SPECIAL PREPARATORY PROGRAMME FOR STRUCTURAL FUNDS

Summary Project Fiche

Project n°: ES 9803.04

Project title: SPP – Special Preparatory Programme for the Structural Funds in Estonia

Location: Estonia

Objectives

General Objective:

The aim of the SPP is to develop progressively the necessary structures within the Estonian administration for the sound and effective management of the future participation in Structural Funds and the Cohesion Fund so that they are fully operational at the date of Accession to the European Union. To reach this aim, the following intermediate targets should be met by the year 2000:

Specific Objectives:

1. To develop the legal framework for the preparation and implementation of a National Economic Development Programme (NEDP);
2. To develop appropriate institutional framework and budgetary procedures, most particularly Sound Financial Management and Control of EU Funding, enabling a smooth transition towards the application of Structural Funds principles;
3. To prepare a prototype National Development Program similar to those drawn up for the EU Cohesion countries (Greece, Ireland, and Portugal) where the whole national territory is covered by Objective 1;
4. To set up a Central Coordination and Programming Unit (CCPU) within the Ministry of Finance which will be responsible for co-ordinating the implementation of the SPP;
5. To launch two pilot actions for integrated regional development in designated areas, according to Structural Fund principles;
6. To establish and develop the capacity to manage the Pre-accession Instruments: ISPA (cohesion-type transport and environment) and SAPARD (agricultural and rural development).

Description

On the basis of the proposals submitted by the Estonian authorities in their letter of 11 December 1997 and after discussions between the Estonian authorities and the Commission services in Tallinn on 30 March 1998 and in Brussels on 17/18 July, 1998, it has been decided to focus on two main areas, institution building and pilot projects.

The aim is to ensure that the arrangements put in place meet a series of performance and transparency requirements which will be discussed in detail in the framework of the SPP. Wherever possible, the intention will be to build on existing arrangements and to concentrate on the essential up to the year 2000 and to add refinements progressively thereafter in the period leading up to Accession. It will be necessary to define in partnership what is essential and what can be left to later, bearing in mind that the intermediate targets impose certain requirements. The partnership will also ensure close coordination and a proper allocation of tasks between this programme and other PHARE-financed actions especially those relating to regional policies in Estonia.
The project will consist of **5 main components** and the Pilot Projects (2).

**PROJECT COMPONENTS 1 – 5**

**Component 1.** The legal and operational framework for the preparation and implementation of a National Development Programme; for the use of EU co-financing; and for participation in the Pre-accession Funds ISPA and SAPARD:

- Establishing a relevant legal basis so that the Structural Funds and the Cohesion Funds can be fully operational at the date of Accession to the EU;
- distribution of competencies among different line ministries and between the central and local governments;
- setting up the procedures for the preparation, approval and implementation of programmes;
- provisions governing the granting of public money to third parties, especially the business sector.

**Component 2.** The Strengthening of the institutional framework for the sound management and control of EU funds within the national budgetary framework and procedures:

- establishing a Central Coordination and Programming Unit (CCPU) at the Ministry of Finance;
- setting up the procedures of project selection and approval;
- ensuring the compatibility of the national and the EU budget concepts;
- earmarking funds for co-financing;
- managing financial flows;
- ensuring independent control and audit;
- developing monitoring and evaluation systems.

**Component 3.** A Prototype National Economic Development Programme covering the whole national territory of Estonia:

This programme will:

- make an analysis of the current situation;
- identify key objectives and targets;
- propose a development strategy to effect improvements;
- describe appropriate measures;
- assess whether the actions proposed comply with Community policies and regulations;
- identify the implementing agencies and the monitoring arrangements;
- make an environmental impact analysis;
- prepare annual financial tables by measure and by source of finance for the entire period of the programme.

In principle, the Development Programme will cover these sectors:

- Productive Investment (business support, competitiveness, inward investment etc.);
- Infrastructure (telecommunications, environment, transport, energy etc.);
- Human Resources (education, training, employment policy etc.);
- Development of rural and coastal areas and modernisation of the agricultural and fisheries sector;

It will aim for partnership with the private sector in defined ways, and it may also provide for special assistance targeted to individual disadvantaged regions.
Component 4. Setting up the Central Coordination and Programming Unit within the Ministry of Finance for the purpose of:

♦ coordinating the overall implementation of the SPP (including specific training requirements for sectoral Ministries and coordination of preparation of the National Development Plan);
♦ providing the central point of contact with the European Commission’s services regarding this programme;
♦ leading and coordinating various actions under this programme (especially in relation to budgetary and administrative procedures);
♦ strengthening, if necessary, the legal framework for and the organisation of the co-financing of this programme.

Component 5: Specific actions to prepare institutional capacity for ISPA and SAPARD:

♦ setting up an independent function within the CCPU, analogous to a Cohesion Fund evaluation unit;
♦ preparation of Prototype Transport and Environment Sector plans (operational programmes);
♦ preparation of Rural Development strategy and plans in preparation for implementation of Pilot Projects;
♦ development of technical capacity in cost-benefit analysis, environmental impact analysis and financial engineering;
♦ coordination and integration with other elements of the National Development Plan.

Inputs for Project Components 1 – 5

For the Project Components 1 - 5 the following inputs will be needed:

♦ the costs of medium and long-term detachments of civil servants in EU countries to the Estonian administration;
♦ the costs of short to long term detachments of Estonian civil servants to selected EU 15 administrations;
♦ the start-up costs of the CCPU to co-ordinate the SPP at the national level dealing with all the aspects of Structural Fund operations (the CCPU will work with all Ministries involved and the regional and local partners);
♦ workshops, seminars and training actions;
♦ the costs of equipment / materials for the Central Coordination and Programming Unit.

PROJECT COMPONENTS - Pilot Actions:

Two Pilot actions as a method of learning by doing:

Launching one or two pilot actions for integrated regional development in designated areas, according to Structural Fund principles.

The aim is to give the Estonian authorities direct experience of the operational aspects of the conception and implementation of “Objective 1” type programmes in a specific zone or zones of the country.

This will involve:
♦ the ex-ante analysis of the region’s needs;
♦ a development strategy for priority actions;
multiannual financial forecasting and budgeting;
setting quantifiable objectives and targets;
implementation and monitoring arrangements;
project selection and approval procedures;
the designation of the partnership involved etc.

Human resources development will be an integrated element in the pilot projects.

Inputs for Pilot Projects:

The costs (including cofinancing) of the preparation and implementation of two pilot regional development programmes (the projects and the specific inputs have already been defined in principle).

Institutional Framework
The partner institutions and beneficiaries involved in the Estonian administration are, inter alia, the Ministry for Finance, the Ministry of Internal Affairs, the Ministry of Economic Affairs, the Ministries of the Environment, of Agriculture, of Social Affairs, of Education, of Transport and of Communications and the Fisheries Department. Interministerial institutions, regional and local authorities and social partners will also be involved in the project.

A specific structure i.e. The Central Co-ordination and Programming Unit within the national administration (Ministry of Finance) will be in charge of coordinating the implementation of the SPP. It will provide the central point of contact with the Commission services regarding this programme; it will take the lead and coordinate actions under this programme, especially in relation to budgetary and administrative procedures; the strengthening, if necessary, of the legal framework; and the organisation of co-financing of this programme. The Unit will coordinate the preparation of the National Economic Development Programme, while the key sectoral Ministries will be involved, for example, in task forces for specific topics. The unit will be staffed from the national administration supported by long-term detachments of officials from EU 15 administrations. There should be minimum recourse to consultants. The unit is operational from October, 1998.

At the moment a Working Group, consisting of representatives from key ministries and chaired by the Deputy Secretary-General of Ministry of Finance, is established for the overall coordination and monitoring of the SPP.

Expected results and outputs

♦ Central Coordination and Programming Unit established, staffed and equipped;
♦ National Economic Development Programme produced and approved;
♦ Appropriate programmes and procedures identified from a wide range of EU experiences; best practice models adopted;
♦ Pilot Project(s) launched;
♦ Exchanges of Estonian & EU officials ensured;
♦ Placements of Estonian staff in EU administrations elaborated and ensured;
♦ Comprehensive programme of workshops and training courses and study visits organized.
**Budget: (in ECU)**

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>Recipient*</th>
<th>IFI*</th>
<th>TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Institution Building</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td></td>
<td></td>
<td>1,500,000</td>
</tr>
<tr>
<td>B. Pilot Actions</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>988,800</td>
<td>988,800</td>
<td></td>
<td>2,488,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>3,000,000</td>
<td>988,800</td>
<td></td>
<td>3,988,800</td>
</tr>
</tbody>
</table>

* In cases of co-financing only

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**Implementation Arrangements**

**Technical Implementation & Contractual & Financial Implementation:**

The Central Coordination and Programming Unit will be the Implementing Agency with the assistance, where appropriate, of the Central Financing and Contracting Unit, and Ministry of Finance (National Fund). Implementation will be carried out according to Phare DIS rules and procedures. It is envisaged that a proportion of the project will be provided through twinning.

**Implementation Schedule**

**Start of tendering:**

*Institution Building (Components 1 – 5):* October 1998  
*Pilot projects:* Oct. 1998

**Start of project activity**

*Components 1 – 5:* Oct. 1998  
*Pilot projects:* Jan. 1999

**Completion**

*Components 1 – 5:* end- 1999  
*Pilot projects:* end- 2000

**Equal opportunity**

**Components 1 - 5:**
No special criteria to be applied.

**Pilot projects:**

Equal opportunities are being respected when selecting projects and participants. Target figures for the number of persons starting in each measure will be expressed by gender and the realisation of these targets will be measured.
Conditionality and Sequencing

- Adequate response on twinning from EU Member States.

- The implementation of *Pilot projects* is conditional on the use of structural fund principles (programming, monitoring, evaluation and control etc.) at the national and sub-national level.

- For the pilot actions national co-financing is planned at progressive rates, up to the minimum Objective 1 co-financing rate i.e. 25%.
**Annex 2 : Detailed (indicative) cost breakdown**

<table>
<thead>
<tr>
<th>Section A; Institution Building</th>
<th>ECU</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Establishment of a Central Co-ordination Unit, including training, workshops, seminars, study visits and coordination/research and SPP secretariat</em></td>
<td>630,000</td>
</tr>
<tr>
<td><em>Detachment of Estonian officials to EU administrations</em></td>
<td>180,000</td>
</tr>
<tr>
<td><em>Detachment of officials from EU administrations to Estonia and local experts as support (framework contract)</em></td>
<td>690,000</td>
</tr>
</tbody>
</table>

Sub-total: 1,500,000

<table>
<thead>
<tr>
<th>Section B; Pilot Projects</th>
<th>ECU</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Two pilot projects (to be co-financed)</em></td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

TOTAL: 3,000,000
### Annex 3
Implementation Schedule - ES 9803.04

**Special Preparatory Programme for Structural Funds in ESTONIA**

<table>
<thead>
<tr>
<th>Month</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S O N D</td>
<td>J F</td>
<td>M A M J J A S O N D</td>
<td>J D</td>
</tr>
<tr>
<td><strong>A. INSTITUTION BUILDING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(A.1) Central Unit(s)</td>
<td>SA</td>
<td></td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td>(A.2) Development Plan</td>
<td>SA</td>
<td></td>
<td></td>
<td>C</td>
</tr>
<tr>
<td>(A.3) Manual (Programming &amp; Procedures)</td>
<td>SA</td>
<td></td>
<td></td>
<td>C</td>
</tr>
<tr>
<td><strong>B. Pilot Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tendering, contracting and coordination.</td>
<td>ST</td>
<td></td>
<td></td>
<td>C</td>
</tr>
</tbody>
</table>

(1) It is possible that the Central Unit(s) will continue in operation after 1999 under revised funding arrangements.

**Notes:** ST = Start Tendering; SA: Start Activity; C = Completion
### LOGFRAME MATRIX for the Special Preparatory Programme (SPP) for the Structural Funds in ESTONIA - ES 9803.04

<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| ✷ Develop the capacity to absorb and manage Structural Funds following accession to the EU | ✷ National Economic Development Plan.  
✷ Readiness to make full and effective use of ISPA and SAPARD by start of 2000  
✷ Ability to introduce Structural Fund procedures for PHARE-funded economic development programmes from 2000 onwards. | ✷ Seconded EU officials  
✷ Information provided by European Commission | ✷ National Economic Development Plan adopted by cabinet of ministers & parliament  
✷ Maintenance of structures & processes developed by SPP |

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| ✷ The preparation and approval of a National Development Programme similar to those drawn-up for the EU cohesion countries where the whole national territory is covered by Objective I (Greece, Ireland and Portugal).  
✷ The preparation necessary for the full and effective use of the new pre-Accession instruments introduced from 2000 onwards.  
✷ The preparation necessary for a progressive shift in PHARE procedures towards the application of Structural Fund principles from 2000 onwards until Accession, enabling a smooth transition at the time of Accession; | ✷ National Plan Agreed  
✷ Pilot projects launched | ✷ Draft National Economic Development Plan  
✷ Government regional and sectoral programmes  
✷ Published government development targets and objectives  
✷ Reports produced by CCPU  
✷ Seconded EU officials  
✷ Reports of pilot programme monitoring committee | ✷ Support of EU administrations  
✷ Programmes adopted by cabinet of ministers, agreement reached on development priorities  
✷ Availability of co-funding for pilot projects  
✷ Partnerships established at regional and national level |
### Results

- National Economic Development Plan produced and approved.
- Appropriate programmes and procedures identified from wide range of EU experiences. Best practice models adopted.
- Priorities for Institution Building identified.

### Indicators of Achievement

- Draft National Development Plan published
- Development of ‘Programming and Procedures Manual’ appropriate to CEEC conditions

### Sources of Information

- Government reports
- CCPU publications and reports
- Training courses on programming and procedures

### Assumptions and Risks

- Support of EU Member State administrations
- Working groups in key ministries and development agencies established and co-ordinated
- Consultation with regional/local government
- Regional databases established

### Outputs

- Central Administrative Unit (CCPU) established, staffed and equipped
- Exchanges of CEEC & EU officials
- Long term placements of CEEC staff in EU administrations
- Comprehensive programme of workshops and training courses.

### Indicators of Achievement

- Secondment and appointment of staff to CCPU
- Increased awareness of EU Structural Funds programmes and procedures
- Increased numbers of trained staff in regional and central administrations

### Sources of Information

- Local and central government reports and statistics
- Awareness raising publications produced by CCPU
- CCPU technical reports
- Training materials sponsored by CCPU

### Assumptions and Risks

- Ministerial agreement on location and functioning of CCPU
- Necessary administrative arrangements are made for CCPU functioning
- Officials seconded to CCPU
- Support of EU Member State administrations

### Inputs

Financial: Phare: 3.00 MECU; national co-financing for pilot projects is required at progressive rates, up to the minimum Objective 1 co-financing rate i.e. 25%.

Technical Assistance: CEEC-EU institutional agreements; administrative support from EU officials/experts, provision of training and supply of equipment/materials.