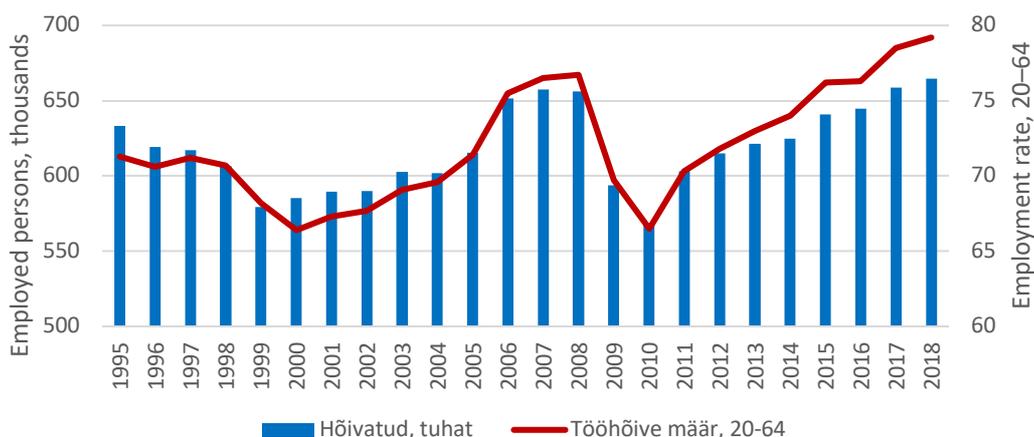
27. The evaluation involved **four sectoral working groups** – working groups on the economy, social affairs and labour, the environment, and education and R&D – tasked with evaluating the implementation of the Operational Programme based on sectoral development. The assessments of the relevance, efficiency, impact, and sustainability of the Operational Programme are all based on the knowledge of the relevant sectoral experts.

2 Relevance of the 2014–2020 Operational Programme

2.1 Introduction: changes in the socio-economic environment

28. The Partnership Agreement on Funding Through the European Structural and Investment Funds 2014–2020⁶ states that the purchasing power adjusted GDP per capita of Estonia in 2012 amounted to *ca* 70% of the EU average. The purchasing power adjusted GDP per capita has increased rapidly over the past five years and, in 2017, the indicator reached 79% of the EU average.
29. Estonia has experienced relatively broad-based economic growth. Although the balance of Estonia's main trade has been negative, the current account has remained positive (3.2% of the GDP in 2017). Domestic demand has also remained strong. In 2017, the sales volume of retail establishments was 1.5 times higher than the equivalent indicator of 2007. There is more usable space in dwellings completed in 2018 in Estonia than there was in 2007, at the peak of the previous construction boom.
30. The average gross wages of Estonia have increased from 887 euros in 2012 to 1,221 euros in 2017. At the same time, the employment rate in Estonia is at the highest level in the last 20 years, both in absolute terms and based on the employment rate of 15–74-year-olds (Figure 2).
31. The long-term economic development of Estonia as a small country primarily depends on the success of its companies in foreign markets. However, the rapid growth in wages experienced in Estonia has, unfortunately, been significantly faster than the increase in labour productivity in its main export sector – the manufacturing industry. Unit labour costs (the ratio between labour costs and labour productivity) in the manufacturing industry have been growing rapidly in Estonia and Latvia since 2012, whereas the growth in labour costs and labour productivity in Lithuania, Finland, Sweden and Germany has been balanced. In other words, the competitiveness of the Estonian economy in export markets has decreased (Figure 3).
32. In 2016, the added value of the Estonian manufacturing industry per employee was 26,000 euros, i.e. 42% of the EU average. Although Estonia's wage levels and living standards have rapidly approached the EU average over the recent years, the labour productivity of the main exporting sector has not compared to 2011. There has also been little progress in the capital intensity of industrial enterprises. According to Eurostat, the manufacturing investments per employee in 2016 still remained at *ca* 2/3 of the EU average.

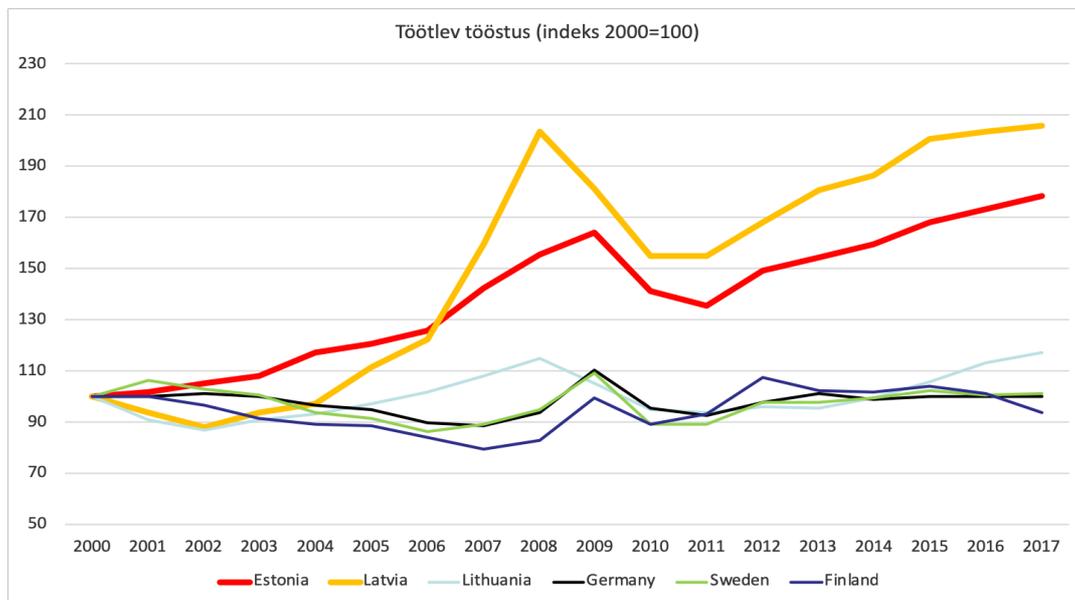
Figure 2 Employed persons and employment rate in Estonia in 1995–2018



Source: Statistics Estonia 2019, <http://pub.stat.ee/px-web.2001/Database/Sotsiaalelu/15Tooturg/02Heivatud/02Aastastatistika/02Aastastatistika.asp>

⁶ <https://www.struktuurifondid.ee/et/oigusaktid/partnerluslepe-2014-2020>

Figure 3 Unit labour costs 2000–2007



Source: OECD 2018 https://stats.oecd.org/Index.aspx?DataSetCode=PDBI_I4; authors' calculations.

33. Estonian companies have been highly successful in attracting early seed and venture capital investments in recent years. In international comparison, this refers to a small but rapidly developing high-tech business activity. Estonia has ca 550 start-up companies, employing ca 3800 people. In 2018, the total volume of funding raised through start-up companies was 327 million euros (1.3% of the GDP). The capital raised by the three largest companies, Taxify, Pipedrive and Monese, accounted for three quarters of this amount.⁷
34. Estonian R&D investments, which reached 2.2% of the GDP in 2012 with the support of one-off private sector investments, dropped to 1.3% of the GDP in 2017. Therefore, Estonia still lags significantly behind the target set in the Europe 2020 and Estonia 2020 strategies to increase R&D investments to 3% of the GDP. **Estonia's current science, technology and economic policies have not been able to trigger a rapid growth of the share of high-tech industries in the economy that would increase R&D investments to 3% of the GDP⁸.**
35. Estonia's resource productivity, which was EUR 0.46 per kilogram in 2012, increased to EUR 0.49 per kilogram by 2017. This figure still amounts to 24% of the EU average.⁹ In 2016, with its ca 350 kilograms of oil equivalent per 1,000 euros, the Estonian economy still remained one of the most energy-intensive in the European Union¹⁰.
36. In terms of Estonia's development needs, in 2014 the Partnership Agreement highlighted the unfavourable structure and low capitalisation of the economy and noted that the current sources of growth for the Estonian economy are either exhausted or about to be exhausted. **The main weaknesses of the Estonian economy that were pointed out were a narrow export base that is based on cost advantages, low innovation capacity and weak local impact of R&D; in addition, low resource efficiency and high energy intensity of the economy. All these aspects point to the structural underperformance of the Estonian economy.** While developed industrial

⁷ 2018: Records for the Estonian start-up sector, new wave of entrepreneurs in the community, <https://www.startupestonia.ee/blog/2018-records-for-the-estonian-startup-sector-new-wave-of-entrepreneurs-in-the-community>

⁸ See, for example, Marek Tiits, Tarmo Kalvet, Imre Mürk, *Smart Specialisation in Cohesion Economies*, *Journal of the Knowledge Economy* (2015) 6: 296, https://www.researchgate.net/publication/276298568_Smart_Specialisation_in_Cohesion_Economies

⁹ Eurostat 2019, <https://ec.europa.eu/eurostat/web/environment/material-flows-and-resource-productivity/main-tables>

¹⁰ Eurostat 2019, <https://ec.europa.eu/eurostat/web/energy/data/database>

countries, such as Germany or the Nordic Countries, specialise in knowledge- and technology-intensive activities, the competitive advantages of the Estonian economy are largely cost and resource-based. **The weaknesses referred to in the Partnership Agreement are still relevant and no significant progress has been made in Estonia with relation to these.** Although several indicators (e.g. employment, rate of NEET (*Not in Employment Education or Training*) youth, etc.) have improved in Estonia, it is likely that these areas will again require considerably more attention if the economic situation worsens.

37. In addition, the Estonian economy will face two simultaneous challenges in the coming years. Maintaining the wage level and living standards achieved requires, on the one hand, a very rapid increase in the productivity of the exporting sector. On the other hand, the growth phase of the economic cycle is likely ending and it would therefore not be surprising if the European economy was to decline in the coming years, which, in turn, would lead to a decrease in sales, export volumes and employment in Estonian companies.

2.2 The impact of socio-economic changes on the efficiency and relevance of the measures and how to better support the development of the economic, social and living environment of Ida-Viru County and South-East Estonia, using the resources available

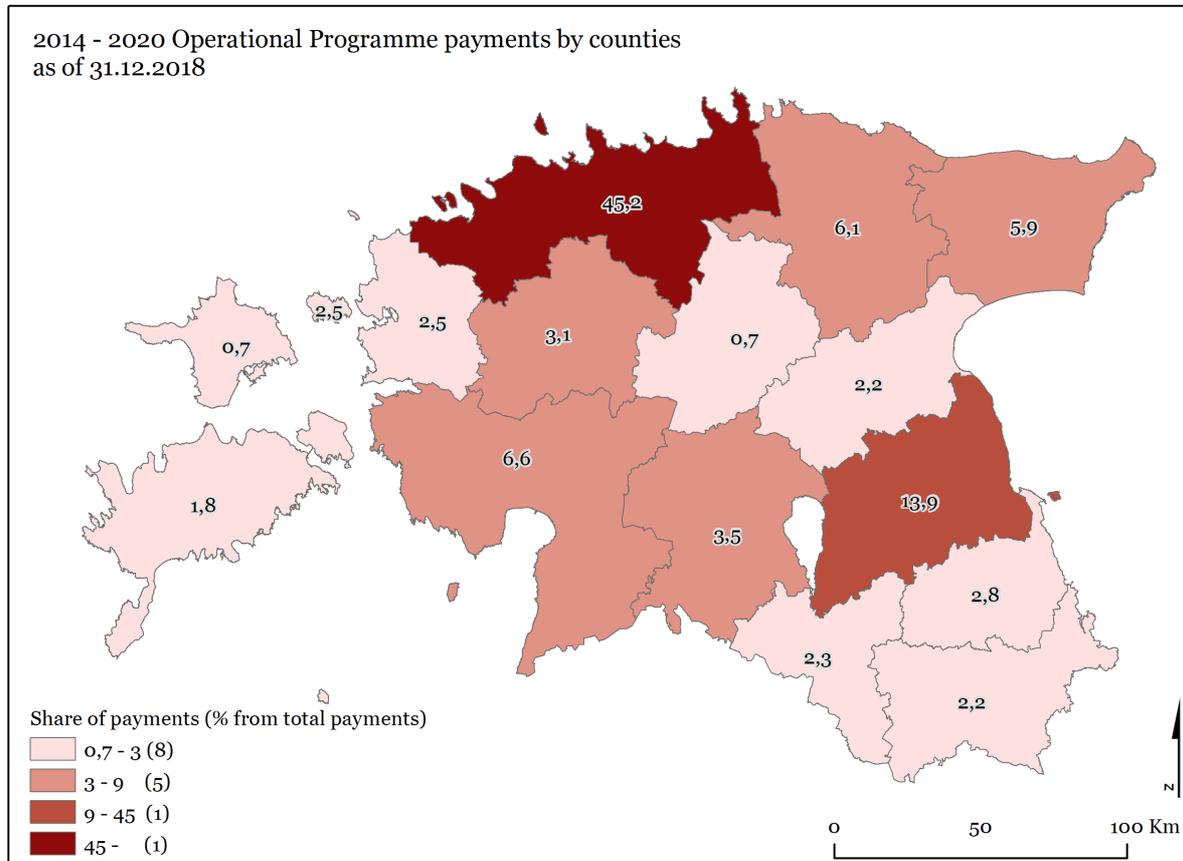
38. As of 31.12.2018, 1.5 billion euros has been disbursed from the Operational Programme¹¹, of which nearly 700 million euros has been directly invested in counties through projects. Nearly half of these investments have been granted to Harju and Tartu counties, whereas all other counties have had to make do with less than 6% of the total volume of the Operational Programme. According to the latest scientific literature¹², convergence has occurred between European and especially Eastern European countries as a result of the implementation of the EU structural funds. However, national social and regional disparities have increased, leading to widespread marginalised peripheral regions with a decreasing population. Figure 4 shows that nearly 50% of the EU funding is granted to Harju and Tartu counties (40% and 12% respectively). About 5% of structural funds from the total volume of the Operational Programme has been invested in Ida-Viru County and nearly 4% in South-East Estonia (Võru and Valga counties).

¹¹ www.strukturifondid.ee, statistics of structural supports (EU support, national co-financing and own contribution); 12.2018 <https://www.strukturifondid.ee/et/toetatud-projektid/struktuuritoetuse-kasutamise-ulevaade>

¹² Görmar, F. & Lang, T. (eds.) (2019). *Regional and Local Development in Times of Polarisation. Re-thinking Spatial Policies in Europe*. Palgrave Macmillan. DOI 10.1007/978-981-13-1190-1

Loewen, B. & Raagmaa, G. (2018). *Introduction to the Special Issue: Territoriality and Governance in the Globalizing European Eastern Peripheries*. *Administrative Culture* 18 (2), 89–101.

Figure 4 Support paid in the framework of the Operational Programme by counties as of 31.12.2018 (excluding national inter-municipal projects)



Source: www.struktuurifondid.ee, statistics of structural supports; 12.2018
<https://www.struktuurifondid.ee/et/toetatud-projektid/struktuuritoetuse-kasutamise-ulevaade>

39. The ex-post evaluation of the impact of structural funds on regional development conducted by Praxis and Centar¹³ also acknowledged that, in general, wealth has increased in Estonia, but so have differences in development:

- most of the measures taken to boost entrepreneurship are nationwide, excluding the majority of the small businesses located outside Harju County, since their level of knowledge and ability to prepare applications are not comparable to those of the companies in Harju County;
- the focus of the enterprise policy has been on start-ups, which has indeed been successful, but Estonia's main export-oriented and regionally important companies have received relatively less attention and innovation support;
- although some of the measures were planned with a more programmatic regional focus than in the previous period, notable regional business clusters have, to date, not developed;
- many of the regional balancing measures for business development applied in other countries are yet to be introduced in Estonia for various reasons.

¹³ Praxis, Centar *Impact of Structural Funds on Regional Development in 2007–2013* (2015), <http://www.praxis.ee/tood/struktuurivahendite-moju-regionaalarengule/>

40. Pursuant to the abovementioned, it is clear that regional peculiarities have been preserved and in places even increased in Estonia. This chapter provides an assessment for the Operational Programme through a regional perspective by areas.

2.2.1 Education, labour market and social policies

2.2.1.1 Major developments in the field

41. According to the documentary analysis, the following can be identified as developments related to measures in priority axes:

- change in the labour market situation: labour demand and employment have increased, including among young people and the elderly;
- increase in immigration: the migration balance has been positive as from 2016;
- compared to 2012, the number of disabled children has increased by a third;
- the 2016 Work Ability Reform, update of labour market services, development and implementation of measures preventing unemployment;
- people's demand for health services has increased, the population's assessment on the availability of services has decreased;
- In 2017, the Health and Welfare Information Systems Centre was established which contributes to the provision of services through the development and management of ICT services in the health, social and employment fields;
- as of 2015, youth guarantee activities have been implemented to support young people who do not study, participate in training or work;
- in September 2017, a new concept of the youth entertainment support system was implemented.¹⁴ The objective of additional state support is to increase the participation of young people aged 7–19 in non-formal learning and recreational activities, including in the field of natural sciences, science and technology, through the availability and diversity of non-formal education and recreational activities;
- the organisation of the school network and the establishment of state schools have been initiated;
- education support services, including learning and career guidance, have been diversified and expanded;
- the teaching staff are still aging;
- various activities have been implemented for the introduction of digital learning resources (modernisation of teaching methods and courseware), including in cooperation with the private sector, but activities have not gone according to plan;
- increase in the number of students in vocational schools offering workplace-based learning and in workplace-based learning.

2.2.1.2 Key challenges in the field

42. Based on documentary analysis and workshops, the following can be considered the greatest challenges in the field:

- availability and accessibility of services, including education (including information regarding the relevant services), varies for people with different backgrounds and locations, affecting, among others, regional development and economic competitiveness.

¹⁴ Ministry of Culture. The Concept of the Support for Recreational Activities. Available at: <https://www.kul.ee/et/huvitegevuse-toetuse-kontseptsioon>

- The attitudes of people, including employers, towards, for example, the education system, self-development, the recruitment of people from different backgrounds, and the need to support their induction, towards job-seeking and employment, and towards the sustainability of Estonia affect the impact of the state contributions on the development of the field.
- In order to support Estonia's economic development and maximise the potential of the Estonian people, paying greater attention to prevention in the areas of education, social inclusion and the labour market in addition to dealing with the consequences is of paramount importance. For example, in addition to tackling unemployment, greater attention needs to be paid to the availability of formal and continuing training and their correspondence to the labour market. The number of NEET¹⁵ youth and therefore the amount of activities aimed at them could be reduced with better skills of teachers and youth workers in approaching young people to guide their development. The focus of companies on products with higher added value and therefore the competitiveness and success of people could be better supported by turning more attention to increasing career awareness among students, including through the competitiveness of teachers and youth workers, not only career counsellors.
- The key issue is adapting curricula and training methodologies (including formal, non-formal and informal learning) to enable everyone to engage in both formal education and self-development, so that the education and experiences received meet the requirements of the employers.
- In order to make the most of existing human potential and infrastructure, close cooperation between different parties, including the education, social, labour market and business sector and various organisations and people (including state and local government agencies and the planning and distributing of structural funds) is essential. The cooperation could be coordinated by a regional administrative unit at the county or broader level. Turning schools and other public buildings into community centres that incorporate, for example, a school, youth centre, day centre, library, community house, retirement home, etc. could be considered.

2.2.1.3 Regionally balanced development

43. The evaluation revealed that in Ida-Viru County and South-East Estonia, the most acute problems are related to **access to services, capacity to prepare applications, unemployment and labour shortages, social inclusion, and emigration**. Ida-Viru County and South-East Estonia are distinguished from the rest of Estonia by higher social and economic risks that inhibit investors' interest; in Ida-Viru County, the situation is further complicated by a different linguistic area and cultural context. In order to support regionally balanced development, it is important to increase investments that create more employment opportunities, encourage the establishment of new businesses, implement more labour market measures and attract people back to their home region after studies and from abroad.

2.2.1.4 The relevance of objectives and activities by priorities

44. This chapter will look more closely at the objectives and activities of the priority axes (PA). Table 1 provides an overview of expert assessments on the relevance of the goals and activities of the PA.

¹⁵ Programme for returning NEET youths into society and supporting them: <https://entk.ee/riik-aitab-raskustes-noori-ligi-18-miljoni-euroga/>

Table 1 The relevance of objectives and activities by priority axes (PA)

Priority axis	Relevance of the objectives, considering changes in the environment (1–5, 5 = max)	Relevance of the activities with respect to the implementation of the indicators (1–5, 5 = max)	Comment
PA1. Education that meets the needs of the society and good preparation for participation in the labour market	Very good (5)	4 (good)	The objectives and activities are relevant and particularly important for preventing unemployment, poverty and low added value for companies. Better fulfilling of the objectives requires more comprehensive observation of the field and better cooperation between different fields, which is not revealed from the current activities. More attention should be paid to increasing the impact of activities.
PA2. Increasing social inclusion	Very good (5)	3 (satisfactory)	The objectives and activities are relevant, but more attention needs to be paid to the cooperation between organisations and investments into human resources. The relevance of the activities is low with respect to the implementation of the indicators. At the same time, the low implementation has been partly caused by the delayed start of activities and problems in carrying out the activities. Thus, focusing on continuing the activities is essential for achieving the goals and indicators.
PA3. Improving access to the labour market and preventing labour market dropouts	4 (good)	Very good (5)	In both the objectives and activities, the emphasis is on people with reduced work ability. Other members of risk groups may also require support when improving access to the labour market and preventing labour market dropouts.
PA9. Investments into health and social infrastructure – kindergarten and childcare opportunities near home	Very good (5)	Very good (5)	The objectives and activities are relevant and important for ensuring access to the labour market. The survey participants sometimes questioned the importance of the infrastructure investments: improving the skills of workers is more important. Accessibility is also potentially facilitated by the development of shared-use paths and public transport; however, the participants of the survey were somewhat critical towards the adequacy of the impact.

45. The objectives and activities of PA1–3 and PA9 related to education and the social field can generally be considered relevant (Table 2). Considering what was pointed out in Estonia 2020 and the workshops, and the issues mapped during the documentary analysis, the cross-cutting problem with all PAs is **insufficient cooperation between sectors, public authorities and beneficiaries**. One example is the construction of new schools, kindergartens and nursing homes while recently renovated buildings exist, and **instead of separate half-empty buildings, different services could be provided in the same location for better integration of the society**. The interviews and workshops also highlighted excessive focus on infrastructure investments. Considering the objectives of Estonia 2020 and the Operational Programme, it would be practical to distribute the infrastructure investments better over regions and time and **to allocate more resources to the human resource development** (maximum use of investments, immediate improvement of the quality of services, insurance of posterity for the missing workforce, etc.).

2.2.2 R&D, ICT and economy

2.2.2.1 Major developments in the field

46. The documentary analysis and workshops show ground-breaking trends being sensed in R&D and the economy, the most important of which are:

- The development of the industrial and service sector through digitisation (so-called “Industry 4.0”). This means a large-scale digitisation, automation and integration of value chains using various ICT-based solutions such as the Internet of Things¹⁶) and a smart factory¹⁷). These developments circle around smart automated workstations and devices that are capable of communicating over communications networks and making decisions independently. Developments in technology and the decline of the working-age population support the widespread introduction of robots. The need for the continuous monitoring of production, forecasting and analysis of situations and the adoption of smart decisions at different levels of production remains; in relation to this, the breakthrough introduction of, for instance, big data increases.¹⁸
- Continued rapid development of the organisation of global value chain-based activities that form the basis for production.
- Increase in the share of non-technological innovation (including organisational innovation, marketing innovation, business model innovation) which is largely based on the two aforementioned trends.
- Asia will become the world's largest economy by 2020, in terms of purchasing power parity.

2.2.2.2 Key challenges in the field

47. In the context of R&D and productivity growth, the biggest challenge for the Estonian economy is still increasing the share of technology and capital-intensive industries.

- Increasing the productivity of exporting companies can only be achieved by moving towards higher added value activities. The key to this is the digitisation of industry and the widest possible deployment of Industry 4.0.
- Increasing business export capacity through innovation and diversification of sources and activities – with an emphasis on business areas with global growth potential – and moving towards activities with higher added value in global value chains.
- The development of companies operating in so-called traditional and low added value, but high employment and export-intensive industries towards higher productivity and increased export volumes.
- Better connection between R&D and business. The Estonian R&D system is characterised by a very good academic level, but the connection with the local business is insufficient.
- A lack of mid-level specialists with good professional skills, skilled workers, engineers and managers in the business perspective and inadequate ties between learning and the labour market can be observed.

¹⁶ Internet of Things (IoT): network of physical devices equipped with electronic devices, software, sensors, actuators and connectivity to allow the devices to connect and exchange data.

¹⁷ Smart factory: a factory where physical processes are monitored and controlled by cyber-physical systems. As a result, physical systems become the Internet of Things (IoT), interacting and collaborating with one other and with people over the Internet in real time.

¹⁸ See e.g. Riives, J. (2015). Industry 4.0 and its impact on Estonian industry and education. Riigikogu Toimetised 31/2015. <https://rito.riigikogu.ee/wordpress/wp-content/uploads/2016/02/Jüri-Riives-Tööstus-4-0-ja-selle-mõjud-Eesti-tööstluse-ja-haridluse.pdf>

2.2.2.3 Regionally balanced development

48. The employment rate in Harju County and Tartu County is significantly higher compared to the indicators of South-East Estonia and Ida-Viru County, where unemployment is still considerable and the wage level very low. The main reasons for the differences are the lack of capital in the peripheral regions, lower business activity, different business structure, larger share of industry, on-going low level of knowledge and the lack of support structures.
49. In Ida-Viru County, business development and employment growth are hampered by the negative image of the region, insufficient language skills of entrepreneurs and employees, and cultural attitudes.
50. The weakness of South-East Estonia lies, in particular, in the lack of capital availability, spatial segregation from the markets, fragmentation of local governments and lack of business development, as well as insufficient knowledge and skills of entrepreneurs and change in generations.
51. R&D and innovation in Estonia are characterised by a large regional development gap within the country. Companies in the Harju County and Tartu region are at the forefront of introducing Industry 4.0, integrating into global value chains, and implementing R&D-based innovation.
52. Enterprises in Ida-Viru County and South-East Estonia are generally characterised by a lower capacity to implement modern technological solutions, and significant obstacles include the low awareness of innovation among entrepreneurs from the older generation (incl. Industry 4.0 solutions, etc.).
53. The investment capacity of companies in Ida-Viru County and South-East Estonia (also in other peripheral regions) is significantly lower than in the vicinity of Tallinn and Tartu (lack of real estate collateral, lower capacity for self-financing, lower liquidity).
54. Companies in Ida-Viru County and South-East Estonia have more problems with road and energy infrastructure: access to airports and business services is more time-consuming and therefore more costly due to the distance involved. Also, a modern Internet connection is not yet available everywhere.
55. The decrease in the number of Russian tourists has had a significant impact on the spa and retail trade in border regions.
56. Moreover, there is a lower level of administrative capacities in Ida-Viru County and South-East Estonia, including lower administrative capacities of companies to apply for and implement measures, as well as the lack of capability of leaders of local economic development (especially weak cooperation between local governments in dealing with major issues).

2.2.2.4 The relevance of objectives and activities by priorities

57. Documentary analysis and workshops indicate that the measures are still relevant and contribute to achieving the goals set in Estonia 2020 – above all, increasing the employment rate to 76% among 20–64-year-olds, as well as increasing R&D investment to 3% of the GDP (Table 2).

Table 2 Relevance of objectives and activities by priority axes (PA)¹⁹

Priority axis	Relevance of the objectives, considering changes in the environment (1–5, 5 = max)	Relevance of the activities with respect to the implementation of the indicators (1–5, 5 = max)	Comment
PA4. Entrepreneurship with growth potential and internationally competitive R&D	Very good (5)	4 (good)	The objectives and activities are relevant: there are a large number of activities that are effective in the axes provided. The key issue remains achieving structural change in the economy and linking R&D with business in a more efficient manner.
PA5. Developing small- and medium-sized enterprises and strengthening the competitiveness of regions	Very good (5)	4 (good)	The objectives and activities are relevant.
PA9. Bringing life back to underused areas	4 (good)	3 (satisfactory)	In the development of urban areas, more should be contributed directly to activities that support productivity and export growth, and less to infrastructure.
PA11. Infrastructure of ICT services	Very good (5)	Very good (5)	The objectives and activities are relevant.

58. However, the participants of the workshops emphasised the following expectations with regard to relevance:

- more socio-economically relevant and applied research from universities to support the development of low- and medium-tech enterprises;
- changing the original conditions of the smart specialisation measure (and therefore the low attractiveness for the target group, the modified conditions of the measure were considered positive);
- transparency in the implementation of financial instruments, in particular surety (so far, there have been variations in interpreting the rules);
- expectation of co-financed traineeships schemes with regard to regional development – employing trainees in companies involves costs and risks, the trainees may not perceive their future in companies outside the centres attractive. However, trainees are considered important and the risks for companies could be mitigated by using a support measure co-financed by the state;
- raising awareness, since awareness of support measures is lower outside the centres;
- from the regional perspective, the technology transfer measure is expected to also reach areas outside Harju County.

¹⁹ This is an assessment by the evaluation authors. The relevance of the objectives and activities of the priority axes was assessed in relation to the changes in the socio-economic environment.

2.2.3 Energy, environment and transport infrastructure

2.2.3.1 Major developments in the field

59. The European Union has set and continues to set a number of ambitious objectives for energy and the environment field. The EU Energy Roadmap 2050 provides the axes for the transformation of the European Union's energy sector by 2050 to move towards economy with fewer CO₂ emissions. The EU's long-term goal is to reduce its emissions by 80–95% by 2050.
60. At the end of 2014, as an interim step in moving towards a low-carbon economy by 2050, the European Council agreed on the European Union's climate and energy framework 2030. The European Council confirmed the EU's binding objective of at least a 40% reduction in greenhouse gas emissions by 2030 compared to 1990. Therefore, one of the key measures in the energy policy is a significant reduction in the use of carbon-based fuels.
61. The European Union aims to achieve a 20% share of renewable energy in final consumption by 2020 and at least 27% by 2030. As transport constitutes an important part of energy consumption, a separate objective of using 10% renewable energy by 2020 has been set. In order to achieve these objectives, binding sub-objectives and trajectories for moving towards the objectives have been set for all Member States until 2020. After 2020, binding objectives for the Member States are to be removed, shifting the focus to achieving the common objective of the European Union through cooperation mechanisms, efficient energy community and functioning energy markets.
62. The objective of increasing energy efficiency must be achieved in the most cost-effective way possible. The EU energy efficiency objective – 32.5%.

2.2.3.2 Key challenges in the field

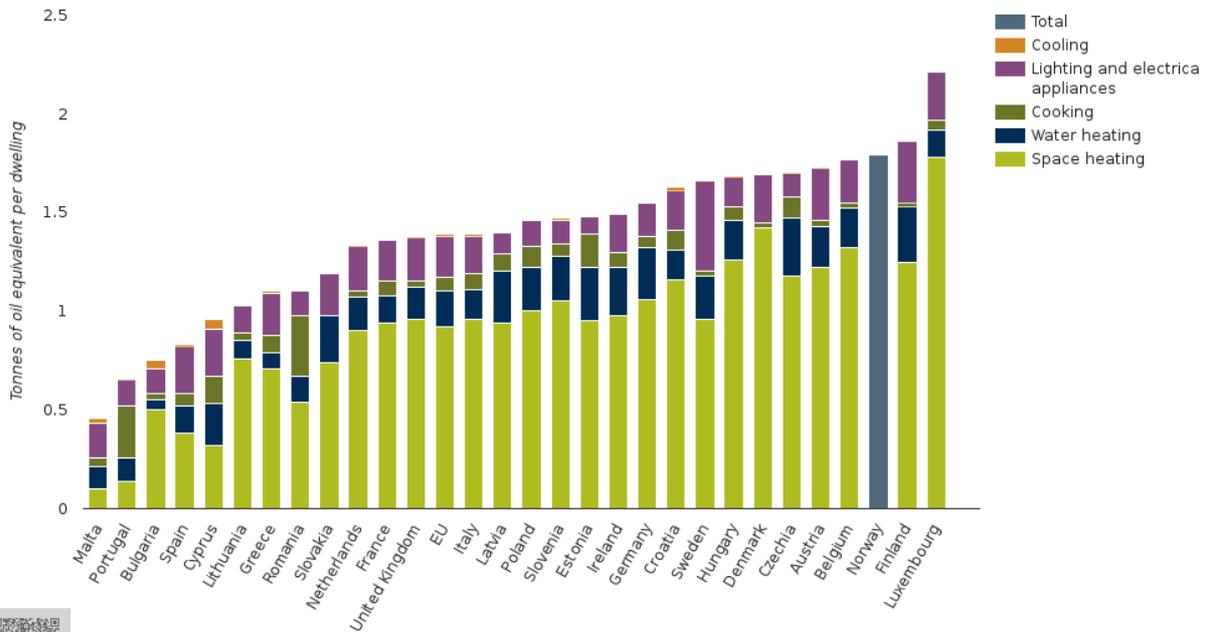
63. Estonia's energy consumption per capita is one of the highest in Europe based on primary energy consumption. The high level of primary energy consumption is caused by electricity export. At the same time, Estonia's final energy consumption per capita is at the EU average level.²⁰
64. Estonia's long-term objectives are:
 - final energy consumption remains at the 2010 level (~ 32 TWh) until 2020 and 2030;
 - by 2030, the share of renewable energy will amount to 45% of the final energy consumption;
 - by 2030, the share of renewable energy will amount to 28% of the internal primary energy consumption;
 - around 92% of the energy potential of timber is used for heat production, including cogeneration;
 - greenhouse gas emissions from the energy sector will decrease by more than 80% by 2050 compared to 1990 (at least 70% by 2030).
65. In 2016, household final consumption in Estonia accounted for about one third (13.9 TWh/y) of the final energy consumption of 33.8 TWh/y. The final energy consumption in the transport sector was 6.6 TWh/y (2017), manufacturing and agriculture consumed 8.0 TWh/y (2017) (Figure 5).²¹
66. As housing is one of the biggest energy consumers, it is logical that one of Estonia's main objectives in the field of energy efficiency is to increase the energy efficiency of housing. This is one of the most extensive measures in the operational programme for the deployment of

²⁰ Mihkel Härm, *Energy Consumption in Estonia: Effective or Intensive*, 1.5.2016, http://www.wec-estonia.ee/documents/91/energiatarbimine_ee_2016-05-01.pdf

²¹ <https://energiatalgud.ee/index.php/Energiatarbimine>

structural funds (340 million euros). However, the energy consumption of Estonian households is not too energy-intensive considering the Nordic climate. Measures aimed at increasing the energy efficiency of housing must therefore be very precisely focused. In the context of Estonia’s declining population, increasing the energy efficiency of some dwellings may prove to be ineffective and instead, replacing these buildings with new, smaller and more energy-efficient ones should be considered.

Figure 5 Household Energy Consumption 2016



Source: European Environment Agency, 2019, <https://www.eea.europa.eu/data-and-maps/daviz/energy-consumption-by-end-uses-3>.

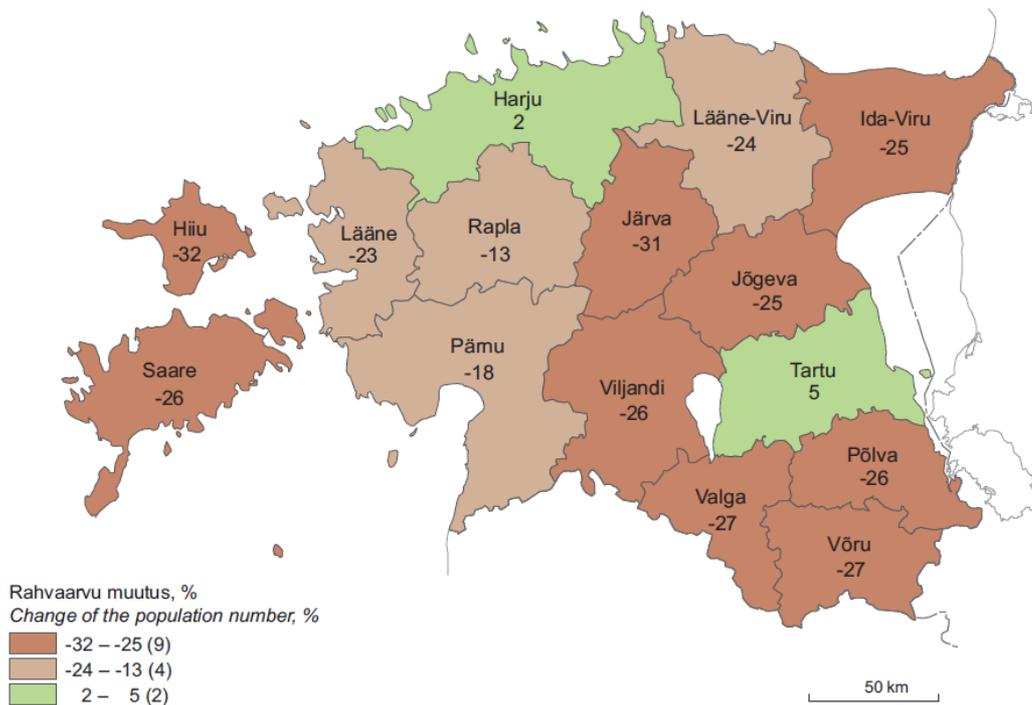
67. At the same time, Estonian industry is very energy-efficient. This is partly due to the fact that the share of energy-intensive industries such as paper production, chemicals or the steel industry is relatively small in the Estonian manufacturing industry.
68. In the development of the transport system, it is paramount – in addition to maintaining the infrastructure – to optimise the transport network in a way that the time and convenience of using public transport would be comparable to the use of a personal vehicle. The country has already started to look for ways to integrate public transport, social transport and charter transport and develop demand-based public transport. Here, the analysis (e.g. based on mobile positioning and other big data) of public transport usage patterns and the development of integrated public transport systems that cross the borders of local governments and counties play an important role.
69. In order to increase the competitiveness of industry, allowing heavy vehicles access to access roads is an important issue. Several access roads must be upgraded to prevent their breakdown before being opened to heavy vehicles; the prerequisite for this, however, is additional support for road owners in the form of investments.
70. As the development of the energy, environment and transport infrastructure is very investment intensive, there are also a number of organisational difficulties in planning and conducting public procurements. This concerns the interpretation of public procurement rules, the increase in construction prices, and the timing of procurements.

71. In the European Union, demand for water will increase by 16% by 2030. The biggest water consumers, as well as polluters, are the energy sector (44%), the agricultural sector (24%), public water networks (21%) and the industry and service sectors (11%). Given the increasing demand for water and the potential droughts associated with climate change, the biggest challenge is to accurately assess the water needs of humans and ecosystems and to share water resources based on requirements.
72. Since waste water gets into surface water and groundwater from depleted sewage systems, causing the eutrophication of the Baltic Sea and inland waters, the entire territory of Estonia has been designated as a pollution-sensitive recipient, with more than half of it being an unprotected or insufficiently protected groundwater area.
73. According to the EU definition, Estonia has 60 species of endangered habitat types and 100 species listed in the Habitats Directive, with 52% of habitat types and 54% of species in favourable status, 45% and 27% in inadequate status, 3% and 8% in poor status, and 11% species in unknown status. According to the *Nature Conservation Development Plan until 2020*, the status of 14 habitat types and 28 species listed in the Habitats Directive needs to be improved by 2020.

2.2.3.3 Regionally balanced development

74. There have been major investments in the energy, environment and transport infrastructure across Estonia, but these have not had a significant impact on regional disparities, which are still large in Estonia – a significant shift towards a more homogeneous territorial development has not occurred as a result of past activities. The main problem is the central planning of infrastructure investments, which does not take sufficient account of regional and local needs (in the planning process). Some objects such as the Koidula railway junction, the Mäo and Jõhvi junctions, several shared-use paths and environmental objects have been over-dimensioned and / or with questionable efficiency. This wasteful planning practice does not set the best example for local governments and raises questions in a situation where the infrastructure – road, streets, apartment buildings and service buildings – is of poor quality and dilapidated.
75. The sales prices of housing per square meter in Tallinn and the outskirts of Estonia vary extensively, and the differences are increasing, averaging over 1800 euros in Tallinn, while real estate in many peripheral settlements holds no value. The concentration of economic activity and population in larger centres has led to a situation where the selling prices of peripheral real estate no longer cover their construction costs and are not usable as home and business loan guarantees. The loan will not be granted and no investments made. For this reason, KredEx renovation grants have clearly supported the wealthier inhabitants of larger cities, while the residents of small settlements were either unaware of the opportunity or did not receive funding from the bank.
76. The population of Ida and Lääne Viru County and South-East Estonia will decrease by 25–30% by 2040 according to the forecast of Statistics Estonia (Figure 6), making it more difficult to increase the energy efficiency of housing and ensure transport connections.

Figure 6 Estonian Population Forecast for 2014–2040



Source: Statistics Estonia

77. Ida-Viru County is a typical declining industrial area with major environmental problems. Directing a quarter of the resources from the water protection priority axis to solving the residual pollution in Ida-Viru County does not cover the needs of the region.
78. The density of public roads in South-East Estonia is historically higher. However, the use of smaller roads is decreasing, which means that access to the main roads will deteriorate if maintenance is based on usage.
79. At the same time, the peripheral regions of Estonia have considerably more opportunities to produce energy from wind, sun and biomass, which would provide savings to the industry and additional income for landowners.

2.2.3.4 The relevance of objectives and activities by priorities

80. The problem of Estonia is **the low productivity of its economy**, not its excessive energy intensity. Wealthier countries usually use more energy but produce more added value per unit of energy used. It is therefore necessary to look for ways to increase energy efficiency and environmental sustainability in housing, transport and industry, which would also support growth in export and productivity (Table 3).

Table 3 The relevance of objectives and activities by priority axes (PA)

Priority axis	Relevance of the objectives, considering changes in the environment (1–5, 5 = max)	Relevance of the activities with respect to the implementation of the indicators (1–5, 5 = max)	Comment
PA6. Energy efficiency	4 (good)	4 (good)	The objectives are appropriate, but we recommend linking investments made into increasing energy efficiency more directly with economic and regional development objectives. See chapter 2.3.4.3. When renovating housing, we recommend that the focus is on those areas of Estonia where raising loan capital is difficult.
PA7. Water protection	Very good (5)	4 (good)	The objectives are still relevant, but problems have arisen with the increase in construction prices and the length of time spent on implementing water protection, including the contestation of public procurements, etc.
PA8. Green Infrastructure and increasing preparedness for emergencies	Very good (5)	Very good (5)	The objectives are relevant and the activities carried out to achieve the objectives support long-term development trends.
PA9. Promoting CO ₂ reduction strategies; bringing life back into deprived urban and rural areas	Very good (5)	Very good (5)	The objectives are relevant.
PA10. Sustainable transportation	Very good (5)	Very good (5)	The objectives are relevant.

2.2.4 Administrative capacities, technical assistance

2.2.4.1 Major developments in the field

81. Developments in administrative capacities correspond to those laid out in the strategic documents. By the end of 2017, the previous 213 local governments were replaced by 79 new local governments as a result of the Local Government Reform. From January 2018, county governments were abolished. Several training sessions have been carried out under the leadership of the Government Office to increase the competence and leadership capacity, including the capacity for inclusion. Public services have been developed, including their availability as e-services.

2.2.4.2 Key challenges in the field

82. Although over the past few years Estonia has been among the top five countries in the European Union in the IMD World Competitiveness Ranking²² in terms of government

²² <https://www.imd.org/wcc/world-competitiveness-center-rankings/world-competitiveness-ranking-2018/>

performance indicators, the field still faces challenges that were pointed out in the OECD Governance Report, which formed the basis for setting the objectives for the Operational Programme:

- the level of public services is very uneven across ministries as well as regionally, there are often no minimum standards to which services should adhere to; there is not enough cooperation and harmonisation of activities at both the central and local government level. The 2018 EC country-specific recommendations strongly emphasise increasing the capacity of local governments and ensuring the uniform provision and quality of public services. Therefore, it is important to continue to focus on the efficiency and quality of the activities, and the provision and impact of comprehensive solutions, rather than on quantity. This implies increased official and professional competence and administrative capacities of the government sector, which has been greatly facilitated by the central planning and organisation of training;
 - public services must be accessible to everyone in a uniform, user-centred and smart manner;
- a better policy-making process is needed, introducing mechanisms and tools that contribute to more holistic, inclusive and knowledge-based policy-making;
 - the governance is fragmented, i.e. problems are solved is based on the areas of governance and cooperation is still seen as an obstacle. This does not support cross-sectoral policy-making and its implementation, which would lead to better results;
 - the strategies that are being prepared do not have a sufficient impact on guiding the sectors – the solutions are too institution-centred, the strategy landscape is fragmented, and objectives lack coherence, direct link to the state budget and flexibility to changes;
 - the use of knowledge-based policy-making is inadequate: there is room for improvement in increasing the transparency of the policy-making processes and in involving civil societies and stakeholders;
- the capacity for exploiting the potential of digital solutions, especially in local governments.

2.2.4.3 Regionally balanced development

83. Estonian local governments (LGs) are still too small and their cooperation is too modest. At the same time, not all LGs consider regional development centres to be their development organisations. The typical budget for development strategies in counties is *ca* half a million euros. It is insufficient for initiating and carrying out initiatives with a county-wide impact. Regional development strategies would have more impact if there was a considerable amount of resources to implement them. Currently (May 2019), there are no significant resources for the implementation of the new regional strategies.
84. The impact of the administrative-territorial reform of Estonia in 2017 on settlements and regional economic development has not produced the effect expected, as it mainly focused on administrative efficiency and ignored the objectives set out in the Administrative Reform Act, in particular “using regional prerequisites for development, increasing competitiveness, and ensuring a more consistent regional development” and the integrity of the settlement system.
85. The development of Ida-Viru County and South-East Estonia is supported by the transfer of state institutions and workplaces outside Tallinn, but at times it has been fictitious or resolved by using the mobility of employees, therefore not increasing the local tax base and human capital. In South-East Estonia, the addition of positions in the public sector does not nearly compensate for the decrease in the number of positions caused by the abolition of county governments.

86. With the abolition of county governments, functional urban areas (except for Saaremaa) were left without the management level. The local government associations are expected to fill the gap; however, the currently scarce funding does not motivate people to cooperate and also does not enable the towns in the counties to develop services required for the region. The demarcation of a 21st century administrative structure should be based on the strength of the main town and its actual hinterland. Another value is the capability to communicate globally and the ability to create knowledge-intensive positions which are conditional on appropriate research institutions.

2.2.4.4 The relevance of objectives and activities by priorities

87. This chapter will take a closer look at the objectives and activities of the priority axes (PA). Table 4 provides an overview of the relevance of the objectives and activities of the PAs.

Table 4 The relevance of objectives and activities by priority axes (PA)

Priority axis	Relevance of the objectives, considering changes in the environment (1–5, 5 = max)	Relevance of the activities with respect to the implementation of the indicators (1–5, 5 = max)	Comment
PA12	5	5	The objectives and activities are relevant.
PA13 and 14	5	5	The objectives and activities are relevant.

88. **In conclusion.** This evaluation points out clear **discrepancies** between different priority axes with regard to the objectives of a balanced regional development in Estonia. For example, the grants allocated under PA4, “Business with potential of growth and supportive research and development activities” and PA5, “SME development”, are largely concentrated on Harju and Tartu counties. Likewise, PA6, “Improving energy efficiency”, i.e. subsidies from the insulation of apartment buildings measures, have mostly been allocated to larger cities. On the one hand, it is understandable that the insulation of bigger apartment buildings in larger cities will help to meet the energy objectives faster. At the same time, several Estonian regions have lower incomes and the housing prices are at a level that excludes the involvement of loan capital from commercial banks for renovation or insulation of the housing. Similarly, such a scheme supports the residents of larger cities who could renovate the houses themselves using bank loans, and excludes the renovation of buildings in small towns because the residents are not granted a loan from the bank due to low real estate prices. In conclusion, this approach has a clearly **negative impact** on the objectives of balanced regional development.

89. **The balance of regional development remains a major challenge.** As a whole, regional disparities are still significant and there has been no observable change in the movement towards a more homogeneous territorial development.²³ **Outside Harju and Tartu counties,** the **challenges** are a stagnant structural change in business and a lack of investments and the resulting emigration of the last 25 years, which has cumulatively reduced the volume and availability of services and employment. **The main reasons for the differences are the lack of capital in the peripheral regions, lower business activity, different business structure, larger share of industry, currently low level of knowledge and the lack of support structures.** In Ida-Viru County, business development and employment growth are hampered by the negative

²³

https://www.rahandusministeerium.ee/sites/default/files/document_files/REGO/eras_elluviimise_2017._a_sei_rearuanne_1_1.pdf

image of the region, insufficient language skills of entrepreneurs and employees, and cultural attitudes. The weakness of South-East Estonia lies, in particular, in the lack of capital availability, spatial segregation from the markets, fragmentation of local governments and lack of business development, as well as insufficient knowledge and skills of entrepreneurs and change in generations.

90. The R&D and innovation fields in Estonia are characterised by a large regional development gap in the country. Companies in Harju County and the Tartu region are at the forefront of introducing Industry 4.0, integrating into global value chains, and implementing R&D-based innovation. Enterprises in Ida-Viru County and South-East Estonia are generally characterised by lower capacity to implement modern technological solutions; significant obstacles include low awareness of innovation among entrepreneurs from the older generation (incl. Industry 4.0 solutions, etc.). The investment capacity of companies in Ida-Viru County and South-East Estonia (also in other peripheral regions) is significantly lower than in the vicinity of Tallinn and Tartu (lack of real estate collateral, lower capacity for self-financing, lower liquidity).
91. There have been major investments in energy, environment and transport infrastructure across Estonia, but these have not had a significant impact on regional disparities, which are still noticeable in Estonia – a significant shift towards a more homogeneous territorial development has not occurred as a result of past activities. The population of Ida and Lääne Viru County and South-East Estonia will decrease by 25–30% by 2040 according to the forecast of Statistics Estonia (Figure 6), making it more difficult to increase the energy efficiency of housing and ensure transport connections. Ida-Viru County is a typical declining industrial area with significantly greater environmental problems. Allocating a quarter of the resources from the water protection priority axis to solving the residual pollution in Ida-Viru County does not cover the needs of the region.
92. The depopulation and impoverishment of border regions is becoming a threat to national security, especially given the changed international situation and the European migration crisis. The unemployment rate of the border regions continues to be as high as 10%. At the same time, there is a shortage of skilled workers, as up to a quarter of the working age population works abroad²⁴. The wage level in the periphery regions is considerably below the Estonian average and more and more temporary or agency workers from poorer EU and third countries are employed. New production investments are not beneficial for investors. Estonian resources: milk, fruit, live animals, wood, peat and stone are exported as raw materials or (for example, wool and sheepskin, biomass) remain unused. Export revenue could be significantly increased if the level of processing was higher and more goods were produced, all the more so as Harju County's export share will inevitably decrease as a result of deindustrialisation. Based on the experience of other European and North American countries, Estonia could consider using tax incentives and value propositions for selected companies to strengthen regional economic clusters²⁵. In the Nordic countries, but also in Estonia, the implementation of regional business support structures, higher and vocational schools, and competence (e.g. TalTech's Kuressaare Small Craft Competence Centre) and incubation centres have been proven to increase the competitiveness of the regions, thus improving the innovation and digital power of companies and human capital.
93. Estonian local governments (LGs) are still too small and their cooperation is too modest. At the same time, not all LGs consider regional development centres to be their development organisations. One of the reasons for the lack of cooperation is also **the project-based nature of**

²⁴ <https://www.stat.ee/dokumendid/77742>

²⁵ This is a value proposition intended to invite a company / investor to strengthen a selected sector. For example, it could be to process Estonian milk or use the endless clay reserves. It expects a very good knowledge of the market and technology of the respective sector.

measures where different local governments compete for money instead of creating **complex**, long-term solutions. The impact of the administrative-territorial reform of Estonia in 2017 on settlements and regional economic development has not produced the effect expected; it mainly focused on administrative efficiency and ignored the objectives set out in the Administrative Reform Act, in particular "using regional prerequisites for development, increasing competitiveness, and ensuring a more consistent regional development" and the integrity of the settlement system. The development of Ida-Viru County and South-East Estonia is supported by the transfer of state institutions and workplaces outside Tallinn, but at times it has been fictitious or resolved by using the mobility of employees, therefore not increasing the local tax base and human capital. In South-East Estonia, the addition of positions in the public sector does not nearly compensate for the decrease in the number of positions caused by the abolition of county governments. With the abolition of county governments, functional urban areas (except for Saaremaa) were left without the management level. The local government associations are expected to fill the gap; however, the currently scarce funding does not motivate people to cooperate and also does not enable the towns in the counties to develop services required for the region.

94. Supporting regional development is more effective when investments in entrepreneurship, infrastructure and the living environment form a logical whole and when municipalities have the opportunity and ability to participate in policy development and manage development processes. To date, decisions concerning regionally important education and infrastructure investments have been made by government agencies, often by not involving the locals. The ministries need **motivated and competent local partners** in order to implement policies. The professionalism of local government officials has increased as a result of the administrative-territorial reform but the senior managers have, for the most part, remained the same. Local governments are still too small and there is a great deal of uncertainty in several local governments which were subject to problematic (forced) mergers, as a result of which there is a lack of willingness on the part of councils when it comes to the management of economic development, especially the initiation and co-financing of joint projects. In 2018, the institution of county governors that had thus far co-ordinated cooperation between counties was abolished, which is why getting the updated county development organisations up and running is critical at the moment. Seeing as joint funding for local governments is a difficult process, the solution for the strengthening of regional cooperation within the context of the current administrative situation is ensuring the **implementation of a joint programme-based investment measure** for major regional urban centres of substantial volume and their functional hinterlands (primarily counties), in place of the numerous current sectoral application-based measures, which have rather prompted competition between local governments. In Europe, joint funding measures intended to promote cooperation have been utilised widely and they generally reduce the ‘foreign money’ effect of oversized developments, although it is undoubtedly necessary to ensure strategic consulting in order to avoid so-called ‘white elephants’²⁶.
95. We also noticed the low capability of local governments to prepare and implement projects – this is a general problem with activities where the LGs are the applicants. The main reason why the LGs do not apply is low awareness (especially in Ida-Viru County), lack of co-financing capacity, the “adaptation period” caused by the administrative reform, lack of local competence (human resources) or insufficient official language skills. A solution would be providing more training for the local governments to raise awareness of the application opportunities.
96. In designing future actions, we recommend changing the intervention logic:
- **First of all**, the planning and implementation of national (including those financed from the EU funds) support measures should **focus on complex solutions** and both population trends and changing movement patterns should be critically reviewed. In this way, the sustainable

²⁶ <https://euroscopemag.eu/valencia-the-white-elephant-of-spain/>

urban development measure should focus more on the prevention of problems rather than on resolving them **and on creating a competitive advantage for the future**. An important key issue here is shifting the focus from the current development of LG-centred social infrastructure (schools, kindergartens, shared-use paths) to production restructuring and improvement of the operating environment of companies – i.e. the creation of new jobs that appeal to young people. As in most European countries, different regions (transport, entrepreneurship, education, rural life) and European funds (ERDF, ESF, ARIB; fisheries) should be implemented in a complex way in urban areas (especially in smaller urban regions, i.e. outside Harju County). The large-scale establishment of neither kindergartens nor shared-use paths in urban areas has solved the more fundamental problems arising from insufficient mobility and production restructuring.

Instead of the current round-based practice that promotes competition between LGs, a more complex and **programme-based approach should be implemented**: financing projects with future value that were highlighted in the recently finished county strategies and plans (however, the need for the extensively planned social infrastructure and shared-use paths should be critically evaluated in the county strategies and plans).

- **Secondly**, when planning national, cross-county and local investments, LGs need to be involved in the first phase so that the LGs would have an interest in, responsibility and ownership of the planned investments. The interest of LGs in using state support measures for local investments will increase if they see the long-term perspective and complex solution to regional problems. In addition, the programme-based approach should foster cooperation between local governments – instead of the previous competition and round-based application, LGs can contribute to improving the living environment of the region together. The activities planned for the PA12 regarding LGs already support the strengthening of the administrative capacities of local governments – it is very important that the activities already started are continued, especially if there is high demand.

2.3 Involvement of social partners in the development of measures

97. One of the tasks of the evaluation was to examine **to what extent the current form of involvement of social partners and relevant umbrella organisations in the development of measures and monitoring the results has been sufficient and, if it has not been sufficient, what the expectations and opportunities for improvement are**. We approached the evaluation question qualitatively, analysing the social partners' assessments of the engagement practices and comparing them with the inclusion principles prescribed in the EU and national legislation and guidelines. We also studied the involvement experience of the agencies that organised the engagement processes. In the course of data collection and analysis, we reviewed EU and national documents on inclusion, previous studies, the lists of participants in the work of the monitoring committee and sectoral committee of the operational programme for the cohesion policy, and materials available online. Interviews with four advisers from the State Budget Department of the Ministry of Finance were conducted. We also organised questionnaires among the leaders of partners and ministries, including sectoral committees²⁷, and two focus groups with sectoral partners and umbrella organisations in Tartu and Tallinn.

²⁷ The Sectoral Committee on Education, Steering Committee for the National Health Plan 2009–2020, Steering Committee for the Social Security, Inclusion and Equal Opportunities Development Plan, Steering Group for the Sectoral Development Plan *Integrating Estonia 2008–2013*, Sectoral Committee for the Economy, Coordination Group for the Implementation of the Estonian Regional Development Strategy 2014–2020, Sectoral Steering Committee for the *Operational Programme of Cohesion Policy Funds 2014–2020* (priority axes for energy efficiency, water protection, green infrastructure and preparedness for emergencies), Sectoral Committee for the *Sustainable Transport* priority axis, Information Society Council, Sectoral Committee for Administrative Capacities.

2.3.1 *The satisfaction of the partners with the involvement*

98. The code of conduct for the European partnership principles²⁸ and Good Engagement Practices adopted by a decision of the Estonian government²⁹ provide that all stakeholders potentially impacted by the measures need to be involved in the structural funds process, that special attention should be paid to the balanced representation of the interests and groups at risk of discrimination and social exclusion, that stakeholders should be involved throughout the programme cycle, that channels of engagement appropriate for partners should be used, that information necessary for participation should be shared, and that sufficient time should be allowed, feedback given, the partners' institutional capacity increased and their satisfaction with the engagement assessed.
99. The evaluation revealed that **the composition of the stakeholders included largely reflects the EU guidelines**. Target groups with a high risk of discrimination or social exclusion have been fairly well represented among those included – 48% of the partners who responded to the questionnaire indicated these as their target group. In the selection of partners, the Ministry of Finance, as the coordinator of the Monitoring Committee of the CFP Funds Operational Programme, considered the representation of social partners and the engagement of sectors through umbrella organisations to be of utmost importance. Sectoral committees related to the Operational Programme have also preferred umbrella organisations as partners. Some problems with the partners' awareness of participation opportunities exist: the questionnaire and focus groups revealed that several organisations that were listed as partners in the Operational Programme were not actually involved in the design and implementation of the Operational Programme. In interpreting this assessment, one should consider the possibility that, due to staff changes that occurred in the organisations, the persons who provided input for the evaluation were not aware of the organisation's previous activities or could not specifically associate their participation activities with the CFP Operational Programme.
100. We asked the partners who participated in the evaluation to describe their expectations as to what they might see as effective engagement in the context of planning and implementing structural funds. The main expectations of the partners can be summarised as follows:
- the starting point for engagement should be an actual desire to gain input from partners, rather than formal compliance with inclusion requirements;
 - engagement should be long-term, on-going and consistent;
 - public authorities are expected to take the initiative in inviting partners to participate;
 - engagement should start with agreeing on engagement goals and common values;
 - partners consider it particularly important to be able to participate in the early phases of the planning process, where they see the greatest possibility to impact decisions;
 - partners expect to have more opportunities to provide input during discussion meetings and sharing of ideas and less in simply commenting on documents;
 - the coordinating authorities are expected to keep an eye on the “big picture” and to explain to the participants the role of the discussions held during the various engagement sections in the EU funding process as a whole;
 - the coordinating authorities are expected to explain the constraints set to the engagement process – what can and cannot be changed at this stage;
 - better coordination of engagement activities in different areas and phases is expected;

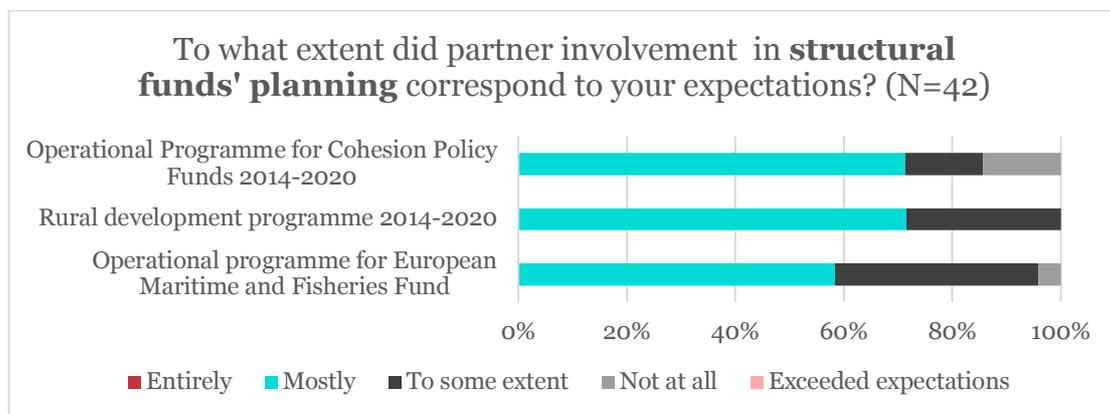
²⁸ European Commission. Directorate-General for Employment, Social Affairs and Inclusion (2014), code of conduct for European partnerships related to the European structural and investment funds. Available at: <https://publications.europa.eu/en/publication-detail/-/publication/93c4192d-aa07-43f6-b78e-f1d236b54cb8/language-et>

²⁹ Government Office (2014). Good Engagement Practices. Available at: <https://www.riigikantselei.ee/et/kaasamise-hea-tava>

- feedback to the partners' proposals and substantive justification for considering or ignoring the proposals are considered very important;
- engagement is expected to be based on the needs of those involved and to also allow access to smaller organisations operating outside larger cities.

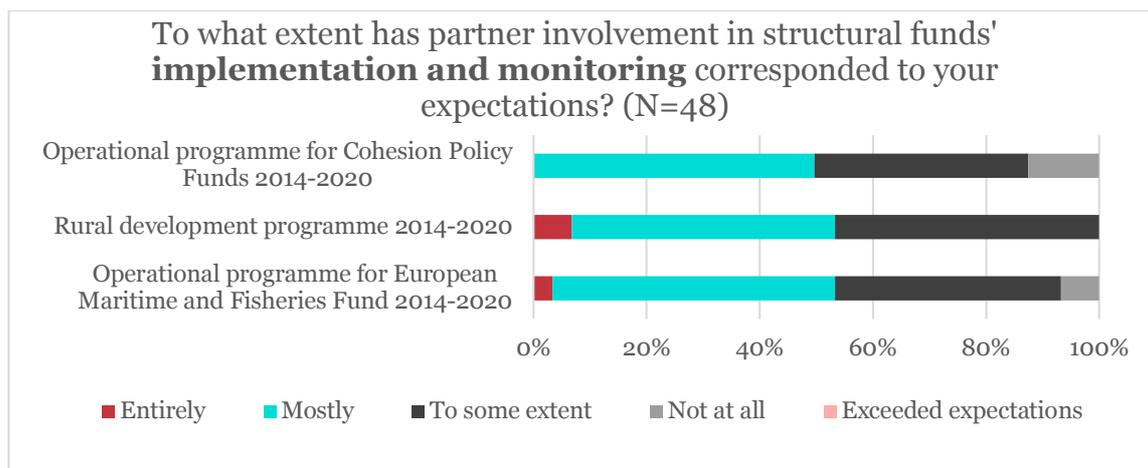
101. The partners **are moderately satisfied with the actual engagement practice**. Among the respondents to the questionnaire, there were only a few who claimed that engagement met their expectations “fully”; according to a large part of the respondents, the inclusion process met their expectations “mostly” or “to some extent” (Figure 7; Figure 8). There are also some who are not happy with the inclusion at all. The partners engaged in the focus groups perceived their participation in the planning of the structural instruments more meaningful than their participation in the implementation and monitoring phase. The latter may also be related to the nature of the monitoring activity, which focuses on monitoring previously agreed-on processes, rather than actively shaping them.

Figure 7 Satisfaction of the partners with the engagement in planning structural funds



Source: authors

Figure 8 Satisfaction of the partners with the engagement in the implementation and monitoring of structural funds



Source: authors

2.3.2 What worked well?

102. The partners found that there were many opportunities for participation in the context of planning and using the structural funds and they had plenty of opportunities to be involved.

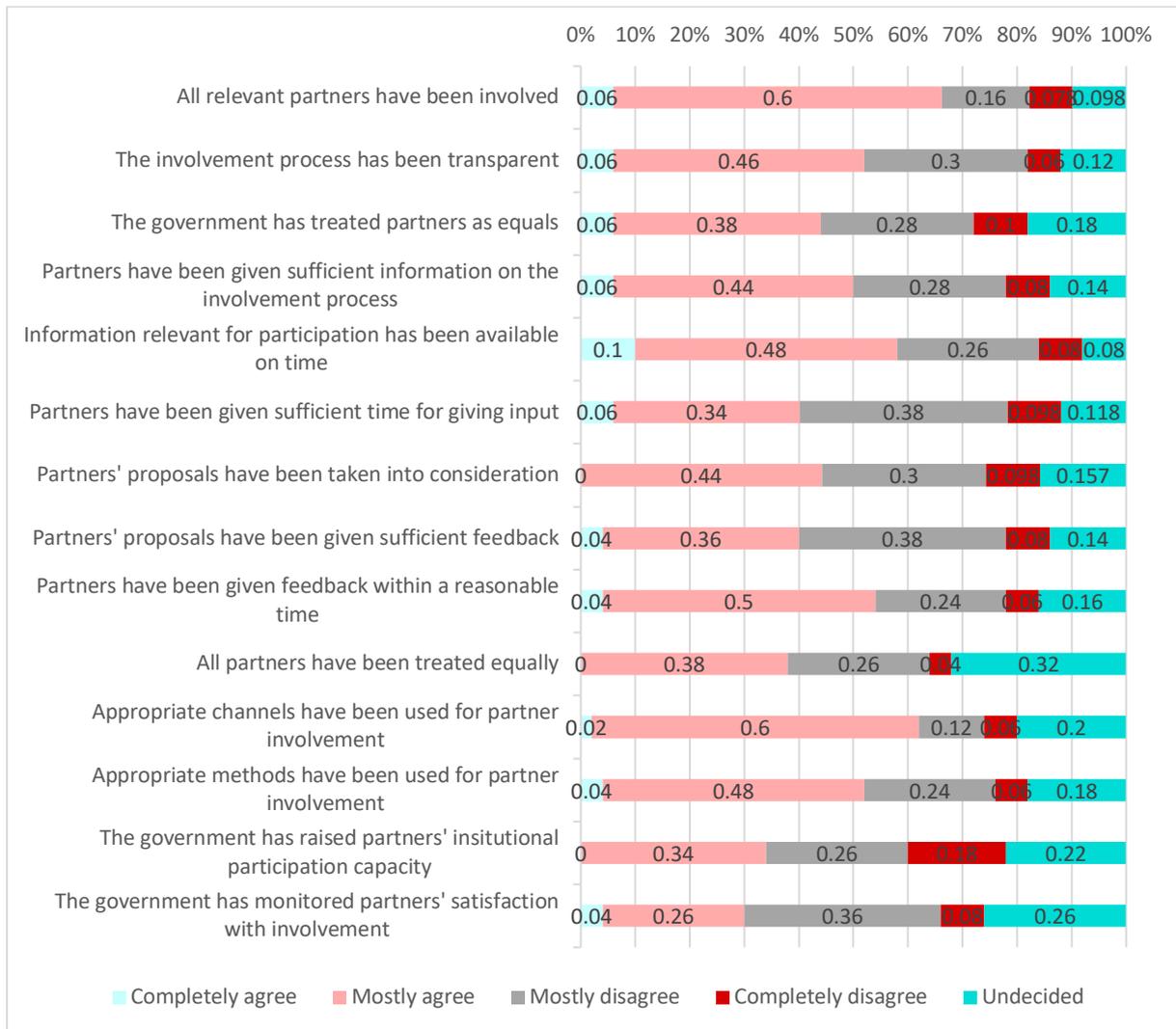
Based on the questionnaire (Figure 9), the partners were generally satisfied **with the range of partners included and the choice of engagement channels**, and also quite satisfied **with the engagement methods**. They also found that the partners received information required to participate **in a timely manner and feedback was given within reasonable time**. Thus, the overall organisation of engagement can be considered to be in line with the European Commission's engagement guidelines, as well as with the expectations of the partners.

103. Both the interviews and online surveys revealed **the importance of engagement in the development of support measures**. The ministries saw the most opportunities for taking the partners' proposals into account in designing the measures. The importance of active participation of the partners at this stage was emphasised, as this is where it will be possible to ensure the eligibility of the support conditions for the applicants in the future. The respondents to the partners questionnaire were also mostly involved in the development phase of the support measures.
104. Both the partners and ministries considered **discussion seminars, meetings and round tables the most effective channels for engagement**, allowing them to discuss the essence of the topics and also consider contradictory viewpoints. Some advantages were also seen in giving feedback by e-mail, since in that case the ministries found the input to be the most specific and given that it leaves them with written records. At the same time, neither the partners nor the authorities considered it reasonable to organise engagement solely via e-mail, as this type of communication does not allow for substantive discussions. The partners view giving feedback to documents via e-mail more as a supplement rather than a substitute to discussion meetings, which is why they wish to increase the share of discussion meetings.
105. The positive engagement examples **collected from all partners during the evaluation** had three similarities: 1) all relevant parties were brought together and a real dialogue was initiated; 2) engagement was consistent and long-term, mostly over several years; 3) resources were planned for the engagement process, sufficient time was given to the parties to form their opinions, and meetings were held to discuss the differences and find solutions.

2.3.3 *What could be improved in engagement and how?*

106. Based on the questionnaire and focus groups, the main concerns of the partners are **short deadlines for giving inputs, fictitious engagement**, **little impact** of the participation on decisions, **ignoring suggestions made by partners without giving explanations**, **inconsistency** of engagement, considering the needs and opportunities of the agencies, rather than **the partners** when organising engagement processes.

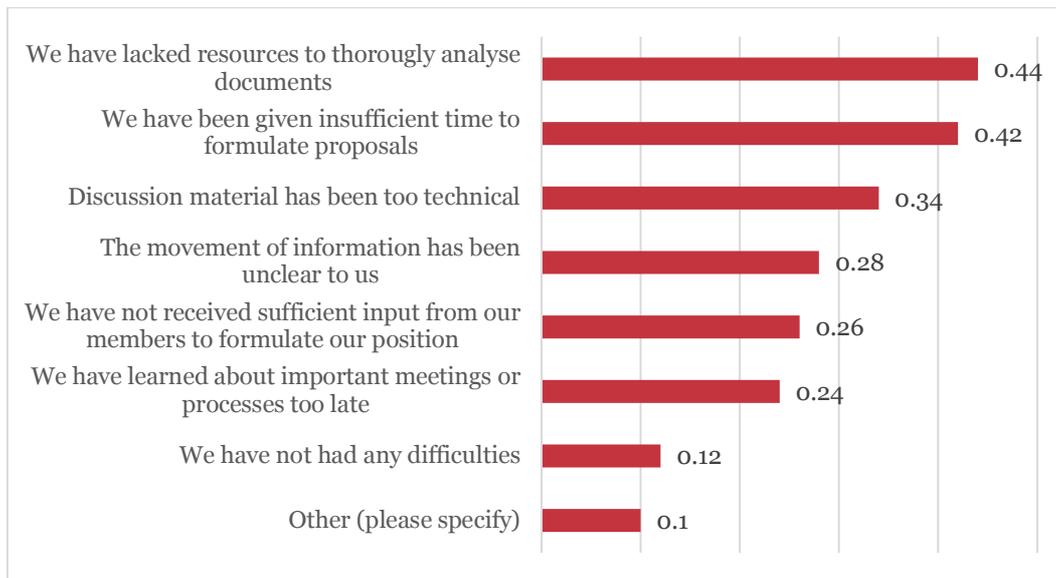
Figure 9 The partners' assessments of the different aspects of engagement. N=50



Source: authors

107. The main problems with participation that were pointed out included **the lack of resources and time and the complexity of the discussed materials** (Figure 10), as well as the flow of information and **engagement of their own members**. In additional comments, the partners also mentioned difficulties related to staff changes and insufficient coordination by ministries. Some challenges the ministries observed were the unclear expectations of the partners in terms of engagement and difficulties in finding partners who could see the big picture, take the initiative, and be able to synthesise and represent the input of the entire target audience. They also mentioned the limited time resources of the partners for participating in the engagement and the difficulties with synthesising the controversial opinions of the partners.

Figure 10 The difficulties experienced by the partners in participating. N = 110 (multiple options could be selected)



Source: authors

108. More specifically, engagement could be improved in the following aspects:

Engagement is inconsistent

109. Partners feel that they are included in individual sections, not throughout the entire process. They also want more time to plan their participation in advance. The evaluation revealed that the practice of ministries in planning the engagement and communicating their plans is inconsistent. Of all the ministries that responded to the questionnaire, only the Ministry of Culture had prepared an engagement plan, but they did not disclose it. In order to maintain the continuity of engagement, the ministries are advised to agree on an engagement plan with the partners.³⁰ The partners who participated in the focus groups considered an agreed-upon plan to be an instrument which ensures that engagement does not stop even if the staff changes. The engagement plan should include the objectives of each engagement phase, the ways in which input from partners is collected, used and feedback given, the engagement formats, channels, and schedule. It is recommended that the plan be a “living document” open to changes throughout the programme period, if the parties consider it necessary. In the interests of transparency of the process, the plan could be found online, in addition, comprehensive information regarding engagement opportunities should be gathered in one place (e.g. website struktuirifondid.ee) for the duration of the entire funding period.

110. Since more opportunities for substantive engagement and taking partner input into account are seen in the programme preparation phase, it is important that partners continue to be involved in the early stages of the programme cycle. Particular attention should be paid to including the partners in the development of measures and establishing the conditions for the measure. A good example is the experience of the Ministry of the Interior provided in the questionnaire, where the partner institution included in the implementation of the programme was already engaged in designing the measure, resulting in an effective programme according to the ministry.

³⁰ The Government Office also proposes this in their 2018 analysis of engagement practices (Government Office (2018)). The study of engagement and impact assessment 2018: final report).

Engagement remains superficial

111. The ministries admit that agencies have not always been fully aware of what they want to achieve with the engagement aside from adhering to requirements. The uncertain expectations of those involved are also recognised as a challenge. The partners find that decisions are often made before they are included, that the proposals of those engaged are not sufficiently taken into account, and that their proposals do not receive meaningful feedback allowing them to understand, why their proposals were (not) considered. In the interests of transparency of the process, giving feedback should be a mandatory part of every engagement process and its form could already be agreed on in the engagement plan. In the case of feedback, it is important to explicitly justify the choices made. In addition to written feedback, it is advisable to meet with the partners to discuss suggestions, explain the background of the choices made, and resolve differences.

The partners lack information about the process as a whole

112. Participants often lack an understanding of the role that a particular engagement process plays in the entire EU funding process and what can be modified at each stage. When engaging partners, they should be provided with information on what the purpose of the current engagement process is and where it stands in the process of planning and implementing structural funds. Good practice would be to include this information in introductions to meetings or e-mails sent to request input. In doing so, it should be clarified which aspects of the programme can be influenced at this stage and what the limitations are.

Insufficient time is given for developing proposals.

113. The partners criticised the short deadlines for making proposals and commenting on large documents. The tight timeline prevents partners from participating in a meaningful way and does not allow them to formulate well-considered standpoints that they have discussed with their networks. In the early stage of planning engagement processes, it is therefore important to add the time that the partners need to involve their members into the schedule. Good engagement practices generally recommend giving partners four weeks to provide input. If this is not possible, partners should at least be informed about the consultation process and its time frame in a timely manner. The analysis of the Government Office's engagement practice (2018) provides a minimum consultation period of 10 days for urgent documents and suggests relying on an agreement between the parties in smaller matters. The partners involved in the evaluation consider the deadlines of less than one week definitely inadequate. In order to ensure higher quality input in a tight timeframe, key concepts should be explained first and specified (including outlined in the document), what the main decision points are when requesting input from partners. Wording and style that are also understandable to non-experts should be used when preparing the documents.

Few engagement formats that enable meaningful discussion are used

114. In order to achieve common priorities, the partners request engagement formats that would allow for more discussions and chance to resolve differences. Well-planned and moderated discussion meetings that foster meaningful discussions of the topics are preferred to commenting documents and listening to presentations. The ministries also highlighted discussions as a well-functioning way of engagement. The partners involved in the monitoring consider the monitoring committee and sectoral committees of the CFP Funds Operational Programme 2014–2020 to be more of an information rather than engagement channel. At the same time, the officials organising the work of the monitoring committee of the Operational Programme find the meaningful participation of the partners in the monitoring committee to be modest.³¹ Concerns were expressed that, despite the calls for involvement, the partners do not tend to participate in the meetings or discussions. According to the partners, the reason for this is that

³¹ Interview with the officials from the Ministry of Finance, 18.12.2018.

there is little opportunity to provide meaningful input at this stage. Hence, the work of the monitoring committee and sectoral committees of the Operational Programme should include more discussions to improve engagement. For example, the practice in the sectoral committee on administrative capacities has been that the materials sent ahead are not presented during meetings and discussions start immediately. This is a practice that has been well received according to the head of the sectoral committee, which was also confirmed by the representatives of the partners in the focus group who are familiar with the committee's work. The monitoring committee's efforts to diversify the committee's format are a step in the right direction.

Engagement activities are poorly coordinated

115. One issue the partners mentioned was a lack of cooperation between administrative areas, fragmenting the already scarce resources and hindering the achievement of common priorities. The tight timeframe during which decisions are often made also requires strong coordination. The partners expect the ministries to cooperate significantly more in setting strategic goals for the sectors, developing measures, and engagement. One of the solutions that facilitated cooperation is the joint management of the sectoral committee for the economy. The partners who participated in the sectoral committee for the economy jointly managed by the Ministry of Economic Affairs and Communications and the Ministry of Education and Research observe the positive impact of co-management on cooperation and harmonisation of understandings.

The potential of sectoral committees as an engagement format is underused

116. An important format update for 2014–2020 was the establishment of sectoral committees (SCs). This included, among others, the objective of promoting a culture of engagement in ministries³², as the Structural Assistance Act requires the involvement of partner organisations in the work of the committees. The partners consider the participation in SCs an important opportunity to be included in discussions regarding the sector, but only one third consider it a meaningful way of engagement. The questionnaire and interviews conducted with the advisers of the State Budget Department of the Ministry of Finance refer to the inconsistent nature of the practice of engaging SCs. The State Budget Department does not have a comprehensive overview of how the engagement of partners in sectoral committees works. In order to strengthen the role of the sectoral committees as an inclusion format, it would be advisable to provide more specific guidelines for the work of the sectoral committees and define the requirements for the engagement of partners and recommendations for discussion formats more precisely. As a minimum, the sectoral committees and partners could agree on the engagement plan and procedures, adhere to the principles of good engagement practices, and organise committee meetings mostly in the format of discussion meetings. In the questionnaire, several ministries also expressed their wish to exchange information with other SCs, primarily through meetings and sharing good practices. To this end, it would be advisable to set up a network of SC coordinators and to agree on formats for exchanging experiences.

117. It should be clear for partners and other agencies how each SC functions and on what basis the partners can participate. To this end, it would be advisable to publish the lists of SC members, the main tasks and procedures, the meeting agendas and minutes, and documents under discussion online. Currently, no SC has disclosed such information. A good example of how this kind of information is presented is the website of the monitoring committee of the CFP Operational Programme 2014–2020.

³²Interviews with four advisers from the State Budget Department of the Ministry of Finance 12.12.2018.

Organisations lack the capacity to participate

118. Since many interest groups do not have hired staff, they are conscious of their lack of resources and expect the state to pay more attention to increasing the institutional capacity of the partners. According to the ministries, the partners' capacity has mostly been increased in the format of information events, but the NGOs consider it significantly more important that the state recognise them as valuable partners and develop a long-term strategic partnership with the representative organisations of the field.³³ In order to develop mutually profitable partnerships, it would be advisable for ministries to cooperate with key partners through multi-annual contracts where common goals, activities, and ways of cooperation are agreed on. This should be accompanied by financial support to enable the partners to hire a staff member who develops cooperation with the ministry and can also mediate input from the members of the organisation and networks. Since this kind of partnership supports broader engagement, organising it narrowly through the EU funds process is not reasonable.
119. It is advisable to continue the joint training of the public sector and interest groups and to actively spread information about training opportunities in order to increase the capacity. The evaluation revealed that most NGOs were unaware of the possibility to participate in a training programme organised under action 12.1.1 of the priority axis *Administrative Capacities*³⁴. Supporting engagement projects³⁵ that would help to improve the ministries' engagement skills by undergoing a specific engagement process could also be continued. In addition, we recommend supporting development projects that increase the institutional capacity of key partners, e.g. by extending the target group of support measures aimed at employers and trade union representatives under measure 12.2 of the priority axis *Administrative capacities* to non-governmental umbrella organisations as well. Finally, the partners find that the more limited resources and capability of partners operating outside larger cities should be considered. The current Estonia 2035 strategy process is a good example of this – the meetings are held outside Tallinn and Tartu, going to where the engaged partners are located. Reimbursing the costs of participation in discussions for organisations with less resources, provided in Article 17 of the European Code of Conduct on Partnership, could also be considered.
120. **In conclusion**, the evaluation found that the inclusion of the partners has been largely in line with the EU and Estonian national inclusion framework. The forms of engagement have been diverse and partners have been satisfied with the wealth of opportunities for participation, although there are several aspects they consider problematic, such as the lack of consideration given to the proposals of partners, insufficient feedback on the reasons why input from partners could not be taken into consideration, and deadlines that were too short for providing feedback on often extensive discussion material. However, areas of deeper concern are the low institutional capacity of NGOs to voice their opinions, inconsistencies in engagement; partners also feel that what has been agreed upon between partners and government agencies as the result of thorough engagement processes can fall by the wayside upon reaching political decision-making stage. As the partners are of the opinion that the majority of the problems do not just relate to engagement in the context of structural instruments, but also to the engagement practice of the state, the solutions, as a whole, should also be developed predominantly at the level of the state's overall engagement policy.

³³ This was strongly emphasised in the focus groups and has also been revealed in other studies (e.g. Baltic Research Institute, the Tallinn University Research and Development Centre for Civil Society, Turu-Uuringute AS (2019)). Mid-term evaluation of the *Civil Society Development Plan 2015–2020*, being published; Käger, M., Lauring, M., Pertšjonok, A., Kaldur, K., Nahkur, O. (2019). *The Study of Participation in Voluntary Activity 2018*. Baltic Research Institute. Available at: <https://www.ibs.ee/wp-content/uploads/Vabatahtlikus-tegevuses-osalemise-uuring-2018.pdf>.)

³⁴ Praxis Center for Policy Studies. *Programme for Developing Skills in Policy Making*. Available at: <http://www.praxis.ee/tood/poliitikakujundamise-oskuste-arendamise-programm/>

³⁵ Government Office (2018). *Engagement Projects 2015–2020*. Available at: <https://www.riigikantselei.ee/et/kaasamisprojektid-2015-2020>

121. A more detailed overview of the evaluation results for each of the abovementioned topics is provided in Annex B to the study report.

2.4 The relevance of the project selection criteria

122. The aim of the evaluation of the selection criteria was to analyse the relevance and efficiency of the project selection criteria and methodologies in the selection of projects that are fit for purpose. The evaluation of the selection criteria was based on 34 activities, which are listed in Annex D to the report.³⁶ An analysis of various activities implemented through implementation schemes (open calls, investment plans, GSAIBs) was conducted in the course of the evaluation. The evaluation did not include an analysis of financial instruments.

123. The questions analysed during the evaluation of the selection criteria were divided into four thematic blocks:

- the conformity of the employed project selection criteria with the general selection criteria, and the validity of the weighting of the selection criteria with regard to the achievement of the objectives;
- the conformity of the employed selection methodologies with the general selection methodology approved by the monitoring committee, and the expediency of selection methodologies established outside of CGSs or GSAIBs;
- the clarity and transparency of the selection methodologies and criteria;
- the contribution of the selection criteria to the selection of efficient projects.

124. The analysis of the selection criteria consisted of two parts. First, the selection criteria and methodologies were analysed at the activity level, and then the scores given to completed projects were compared with the performance of the activities in order to determine how the particular selection criteria helped select efficient projects. For this purpose, a sample of completed projects was formed.

125. As the selection systems used for different application schemes may vary significantly (including as a result of the general selection methodology), the analysis of selection criteria and methodologies is, in part, presented separately **by implementation schemes**. Compliance with the general selection methodology and the overall selection criteria are reflected by implementation schemes. For open applications, rolling- and round-based applications have been described separately, as their assessment methodologies are somewhat different. The handling of cross-cutting issues, comprehensibility and transparency of assessment criteria, and establishment of selection methodologies outside the CGS or GSAIB has been analysed across all implementation schemes. A summarised answer to evaluation questions was also provided for the topics covered by implementation schemes. Annex F covers the selection systems by implementation schemes. Responses to the evaluation questions across activities have been provided below.

126. The sample of the selection criteria included 34 activities provided by the Ministry of Finance. The largest number of the activities analysed included open calls, but also five GSAIBs and four investment plans. Some activities used several implementation schemes (Table 5).

³⁶ The list of activities included in the sample was provided in the terms of reference.

Table 5 Distribution of the sample of the selection criteria by implementation schemes and IBs/IAs

IB/IA	Total activities	Open application	Investment plans	GSAIBs
Intermediate bodies				
MoER	5	3	2	1
MoSA	4	2	2	2
MoE	5	5	0	0
MoC	5	5	0	0
MoEAC	11	11	0	0
MoF	4	2	0	2
Implementing agencies				
Innove	3	2	0	3
SSSC	6	3	2	2
Archimedes	4	2	2	0
EIC	10	10	0	0
EE	9	9	0	0
KredEx	1	1	0	0
ISA	1	1	0	0
Total	34	28	4	5

Source: authors, based on the sample prepared by the Ministry of Finance

127. The evaluation of the compliance with the general selection criteria was based on the document *General Selection Criteria Approved by the CFP Funds Monitoring Committee that are Applied to All Priority Axes of the Operational Programme and to the Measures Supported Under Them*.³⁷ The general selection criteria are provided Table 6.

³⁷ Monitoring Committee 29.01.2015 – <http://www.strukturifondid.ee/et/seire>

Table 6 The general criteria for project selection

No.	General criteria for project selection	No.	Evaluation of the criterion
1	Impact of the project on meeting the objectives of the measure	1.1	The project's contribution to the objectives of the measure, including the expected scope of the project outcomes and the sustainability of the outcomes after the end of the project, if applicable
		1.2	The project's contribution to the output indicator(s) of the measure
2	Relevance of the project	2.1.	The objective of the project is relevant – a problem, shortcoming or unused opportunity for development exists
		2.2	The intervention logic of the project is understandable and effective – the activities provided in the project enable us to achieve the planned outcomes and results. Their coherence with the objectives and effectiveness is understandable, encouraging innovative solutions if possible
		2.3	The timetable of the activities is realistic, considering, among other factors, the relationship between activities
3	The cost-effectiveness of the project	3.1	The planned activities/solutions are sufficiently cost-effective for achieving the planned outcomes/results
		3.2	The planned budget is realistic and reasonable – it is clear which calculations and estimates the budget is based upon and the planned expenses are necessary and reasonable; the applicant is able to finance additional fixed costs
4	The ability of the applicant/beneficiary (and partners) to carry out the project	4.1	The applicant/beneficiary (and partners together) has the qualifications, experience, sustainability, and legal, organisational or technical preconditions for carrying out the project in the planned manner. This may be both a compliance and selection criterion
5	The project's impact on cross-cutting issues (regional development, environmental protection, ensuring equal opportunities, harmonised state governance, or promotion of information society)	5.1	This criterion is used where appropriate, taking into account the nature of the specific measure

Source: *General Selection Criteria Applied to All Priority Axes of the Operational Programme and to the Measures Supported Under Them*

128. The evaluation of the consistency of the general selection methodology was based on the document *Selection Methodology Applied to All Priority Axes of the CFP 2014–2020 Operational Programme and to the Measures Supported Under Them*.³⁸ The assessment methodologies applied by the IAs have been compared in accordance with the general assessment methodology applicable to the respective scheme.

³⁸ Monitoring Committee 29.01.2015 <http://www.strukturifondid.ee/et/seire>

129. The general selection methodology differs by implementation schemes and a somewhat different selection methodology is applied to rolling- and round-based calls for proposals in the case of open calls. Therefore, open calls were analysed separately by rolling- and round-based calls for proposals.
130. Below are the conclusions of the analysis of the project selection criteria.
131. To what extent are the project selection criteria for each priority axis in line with the general selection criteria, considering the conditions for granting support and the guiding principles for the specific selection of investment priorities provided in the Operational Programme? Have the selection criteria for related to cross-cutting issues been applied based on the specific nature of each measure?
132. It can be concluded based on the analysed sample of activities that criteria in line with the general selection criteria approved by the monitoring committee are used for the majority of the supported measures. It is a common practice that the evaluation methodology is based on general criteria, which in turn are interpreted in detail based on the specific nature of each measure. An overview of the selection criteria used for project selection is provided in Annex D.
133. Tables 4, 5 and 6 of Annex F show that Archimedes, EE, Innove and SSSC use selection criteria that are almost completely identical to the general selection criteria. The EIC uses a practice where assessment is more based on conformity assessment and the evaluation criteria do not include all the general criteria. For example, the applicant's ability is not an assessment criterion under AC 7.1.1 and project relevance under AC 6.2.1 and 6.2.2. Also, cost efficiency is not a separate assessment criterion under AC 6.2.2. For KredEx AC 6.1.1, conformity to the CGS requirements is assessed and no separate assessment criteria are used. According to the general selection criteria approved by the monitoring committee, the applicant's ability may be both a compliance and a selection criterion. While other IAs use this as an evaluation criterion, several EIC's ACs and KredEx's AC 6.1.1 only record this under compliance. The analysis also revealed that the applicant's ability is often only assessed in the context of economic capability, while qualifications, sustainability, and legal and organisational capacity are not always evaluated.
134. Round-based applications revealed that the rating scales or thresholds provided were sometimes very low, which could lead to the risk of granting support to projects that do not help to achieve the objective of the measure. For example, the evaluation criteria provided under AC 10.2.1 were such that projects adhering to the lowest level only make a minimum contribution to achieving the objective of the measure. The first call for proposals of this AC has ended and this risk did not materialise in the first round, the results of the next round are unknown. However, it should be ensured in the future that the scales are not set too low.
135. Another observation with regard to the general selection criteria is that for some of the activities, the exact wording taken from the general selection criteria is used. For example, AC 8.1.7 uses criteria "the timetable for project activities is realistic" or "the planned activities are cost-effective" without giving further explanation to these assessment bases. In addition, for example, AC 6.2.4 uses the criterion "the applicant is able to carry out the project", but there is no explanation as to how it should be evaluated. Although such selection criteria meet the general selection criteria, they are not explained to an extent that would allow them to be considered understandable and to ensure consistent assessment by different evaluators. Therefore, the assessments carried out by different evaluators may vary without justification.
136. Some of the IA's selection methodologies also included ambiguity regarding the evaluation criteria and contradictions between the evaluation levels. For example, in the case of AC 6.2.1 and 6.2.2, the scales for "Project sustainability" were not clearly distinguishable between "Most of the networked buildings have been reconstructed" and "70% of networked buildings have been reconstructed" (i.e. these partly overlap). It is also unclear how the criterion "Saved fossil CO₂ in tons" is evaluated if it has been provided that "The points of the projects are to be ranked, with the most cost-effective project getting the highest points and the least-saving project getting 0 points". There is no explanation as to how points are distributed if there are

more than two applications. It is important to ensure that there are no contradictions and ambiguities in the application of the evaluation criteria.

Using cross-cutting issues as selection criteria

137. While the general selection criteria are largely based on for other selection criteria, the project's impact on cross-cutting issues is a criterion that is not often considered.

138. The project's impact on cross-cutting issues (regional development, environmental protection, ensuring equal opportunities, harmonised state governance, or the promotion of an information society) should be used if it is relevant, considering the nature of the specific measure.³⁹ The project selection of the analysed activities does not consider their contribution to the cross-cutting issues as a separate selection criterion. Only seven out of the 29 ACs implemented as open calls or investment plans highlight contribution to cross-cutting issues as a separate evaluation criterion ⁴⁰:

- AC 1.6.2 (OC) – 5% contributes to regional development;
- AC 4.2.3 (OC) – 10% of the total score contributes to the cross-cutting issues;
- AC 2.2.1 (OC) – 2 points (out of 18) contribute to the information society, regional development and ensuring equal opportunities;
- AC 2.5.1 (OC) – 7% contributes to ensuring equal opportunities;
- AC 10.2.1 (OC) – 10% contributes to regional development;
- AC 2.4.2 (IP) – 15%/10% ensures equal opportunities;
- AC 12.3.1 (OC) – 4% impacts the cross-cutting issue of information society and three other cross-cutting issues.

139. In addition, for example in the case of support allocated for the renovation of apartment buildings by KredEx, a higher rate of support is applied to applicants from Ida-Viru County, introducing the discrepancies between regional development. Most of the measures do not consider cross-cutting issues, except when they are related to their contribution to achieving the objectives of the measure, which is a separate criterion. According to IBs and IAs, the impact of projects on cross-cutting issues generally stems from the structure of the measure and the nature of the activities supported, so there is no need to implement the evaluation criteria for cross-cutting issues separately. Since the general selection criteria stipulate that the cross-cutting issues should only be implemented where appropriate, it cannot be argued that the selection criteria used in the selection of projects are in contradiction with the general selection criteria. However, we believe that the leverage potential of cross-cutting issues would be considerably greater if the evaluation criteria of cross-cutting issues were implemented more often. Their use should therefore be more greatly encouraged and it should be clearer in which cases the use of this criterion is mandatory and in which cases it is not. At the moment, the wording of the general selection criteria makes it easy to avoid this criterion.

140. What are the suggestions for supplementing, decreasing or modifying the general selection criteria and methodology?

141. The general selection methodology and selection criteria are structured in a very flexible way, which allows them to be interpreted and adapted based on the nature of the specific activity. Thus, IBs and IAs are given the freedom to provide specific selection methodologies and criteria. The following recommendations may be given regarding the general selection methodology and criteria:

³⁹ *General Selection Criteria Approved by the CFP Funds Monitoring Committee that are Applied to all Priority Axes of the Operational Programme and to the Measures Supported Under Them.*

⁴⁰ In the case of GSAIBs, compliance with the general selection criteria is described in the explanatory note and no separate scores are given.

- **Specify the general selection methodology for GSAIBs.** The general selection methodology has been formulated very broadly for GSAIBs. Pursuant to this, upon preparing a draft directive, it must be ensured that the activities are in line with the general selection criteria, and an assessment of this must be included in the explanatory note. It is also stipulated that if granting the support is continued, the selection methodology of the open call should be based on this. We recommend clarifying the selection process for GSAIBs to provide a more specific framework for selecting activities. Since under GSAIBs, specific activities are agreed on based on annual or multiannual action plans, we recommend adding a provision to the selection methodology, stating that the compliance of the activities with the selection criteria should also be checked when these action plans are prepared (not just when drafting a directive).
- **Specify the share of contribution to the cross-cutting issues in the general selection criteria, including a clarification of when the use of this criterion is mandatory.** The evaluation revealed that contribution to cross-cutting issues is rarely included in the selection criteria. Since the general selection criteria stipulate that this criterion should be used where appropriate, it is generally not considered relevant. However, as the use of this assessment criterion could foster contribution to cross-cutting issues, we recommend specifying in the general selection criteria whether and in which case the application of this criterion could be relevant (i.e. clarify, in which cases this criterion is mandatory), and encouraging its wider application.
- **Establish an obligation to disclose selection methodologies and criteria provided outside the CGS.** In order to ensure transparency in the evaluation of projects, it is important to ensure that the applicants have knowledge of the selection methodologies and criteria. The evaluation indicated that, for most ACs, the IA's selection methodologies and criteria were published on the IA's website, but there are exceptions where this is not the case. We recommend establishing that disclosing such documents in the general selection methodology is mandatory.
- **Include a provision on the need to clarify the selection criteria.** Since the wording of the general selection criteria is generic, it is important that the CGSs or IA's selection criteria provide sufficient explanation for the selection criteria so that it is clear for the evaluators how the selection criteria are evaluated. This has been performed for most of the ACs, but there were individual ACs in the evaluation sample for which the criteria were not further explained. In this case, there is a risk that different evaluators will interpret these criteria differently in the evaluation. Therefore, we recommend including a provision on the need for further clarification of selection criteria in the general selection methodology or in the selection criteria.
- **Dissemination of good practices for including applicants in the evaluation process and for supervising evaluators.** The evaluation revealed a number of good practices of how applicants were involved in the evaluation process (e.g., information days, preliminary consultation, the applicants' participation in the meetings of the evaluation committee). There are also good practices for ensuring that evaluators have a common understanding of the evaluation criteria, so as to exclude variations in score due to different interpretations (e.g., trainings for evaluators). We recommend mapping these good practices across IAs and disseminating them as annexes to documents describing the general selection methodology and criteria or as separate documents.

142. In addition to suggestions on the general selection methodology and criteria, we also recommend the following to improve specific selection methodologies:

- **Simplify the application process for investment plans which currently consists of two stages.** The application consisted of two stages for all ACs, except the second round of AC 2.4.2. This means that, in the first stage, the applicants submitted investment proposals

which were assessed by the selection criteria. In the second stage, the applicants who received a positive decision had to resubmit the application, which was no longer assessed, but was checked for compliance with the investment plan and with the applicant (and partner) requirements set out in the support granting conditions. The IBs/IAs pointed out that this two-step process has not justified itself because it has doubled the workload for both applicants and processors (especially if the same data have to be submitted in a different format in the second stage) and resulted in long processing times. Therefore, we recommend that you consider simplifying the investment plan, so that the entire documentation would not have to be resubmitted in the second stage.

- **We recommend that IAs perform periodic analyses of the effectiveness of scores in the case of round-based applications.** In doing so, one could look at which criteria lead to the biggest differences in the overall scores and whether making a selection based on them has been justified. The analysis of the selection criteria revealed that there are criteria in which assessments between projects are not expected to vary significantly (if the project is declared to be in conformity, usually the same scores are awarded). Thus, ranking may be based on individual criteria that may not be the most important.
- **We recommend monitoring that the scales and thresholds are sufficiently ambitious.** For example, in the selection criteria used for AC 10.2.1, the wording of the lowest level of scale 1–3 indicated that the activities should not be financed at all (the activities are only justified to a limited extent and contribute minimally to the objectives of the measure). At the same time, since there was no threshold, projects that have a dubious impact on the objectives of the measure could have received financing if there had been less competition. Moreover, in the case of thresholds, when a threshold has only been set for the total score, a project that is very weak in one criterion could receive support in some instances. For example, for AC 5.2.4, the overall score threshold of 2.75 is used and all criteria are evaluated on a scale of 1–4. Considering the weight of the criteria, it is possible that the threshold could be passed by a project that received a 1 regarding impact on achieving the objective of the measure, meaning the project’s impact is very weak. According to the IA, this has not occurred in practice, as such projects are already excluded during the compliance check. At the same time we find that, in order to mitigate the risk, this possibility should be analysed in each particular round when establishing criteria and scales to determine whether support can be granted if a single criterion receives a poor score. If such a situation should occur, the thresholds for individual criteria can be used. This is especially important for rounds with round-based application and low application activity.

143. **To what extent is the selection methodology established at the CGS or IA level consistent with the overall selection methodology approved by the monitoring committee?**

144. The general selection methodology approved by the monitoring committee differs by implementation schemes, which is why it has been analysed in separate chapters (see Annex E).

145. **In the case of open calls**, it was revealed that the selection methodologies of calls for proposals may differ significantly depending on the specific nature of the activities. In the case of rolling applications, both the scoring-based threshold and compliance to the conditions of the CGS threshold are used (i.e. no scores are awarded). In the case of round-based applications, all applications must be awarded scores and ranked. However, the evaluation systems of round-based applications also differ, meaning that, despite the awarded points, more emphasis is placed on peer review in some rounds and on conformity assessment in others (different scores are given for different levels). Generally, practices of assessing different ACs are similar within IAs.

146. However, despite the different practices, the selection methodologies of the analysed ACs are largely in line with the general selection methodology (i.e. the assessment is carried out

according to the requirements provided in the general selection methodology). One observation is that in all rolling rounds, rules on how to choose between applications with equal results have not been established. In practice, however, this has not become a problem, as applications are evaluated in the order in which they are received. However, the general selection methodology also provides the possibility of drawing lots or applying a separate criterion, which is why this rule should be formulated. Secondly, it may be pointed out that, although establishing a threshold is not mandatory for round-based schemes, it would still be appropriate in several EIC actions where it is currently not used.

147. **In preparing investment plans**, one of the open methodologies for open calls – i.e. open rolling- or round-based application – must be applied when evaluating investment proposals according to the evaluation methodology approved by the monitoring committee. Round-based application was used in all the ACs in the sample, i.e. the investment proposals were ranked based on total scores and the highest-rated proposals were included in the investment plan, considering the budget for financing. The analysis concluded that all the principles of the methodology approved by the monitoring committee were met when evaluating the proposed investment plans, except for the establishment of the maximum deviation range of scores for Archimedes ACs, which did not, however, play a significant role in the evaluation.
148. **For GSAIBs**, the general selection methodology is generic and merely states that in preparing GSAIBs, it is ensured that the supported activities are in accordance with the general selection criteria and that an assessment of this is included in the explanatory note.⁴¹ For all the GSAIBs analysed, an explanation of this was included in the explanatory note of the directive. Compliance with the selection criteria is considered in the development of the GSAIB by the person preparing it, and for some GSAIBs (e.g. 5.4.2), compliance with the criteria (in the preparation of action plans) is assessed to some extent. The general selection methodology provides that, where granting support for the implementation of the GSAIB is continued, the general selection methodology of open calls must be followed. This has also been applied to all the analysed ACs, if granting the support is continued. Thus, it can be concluded that the GSAIBs are consistent with the general selection methodology.
149. **Is it purposeful to establish a selection methodology outside the CGS legislation and what risks this may entail?**
150. **For open calls**, the selection methodology is described in the conditions of granting support approved by ministerial order. It is a common practice that in addition to the order, the IA also has a separate selection methodology, which must be in accordance with the order and previously coordinated with the IB. An example of the activities analysed in this evaluation shows that different practices for establishing selection methodologies are used (Table 7). In addition to the CGS's order, EE has prepared a separate comprehensive selection methodology document for each activity. The selection methodology of the IA clarifies the procedure for granting the support and explains the selection criteria. In addition to the selection criteria set out in the order, sub-criteria with their weighting have also been identified in the IA selection methodology for some activities. Similarly, Archimedes has comprehensive IA assessment guidelines, and, in the case of SSSC, IA assessment methodologies that describe the evaluation procedure and further explain all evaluation criteria and rating scales. In the case of AC 12.3.1 applied by the ISA, IA specifies the evaluation procedure for the selection methodology, but does not specify the selection criteria in more detail compared to the CGS.
151. Innove has prepared an operating procedure for organising open calls, describing the work processes during the processing of applications. The evaluation sheets provided in the annex to the operating procedure describe the selection criteria set out in the CGS.
152. In the case of EIC's activities, the IA has established a separate procedure for processing applications (for separate ACs), which specifies the technical side of the processing of

⁴¹ The selection methodology applied to all priority axes of the operational programme of the Cohesion Policy 2014–2020 and to the measures implemented under them.

applications rather than the substantive assessment methodologies or criteria. For some of the EIC's ACs, the support evaluation checklists (ACs 4.3.1, 4.2.3) provided in the annex to this procedure include additional explanations of the content and scales of the assessment criteria. The other activities are based on the evaluation of the criteria set out in the order or its annex (for example, a more detailed description of the evaluation criteria of ACs 6.1.2 and 6.2.2, along with an explanation of the scales is provided in the annex to the order). In the case of EIC's measures, the IA's selection methodologies are partially published on the website (not for all ACs). According to the IA, information on the application of the evaluation criteria is shared on information days or in the course of other forms of counselling applicants. If it has been necessary to interpret the order, this has been published on the EIC's website.

153. Contrary to common practice, the apartment building renovation grants of KredEx are based on the evaluation methodology specified in the order and a separate specification document has not been prepared at the IA level. The order specifies the specific conditions that the applicant has to meet and, as no separate scores are given, there is no need to specify the assessment methodology according to the IA.
154. **For GSAIBs**, the conditions for granting support are approved by a ministerial decree. Since the supported activities in this implementation scheme are defined by a decree, a selection process will no longer take place during implementation, similar to the open calls. Thus, the decision whether to use support will be made before the decree is drafted. An exception here is AC 5.4.2, where the annual project applications are evaluated by a selection committee and a separate IA selection methodology has been prepared.
155. **In the case of the implementation scheme of the investment plan**, the substantive selection of projects takes place before the investment plan is approved. The preparation of the investment plan and granting of support are regulated by a ministerial decree. In the case of Archimedes, the evaluation methodology and criteria are specified with the IA's evaluation guide, which had also been published on the IA's website at the time of application. Similarly, in the case of SSSC, an IA assessment methodology exists and has been published, describing the selection criteria for the investment plan and the awarding of scores.

Table 7 Documents that the selection methodology is based on (establishment of a selection methodology outside the CGS or decree)

IA	IS	IA's selection methodology established		Disclosure of the selection methodology on the IA's website
Innove	OC	YES	Operating procedure for granting IA's support (describes the working procedures); the evaluation sheet annexed to it describes the selection criteria provided in the CGS	PARTIALLY *
	GSAIB	N/A	There is no separate selection procedure, activities in the GSAIB	N/A
SSSC	OC	YES	IA's assessment methodology describing the selection criteria and awarding of points	YES
	IP			
	GSAIB (5.4.2)	YES	IA's selection methodology describing the selection criteria and awarding of points	YES ⁴²
	GSAIB (12.1.2)	N/A	No separate selection methodology	N/A
Archimedes	OC	YES	IA's evaluation guidelines	YES
	IP	YES	IA's evaluation guidelines	YES ⁴³
EIC	OC	YES/NO	For all ACs, there is a procedure for processing IA's applications (more on the operating procedure rather than content of the evaluation). As the selection methodology for some ACs is included in the annex to the order, there is no need for a separate IA selection methodology. For those ACs where the selection methodology is not specified in the annex to the order, the explanations given in the checklists are used. Some of the checklists do not have explanations for criteria	PARTIALLY*
EE	OC	YES	IA's selection methodology describing the selection criteria and awarding of points	YES ⁴⁴
KredEx	OC	NO	There is no selection method outside the CGS	N/A
ISA	OC	YES/NO	IA's selection methodology that describes the assessment procedure. Does not specify selection criteria	YES

* AC 1.6.2 – disclosed; AC 2.2.1 – not disclosed

Source: Analysis of evaluators based on IA's selection methodologies and analysis of websites based on IA's interviews

⁴² At the time of the evaluation (as of 03.04.2019), only the selection methodology of the current call for proposals had been published on the SSSC's page for AC 5.4.2. There is no information on previous activities, as the implementation of this activity was passed on from the EE to SSSC and it is not known, whether it was previously published on the EE's page.

⁴³ According to the IA, the evaluation guidelines were made public at the time of application. As of the time of the evaluation (01.04) these are not public, so we have proceeded from the statements of the IA.

⁴⁴ At the time of the evaluation (as of 04.03.2019), only the evaluation methodology of *Supporting the Development of Small Ports Network* was not available on the website, since granting support under this activity had ended. According to the EE, the methodology was available on the website when support was applied for and granted.

156. Table 7 indicates that the practices for establishing a selection methodology vary in different IAs. In conclusion, it may be useful to lay down selection methodologies outside the CGS's legislation based on the content of the specific activity. Above all, this should be considered for activities where the merits of the projects are evaluated and compared, and where the peer review component is larger. In the case of primarily conformity-based selection methodologies (e.g. infrastructure investments), the need for a separate IA's selection methodology is smaller.
157. The advantage of IA's selection methodologies is that they help to provide a better understanding of selection criteria and rating scales, including more consistent assessments from the evaluation committees. The selection methodologies established outside the CGS allow us to describe the methodology in more detail and specifying it, which should ensure a more consistent assessment. Also, the use of specified assessment methodologies may increase clarity for the applicant, as this document is generally easier to understand than the CGS. The selection techniques are usually published on the IA's website. A positive aspect is that the selection methodologies can be made more flexible before each call for proposals if, for example, there is a need for it based on previous experience (by coordinating with the IB).
158. The main **risks** of establishing selection methodologies outside the CGS:
- Possible inconsistencies between the CGS and the selection methodology – to mitigate this risk, the IA's selection methodology is coordinated with the IB. This evaluation did not reveal that the evaluation methodologies have substantial contradictions with the general selection methodologies and criteria.
 - Different interpretations of the selection methodology by the evaluators – the selection methodologies are mostly more detailed than the information provided in the order, but the evaluators might still understand the IA's selection methodologies differently, meaning that the scores also vary. To mitigate this risk, a number of IAs use harmonised guidance for evaluators with regard to the selection methodologies (e.g. in the case of the EE's ACs, evaluators have to undergo prior training).
 - Lack of transparency in the selection methodology – this can occur if the IA applies a significantly more advanced selection methodology than the CGS and does not disclose it to the applicants. For the sake of transparency, most of the IAs have made the selection methodologies available on their website and/or offer preliminary counselling to applicants.
159. **In conclusion**, establishing selection methodologies outside the CGS is justified for certain activities and is very often used. However, generalisations that establishing selection methodologies outside the CGS are necessary for each support cannot be made, as this need largely depends on the specific nature of the measure and the thoroughness of the description of the selection methodology and criteria provided by the CGS. For example, in the case of infrastructure projects where the evaluation primarily means checking compliance with the requirements provided in the order, detailed additional methodology is not always necessary. There is also no need for a separate IA methodology if the selection criteria provided in the CGS's annex are sufficiently detailed.
- 160. To what extent are the weightings of the various selection criteria provided in the CGS justified for achieving the objectives (the objective of the measure from the list of measures)?**
161. The general selection methodology provides that when scores are used, the percentage of selection criteria used for all ACs must also be determined. The evaluation revealed that the proportion of the selection criteria for all the ACs analysed was justified, determined according to the relevance of the criterion, and generally in accordance with the specific nature of the AC. For most of the ACs, the adherence of the project to the biggest weight to the objective of the measure was evaluated and higher scores were also given to the project's justification. The impact on the achievement of the objectives of the measure also played an important role in

situations where applications had equal scores. For most ACs, the project that contributes more to achieving the objectives of the measure is preferred when the results are equal.

162. In most cases, the IAs are satisfied with the percentage of the criteria and there is no need to change them. Rather, the assessment is specified by sub-criteria and, if necessary, the weight of some sub-criteria is increased, and of some decreased, without changing the percentage of the general criterion.
- 163. Do the evaluators find that the project selection methodology and criteria are understandable and transparent?**
164. In order to ensure the transparency of the project selection criteria, it is important that the selection methodologies and criteria are known to the applicants. According to common practice, IAs, specify their selection systems in their selection methodologies in addition to the information provided in the CGS. In most cases, these documents provide more detailed information on project selection systems, including to describe criteria and, in some cases, establish sub-criteria that are not included in the CGS. Transparency is ensured by the fact that these methodologies are also generally published on the IA's website, with some exceptions listed in Table 7. In order to ensure transparency, we recommend imposing an obligation to disclose the IA's selection methodologies. As a positive practice, some IAs (e.g. the EE, EIC) offer preliminary counselling for applicants and organise information days to introduce, among others, the evaluation criteria. We encourage you to disseminate these practices more widely and encourage the IAs to use them more.
165. For the sake of transparency, sufficient justification for the results is also important, especially for applicants who did not receive funding. Prior hearing of the decision to deny an application also helps to ensure justification and transparency. In the interviews conducted, the IAs confirmed that there were no rounds where the applicants filed a complaint because the decision was not justified. Thus, financing decisions can also be considered transparent.
166. In the opinion of IAs, the evaluation experts or members of the evaluation committee have not had any difficulties with understanding the assessment methodology and criteria. In order to ensure common understanding, the evaluators' training sessions are organised and the evaluation criteria are discussed at the meetings of the evaluation committees. For certain ACs, the IAs (e.g. EE and EIC) found that the methodology could be simpler. For example, in the case of the innovation voucher, the EE considered the use of sub-criteria to be unnecessary given the small size of the projects. Going into undue detail can hinder obtaining an overview of the project as a whole and can cause an unreasonable burden in the case of smaller grants.
167. The evaluators of selection criteria also believe that the transparency of the selection methodologies and criteria is good. For most ACs, the criteria are described in sufficient detail and it is easy to understand which score should be given to which specific selection criteria. However, there are also some inaccuracies and contradictions.
168. For example, AC 8.1.7 uses the exact wording of the general selection criteria, without explaining it further. For example, "The timetable for project activities is realistic" or "The planned activities are cost-effective" without giving further explanation to these assessment bases. Such criteria cannot be considered understandable as they can be interpreted in various ways.
169. Some of the IA's selection methodologies also included ambiguity regarding the evaluation criteria and contradictions between the evaluation levels. For example, in the case of AC 6.2.1 and 6.2.2, the scales for "Project sustainability" were not clearly distinguishable between "Most of the networked buildings have been reconstructed" and "70% of networked buildings have been reconstructed" (i.e. these partly overlap). It is also unclear how the criterion "Saved fossil CO₂ in tons" is evaluated if it has been provided that "The points of the projects are to be ranked, with the most cost-effective project getting the highest points and the least-saving

project getting 0 points”. There is no explanation as to how points are distributed if there are more than two applications.

170. In the SSSC’s AC 2.4.2, the evaluation criteria were very thorough and detailed. Objective, fact-based criteria carried the most weight in the evaluation. All the points awarded were clearly explained. There were no in-between, unjustified scores. In addition, evaluators were given a specific source for each sub-criterion to obtain information for the evaluation. This ensured that all applications were evaluated on an equal footing.

171. **Are the most effective projects selected considering the objective of the action, using the specific selection criteria?**

172. For this evaluation question, the performance assessments provided in the final reports of the projects were compared with the assessments given in the project selection based on a sample of completed projects. Since the outcomes of the projects with regard to the objectives of the measure may not be revealed immediately after the end of the projects, the information contained in the final reports does not present a comprehensive picture of the outcomes of the activities. Therefore, further opinions from IAs and IBs were gathered on how the selection criteria have helped to select efficient projects and whether using different criteria would have led to better performance.

173. The IAs themselves find that the selection criteria are flexible enough for selecting projects which can be expected to deliver the best performance. In the interviews, all the IAs confirmed that there had not been any cases where the selection criteria would have led to the selection of projects with questionable performance. If the evaluators have questions or doubts about the project, the common practice is to submit a relevant inquiry to the applicants to receive additional information. In addition, meetings of evaluation committees are organised for several ACs where the assessments are discussed and consensual scores awarded. According to the IA, for ACs carried out by the EIC, where the selection of projects is more based on conformity assessment, applications with low quality are already excluded during the early inspection stage and they usually do not even reach the evaluation stage. On the other hand, the implementation of projects may be hampered by circumstances that could not be foreseen in the application stage (e.g. failure of construction procurements, changes in market demand, increase in prices – see Chapter 5 for more details).

174. The analysis of the completed projects also showed that the performance of the projects that received funding could be influenced by other possible circumstances that do not result from the selection criteria. The performance analysis of the projects compared adherence to the project indicators and the performance assessment provided in the final report with the scores obtained in the projects evaluation. The total score of 88 projects that received funding was compared to understand whether the projects that were awarded higher scores actually turned out to be more effective. The analysis revealed that the projects with the highest scores were not necessarily more effective than the projects that also received funding but were awarded below-average scores. Moreover, the projects that were awarded lower-than-average scores (but nevertheless received funding) were not necessarily less effective than the projects that received almost the maximum score. An example is AC 4.2.2, where 20 of the 22 projects analysed were found to be effective in the final reports (both in terms of indicators and performance), although nearly half of this AC’s projects were awarded below-average scores. It should be taken into account that this conclusion only applies to projects that proved successful in the evaluation (i.e. received funding) (meaning that the performance of the projects that were funded may be the same). Only a few of the projects analysed did not meet their objectives (mostly due to delays or non-compliance with some individual indicators).

175. **In summary**, it can be concluded from both the analysis of the final project reports and the IA’s interviews that the selection criteria help to select effective projects, but circumstances that could not be foreseen during the evaluation may still arise. However, the selection criteria and methodologies used can be considered sufficiently flexible to provide a comprehensive

assessment for the quality of the projects and to exclude projects whose performance may be questioned already at the time of application.

3 Efficiency of the 2014–2020 Operational Programme

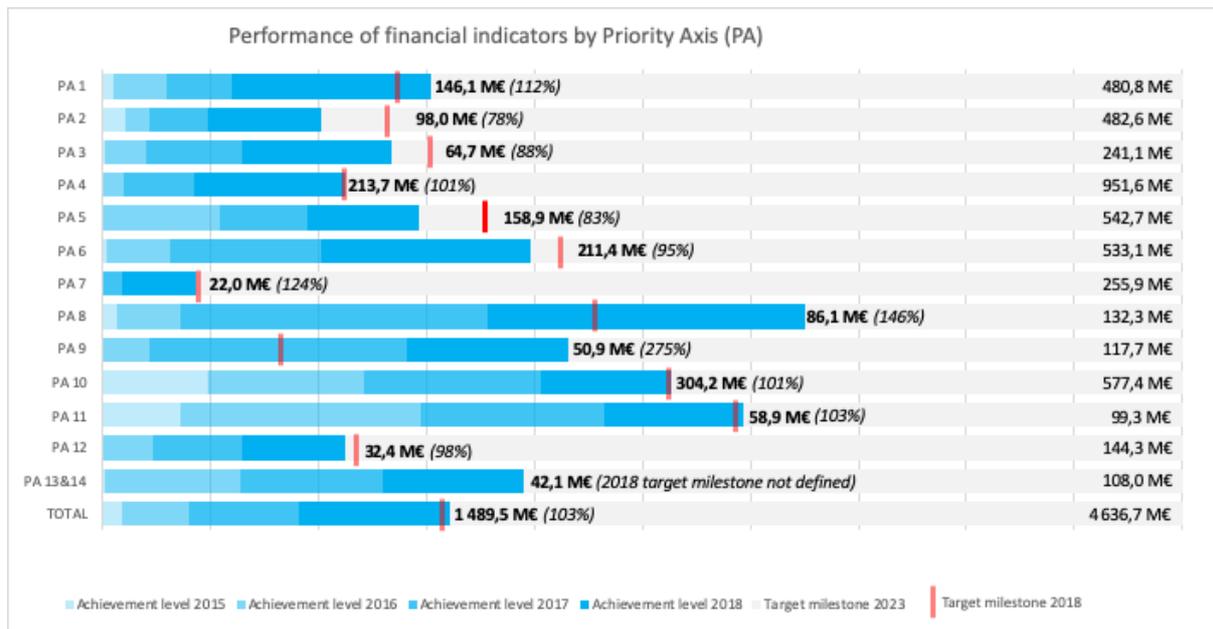
3.1 Efficiency of the priority axes and the probability of achieving the objectives

176. In summary, the priority axes have been efficient in terms of the fulfilling of financial indicators, and an average of 103% of the target milestones for 2018 has been achieved (Figure 11). In two priority axes, the achievement level of the financial indicator was below 85%: For PA2, the financial indicator of “Increasing Social Inclusion” was achieved by 78% and for PA5, the financial indicator of “Development of Small- and Medium-Sized Businesses; Strengthening the Competitiveness of Regions” was achieved by 83%. In other axes, the financial indicators were achieved by over 85%. The financial indicator of a priority axis was exceeded (achievement level over 100%) for a total of eight priority axes. The greatest overachievement occurred in axis 9, “Sustainable Urban Development” (275%). A more detailed assessment of each priority axis is included in the annex to the report (Annex G).

177. The output indicators reflect the process of moving towards the outcomes and provide a more detailed overview of the achievement of the essential objectives thus far. For priority axes 1 to 12, data on 173 output indicators are available together with the 2018 target milestones (2018 target milestones for PAs 13–14 had not been set). Achievement of the output indicators in summary of all the axes:

- 61% of the output indicators (105 indicators) were achieved by at least 100% of the 2018 target milestone, including 26% of the output indicators (45) that also achieved at least 100% of the 2023 target milestone;
- 69% of the output indicators (119 indicators) were achieved by at least 85% of the 2018 target milestone, including 34% of the output indicators (58) that also achieved at least 85% of the 2023 target milestone;
- 6% of the output indicators (11 indicators) were achieved by 65%–84% of the 2018 target milestone;
- 14% of the output indicators (24 indicators) did not reach the required target milestone, i.e. less than 65% of the 2018 target milestone was achieved.
- For 11% of the output indicators (19 indicators), the target milestone for 2018 is 0 (activities should not have begun yet or there is no intermediate target milestone).

Figure 11 Achievement of the target milestones for the financial indicators of the priority axes 2018



Source: SFOS, authors' calculations

178. Lower achievement of output indicators (below 65% of the 2018 target milestone) mostly occurs in the “Business with Potential of Growth and Supportive Research and Development Activities” axis (PA4 ERDF), where six output indicators are below 65%, and in the “Development of Small- and Medium-Sized Businesses; Strengthening the Competitiveness of Regions” axis (PA5), with four output indicators below 65%. In other axes, the number of under-achieved output indicators is smaller; however, the PA4 and PA5 ERDFs have the highest number of output indicators in general (29 and 30, respectively). The percentage of indicators with an achievement level below 65% is the highest in the following axes: PA1 (ERDF) – 50% of the indicators and PA6 (CF) – 38% of the indicators. Axes PA2 (ERDF), PA3 (ESF), PA9 (ERDF), PA10 (CF) and PA12 (ERDF) do not have output indicators that were achieved below 65%.
179. Greater overachievement **also occurs**, for 35 output indicators (20% of the output indicators), the target milestone was achieved by over 200%. In more extreme cases, more than 1000% of even the 2023 target milestone (PA5) was achieved, indicating potential errors in the planning of target milestones for the output indicator and the need to adjust the target milestones. The variability of indicators may also be caused by the content of individual projects: whether single or multiple entrepreneurs are the beneficiaries.
180. Overall, **the greatest underachievements** based on output indicators occurred in axes 1 (1.4.2, 1.5.4), 4 (4.2.3, 4.3.5, 4.3.6), 5 (5.2.2) and 6 (6.3.1, 6.2.4). The greatest overachievements in terms of financial indicators occurred in axes 8 (8.2.2, 8.2.3) and 9 (9.1.1, 9.1.2) and in terms of output indicators in axis 5 (5.3.2, 5.3.5, 5.4.1, 5.4.2).
181. **All the axes met the conditions of the performance framework.** Problems only occurred in axis 2 ERDF, where the financial indicator was achieved by less than 75% (65.2%).
182. One of the most important reasons for underachievement is the later beginning of activities or the slower launch of the activities of the axis. This was the main reason that was pointed out in the evaluation of priority axes 2 (2.4.1, 2.4.2), 5 (5.1) and 6 (6.1.1). Due to failed or delayed procurements, the implementation is also postponed until the last years of the EU financial period. Since the outcomes of investments are considered after the completion of large-scale projects, the actual implementation will take place in the second half of the period. This is also reflected by the trends of achieving the target milestones for 2015–2018 (Figure 11).

183. Another underachievement that can be pointed out is the low application activity in open calls (PA2 (2.12, 2.2.1), PA6 (6.2.4) and unattractiveness of certain activities for the target group (PA4). The third reason for underachievement is the incorrect planning of the target milestones provided, which is not in line with the actual possibilities and milestones (PA4 4.2.5) In addition to these reasons, the lack of clarity in the rules governing financial instruments and the high administrative burden of implementing the measure (PS5 (5.2) and PS2 (2.1)) have affected the implementation.
184. The reasons for overachievements are mostly related to insufficient planning of the target milestones, which is why the target milestones need to be adjusted. The establishment of the target milestones is often based on the experience of the previous programming period; however, the content of the activities was not yet known at this point. Overachievement is also influenced by the content of individual projects, which can cause great variability in the indicators (PA5 (5.4)).
185. Overachievement does not guarantee that the substantive objectives are met. For the sustainable urban development axis (PA9), both the financial and output indicators were exceeded without meeting the substantive objective. The length of the shared-use paths constructed exceeds even the target milestone set for 2023, while the proportion of people using public transport or cycling or walking to get to work on a daily basis has not increased in urban areas. The main reason is weak cooperation between local governments and project-based implementation of activities.
186. Experts estimate that, by 2023, the target milestones for all priority axes will most likely be achieved. For indicators where the target milestone for 2023 was already achieved by the mid-term review in 2018, but the current situation of the sector indicates a further need for input, the relevance of the indicators is questionable. The target milestone should be motivating and achievable (realistic) and it is therefore important to adjust the indicators for which the target milestone for 2023 has already been achieved, but not the substantive objectives of the priority axis. In order to facilitate the achievement of the target milestones in axes where more underachievement occurs, the target milestones also need to be reviewed and adjusted where necessary (see Annex G, assessments to the priority axes). In addition, it is important to simplify the application process for support and intensify cooperation between those who implement the activities to ensure that the objectives are met.

3.2 Impact of the EU Structural and Investment Funds on meeting the objectives of the priority axes

187. The objectives and activities of the Operational Programme have generally been found to be relevant (Tables 1 to 4 in Chapter 2). 61% of the output indicators established based on the objectives have achieved at least 100% of the 2018 target milestone and only 14% did not reach the 65% target milestone; 80% of the result indicators established have improved compared to the baseline. Thus, it can be concluded that support received from the EU Structural and Investment Funds has contributed to the achievement of the objectives of all priority axes. The fastest improvement in result indicators and the greatest impact of the support can be seen in an increase of access to the labour market and employment (PA3 ESDF), improvement of the institutional capacity of the public sector (PA12 ESDF), development of the ICT services infrastructure (PA11 ERF), development of energy efficiency (PA6 CF), and mitigation of environmental risks (PA8 CF)).
188. The impact of the Structural Funds is **long-term** and manifests itself in changes at different levels. For example, impact on the improvement of human health is manifested through energy efficiency in residential buildings which improved the indoor climate of all the renovated buildings (measure 6.1). In addition, the renovation of district heating systems and their transfer to biofuels have reduced the price of heating, which in turn increases the family budget (measure 6.2). Increased use of biomethane as a fuel for transport will, in the long term, reduce

overall pollution (measure 6.4). The proportion of people who have successfully completed apprenticeships has an impact on employment (PA1).

189. The impact of the EU Structural and Investment Funds is particularly evident in **synergies between** multiple priority axes, which amplify each other's results, for example the synergy between axes 1,2 and 3 or axes 7 and 8. Achieving a good ecological status (PA 7) for water bodies, including the Baltic Sea, is possible through the EU Structural and Investment Fund activities such as constructing public water supply and sewerage systems, restoration of anthropogenic residual pollution sites and reduction of leakages into the aquatic environment, restoration of water polluted with hazardous substances, and restoration of the natural water regime of abandoned peatlands. Activities of priority axis 7 also facilitate the achievement of the substantive objectives of priority axis 8. A positive impact that can be highlighted is the increase in turnover from employment and tourism businesses resulting from increased attractiveness of the area, and benefits from the construction of fish passages that expand the habitats suitable for Salmonidae (PA8). However, negative impacts that are more of a socio-psychological nature also occur. Over the decades that the dams and reservoirs have existed, people have bought real estate along the reservoirs, built homes and started businesses related to the region (for example in the field of tourism). If the dam is demolished, the reservoir will become a river and the living environment of the local residents will change significantly. As a result of this change, the local residents can no longer engage in businesses that they have already developed. For example, the inhabitants of the Jägala River Linnamäe dam, the Saesaare area of the Ahja River and the Kunda dam area of the Kunda River live under pressure to demolish the dams.

190. The contribution of the Structural Funds can be considered great, as the public resources would have probably been insufficient for organising all the activities in such a large scale and so systematically (e.g. training sessions for teachers and youth workers, organisation of the school network, support of R&D activities and innovation, development of the research infrastructure, centres of excellence for science). At the same time, activities outside the ESIF have also contributed to achieving the objectives. For example, the *Cross-border Digital Prescription Service (2017–2020)* co-financed by the European Union's *Connecting Europe Facility* ⁴⁵programme and a similar service between Estonia and Finland has⁴⁶ contributed to the objectives of PA11.

3.3 Relevance of the result indicators of the Operational Programme and fulfilment of the substantive objective

191. Result indicators represent the expected impact of the action on participants and legal persons, either directly or over a longer period of time (ESF) or the planned change in the sector (ERDF and CF). In the context of the ESF, the result indicators related to the Operational Programme allow us to see changes in the target group (e.g. number of participants). In the context of the CF and the ERDF, result indicators characterise more general changes in the sector (e.g. share of public transport users, pedestrians and cyclists).

192. **The relevance of result indicators** has been evaluated differently in the different axes. In most cases, the result indicators were adequately selected and relevant, reflecting the impact of the activity with required precision. For example, the result indicators of PA8 and 10 are appropriate and suitable for assessing the impact of the results, although not all of them may be directly related to the substantive objective. For example, the result indicators of activities 8.2.1 and 8.2.2 of measure 8.1 are directly convertible for measuring the substantive objective of the priority axis, whereas the result indicators of the 8.2.3. activity and substantive objective of the priority axis do not have this kind of direct link. In addition, all the result indicators of the PA7 are relevant for the assessment of the implementation of the axis, although not all of them are directly convertible for measuring substantive objectives. However, this does not mean that the

⁴⁵ <https://ec.europa.eu/inea/en/connecting-europe-facility>

⁴⁶ https://www.ravimiamet.ee/sites/default/files/piiriulene_digiretsept_ettekanne_apteekidele.pptx

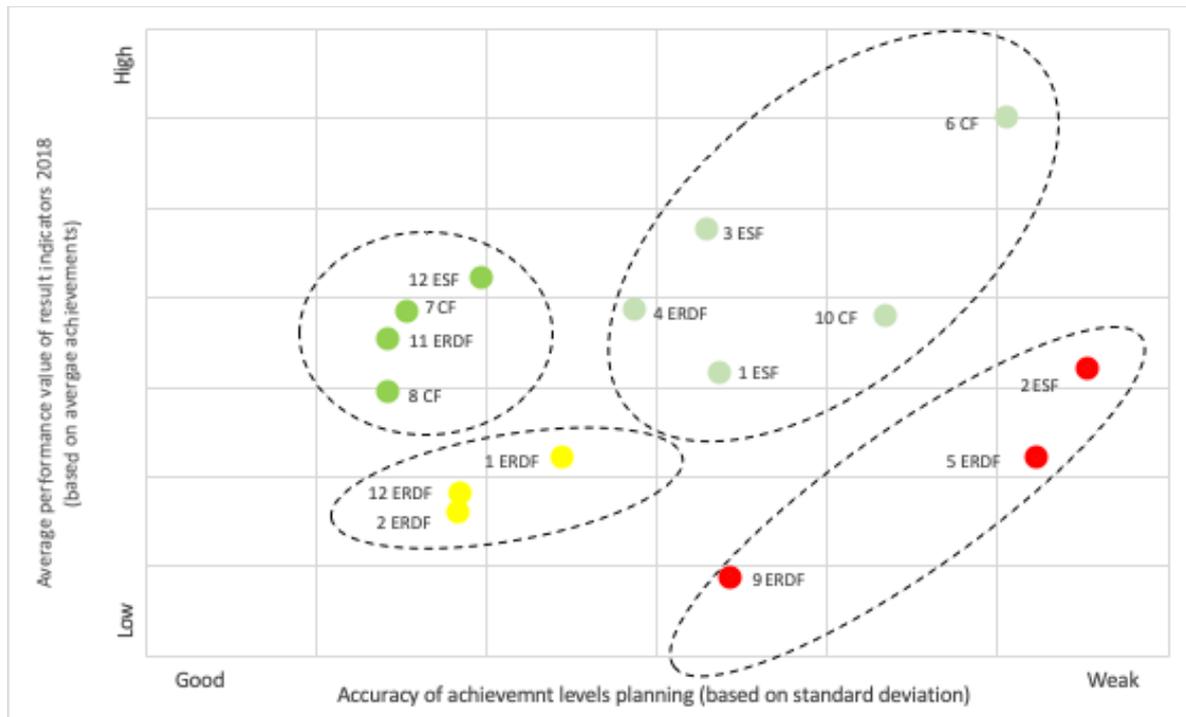
result indicators of this axis should be changed. The result indicators provide adequate information on the operation of the activities.

193. Despite all this, it is necessary to link the result indicators **more directly with the substantive objectives** in the evaluation of several measures and activities. In order to have a clearer and more immediate impact on the achievement of the result indicators and the meeting of substantive objectives, it is important to pay more attention to the quality and efficiency of the activities and to the implementation of the knowledge gained in the case of training. For example, the indicators of measures 1.1 to 1.3, 1.5 and 1.6 do not reflect these aspects. Satisfaction with the content of the training sessions and activities and feedback on the application of the knowledge and skills gained would help to evaluate this.
194. In order to assess the actual availability of health services or welfare services, it is necessary to have result indicators that characterise the substantive achievement of the objective in terms of developing inclusion and well-being, such as health or subsistence indicators. At present, the indicators used for measuring the efficiency of infrastructure development measures (PA2) more closely describe the outputs of a measure, such as the number of places, admissions or institutions.
195. The result indicators for improving access to the labour market and preventing labour market drop-outs (PA3) do not characterise the situation in the best possible way, as participation in the measure itself has helped to move towards employment. The starting point for shaping the result indicators of the measures has been the characterisation of the movement towards employment after participating in the measure. The result indicators would be more relevant if they characterised the extent to which the movement of unemployed people engaged in the measure was larger than the movement of unemployed people not engaged in the measure.
196. The result indicator of the ICT services infrastructure measure “Establishment and Renewal of the New Generation Broadband Network in Market Failure Areas” (measure 11.1) is not in line with the substantive objective of the activities. The purpose of the activity is to build a basic network in market failure areas, which would make it economically feasible to build connections for communications operators. At the same time, the result indicator is the share of high-speed fixed Internet connection as a whole – established connections to the end-users and their deployment – without focusing on market failure areas.
197. In terms of administrative capacity (PA12), the individual result indicators of the Operational Programme allow us to evaluate the substantive performance of the activities. The assessment is based on comparing the result indicators with the objectives of most of the GSAIBs and the views of interviewed officials. For example, one of the key objectives of the administrative capacity axis is to achieve closer problem- and goal-based cooperation between institutions in policy-making and to engage non-governmental participants in a more systematic manner. Supporting the development of comprehensive competencies is important throughout the programme. Result indicators reflect individual projects rather than measure the inherent increase in competence. According to the methodology of the Operational Programme, the main result indicators are therefore essentially output indicators. The current methodology does not always provide information on the substantive performance and achievement of objectives (for example, for measures 12.1 and 12.2). As the results are monitored on the basis of several other indicators that are more relevant and meaningful but not reflected in the Operational Programme, consideration could be given to replacing the performance indicators of the Operational Programme with the respective indicators (see examples in Annex G, paragraph 327).
198. Priority axes can be **divided into four groups based the achievement level of the result indicators and the planning accuracy of the target milestones**. The assessment is based on the achievement levels of the 2014–2018 result indicators⁴⁷ and differences between the baseline levels of the result indicators and target milestones. Since the impact of the activities on society

⁴⁷ The 2018 result indicators were not yet available at the time the report was finished.

and the economy is usually revealed after a certain amount of time, providing the assessment is indicative.

Figure 12 Fulfilment of the objectives of the result indicators and planning accuracy



Source: SFOS, authors' calculations (see also Annex G)

199. Figure 12 shows that for PA7 CF, PA8 CF, PA11 ERDF and PA12 ESF, the planned target milestones were realistic and are reached according to plan.
200. For PA1 ESF, PA3 ESF, PA4 ERDF, PA6 CF and PA10 CF, the target milestones were planned inconsistently, but their achievement rate is rather high. Since some of these result indicators were strongly overachieved, it is difficult to make an accurate assessment. Result indicators for PA3 ESF have only been reported since 2017.
201. For PA1 ERDF, PA2 ERDF and PA12 ERDF, the target milestones were planned realistically; however, their progress has been modest compared to the baseline.
202. For PA2 ESF, PA5 ERDF and PA9 ERDF, the target milestones appear to be inaccurately planned and the actual achievement levels are significantly different from the target milestones.
203. Based on the feedback from focus groups and looking at the results of the analysis provided, it can be pointed out that **establishing target milestones has not always been thoroughly reasoned and well planned for all priority axes**. Some measures were based on the experience from the previous period (e.g. PA7, PA8, PA3, PA12), some measures were based on analyses or the needs of the target groups had been studied (PA1, PA10), but there were also measures where the basis for establishing the target milestones was unclear (no examples can be highlighted, since these cases occurred for some measures or activities in almost every axis; in some cases, the lack of information was caused by the officials involved in the planning leaving their jobs, but there were also cases where there really was no factual basis for establishing the target milestones and the target milestones were essentially based on nothing).

3.4 Additional impact of implementing the measures and impact of the indicators on meeting the objectives of the Operational Programme

204. The Operational Programme will be implemented between 2014 and 2020 and it is clear that, within seven years, there will be changes in the socio-economic environment as well as possible changes in the system of implementation of structural funds. This chapter assesses the extent to which the implementation of the priority axes of the Operational Programme has caused side effects such as deadweight, displacement or spill-over, and which external influencing factors have left their mark on the implementation of the priority axes. This assessment did not include the internal influencing factors of the structural funds implementation system.

Spill-over

205. Each activity has its own output indicators designed to measure its efficiency. At the same time, other impacts may occur in addition to these so-called measured results that could not have been predicted or that have had a **positive side effect**. For example, in the case of PA12, the focus is on the central development and coordination of the activities of the axes, which has increased the cooperation capacity between institutions. The central coordination that was made possible by the use of structural funds is seen as the most significant added value to increasing administrative capacities in priority axis 12. This has ensured that the level of the developments is uniform and horizontally available to all organisations of the target group. The central organisation of the activities also horizontally reflects the priorities and objectives of the Government of the Republic and monitors their compliance. Without central coordination, the practice of the ministries would be very inconsistent. Another example is activity 7.2.2, “Decontamination of the residual pollution of the Purtse River, Kroodi Stream and Maadevahe and Priimetsa black top plant” which improves the quality of the living environment in the region, creating a prerequisite for an increase in real estate prices and the welfare of local residents. The implementation of PA8 activities also makes the area more interesting for tourists and tourism companies thanks to the recreational opportunities built in the protected areas, and increases the attractiveness of the area for both companies and local residents.

206. Positive spill-over can also be observed with PA6, where the renovation of houses increases the cost of real estate and decreases the cost of heating for the residents, in turn stimulating the housing market. In many rural areas, however, investing in real estate is difficult (people do not have faith in receiving support), because property prices are low and the banks do not want to grant loans. In some areas, the insulation of apartment buildings may have a positive effect on the real estate market of the entire region, but this is not the case in Ida-Viru County and some other peripheral regions.

207. The introduction of alternative fuels for both heat production and transport has also had a positive impact. The renovation of district heating systems and transfer to biofuels (6.2.1) has reduced the price of thermal energy practically everywhere compared to the price before renovation, which in turn increases the family budget. Wider use of biomethane as a means of transport fuel (6.4.1) contributes to reducing the overall pollution load (although the current impact is still weak). The support also stimulates the construction of biogas plants in agricultural areas (e.g. manure management where anaerobic digestion occurs) which improves the local natural environment and the living environment.

208. The evaluation revealed one example with a very positive effect that should also be implemented in other regions of Estonia. The proactive activities (including attracting direct investments, marketing activities) of the **Ida-Viru County Industrial Areas Development Foundation** in bringing industrial investments to Ida-Viru County could be a good example of developing the local industrial environment. IVIA has a clear vision of what kinds of companies are suitable for one or another kind of industrial area prepared in Ida-Viru County. They work proactively with companies interested in investing in the region, helping to include banks, the Ida-Viru County Industrial Investment Support Program, KredEx and others means, if necessary. While the analysis of industrial areas carried out in 2018 broadly suggests that activities like that of IVIA probably cannot be ‘exported’ to other counties (although p. 59 still

mentions ‘/.../ the positive experience of SA IVIA in developing industrial areas, elements of which could be used as an example in other counties’), referring to the particular situation of Ida-Viru County⁴⁸, we recommend applying the IVIA co-operation model in other regions of Estonia as well, specifically because of the approach to harmonised marketing activities.

Deadweight

209. At the same time, the Operational Programme also includes measures for which there is either no demand or which overlap in part. **Deadweight measures** are measures in the case of which demand and supply are not in balance, i.e. more resources are needed to sustain the measure than are gained through it. For example, where language learning is offered on the basis of focus groups, but demand is low (activity 1.5.5), because the language learning service is offered by a variety of providers supported through different grants, which means that those wishing to learn a language have several options to choose from (measures can also be viewed in terms of whether there is any need for the activity at all and whether it is reasonable to cease that activity)⁴⁹.

210. In addition, the movement of labour market service users to employment has been faster and easier due to the high demand for labour (activity 2.3, PA3). As a result, the deadweight of labour market services may be higher, as the employment opportunities of service users may have improved as a result of changes in the labour market rather than improvement of employability through the services. This has also somewhat affected the costs of interventions, which have fallen because activation and support are now less expensive than with low demand for labour. At the same time, the deadweight has had no strong impact in either case and the performance of these activities has rather been influenced by external factors.

Displacement

211. In the case of activity 5.2, ‘Improving access to capital and credit insurance’, it appears that although there is a demand for guarantees and loans, the EC, MA, IB, and IA have understood the implementation rules differently, which hinders the distribution of the financial instruments or the determination of their eligibility. Of the financial instrument budget for AC 5.2.1 (EUR 93.3 million), only 20% has so far been deployed without a leverage effect. In the loan market, the demand for sureties has amounted to EUR 227.3 million, but only 3% of that has thus far been covered from the Structural Funds. At the same time, the costs incurred in implementing the activity have been in the planned amount and the administrative burden is increasing. In order to eliminate the deadweight, the IB needs to make a decision on whether it is reasonable to continue the activity or whether the MA and IB should formally agree on how to behave in the case of changing interpretations.

212. The evaluation did not directly identify any activities that are not needed at all and which would need to be substantially modified to meet the changed needs of the target groups. Perhaps, with regard to displacement, one example could be activity 1.2, ‘Professional development support for teachers, education leaders, and youth workers’, where, as a result of the training of teachers and youth workers in which, among other things, digital and entrepreneurial competences are developed, separate measures (1.3.1 and 1.5.3) aimed at developing digital or entrepreneurial competences become unnecessary.

213. The main **external factors** influencing the implementation of the Operational Programme that were identified during the evaluation are the administrative reform, the overall low capacity of LGs to submit applications and carry out projects, rising construction prices, and interpretation of public procurement rules.

⁴⁸ OÜ Geomedia. ‘Tööstusala analüüs’ (Analysis of Industrial Areas) (2018): <https://www.rahandusministeerium.ee/et/uuringud-ja-analuusid>

⁴⁹ Based on the study ‘Integration and Employment Policies on Teaching Estonian to Adult Non-Native Speakers: Quality, Impact, and Organisation’ carried out by the Estonian Centre for Applied Research CentAR and Tallinn University, presumably (as the evaluation report does not provide an assessment by each measure) the problem lies rather in training-related information reaching the target groups, in the training conditions, and in the training organisers (including the methodologies used), and that different training opportunities should be combined. See <https://www.kul.ee/et/rakendusuring-eesti-keelest-erineva-emakeelega-taiskasvanute-eesti-keele-ope-loimumis-ja>

Low capacity of Local Governments

214. Overall low capacity of LGs to submit applications and carry out projects, which was identified as a significant factor for several priority axes where LGs are applicants (PA2, PA3, PA6 (6.2.4), PA9, PA12). The main reasons for LGs not applying are low awareness (especially in Ida-Viru County), poor co-financing capacity, the ‘adaptation period’ caused by the administrative reform, lack of local competence (human resources), and insufficient official language skills. A solution would be to provide more training for the LGs to raise awareness of the application opportunities. For providing the training, the IAs should definitely turn to the LGs, not vice versa, and to combine the competences of the LGs and local businesses in preparing the applications should also be considered.

Administrative reform

215. Many priority axes have had to modify their activities and plans because of the administrative reform. The administrative reform affected almost all measures where the applicants are LGs (including activities where the LG may not be a direct applicant, but where an administrative decision by the LG is needed in order to apply for a grant), since the LG mergers: 1) changed administrative boundaries, which in turn had an impact on the revision of pending or completed applications (the merged LGs had to revise the original agreements, which also required new council decisions by all merged LGs); 2) put on hold applications or projects where it was necessary to clarify which LG and to what extent it is participating in the project or application (6.2.4, 6.3.1); 3) changed the positions of LG officials, which delayed the implementation of some projects or applications. Generally speaking, the administrative reform (shift of administrative boundaries) led to uncertainty, due to which project or application processes were put on hold (the delays mentioned were mostly a year or two). The evaluation did not find any projects that were discontinued or cancelled due to the administrative reform.

216. One example of the effect of the administrative reform is PA10, where the merging of LGs has been the greatest obstacle to achieving results. This had an impact on, for example, the submission of projects for supporting small ports and has caused a delay in the launching of regional transport centres. The latter, in turn, affects the number of public transport users and the achievement of the corresponding indicator. The implementation of port projects was also hindered by issues related to property rights.

217. Regarding the administrative reform, the contribution of activity 12.1.4 is significant, as the IA is convinced that the LGs have their own burning issues and do not have the resources for such local development activities. This is also confirmed by the workshops and other studies carried out within the mid-term evaluation. The activities of measure 12.1.4 have also been planned directly based on the needs created in the LGs by the administrative reform, e.g., merger consulting, preparation of comprehensive plans, etc.

Rising
construction
public procurement

218. Project implementation continues to be affected by **rising construction prices**. The main reason for this is the simultaneous launch of different construction activities financed under the Operational Programme, which caused construction prices to spike. Winners include PA10, where the construction projects had already been selected by the time of the approval of the Operational Programme and the procurements were already completed by the beginning of the period – a more favourable market situation (construction procurements were launched before the market became overheated) and lower construction prices at the beginning of the period have allowed more projects to be funded. At the same time, increasing construction prices have not spared the transport sector either, where the rise of construction prices has dominated in procurements for the last couple of years – costlier construction procurements are causing a need to seek additional funds or reduce the scope of projects. Rising construction prices lead to a shortage of construction workers, which in turn affects wage growth, which in turn affects the cost of projects. Overall, the cost of both projects and construction work has gone up. To avoid overheating in the construction market, it would be prudent to have a clear understanding, across the entire Operational Programme, of which construction procurements will be launched during what period, to alleviate the overloading of the construction market.
219. The topic of **public procurement** came up on several occasions during the evaluation. The main concern here is the current set of procurement rules (Public Procurement Act), which allows for different interpretations of the legislative provisions, which in turn encourages contestation. Although most interpretations are already debated during the procurement preparation stage and, admittedly, there is not much contestation of procurements after the decision, the interpretation of the law still causes delays in procurement processes and has a significant impact on the implementation of major projects. Since buildings or other large structures are taken into account in the output indicator after their formal acceptance, it also has a direct impact on output and result indicators (e.g., primary health centres, where more construction work has actually been completed than is reflected in the output indicators). The same is true of **state aid** rules, where there is plenty of room for interpretation, and EC and Estonian officials interpret the rules differently, which in turn hampers the implementation of activities (e.g., measures 4.3 and 5.2).
220. **The Estonian Presidency of the Council of the European Union** only had an impact on the implementation PA12, where officials had to adjust their action plans quickly, and thus PA12 activities were postponed (this primarily concerns training activities aimed at LGs (measure 12.1), which is also reflected in the output indicators of the axis). The presidency also significantly shaped the content of PA12 activities.
221. The **work ability reform** had rather a **positive impact**: the target groups have found employment faster and the demand for labour market services is not as high. However, disabled persons, for whom finding employment is slower, are an exception. Other positive impacts came from the state reform and the establishment of **the position of the Minister of Public Administration**, which defined public administration activities, which have ‘marched in step’ with the ESF activities of PA12 and have thereby also helped carry out PA12 activities. For priority axis 2, a positive impact came from **increased immigration**, which has contributed to the achievement of PA2 indicators. On the other hand, immigrants are easier to integrate through integration support measures, if the native population supports the integration through their attitudes and behaviour.

3.5 Recommendations for distributing the performance reserve and improving the performance of the Operational Programme

3.5.1 Recommendations for distributing the performance reserve

222. According to the EC Common Provisions Regulation⁵⁰, additional funds may be granted to the priority axes upon their achievement, by 31.12.2018, of the financial and output indicators of activities included in the performance framework. The **performance reserve** constitutes 6% of the total amount of the Structural Funds' allocations to Estonia, i.e. EUR 210 million. Separate accounts by fund are kept for each priority axis. The performance framework does not include all activities of all axes, only a selection of activity indicators (financial and output indicators (see Table 8)) for each axis. The performance framework was established based on Article 22 and Annex II of the Common Provisions Regulation, as well as EC Implementing Regulation No. 215/2014⁵¹. The objective of the performance framework is to monitor progress towards the targets of the priority axis. The Common Provisions Regulation states that the performance framework must be established for each priority axis, except for technical assistance (axes 13 and 14), and sets out the criteria for establishing milestones (Annex II). The performance framework was approved by and the use of the performance reserve is to be approved by the European Commission.

223. In the course of the evaluation, we examined whether, in addition to the Common Provisions Regulation and the Implementing Regulation, a common methodology was used in establishing the performance framework (i.e. the selection of activities or indicators for the performance framework) to ensure the selection of indicators that measure, for example, the achievement of essential objectives or added value. According to the information received from focus groups and interviews, neither the European Commission nor the Ministry of Finance had provided a separate or more specific methodology concerning the criteria to be used for establishing the performance framework. Thus, on the basis of the qualitative information gathered, the evaluators believe that the performance framework was put together from activities where the target milestones were lower or more likely to be achieved. The indicators included in the performance framework and their achievement as of 31.12.2018 are outlined in Table 8.

224. The target milestones included in the performance framework for measuring the fulfilment of the objectives of the priority axes have been achieved as of 31.12.2018 (see Annex G and Table 8), which means that all priority axes are eligible for the performance reserve. This is with the exception of PA2, 'Increasing social inclusion', an ERDF axis, for which the achievement level of one of the four indicators – the financial indicator – is 65%, which is below the 75% threshold.

225. The mid-term evaluation is also expected to present recommendations by the evaluators on distributing the **performance framework allocation**. The recommendations are presented in Table 9 in the order of priority of the areas. To ensure that the main objectives of the Operational Programme are fulfilled, we recommend **directing the additional funds to**:

- **preventive activities rather than activities aimed at combating consequences; and**
- **activities for increasing added value rather than routine activities.**

The recommendations for distributing the performance framework allocation are based on the following criteria:

- the target milestones set out in the performance framework of the priority axis have been achieved as of 31.12.2018 in accordance with the rules of the performance framework;

⁵⁰ Regulation (EU) No. 1303/2013 (Common Provisions Regulation), 17.12.2013: <https://eur-lex.europa.eu/legal-content/ET/TXT/PDF/?uri=CELEX:32013R1303&from=et>

⁵¹ EC Implementing Regulation (EU) No. 215/2014 of 7 March 2014: <https://eur-lex.europa.eu/legal-content/ET/TXT/?uri=CELEX%3A32014R0215>

- there is demand for the recommended activity and it is needed for fulfilling the objectives of the Operational Programme;
- the recommended activity is in line with the objectives of long-term national strategies;
- the recommended activity is likely to be supported in the next period as well, which will help to ensure the impact and sustainability of the activity.

For distributing the performance reserve, we recommend prioritising activities that create added value for society, support long-term economic growth, and contribute to fulfilling the essential goals of the Operational Programme: **RD&I in business, education, and regional development**. Education and RD&I in business together create the preconditions for the availability of high-value-added workers, co-operation between universities and businesses, and the greater willingness of the economy and society to adopt new technologies and business models. The mid-term evaluation clearly shows that the peripheral regions are still lagging behind the hubs in socioeconomic development – thus we recommend that some of the performance reserve funds be allocated to raising awareness among businesses in Ida-Viru County both of the possibilities of using modern technologies (e.g., Industry 4.0) and of applying for business grants in general.

226. Increasing access to rail links also contributes to regional mobility, business growth, and the reduction of overall CO₂ emissions. Regarding social inclusion, we see that additional resources for supporting socially sensitive target groups are still necessary. In environmental protection, we still see the need for investments in the elimination of residual pollution. In increasing administrative capacity, a substantial amount of work has already been done and the performance framework requirements have been fulfilled, but we see the greatest need for investment in activities not included in the performance framework: the long-term development of LG-oriented and public services.

227. At the same time, in our opinion, additional funding in the field of energy (PA6, ‘Energy efficiency’; where it would be needed, e.g., 6.1.1 (Supporting the reconstruction of apartment buildings); 6.2.2 (Renovation of heat piping and/or construction of new heat piping)) would carry additional risks in 2019, as it is possible that energy efficiency projects could not be completed by the end of the period (primarily due to the lack of construction capacity). Unfortunately, it is also not possible to develop a new measure (e.g., supporting the replacement of small heaters) and organise a call for proposals, as these are long-term projects that may not be completed within a year or two. However, this is not an absolute recommendation to avoid any further investment in these activities, but rather presented in view of the priority of the objectives of the Operational Programme. We also see that channelling the performance reserve into the fulfilment of the objectives of PA8, ‘Green infrastructure and improved preparedness for emergencies’, is not directly necessary. We do not recommend providing additional funding to PA8 activities from the performance reserve, as, based on the target milestones established in the Operational Programme and the achievement levels as of the time of the mid-term evaluation, the fulfilment of PA8 objectives is realistic and does not require additional funding. In conclusion, **we recommend not allocating funds from the performance reserve to PA6 and PA8 performance framework activities.**

228. Proposals for distributing the performance reserve are presented in Table 8.

"Society is driven by those activities that create added value – added value is not created through redistribution. Redistribution creates the mentality of learned helplessness. Today, one of the biggest bottlenecks is the gap between the academic world and the government.

Today, a lot of money is being directed on research and development. Through the RITA programme, the ministries are granted money with a message to do science – the ministries are beginning to realize that creating added value is not that easy after all. The proposal is to educate ministry officials so that the state could see how important entrepreneurship is. This is a rare skill that the countries we envy know – these are the countries that can understand where the wealth of the country comes from and how to use it as small seed money to generate wealth. It is a matter of state policy and it is a matter of national wisdom. When we only talk about the increase in scientists, we are only talking about one half – the other half are made up by people who have been called to administrate the activities (such as the tax system, education, entrepreneurship, knowledge of where the unused resources are, etc.) of the whole state – the state has no idea today where the wealth of our human assets is – this should be created.”

Tarmo Soomere, President of the Estonian Academy of Sciences, at an information seminar on the results of the mid-term evaluation, 30.04.2019.

Table 8 Fulfilment of target milestones of activities under the performance framework as of 31.12.2018

Priority Axis	Fund	Financial indicator achievement level	Output indicator achievement level of 2018 target	ASSESSMENT				
PA1 Qualifications and skills meeting the needs of society and the labour market	ESF	105%	1.1.1 Number of children, learners and young people who have received individual educational guidance and career services	102%	Rule No. 1*			
			1.2 Number of teachers, heads of school and youth workers who have participated in training	124%				
			1.5.2 Number of participants in apprenticeship	99%				
			1.6.2, 1.6.3 Number of adults participating in continuing education, incl. digital literacy training	104%				
			1.6.4 Number of councillors places established in the Unemployment Insurance Fund	100%				
PA2 Increasing social inclusion	ERDF	128%	1.4.1 Area of modernised facilities (m ²)	139%	Rule No. 2			
			ESF	94%	2.1.1 Number of custodians who have received at least one support service for children with disabilities per one handicapped child	100%	Rule No. 1	
					2.2.1 Number of people who have received welfare services	86%		
					2.6.2, 2.6.5 Number of people participating in integration and adaptation training	207%		
	ERDF	65%	2.7.1, 2.7.3 Total number of participants in youth work services	102%	Rule No. 1			
			2.4.2 Number of modernised primary health care centres	118%				
			2.5.1 Number of high-quality service places created	90%				
			2.5.2 Number of disabled people provided with suitable housing	109%				
			ESF	88%		3.1.1 Number of people with reduced working ability who have received services in the context of the reform	115%	Rule No. 1
						3.2.1 Number of people who have received active labour market services	187%	
PA4 Growth capable entrepreneurship and RD&I supporting it	ERDF	101%	4.1.1 Number of enterprises cooperating with research institutions	836%	Rule No. 1			
			4.2.2 Number of grant students studying under selected curricula for smart specialisation, per academic year	94%				
			4.1-4.4 Number of enterprises receiving support (total)	237%				
			4.3.1 Number of enterprises that have received support for resource and energy efficiency purposes	80%				
PA5 Development of SMEs and strengthening the competitiveness of regions	ERDF	83%	5.1-5.3 Number of enterprises receiving support (total)	141%	Rule No. 1			
			5.4 Number of enterprises receiving non-financial support	593%				
			5.1.5 Number of marketing events organised on priority target markets	174%				
			5.1.6 Number of enterprises participating in cooperation networks	107%				
PA6 Energy efficiency	CF	95%	6.1.1 Number of households (apartments) with improved energy efficiency class	78%	Rule No. 1			
			6.2.1 Renovated or new heat generation capacity in district heating (MW)	144%				
PA7 Water protection	CF	124%	7.1.1 Additional population served by improved wastewater treatment	257%	Rule No. 1			
			7.2 Total surface area of rehabilitated landscape (ha)	193%				
PA8 Green infrastructure and improved preparedness for emergencies	CF	146%	8.2.2 Multifunctional rescue vehicles acquired	100%	Rule No. 1			
			8.1.1 Surface area of habitats supported to improve conservation status (ha)	416%				
			8.1 Number of sites acquired, constructed and reconstructed in connection with protected species or habitats	459%				
			8.2.3 Marine pollution control vehicles acquired (2 vessels and 1 plane)	100%				
PA9 Sustainable urban development	ERDF	275%	9 Number of projects developing the public transport network and mobility of the entire urban area, and promoting innovative NMV traffic	100%	Rule No. 1			
			9.2.2 Area of developed or revived public urban spaces (m ²)	125%				
			9.1.2 Number of nursery and childcare places created	237%				
PA10 Sustainable transport	CF	101%	10.1.1 Total length of reconstructed or upgraded road sections (km)	241%	Rule No. 1			
			10.2.2 Total length of reconstructed or upgraded railway sections (km)	267%				
PA11 Infrastructure for ICT services	ERDF	103%	11.1.1 Total length of next-generation broadband network constructed	152%	Rule No. 2			
PA12 Administrative capacity	ESF	108%	12 Number of central government employees and NGO staff participating in ESF supported training to improve their professional competence	133%	Rule No. 1			
	ERDF	93%	12.2.5 Number of task forces and expert groups set up	200%	Rule No. 2			
			12.3 Number of projects implemented for the purpose of improving public service	149%	Rule No. 2			

Source: SFOS

* Rule No. 1: GREEN – one indicator filled min 75%, others min 85%; RED – at least two under 65%; YELLOW – other cases.

* Rule No. 2: GREEN – one indicator filled min 85%; RED – one indicator at under 65%; YELLOW – other cases.

Table 9 Recommendations for distributing performance reserve in order of priority

Area	Supported activity	Justification
<p>R&D and innovation in business (PA4 and 5 activities)</p>	<ol style="list-style-type: none"> 1) Investments and supporting activities to expand the business innovation base (4.2, 4.3, 4.4) 2) Supporting regional initiatives to strengthen the competitiveness of regions – regional strategies – reliance on activities to improve business environment, activities similar to industrial park of Ida-Viru County (measure 5.4) 3) Consulting in county development centres (business advice for entrepreneurs) (5.1.1) 	<p>Continued support for strengthening the links between R&D institutions and entrepreneurship and for expanding the innovation base of enterprises is essential for creating added value for the economy.</p> <p>PA4 measures are the basis for sustainable economic and social development. PA4 has strong links with the achievement of the objectives of the Operational Programme and long-term national strategies. In order to ensure sustainable development, it is necessary to continue with all activities of the Priority Axis. The national system of public and private research funding is currently insufficient and the sustainability of the system is at risk.</p> <p>Improving the competitiveness of regions continues to be important to boost employment and entrepreneurial activity outside the hubs (including counselling companies in county development centres, investor service, value propositions).</p>
<p>2) Education (PA1 activities)</p>	<ol style="list-style-type: none"> 1) Supporting the professional development of teachers, heads of educational institutions (including pre-primary education) and youth workers through training and training programmes, including support activities, e-learning resources, ICT, entrepreneurship training, linking learning and labour market needs (1.1.1, 1.1.2, 1.3.1, 1.5) 2) Lifelong learning, including adult education, entrepreneurship and career training, digital skills (1.6.2 and 1.6.4) 	<ol style="list-style-type: none"> 1) Influences the quality of formal and non-formal education (including the link to the needs of the labour market), taking into account the needs of different people and social groups, requires the establishment of appropriate tolerance in society, the ability to use support services and digital solutions. Thus, this activity has a significant impact on PA1, and also PA2 and PA3 activities; 2) It is important to pay attention to the quality and efficiency of the training, including the selection of relevant training courses by the target groups. Creating a lifelong learning habit also affects the activities of other PAs (e.g. PA2, 3, 4, 5) and dependence on state support also in case of recession. <p>Thus, these activities also contribute to the activities of other priority axes and have a wider impact in this respect.</p>
<p>3) Regional development (PA9 activities)</p>	<ol style="list-style-type: none"> 1) Activities for recovery of Ida-Viru County (measure 9.2) 2) Complex solutions in areas such as shared-use paths are predominantly for recreational use and here it is important to focus on combining them with public transport (9.2.1; 10.2.1) 	<p>Due to the uneven regional development, more attention should be paid to recovery of Ida-Viru County, including the use of prospective mineral resources in the future. Shared-use paths are predominantly for recreational use and it is important to focus on combining them with public transport. Balanced regional development is Estonia's strategic objective; the contribution of the priority axis to achieving the objectives of the measure can be improved.</p>
<p>4) Social inclusion (PA2 and PA3 activities)</p>	<p>Social inclusion services</p> <ul style="list-style-type: none"> • Developing childcare and disabled childcare services to reduce the burden of care (2.1.1; 2.1.2) • Welfare measures supporting labour market participation (2.2.1) • Creating and implementing alcohol abuse, including alcohol 	<p>Distributing funds to the services (such as services for disabled children and their families; prevention and medical treatment of alcohol dependence), where funding ends before the end of the period of support and of which mid-term evaluations show efficiency. However, if the distribution of performance reserve of ERDF-funded activities is unlikely under EC rules, the distribution of the performance reserve to ESF-funded activities could still be considered, especially as it is a socially sensitive target group.</p> <p>Structural funds have contributed to the design of services,</p>

	<p>dependence, prevention, early detection, and counselling and medical treatment (2.3.1)</p> <ul style="list-style-type: none"> Developing, introducing and providing labour market services and related support services for the target group of Work Ability Reform to maintain jobs or find new jobs (3.1.1) 	<p>the emergence of demand and supply; this will help to ensure the sustainability of the provision of services until the end of the period of use of structural funds.</p> <p>Supporting labour market services that support permanent employment (3.2) and labour market services that are most effective for moving towards employment and staying employed for people with reduced work ability (3.1). In the conditions of low unemployment and high labour demand, it is important to move towards higher added value and better working conditions.</p> <p>In order to finance the supply of Work Ability Reform measures, funds may not be available until the end of the period and support is important for the short-term sustainability of the reform.</p>
5) Information society (PA11 activities)	<p>To further support the basic infrastructure of services, which contributes to the use and development of e-services for Estonian residents and entrepreneurs both at home and across borders (activity 11.2.1)</p>	<p>The development of the basic infrastructure of services that underpins the Estonian information society contributes to the objectives of the Operational Programme and is in line with long-term national strategies. The establishment and upgrading of a new generation of broadband-based networks in market failure areas has been implemented in an adequate and efficient manner, with no additional funding needs.</p>
6) Transport (PA10 activities)	<p>To support increasing the share of public transport users, pedestrians and cyclists and improving connectivity at public transport stops (10.2.1)</p>	<p>The Europe 2020 strategy considers transport to be one of the key areas for reducing CO₂ emissions, and in the Estonian regional development strategy transport links have an important role to play in the internal and cross-border cohesion of local activity spaces. In addition to efficient rail transport and inter-regional bus transport, it is necessary to arrange passenger access to services, either through local public transport, improved use of shared-use paths, the construction of bicycle deposits near railways, bus stations, employers and schools, or the organisation of bicycle rent services.</p>
7) Government (PA12 activities)	<p>The indicators included in the performance framework shown in the Operational Programme have fulfilled the assumptions. The greatest need for additional funds is, in particular, regarding activity 12.1.4, "Local and regional development capacities".</p> <p>We also recommend, based on the results of the evaluation, to allocate the performance reserve funds to measure 12.3</p>	<p>The target milestone for the output indicator of activity 12.1.4 has been fulfilled 289% in 2018 and the target milestone on 2023 is 165%. The financial indicator of the activity is 132% in 2018 and 41% for the 2023. IB's so-called 'own funds' have been used and central activities cannot be performed, but the need to consolidate the results of administrative reform remains high. The administrative capacity of local governments is a cross-cutting issue in several directions of the Operational Programme.</p> <p>LG-oriented activities have been the focus of state-specific recommendations and, at the same time, LG-oriented activities in the measure 12.1 have been left in the background.</p> <p>Funds from the performance reserve could also be distributed into measure 12.3, with a focus on LG-oriented development activities (awareness, capacity, service development). The development and interoperability of public e-services (measure 12.3) is a constant need for development due to the specificity of the field. The implementation of the measure has already benefited considerably from the development of services and the growth of ICT capability. Through the implementation of measure 12.3, there has been increased LG-level awareness of the necessity and specificity of ICT developments, but this is above all in large cities; elsewhere, the level of</p>

		<p>awareness and capability of IT developments varies widely.</p> <p>It is therefore necessary to continue to contribute to the capacity of LG level and to the consideration of large regional specificities in the development of e-services and ensuring their uniform availability, which are also outlined in various country-specific recommendations (2013, 2014, 2016, separately 2019).</p>
8) Environment (PA7 activities)	<p>In view of the objective of priority axis 7 – to take Estonian water management to a level that would meet the requirements of the EU Water Framework Directive, the Drinking Water Directive, the Urban Waste Water Treatment Directive and the HELCOM Baltic Sea Strategy – should allocate funds from the performance reserve for the completions of works of activity 7.2.2 (disposal of contaminated sites and hazardous buildings that disrupt landscapes, and restoration water bodies and their banks contaminated with hazardous substances).</p>	<p>Since the implementation of activity 7.2.2 has revealed that the spread of residual pollution has been wider than planned, the funds of the performance reserve would also make it possible to restore the additional area and to complete the recovery of the Erra River and Maadevahe residual pollution sites and to achieve preconditions for achieving the objectives of the EU Water Framework Directive and implementation of the Baltic Sea Strategy.</p>

3.5.2 Recommendations to improve the performance of the Operational Programme

229. Although the implementation of the Operational Programme has generally been successful, i.e. most of the milestones and objectives of the Priority Axes have been met, slightly more than 30% of the payments planned for 2023 have been made by the end of 2018 in a lump sum. (Figure 11). This provides a good basis for looking for ways to make the implementation of the Operational Programme more efficient, so that by the end of the period all objectives can be met. However **there is no need for major changes**, since it is known from earlier periods that the development of measures, the creation of the legal framework and the adaptation of the needs of the target groups at the beginning takes more time than planned, and when projects have already gained momentum, the objectives have generally been implemented to a large extent. Rather, it would be necessary **to pay attention to improving and enhancing the organisation of grant supporting**, in order to raise awareness among applicants, enhance cooperation with project implementers and reduce (or mitigate) the risks caused by regulations.

230. The most important thing, in order to make the investments made with the help of the EU support sustainable and to motivate the completion of the on-going activities, is **to clarify whether and how the Operational Programme activities will be funded in the next EU budget period**. As it is known that the volume of structural funds allocated to Estonia will decrease in the next EU funding period, it is clear to everyone that alternative sources of funding are needed to continue the same activities (to the same extent). As of the end of 2018, there is no clarity on this issue. Moreover, the assessment did not create the conviction that ministries would have some vision on exit strategies, how to continue financing the activities in the next EU funding period. At the same time, for a large part of the measures, it is necessary to continue funding, because the impact of the activities will only become apparent after several years, and if in the next EU funding period these activities are not financed, there may be no impact (e.g. entrepreneurship, education measures).

Improving communication

231. Improving the efficiency of implementation of the Operational Programme is largely helped by **improving communication**, especially between implementing agencies and applicants/project implementers.

This is to increase the awareness of the beneficiaries (e.g. potential beneficiaries of Ida-Viru County) and to improve communication with project implementers. For example, there is a need for more information activities to raise awareness among potential beneficiaries (by going to the beneficiaries themselves, not inviting them to an IA information day), for transparency of activities (for example, the clearer and more transparent the process of processing applications, the more reliable the IA will be, and thus the greater the willingness of the applicants to submit applications; IA communication with the beneficiary must be quick and professional), for better information on what is already being done or what has been done when applying for support (e.g. to inform about the projects carried out – this will help to raise both general awareness and interested in applying for a support). Improvement of communication should be the objective of all IAs – although evaluation did not include beneficiaries or applicants, improving communication can certainly increase the number of applications and reduce errors in application or project implementation due to misinterpretation of rules.

232. It can also be mentioned, for example, that efficiency improvements are already underway in the framework of PA4: As regards "support for innovation-promoting procurement", the IA has developed awareness-raising and competence-building activities to improve its capacity. The conditions for granting SMART applied research support were made more favourable to companies: the impact of this change must be analysed and, if necessary, additional steps must be taken. More attention needs to be paid to increasing the efficiency of the implementation of the resource efficiency measure, which must continue with the information activities already launched. The conditions of waste management were also changed in relation to weak applications; the impact of these changes should be analysed.
233. As the PA8 measures are not yet fully covered by the contracts, the efficiency of the new contracts could, according to the IB, be increased by using open calls. Open calls can be used to reach a wider target group, implement smaller-scale projects and achieve more results more economically. At the same time, the implementation of an open call requires effective counselling of applicants. Other IA contract partners also need more efficient counselling in order to prevent errors that may occur during the implementation of activities. Efficient counselling of applicants and contractors could include compulsory study days; phone and email counselling lines open on work days; site visits and audits of the implementing agency; a contract partner list showing where information on frequent and significant violations that have occurred during monitoring, and drawing attention to possible errors to prevent them could be sent.
234. In the case of activities related to entrepreneurship and construction procurement activities, problems of the interpretation of state aid and public procurement rules, which hinder the implementation of activities, were often mentioned. The main problem is the costlier public procurements (which forces procurement to be made smaller or look for additional money, which in turn delays the entire time schedule), contesting procurements (which also delays the timetable) or different interpretations of state aid rules by both the EC and the MA (which also delays the implementation of activities). Proper procurement preparation is definitely important to keep up with the procurement process schedule, but it does not insure against the subsequent contesting of procurement. In addition, this is the case of interpretation of state aid (or other rules established by the EC) – it is not possible for the IA or the beneficiary to insure against them. However, fast and attentive communication can alleviate delays in implementing activities caused by factors beyond the control of the beneficiary or the IA.

Redesigning activities

235. In order to increase the efficiency of the implementation of activities, the redesign of activities may also be considered to make the support more attractive to the target groups and to meet their changing needs (e.g. language activities targeted at young people and people with insufficient language skills in activity 1.5.5, but better communication might also be sufficient for this activity). As the socio-economic environment around us is constantly changing, it is natural that support measures should be re-made from time to time. For

example, in good times in the economy, demand for labour market services may be low, but demand may rise sharply as the economic cycle changes. Therefore, continuous monitoring and evaluation of the surrounding environment is a natural part of granting support.

236. For example, the efficiency of PA5 measures is being improved during implementation: activities in the creative industry have been reorganised according to actual demand. Marketing activities in the field of tourism have taken the direction of digital marketing, which is more efficient and impacts a larger target group. At the same time, in order to increase the efficiency of the measure to improve the availability of capital and credit insurance, greater regulatory clarity would be needed regarding the rules for granting structural support – the main obstacle has been the different interpretation of state aid rules by the EC and the MA. Another option is to consider redesigning activities, such as total waiver of surety, but then the main market failure remains unresolved.

Strengthening
co-operation
with partners

237. For a more efficient implementation of on-going calls for proposals or projects, it is useful to **strengthen cooperation with partners** (here the beneficiaries should be seen as cooperation partners – without them the objectives of the Operational Programme are not achieved). Local governments are also definitely the partners of choice; many local level projects depend on local governments (e.g. installation of renovated and new heating pipelines, primary health centres, etc.) and who, after the administrative reform, only fit in their new positions in the administrative system. If we, as a country, want to meet the objectives of the Operational Programme, the IAs must know what issues prevent local governments from implementing (or allowing/supporting) the measures and activities of the Operational Programme, and help them to solve these issues insofar as this is within the capability of the IAs. This may not be the daily role of the IAs, but such 'hand-holding' would give local governments more assurance of the promoting and implementation of the Operational Programme activities and the feeling that the country is operating in unison.

238. As an example of strengthening co-operation with local governments, LG-s should promptly be informed regarding activity 6.2.4 “Construction of local heating solutions instead of district heating solutions” about this possibility and so that they could critically review the heat economy development plans.

239. Strengthening co-operation with the beneficiaries is primarily through close communication, transparent processes and continuous communication. For example, regarding PA7, whereas, in order to achieve the 2023 target milestone, activities under Priority Axis 7 are covered by contracts, the achievement of the target milestone depends on the success of the projects. In such a situation, IAs should work closely with their contractual partners to prevent errors that may result from project implementation. Enhanced co-operation could include counselling of contract partners (study days, telephone and e-mail counselling line), site visits and audits, contract partner lists where information on frequent and significant violations that have occurred during monitoring, and drawing attention to possible errors to prevent them would be sent.

240. In addition to local governments, co-operation with enterprises, especially for PA1 activities, needs to be strengthened. For all measures, it is important to consider the needs of the enterprises as well as the possibilities to contribute to the activities themselves, including asking for input from them. It is also important to reach smaller and less active enterprises in addition to larger and more active enterprises in order to have a better understanding of the needs of enterprises.

241. Regarding PA12, appropriate and performance risk mitigation activities and changes have been made (for example, according to the interviewed IB representative, the change in measure 12.3 had a significant positive effect,⁵² also, one of the performance indicators of measure 12.1

⁵² The mitigation measures have increased payments, there has been a reduction in bureaucracy (e.g., in measure 12.3 – continuous application instead of a twice a year application that has allowed institutions to submit large projects in stages and

in terms of streamlining processes), this was due to the slower start of implementation and was influenced by administrative issues affecting all of the axes and the overall complexity of public procurement (complex and time-consuming large IT procurements; it was difficult to find providers for training procurements). More attention needs to be paid in the direction of local government-oriented administrative capacity in the axes. This became evident in the regional workshops of the mid-term evaluation. Otherwise, the changes are not necessary, although it is important to continue with central co-ordination. Implementation will be performed in a flexible and co-operative manner, including in a sectoral committee, where the implementation of activities and substantive progress is regularly monitored and new relevant development activities are ensured. It is necessary to continue this central co-ordination in order to consistently address the issues identified in the OECD Action Plan. Instead of improving efficiency, there is a need to work on methods that will fix the level of competence and ensure sustainability in the future. This refers in particular to the continued development of central human resources, even after the depletion of structural funds.

developments to be done at their own pace as needed). Thus, the administrative burden is lower. At present, there is a need to continue to raise awareness of ICT development needs and skills.

4 Impact of the 2014–2020 Operational Programme

242. This chapter looks at the contribution of the Structural Funds to the fulfilment of the objectives set out in the provided strategic documents. The chapter begins with a summary table covering all priority axes, then continues with a more detailed analysis of the contribution of the measures of the priority axes to the fulfilment of the objectives and recommendations outlined more specifically in the various key strategies. The evaluation is based on the assessment of the sectoral experts, which, in turn, is based on an analysis of the related sources as well as qualitative additional data collection.

4.1 Overall contribution of priority axes to the fulfilment of strategic objectives

243. Table 10 summarises the contributions of the different measures of priority axes to the fulfilment of the objectives/recommendations. The contribution has been greatest in the achievement of the objectives of strategies directly related to the Operational Programme: Estonia 2020, Europe 2020, Baltic Sea Strategy, and Article 8 of the Common Provisions Regulation 1303/2013. A significant contribution was also identified in the realisation of the objectives of the Regional Development Strategy and country-specific recommendations. The contribution has been lowest in the increasing of administrative capacity, as the number of measures aimed at this is lower, but the impact of the contributing measures is nevertheless significant.

Table 10 Contribution of priority axis measures to the fulfilment of objectives/recommendations

Document / Priority axis	1	2	3	4	5	6	7	8	9	10	11	12
Estonia 2020	**	**	**	**	**	**		*	*	**	**	**
Europe 2020	**	**	**	**	**	*		*	*	**	**	*
Increasing administrative capacity ⁵³		*	*								**	**
Welfare Development Plan	**	**	**		*	*			*	*	*	*
Information Society Development Plan	*	*	*	**	*					*	**	**
Baltic Sea Strategy	*	*	*	**	**	**	**	**	*	**	**	*
Regional Development Strategy	*	**	*	*	**	**		*	**	**	*	**
Country-specific recommendations	*	**	**	**	**				*	*		**
Sustainable Development ⁵⁴	*		*	**	**	**	**	**	*	**	**	*

Source: authors' assessment

** – 'significant contribution' has been used where the objectives of the measure and the objectives reflected in the strategic documents overlap and a clear contribution to moving towards the objectives has been identified regarding the activities.

* – 'partial contribution' has been used where a more indirect link has been identified between the objectives of the priority axis and the objectives reflected in the strategic documents. The same assessment has been used in cases where there were problems with the impact of the activities of the priority axis on achieving the objectives of the axis.

An empty box refers to a lack of impact.

⁵³ There is no particular strategic document to compare the evaluation of progress in administrative capacity, and, in addition to the OECD Public Governance Review, this role is mainly fulfilled by the government action programme, the coalition agreement, the state budget strategy, Estonia 2020, and the state reform action plan. Here, the impact of each priority axis on administrative capacity has been assessed as a single horizontal theme.

⁵⁴ Article 8 of the Common Provisions Regulation 1303/2013,

<https://eur-lex.europa.eu/legal-content/ET/TXT/PDF/?uri=CELEX:32013R1303&from=et>

4.2 Contribution of Structural Funds to the fulfilment of the objectives of Estonia 2020

244. The Estonia 2020⁵⁵ competitiveness strategy sets out objectives for increasing Estonia's competitiveness and the activities needed to achieve them. The two central objectives of Estonia 2020 are achieving rapid productivity growth and a high level of employment; the strategy also sets out 15 additional objectives divided between four areas: 1) educated people and cohesive society; 2) competitive business environment; 3) environmentally friendly economy and energy sector, and 4) sustainable and adaptive public sector.

- PA1 activities contribute directly to the strategy's objectives. The contribution is greatest in the fulfilment of the core objectives, i.e. productivity and the employment rate (primarily through the objectives for 'educated people and cohesive society'), with some contribution also to energy end-use.
- PA2 activities contribute directly to the strategy's objectives of increasing productivity and the employment rate, as well as developing social services and the healthcare system (including improving health behaviour and developing healthcare infrastructure), which increases social inclusion and welfare.
- PA3 activities are directly related to Challenge 4, 'Increasing the impact of active labour market policy and sustainability of financing', which targets employment growth and productivity growth. These activities are also related to bringing the qualifications of the workforce into line with the needs of the modern labour market.
- PA4 and PA5 activities are directly and strongly related to the challenges 'Environmentally friendly economy and energy sector' and 'Competitive business environment'.
- PA6 activities are related to chapters 12 ('Implementing long-term structural changes in the energy sector in accordance with Estonia's energy security and energy efficiency objectives') and 13 ('Reducing the general resource and energy intensity of the economy') of the Estonia 2020 strategy; a clear contribution to moving towards the objectives has been identified regarding the activities and the objectives reflected in the strategy.
- PA7 objectives and activities relate to proper water management infrastructure in wastewater collection areas and to the clean-up of contaminated areas, bodies of water, and wetlands; there is no apparent impact on achieving Estonia 2020 objectives.
- PA8 activity 8.1.8 is aimed at developing evaluation systems for ecosystem services and indirectly facilitates the creation of new business opportunities.
- PA9 has an indirect impact on the achievement of objectives related to climate change and employment; for example, additional kindergarten placements create the potential for employment growth through working parents.
- PA10 contributes directly to the challenges 'Environmentally friendly economy and energy sector' and 'Competitive business environment'.
- PA11 contributes to the objectives through the development of high-speed internet and the modernisation of e-services.
- PA12 contributes to achieving the objective 'Sustainable and adaptive public sector'; projects that have had the highest impact include various state reform activities (activities in the follow-up project of the analysis of state tasks and the government action programme) and administrative reform, to which activity 12.1.4 has contributed significantly.

⁵⁵ https://www.riigikantselei.ee/sites/default/files/content-editors/Failid/eesti2020/ee2020_tegevuskava_2018-2020_heaks_kiidetud_26.4.2018.pdf

245. Thus, there is a positive impact on the quality and availability of education, as well as the supply of qualified labour, energy and resource savings, the long-term competitiveness of businesses, and the modernisation of the general government sector, which are strategic objectives of Estonia 2020.

4.3 Contribution of Structural Funds to the implementation of country-specific recommendations

246. The country-specific recommendations⁵⁶ include policy guidelines tailored to each EU Member State for creating jobs and stimulating economic growth in a way that maintains sound public finances.

247. The contribution of the Structural Funds by priority axis is as follows:

- PA1 activities have had a direct impact on the implementation of recommendation No. 3 (education, lifelong learning) during the period 2013–2015; there are no direct recommendations related to PA1 for the period 2016–2018, but indirect impacts can be observed, as the activities contribute to education that meets the needs of the labour market and provide a basis for promoting research and innovation.
- PA2 activities are directly related to the country-specific recommendations for the period 2014–2018 on improving the social safety net, including ensuring high-quality supra-regional social services. The need for developing healthcare services is, in particular, noted in the recommendations from 2013.
- PA3 activities are directly related to the country-specific recommendations for 2013–2015, which guide the implementation of the work ability reform and contribute to the development of labour market services, which in turn will increase the labour force participation rate and support long-term working life.
- Throughout the years, the country-specific recommendations have focused on the themes of PA4. For example, the 2018 report highlights the recommendation of ‘promoting research and innovation, in particular by providing effective incentives for expanding the innovation base’ due to the fact that ‘Estonia’s slow productivity growth is linked to modest results in research, technology, and innovation’.⁵⁷ Such country-specific conclusions and recommendations have been repeated over the years. PA4 activities have had a positive impact.
- As regards PA5, an impact has been identified in relation to the objective of ‘promoting research and innovation, in particular by providing effective incentives for expanding the innovation base’.
- PA6, PA7, PA8, and PA10 have no direct or indirect link to the country-specific recommendations.
- PA9 has had a positive impact on the implementation of the recommendation issued in 2016 and earlier years, which highlighted the provision and availability of high-quality public services, especially social services, at the local level.
- PA10 activities have been mentioned indirectly in relation to the actions outlined in 2017 for ensuring the provision of high-quality public services, including transport.
- The country-specific recommendations do not reflect the themes of PA11.
- Both investment priorities and measures of PA12 have been chosen on the basis of country-specific recommendation No. 5 from 2013 on making local government activities

⁵⁶ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/european-semester-timeline/eu-country-specific-recommendations_et

⁵⁷ EU Council (2018) [https://eur-lex.europa.eu/legal-content/ET/TXT/HTML/?uri=CELEX:32018H0910\(06\)&from=EN](https://eur-lex.europa.eu/legal-content/ET/TXT/HTML/?uri=CELEX:32018H0910(06)&from=EN)

more efficient and ensuring the quality of local public services. Measures 12.1.1, 12.1.4 and 12.3 are directly contributing to this. PA12 activities have contributed to achieving the objective.

248. In summary, it can be said that the country-specific recommendations have been taken into account in the implementation of the Operational Programme, and the activities of the axes have played a part in achieving the objectives outlined in the recommendations.

4.4 Contribution of Structural Funds to the fulfilment of the objectives of Europe 2020

249. Europe 2020⁵⁸ is an action plan for economic growth and employment, which emphasises that smart, sustainable, and inclusive growth helps to address the structural weaknesses of the European economy, improve competitiveness and productivity, and support a sustainable social market economy. The Estonian strategy for achieving these objectives is formulated in the Estonia 2020 competitiveness plan.

250. Similarly to the Estonia 2020 strategy, the priority axes have also had an impact on the achievement of the objectives of the Europe 2020 strategy (see Table 10 above). For example, one of the main objectives of the Europe 2020 strategy is to raise investment in research and development to 3% of GDP, which is also an essential objective of priority axis PA4. There are similar overlaps with the objectives of the other axes, and consequently the assessment of the impact of most of the priority axes is also similar. The only exception is PA12, for which the link with the Europe 2020 strategy is less direct.

4.5 Contribution of Structural Funds to the fulfilment of the objectives of other strategies

251. **Increasing administrative capacity** receives the highest contribution from PA12, which is directly aimed at greater central and local administrative capacity and has made significant progress. PA11, which is aimed at modernising e-services and increasing the number of high-speed Internet connections, has also had a high impact.

252. The objectives of the **Welfare Development Plan** overlap most with PA2 and PA3. The development plan sets out strategic objectives for policies on employment, social protection, gender equality, and equal treatment for 2016–2023 and provides corresponding lines of action. The Structural Funds are used for funding the measures for social welfare, healthcare, and employment described in the Welfare Development Plan, including measures for work ability reform. PA1 has also had a significant impact on the achievement of the objectives of the development plan (impact on education and lifelong learning that meets the needs of and developments in the labour market).

253. The greatest impact on achieving the objectives of the **Information Society Development Plan** has come from PA11, which is directly focused on meeting the core objectives of the development plan through increasing the number of high-speed Internet connections and through modernising e-services. PA12 activities (especially measure 12.3) have also contributed significantly.

254. The greatest impact on achieving the objectives of the **Baltic Sea Strategy** has come from PA4 and PA5, as one of the priority areas of intervention of the strategy is education, research, and employment, with the objective of increasing the competitiveness of the Baltic Sea region at the global level; PA4 and PA5 have contributed to achieving this objective. PA6 has had an impact on the achievement of the energy policy sub-objective. PA7 activities have contributed to the implementation of the action plan for the Baltic Sea Strategy: the prevention of eutrophication and the promotion of marine biodiversity and healthy marine life are supported by the construction of a common water supply and sewerage system, as well as the decontamination of residual pollution sites, clean-up of contaminated sites, and restoration of drained, exhausted, and abandoned peatlands. PA8 has contributed to the improvement of the ecological status of

⁵⁸ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/europe-2020-strategy_et

watercourses, as well as to ensuring that the water running from rivers into the Baltic Sea does not degrade the ecological status of the Baltic Sea. A marine pollution control ship capable of faster response will help the Baltic Sea become an environment unharmed by hazardous substances. PA10 activities contribute directly to the Baltic Sea Strategy, as transport is one of the policy areas of the latter. PA11 activities have had a direct impact on the sub-objective of contributing to the spread of high-speed Internet connections. PA12 contributes to setting priorities through the sectoral committee, where, among other things, the principles of sustainable development are taken into account (e.g., Sustainable Estonia 21 guidelines, which, based on interviews, in addition to setting the priorities of the sectoral committee, also contribute to the OECD action plan and the action programme of the government of Estonia).

255. **The Regional Development Strategy** has received the greatest contribution from PA2, which provides funding to social and healthcare services as well as the development of social infrastructure in different regions, ensuring good spatial accessibility to services in order to reduce socioeconomic development disparities in Estonia and increase social inclusion and cohesion between different regions. The objectives of the strategy are receiving a significant contribution from PA3, which provides funding to labour market services in order to increase the employment rate and improve access to jobs in different regions, including measures for increasing regional employment rates. PA5 has had a direct impact on the achievement of the overall objective of the Regional Development Strategy through activities for increasing the competitiveness of different regions. The contribution of PA4 has been assessed to be weaker, as the regional distribution of the funds only contributes in part to achieving the strategy's objectives. PA6 has contributed to the creation of a living environment that is environmentally friendly and conducive to the international competitiveness of larger urban areas. Among PA10 activities, transport links play an important role in deepening connections within, between, and across borders of the areas of action. PA9 has had a positive impact on the growth of the international economic competitiveness of larger urban areas and has contributed to the creation of an environmentally friendly living environment. PA12 activities have had a positive impact on the fulfilment of the objectives of the Regional Development Strategy (in particular, activities 12.1.4 and 12.3, but also activity 12.1.1); at the same time, the contribution from PA12 may not be enough: activities aimed at local governments have been implemented with deviations and less than expected has been achieved in this area.

256. Sustainable Development⁵⁹ calls for the promotion of environmental protection requirements, resource efficiency, climate change mitigation and adaptation, biodiversity, disaster resilience, and risk prevention and management. A contribution from PA4 has been identified, where a sub-measure specifically aimed at resource efficiency has been implemented; PA4 has also had an impact on resource efficiency as a whole. PA6 measures have also had a direct and extensive impact on the achievement of the Regulation's objective. PA7 has had an impact on environmental compliance through the development of the public water supply and sewerage system. PA8 has also had a positive impact on environmental protection objectives and on biodiversity through the restoration of protected habitats, investments in habitat protection, the remediation of watercourses, and increasing the capacity to combat marine pollution. PA10 as a whole contributes to the sectoral objective of the Regulation: promoting sustainable transport and removing bottlenecks in key network infrastructures.

⁵⁹ Article 8 of the Common Provisions Regulation 1303/2013.

5 Sustainability of the 2014–2020 Operational Programme

257. Sustainability analysis is part of the impact assessment that looks at **whether the results of the Operational Programme are permanent, what additional measures are needed to ensure the sustainability of the activities, as well as the exit strategies**. To assess sustainability, key factors affecting sustainability, such as the existence of appropriate strategies and funding mechanisms, institutional capacity, motivation of participants, etc., are analysed, as well as whether and to what extent this supports the sustainability of the expected results of the impact and the continuation and/or expansion of the intervention. Sustainability is also affected by the relevance and efficiency of the activities.
258. The assessment of sustainability is all the more important due to the fact that the sustainability of the activities did not receive consistent attention during the ex-ante evaluation⁶⁰ of the Operational Programme. The sustainability of the results was explored briefly. The Operational Programme for the Structural Funds also does not address the sustainability of the activities in significant detail. The exceptions are: 1) the provision of high-quality welfare services, where, regarding sustainability, the need for co-operation between local governments in the provision of services is highlighted; 2) the need to ensure the sustainability of healthcare services (although rather through infrastructure investments) is highlighted; 3) the presumably more sustainable provision of public services and the functioning of the state resulting from the smarter use of ICT is discussed (indirect impact on the sustainability of activities). Activities that are needed to ensure the sustainability of the education system itself (incl. a sustainable network of SEN schools) have also been outlined, but not the sustainability of the activities supported by the Structural Funds. At the same time, in investment priority 9a, support for networking has also been considered, which should contribute to the sustainability of the activities even at the end of the budget period, and in investment priorities 8b, 9i, and 9iv, plans have been established to identify ways to make the services financially sustainable.
259. The sustainability of the Operational Programme was evaluated at **operational programme level**, i.e. the assessment did not include an analysis of the sustainability of the results of the projects supported through the activities. The permanence of the result indicators was briefly investigated, but the emphasis was on the sustainability of the activities themselves.
260. **The permanence of the result indicators** depends on the nature of the operational programme result indicator. Some indicators reflect the share of something, while others reflect the number. Where indicators are numerical, the number sometimes applies to the entire budget period, and sometimes only to a single year. Thus, for example, the permanence of the achievement of numerical indicators for the entire budget period is guaranteed, while indicators based on a one-year share are directly dependent on the activities for that particular year.
261. The evaluation showed that **insufficient attention is paid to the sustainability of the activities**. In the reports of the National Audit Office⁶¹, it was pointed out that ‘the state also uses the European Union funds for funding long-term activities’ (e.g., PA1, PA2, PA3), most of the activities depend largely on EU support, and generally there is no clear vision of which activities, in what volumes, and with what budgets should definitely be continued even after the end of the funds. The mid-term evaluation basically confirmed the views of the National Audit Office that in the next period, essential public investments and services are expected to be funded from the state treasury, while the state has no clear exit strategies today. There are also

⁶⁰ Praxis Centre for Policy Studies, CPD Development Centre (2013). Ex-ante evaluation of the use of EU funds for 2014–2020. Tallinn. Available at: https://www.strastrifondid.ee/sites/default/files/20142020_period_elements_of_commercial_example.pdf

⁶¹ National Audit Office (2017). The National Audit Office published 8 audits on the role of European Union funds in different areas of the state’s operation: <https://www.riigikontroll.ee/Relationship/Pressiteated/tabid/168/ItemId/976/amid/557/language/en-EE/Default.aspx>

some areas and activities (e.g., investments in buildings, equipment, and shared-use paths) where the most important investments will be completed, i.e. the need for activities will decrease. Moreover, we do not agree with the statement presented in the Operational Programme that infrastructure investments alone are sufficient to ensure the sustainability of the services and sectors.

262. The evaluation also identified activities whose discontinuation (e.g., the construction of schools, kindergartens, and shared-use paths) is reasonable for resource efficiency (e.g., in educational institutions there is a risk that they will fall into disuse in the long term due to the demographic situation, and shared-use paths do not produce a CO₂ reduction effect in all locations), i.e. it is not necessary to ensure the sustainability of the activities. Meanwhile, for PA8, there are some areas where new investments are constantly needed (e.g., every year a certain number of vehicles reach the end of their lifecycle and new vehicles are needed). Some activities (e.g., contribution to education through measures 1.1, 1.2, 1.6) also reduce the need for the (separate) performance of other activities (e.g., efficient and high-quality contribution to education reduces the size of PA2 and PA3 target groups, and measures 1.3 and 1.5 reduce the need for separate training activities).

263. Accordingly, the analysis of the priority axes showed that the ministries generally **do not have any specific exit strategies**⁶² and in some cases do not see the need to prepare them either. Understanding the need for exit strategies is complicated by the fact that there is often no indication in the cross-sectoral strategies and development plans of which financial resources are to be used for carrying them out and to what extent the different activities complement each other (e.g., the Lifelong Learning Strategy).⁶³ The main reason noted for this was the dependence of future courses of action on more specific decisions regarding the allocation of the Structural Funds. At the same time, the report of the National Audit Office showed that the need for continuing the activities is generally understood and opportunities for their continuation without support from the Structural Funds are being sought, e.g., through the budgets of local governments, the target groups' own contribution in combination with the local government or the state, and the support of businesses.

264. Across the priority axes, the ministries **listed the following options as general exit strategies**:

- activities currently financed by the Structural Funds are, at least in part, still supported by ESIF resources in the next period, although some reduction in the volume of activities may be necessary;
- the costs of the activities are covered from the state budget (e.g., maintenance of infrastructure; several activities of PA2 and PA3 through social tax or unemployment insurance reserves);
- the need for continuing the activities is understood by local governments, schools, private companies, etc., and they are ready to continue the activities at least in part using their own resources;
- the activities will not be carried out, will be carried out on a significantly smaller scale, or over a longer period.

265. Due to the necessity of continuing the majority of the Operational Programme's activities in the next period, we find it important that the exit strategies be considered more seriously. This is particularly pertinent since the above means that priorities and foci will need to be set both within the PAs and across the Operational Programme (incl. political decision; time-consuming process). It is important that potential courses of action be considered before the end of the funding period, so as to prevent gaps in the execution of the activities that would limit their (positive) impact and the awareness of the target groups. In addition, the development of a detailed exit strategy would help us to better understand the importance of the various

⁶² Exit strategy means a plan on how to fund the activities that are currently funded by the EU from other sources after 2020, when the current EU funding period ends and if SF funding is significantly reduced.

⁶³ For more details, see the mid-term evaluation of the Lifelong Learning Strategy (report still in preparation as at 22.04.2019).

activities, their links with other activities and established indicators, and would provide input to improve the efficiency of the activities in order to effectively and efficiently target limited resources. Where possible, opportunities for non-state funding of the activities after EU funds are discontinued should be found (e.g., several activities of measure 2.7 have been planned with the expectation that the beneficiaries will see the importance of the activity and become willing to continue funding the activities themselves (including the contribution of local governments)). This, however, requires an analysis of which measures and in what volume can be financed from central and local government budgets, and to what extent the use of external resources can help create lasting changes.

266. Therefore, **in order to ensure the sustainability of the activities, it is important** that: 1) priority areas for activities be established both across the Operational Programme and within the priority axes (taking into account, among other things, the recommendations made in section 3.5.1 regarding the performance reserve); and 2) that the Ministry of Finance demand from all parties responsible for the priority axes to develop an exit strategy based on a common format that is in conformity with the state budget strategy, the performance programs, and the capacity of the target groups to continue the activities independently.

6 Conclusions and recommendations

267. Table 11 presents the findings, conclusions, and recommendations of the mid-term evaluation.

Table 11. Mid-term evaluation findings, conclusions, and recommendations

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
1	Relevance	<p>The ministries and partners recognise that the objectives of engagement are sometimes unclear to them.</p> <p>Partners often consider their engagement to be merely ‘seeming’, i.e. there are formal opportunities for participation, but the final decisions do not sufficiently reflect the partners’ input.</p> <p>Partners feel that they are engaged in only a few stages, not throughout the entire process.</p> <p>Partners complain about short deadlines for providing input on extensive documents (3–5 days).</p> <p>Most of the bodies have neither published nor prepared an engagement plan.</p>	116, 117, 120	<p>The lack of clear objectives and timetables agreed between the parties creates contradictory or unrealistic expectations and limits the efficiency of the engagement.</p> <p>Partner consultation can be based on overly formal requirements and not on a considered objective of engaging partners in the decision-making process for their expertise.</p>	<p>Prepare in a timely manner and make publicly available the (sectoral) engagement plans covering the whole period of the Structural Funds, in which the body organising the engagement agrees with the partners on the objectives of the engagement, the ways (channels) of engagement, further process steps, and the timetable.</p> <p>An engagement plan would enable:</p> <ul style="list-style-type: none"> • managing mutual expectations; • increasing engagement consistency; • planning time and human resources for participation. 	<p>The Ministry of Finance could formulate a requirement or recommendation for the existence of sectoral engagement plans for the next funding period.</p> <p>Sectoral ministries should start preparing engagement plans in collaboration with partners already by the planning stage. It is advisable to keep the plan as a ‘living document’, adjusting it over the course of the programming period as the activities are clarified.</p> <p>The engagement plan should be published on the central website of the organisation and/or the Structural Funds.</p>	Ministry of Finance and IBs (next programming period).
2	Relevance	Partners lack information about the structural funding process as a whole, including on the role of each individual	118, 119	Partners are unable to consider the ‘big picture’ and the constraints of the relevant engagement stage when providing	To systematically explain the objectives, constraints, and role of the relevant process in the programming cycle as	Information about the objectives and constraints of the engagement could in the future, as a good practice, be included in introductions of	IBs (this programming period).

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		engagement stage in the process as a whole. According to the partners, they are not always given meaningful and understandable feedback by ministries on whether and how their proposals have been taken into account in the final decision.		input. The result is an input that may not be practicable. Inadequate feedback creates distrust and reduces the motivation of partners to participate.	a whole to the partners in each engagement process. To give feedback on partners' proposals in a simple and understandable format.	meetings held with partners or e-mails sent for requesting input. In doing so, it should be clarified which aspects of the programme can be influenced at the given stage, what the main points of decision are, and what the constraints are. Giving feedback should be a mandatory part of every engagement process and its form could already be agreed on in the engagement plan. When giving feedback, it is important to explain the choices clearly and in plain language that is also understandable to non-experts. In addition to written feedback, it is advisable to organise discussion meetings to explain the background of the choices made and resolve any conflicts.	
3	Relevance	The questionnaire-based survey showed differences in the working formats of the sectoral development committees (SDCs) (frequency of meetings, assessment of partner participation). Partners also complain about the lack of co-ordination between the sectors, which splits their resources. Partners would like to see more meeting formats that allow for more substantive	111, 121, 122, 123, 124	The format of the SDCs as an engagement channel is not well thought out; the potential of the SDCs as an engagement channel and an opportunity for cross-sectoral co-ordination is under-utilised. The work of the SDCs is not transparent to the public – this limits the access of partners not invited to participate by	To consider greater central support for sectoral engagement activities, to facilitate the exchange of best practices between the sectoral committees. To improve the availability of information online regarding the work of the sectoral committees and opportunities for participation.	The Ministry of Finance could consult with the heads of the sectoral committees to formulate more specific guidelines for the work of the sectoral committees for the new funding period, as well as define the requirements for partner consultation and recommendations for discussion formats in more detail. As a minimum, the sectoral committees and partners could agree on the	Ministry of Finance, sectoral committees (next programming period, except for the recommendation on publication of information, which can already be implemented in the current period).

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		discussion in the work of the SDCs and the EUCP monitoring committee. There is almost no publicly available information on the work of the SDCs. The advisers of the State Budget Department of the Ministry of Finance also expressed the desire to have a better overview of the activities of the SDCs.		the ministry itself. The lack of a central overview also prevents further development of the SDC format.		engagement plan and procedures, adhere to the principles of good engagement practices, and organise committee meetings mostly in the format of discussion meetings. The Ministry of Finance could set up a network of SDCs that are interested in collaboration, and offer the opportunity to exchange best practices, through joint meetings, for example. Publish lists of SDC members, main tasks and procedures, meeting agendas, minutes, and documents under discussion online at the earliest opportunity (or such parts thereof that can be shared with the public). A good example of how this kind of information can be presented is the website of the monitoring committee of the Operational Programme for EUCP Funds 2014–2020.	
4	Relevance	The partners noted their low capacity (including lack of time, human, and financial resources) to participate in a meaningful way as an acute problem. Many partners do not have a salaried team. The lack of time of partners was also noted by the ministries that participated	125, 126	Partners need additional support for meaningful participation. The state's activities to increase the institutional capacity of partners have so far probably not been sufficient or effective.	It is advisable to develop a long-term strategic partnership between ministries and key partners, with appropriate financial support, to improve partners' capacity for participation. It is also advisable to continue joint training sessions for	Ministries could co-operate with selected key partners on the basis of multi-annual contracts, which set out common objectives, activities, and modalities of co-operation (such a model is used for example by the Ministry of Internal Affairs for co-operation with the Network of Estonian Non-	All ministries (recommended to be implemented gradually in the coming years; not related to a specific programming period).

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		in the survey.			the engaging parties and engaged parties, as well as to provide support to umbrella organisations for developing organisational capacity.	profit Organizations). These contracts should be accompanied by financial support to enable the partners to hire a staff member tasked with developing a meaningful partnership with the ministry and mediating input from the members of the organisation. There is no reason to limit such partnerships to the process of structural funding alone, so the implementation of the model requires broader political support from the institution. They should continue to provide joint engagement and participation training for ministries and partners in the new period (similar to training under activity 12.1.1 of the priority axis of administrative capacity). They should plan support measures for the new funding period to increase the organisational capacity of umbrella organisations of non-governmental organisations similarly to the measure open to the Estonian Employers' Confederation and the Estonian Trade Union Confederation in the period 2014–2020 (administrative capacity 12.2).	
5	Relevance, impact	Low level of applying for grants and use of the	44, 55	Business-oriented measures are not	To design national measures with the	Force business activities under newly developed county	Department of Regional Development of the

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		grants by companies in Ida-Viru County and south-east Estonia.		producing an impact conducive to balanced regional development.	knowledge that regional SMEs are less informed. To strengthen the advisory capacity of companies operating in county development centres.	strategies to be carried out. In addition to the national measure to be launched, direct a significant portion of the EUR 210 million into business environment investments for regional development.	Ministry of Finance; LGs.
6	Relevance, impact	PA1 includes a variety of activities aimed at upskilling, but they are not enough to produce the desired meaningful impact and develop skills that are better in line with the needs of the labour market.	43	The indicators do not reflect the impact and efficiency of the activities. There is a lack of competent professionals, including teachers and youth workers, whose education work and support for young people and lifelong learning participants also affects the need for other PA1 and, to an extent, PA2 and PA3 activities, and supports the activities of all other PAs.	Greater attention should be given to the relevance and impact of PA1 activities, taking into account labour market needs.	Indicators should be added that reflect the impact and efficiency of the activities. Greater attention should also be paid to the competence of trainers and support staff and to educating people. The activities meet the needs of the labour market should be constantly monitored.	MoER, LGs; trainers of teachers, youth workers, and trainers.
7	Impact	Result indicators are sometimes closer to output indicators.	204 Annex G: 204, 323	Evaluation indicators do not always describe what they should. For example, the result indicators of PA2 ERDF measures describe the availability of healthcare services. The result indicator of PA12 that assesses the competence of persons who have participated in	Attention should be paid to also developing result indicators for infrastructure development activities and qualitative result indicators, of which there are some examples within the axes, but which are not reportable at the level of the Operational Programme.	Moreover, result indicators for infrastructure development activities and qualitative result indicators should be developed.	The intermediate body and Statistics Estonia would develop the methodology and provide the data.

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
				training is, in essence, based on attendance rates.			
8	Sustainability	Depending on the PA, the sustainability of the activities has generally not been considered in much detail or very consistently.	245, 246, 248	Without ESIF support or if ESIF support is significantly reduced, many things will remain unfinished, be delayed, or be carried out at a smaller scale. The need for some activities (investments) will decrease, some activities (depending on the economic situation) will be necessary for a long time (labour market services). For some activities, phased alternative funding has already been planned (e.g., from LGs, companies, people), but, in general, the decision on funding for the next period is awaited.	The necessity and efficiency of the activities, as well as the opportunities for ensuring their sustainability, should regularly be reviewed.	Based on in-depth mid-term evaluations of activities, it should be considered important to adjust activities to bring them better in line with the objectives and the needs of the target groups. Moreover, attention should be paid to considering possible alternative sources of funding for activities, and developing exit strategies based on funding sources and priority. It should be kept in mind that it is unreasonable to shut down little-used activities that are dependent on the economic situation, as, if the situation should worsen, it may be too time-consuming to reopen them and introduce them to the target groups.	Efficiency: performer of the activities, continuous cursory monitoring of the impact of the activities, detailed impact analysis every 3–5 years. Priority of activities: Parties responsible for PA and ESIF.
9	Efficiency, sustainability	Developments carried out with central co-ordination are an important contribution of ESIF to administrative capacity. This has ensured a consistent level and horizontal availability of developments to all target organisations, and serves the objectives based on OECD state governance	212 Annex G: 325	It is necessary to continue the central co-ordination of the development of administrative capacity, especially in the development of human resources.	It is considered important to continue with the regular and central co-ordination of the activities of the administrative capacity axis. A good example of sectoral committee work is the sectoral committee for administrative capacity, which includes representatives from all	It is important to continue with inter-agency co-operation and the regular and central co-ordination of development activities supporting the growth of national competences as a whole.	Decisions of the Government of the Republic and planning of the state budget strategy; Government Office.

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		<p>recommendations of preventing duplication and fragmented activities. The challenges are particularly great in the development of central human resources, which is also affected by the capacity of the training market. Fragmented development and training planning would further aggravate the problems of the training market and procurement.</p> <p>In the focus groups carried out in the framework of the mid-term evaluation, one successful form of co-operation that was mentioned was the work and effective co-ordination of the sectoral committee of the administrative capacity axis, which could serve as an example in other areas.</p>			<p>intermediate bodies of the measures of the administrative capacity priority axis, the secretaries general of the four ministries (MoF, MoEAC, MoI, MoJ), and a number of social partners.</p>		
10	Efficiency, sustainability	<p>The evaluation shows a lack of focus on administrative capacity at local government level, but high needs (e.g., with regard to 12.3, ICT awareness; consolidation of administrative reform results and necessary development activities with planning, co-operation, etc.). Although capacity building at local level is one</p>	<p>100–103, 221, 202, 224, 248 Table 9, Annexes: 321, 322</p>	<p>More needs to be done in the administrative capacity axis to increase the administrative capacity of the LG level, as the contribution of the completed activities to regional development has been significant, but their volume does not cover actual needs and the contribution to the overall impact is not</p>	<p>It is necessary to give greater attention to increasing the administrative capacity of the LG level in boosting both human resources and awareness, consolidating the results of the administrative reform, and harmonising the level of public services.</p>	<p>Central training and development of LG officials and social partners; covering needs arising from administrative reform (e.g., comprehensive plans, service development, co-operation consulting); ICT developments and consulting (12.1.4 and 12.3 on-going activities).</p>	<p>IB (Ministry of Finance); Government Office.</p>

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		of the objectives of PA12, local capacity has not been considered sufficiently in the implementation of activities. The human resource development indicator for LGs is also lower than the achievement level, while demand is high (12.1.4 indicators high, central activity resources exhausted). In addition, PA12 activities help to increase the capacity of LGs to co-operate, apply for projects, and carry them out.		perceptible.			
11	Sustainability, impact	Co-operation between LGs is weak and LGs are not active applicants.	100–103, 221 PA9 288, 294	LGs must become the main partners of the state (IAs and IBs), as LGs know the particularities of their regions and can define local development needs. Capable LGs are also capable partners and investment managers. Co-operation between LGs must be facilitated and their administrative capacity must be supported by the state.	In order to strengthen regional co-operation within the context of the current administrative situation, we recommend the implementation of a joint programme-based investment measure for major regional urban centres of substantial volume and their functional hinterlands (primarily counties in Estonia), in place of the current application-based measures.	Involve LGs more in the planning of state investments (including those supported by regional and EU funds). Implement a programme-based approach to LG-oriented investments to motivate them to co-operate at the regional level. Continue with carrying out the PA12-funded LG-oriented activities (including training) and consider allocating additional resources to these activities.	Ministry of Finance (in co-operation with LG association); ministries; Government Office.
12	Sustainability, impact	Regional disparities between cities and rural areas have increased rather than decreased, the activities are not	96–99, 221 PA9 292–294	Regional balance continues to be a challenge: as a whole, regional disparities are still significant and there	Supporting regional development is more effective when entrepreneurship, infrastructure, and living	It should be considered whether to implement a programme-based approach to LG-oriented investments: fund projects with a future	Ministry of Finance (in co-operation with LG association); ministries; Government Office.

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		sustainable in the long term.		has been no observable change in the movement towards a more homogeneous territorial development. The focus on the current development of LG-centred social infrastructure (schools, kindergartens, shared-use paths) must be shifted to the restructuring of production and the improvement of the operating environment of companies – i.e. the creation of new jobs that appeal to young people. The sustainable urban development measure should focus more on preventing problems rather than on resolving them, and on creating a competitive advantage for the future.	environment investments constitute a logical whole and if local governments have the opportunity and capacity to participate in shaping policy and to steer development processes. The planning and implementation of national support measures (including those financed from EU funds) should focus on complex solutions, and both demographic trends and changing movement patterns should be critically reviewed.	value highlighted in recent county strategies and plans. In county strategies and plans, the need for widely planned social infrastructure and shared-use paths should be critically assessed. In the metropolitan areas of Tallinn and Tartu, traffic jams during peak hours are an increasing problem. This can be solved by measures widely implemented in major European and U.S. cities: <ul style="list-style-type: none"> • better and cross-metropolitan area planning of residential and industrial areas to reduce future traffic flows; • development of basic public transport infrastructure ('park and ride' systems, bicycle and car parks at bus stops in suburban centres and railway stations); connecting and synchronising railway and county and city public transport; operating express lines from suburban centres, intersections, etc. during peak hours; • limiting passenger car traffic in urban centres and making it more expensive; 	

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
						<ul style="list-style-type: none"> • creating teleworking opportunities in suburban centres. <p>In order to improve the competitiveness and mobility of the economy of the Tartu metropolitan area (based on Tartu County's strategy and county plan), it is important to:</p> <ul style="list-style-type: none"> • provide a faster railway connection to Ülemiste (improvement of railway quality, acquisition of new trains); • create a more direct air link with Europe (over Riga); • build a city terminal at the railway station to divert part of the traffic out of the city centre; • develop 'park and ride' facilities in suburban centres; • decrease waiting times of train services to Elva, Jõgeva, and Põlva during peak hours; • build an express train stop in Tabivere, expand the station and parking area. <p>In the Pärnu metropolitan area (based on the county strategy and county plan), the key issues for the next period revolve around seizing new logistical opportunities:</p>	

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
						<ul style="list-style-type: none"> • planning and designing the Rail Baltica passenger and freight terminal and linking it with the existing traffic system and infrastructure: roads, airport, and ports; • build up Pärnu Airport for the regional tourism cluster (mainly charter and short flights). <p>Regarding Ida-Virumaa's county strategy and county plan, key issues include:</p> <ul style="list-style-type: none"> • supporting the creation of new production jobs, including: <ul style="list-style-type: none"> - development of county industrial and logistical areas; - deployment of energy-related sites; construction of wind farms and mining sites; • urban environment and infrastructure planning and improvement: <ul style="list-style-type: none"> - re-planning of urban areas; - demolition of abandoned buildings and resettlement of any residents; - renovation of networks; - significant 	

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
						<p>improvement of the visual quality of industrial and residential areas;</p> <ul style="list-style-type: none"> • improvement of mobility towards Tallinn: decreasing railway connection wait times and increasing speeds; • modernisation of the public transport system. 	
13	Sustainability	There are currently no exit strategies for the continuation of EU-funded activities in the next funding period.	215, 248–251	In the absence of detailed exit strategies, it is unclear whether and how services that are essential to the state will be funded and the sustainability of investments made will be ensured after 2020.	To prepare exit strategies for funding Operational Programme activities in the next EU budget period.	<p>To develop a country-wide plan on how to ensure the continuity of investments and activities funded from EU funds.</p> <p>To put together a set of principles for searching for exit strategies.</p> <p>To find alternative sources of funding (state budget, other EU grants, private sector, LGs, etc.).</p>	Ministry of Finance as the leader and co-ordinator; ministries as the parties responsible for sectoral development.
14	Project selection criteria	The general selection methodology has been formulated very broadly for GSAIBs. An obligation to follow the general selection criteria in the co-ordination of activities has been established, but it is not described how to ensure the selection of the most appropriate, efficient, and effective activities for action plans drafted in the framework of GSAIBs (except if the funds are	126	Although the conformity of the general activity framework with the general selection criteria has been verified when drafting a directive, the need for observing this during the selection of specific activities has not been specified.	We recommend clarifying the selection process for GSAIBs to provide a more specific framework for selecting activities. For example, the general selection methodology for GSAIBs should be clarified by establishing an obligation to ensure accordance with the general selection criteria also when drafting annual or multi-annual action plans (not just when	Develop principles for following the general selection criteria in the case of GSAIBs.	Ministry of Finance.

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		granted through an open call (OC)).			drafting a directive).		
15	Project selection criteria	The evaluation revealed that contribution to horizontal themes is rarely included in the selection criteria. The general selection criteria stipulate that this criterion should be used where relevant, and it has generally not been considered relevant.	126	However, as the use of this evaluation criterion could foster contribution to horizontal themes, we recommend specifying in the general selection criteria whether and in which case the application of this criterion is mandatory, and encouraging its wider application.	Clarify the matter of contribution to horizontal themes in the general selection criteria, including when the use of this criterion is mandatory.	Further clarify the relevance of the contribution to horizontal themes in the general selection methodology, including when this is mandatory. Raise the awareness of IBs/IAs about the importance of the contribution to horizontal themes and the need to use this criterion.	Ministry of Finance.
16	Project selection criteria	The evaluation revealed a number of good practices of how applicants were involved in the evaluation process (e.g., information days, preliminary consultation, the applicants' participation in the meetings of the evaluation committee). There are also good practices for ensuring that evaluators have a common understanding of the evaluation criteria, so as to exclude variations in score due to different interpretations (e.g., trainings for evaluators).	126	The transparency of project evaluation is largely dependent on the IA's efforts to introduce the evaluation methodology and criteria to applicants and to involve them in the evaluation process.	To disseminate good practices for involving applicants in the evaluation process and providing guidance to evaluators.	Map these good practices across IAs. Disseminate good practices among IBs/IAs.	Ministry of Finance.
17	Project selection criteria	The analysis of the selection criteria revealed that there are criteria whose assessments tend to not vary significantly	126	Data on previously awarded scores could be used to analyse which criteria have led to the biggest differences in the	We recommend carrying out regular scoring effectiveness analyses in the case of round-based applications.	Identify ACs where such analyses would be appropriate (i.e. at least one round has taken place, further rounds have been planned).	Ministry of Finance.

	Theme (relevance, efficiency, impact, sustainability)	Finding, observation	Final report paragraph No.	Conclusion	Recommendation	Action plan for implementing the recommendation	Implementing party and recommended timeframe
		between projects (i.e. if the project is found to be in conformity, usually the same scores are awarded). Thus, ranking can be based on individual criteria that may not be that important.		overall scores and whether making a selection based on them has been justified. Based on this, improvements could then be made in the selection criteria.		Conduct scoring analyses and make changes to selection criteria where appropriate.	
18	Project selection criteria	The analysis of the selection criteria revealed that in some open calls the scoring scales or thresholds are set too low.	126	Too low thresholds and scoring scales create the risk of selecting inefficient projects.	We recommend ensuring that the scoring scales and thresholds are sufficiently ambitious.	Ensure that the scoring scales and thresholds are sufficiently ambitious.	Ministry of Finance.

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