1. Basic Information

1.1 Désirée Number: ES0009-2

1.2 Title: ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF SOUTH-ESTONIA (S-E)

1.3 Sector:
   For sub-project 1 Regional Development
   For sub-project 2 Industry and Business Development
   For sub-project 3-4 Tourism
   For sub-project 5 Employment and Training

1.4 Location: ESTONIA, Tartu, Jõgeva, Valga, Võru, and Põlva Counties

2. Objectives

2.1 Wider Objective:
   - Favourable Business Environment in S-E

2.2 Immediate Objective:
   - Integrated Support System for Business Development and Innovation in S-E
   - Tourism infrastructure in selected regions of South-Estonia
   - Enhanced Human Resources Development in S-E

2.3 Accession Partnership and NPAA priority

   Accession Partnership:
   Medium term:
   Economic criteria:
   - continue efforts to improve the conditions for the creation and development of private enterprises, with particular attention to small and medium-sized enterprises

   NPAA:
   Ch. 5.6 SMEs
   In the coming years the support to small enterprises must be sustained, establishing at the same time a closer link to the general structural policy of Estonia. Special attention must be given to the development of less developed and mono-functional regions.
   Ch. 6.2 Regional Policy and Cohesion
   In the areas of regional policy and cohesion the priorities are the creation of necessary institutional and legal framework for the management of EU Structural Funds, and strengthening of administrative capacity.
   One priority is to strengthen administrative capacity and use of technical
assistance on the levels of state, region and local governments for the management of EU financial resources before (Phare 2000, SPP Special Preparatory Program for Preparation, SAPARD) and after Estonian accession to EU (Structural Funds).

Ch 8.2 Education
"creating a system for national qualifications standards; updating curricula, workforce training to improve qualifications, supporting active workforce polices and developing the competitiveness of society's risk groups; developing and reforming vocational education with the help of social partners".

Commissions Progress Report 1999
Chapter 3.2:
As regards vocational training, work towards developing professional standards and establishing vocational training curricula needs to be continued. The supply of vocational training remains underdeveloped.

2.4 Contribution to the National Development Plan

The following chapters of the National Development Plan deal with the Economic and Human Resources Development Project of South-Estonia:

Chapter 4.2 - Industry and Business Development,
The overall objective of industry and business development strategy is to achieve sustainable economic growth and social stability.

This will be achieved by:
• Development of business environment;
• Fostering of innovation and introduction of new technologies;
• Stimulation of investments;
From aspect of HRD, there is need of:
• improving the quality of labour force by enhancing general educational level and skills of work force, incl. their management skills;
• development of regional cooperation networks

Chapter 4.3 - Tourism
The main goal of Estonia’s tourism policy is to achieve a sustainable growth of the sector through attraction of progressively more tourists and increasing their average stay in the country. For that it is necessary to:
• expand the range and quality of tourism products;
• expand the geographic spread of tourism through the regions and seasonal distribution in Estonia;
• improve availability of tourist information about Estonia abroad as well as within the country.

Chapter 4.4 - Employment and Training
• prevention of unemployment;
• increasing the importance of active labour market measures in comparison with passive measures;
• principle of lifelong learning;
• openness of the labour market and equal opportunities in the labour market for all population groups,
• development of entrepreneurship and creation of new jobs;
• promotion of primary vocational education and vocational higher education;
• integration of persons in risk groups into the labour market and provision of access to education (long-term unemployed, unemployment of young people, persons who have dropped out of schools, persons with disabilities, persons with no professional qualification, persons who do not speak Estonian, older workforce);
• development of information systems.

Chapter 6.4 - Priorities for Target Regions.
• Set by NDP:
In South-Estonia the key priority areas are:
  • industry and business development,
  • tourism,
  • employment and training,
The decline in employment can be compensated by development of SME-s in tourism and other sectors. Main importance lies mainly in increasing the accessibility and improvement of general investment climate. Training of unemployed as well as employed labour force is necessary to improve the overall investment climate in the region.

• Set by the development strategy of South-Estonia region
In the framework of Estonian Act of Planning and Construction the development strategies of 5 counties, which constitute the South-Estonian target region, were prepared by July 1997. As a common strategy of South-Estonia is not existing formally, we can summarise the county strategies to describe the general priority areas of the region

Every county of the target region states the need of development of education and, in more general - HRD. We can consider it as the first development priority of the region.

The second priority is development of alternative economies to the agricultural production, especially development of tourism, but also the small-scale industry and different type of SMEs. This priority is dominant (besides the HRD) in Jõgeva, Tartu, Põlva, Võru and Valga counties, which are almost rural areas, exempt Tartu city. Tourism is an area, where South-Estonian counties have elaborated the common development strategy by 1999.

Tartu County with Tartu city plays an important role in the whole region. The existence in Tartu several higher education and science institutions allows Tartu to generate the innovations for the whole region and foster the restructuring process. Tartu County Strategy states, that development of innovation is the first priority of the county. In the context of whole region support to R&D and Innovation could be considered as the third development priority.
2.5. Cross Border Impact: N/A

3. Description

3.1 Background and justification:

The target region of South Estonia covers 5 counties: Jõgeva, Tartu, Põlva, Võru and Valga county. The territory of the target region covers the area of 12 112 km² (27 % of Estonian total area). The population of the region is 310 000 inhabitants. The level of urbanisation is 55%- below the national average. The region has traditionally been mainly agricultural. Agriculture, forestry, and food processing have been the main activities and sources of income for the local inhabitants.

South-Estonia (with an exemption of the city of Tartu) is a restructuring agricultural region, where the serious decline in agriculture has taken place and employment has not been balanced by the development of alternative fields of activity. Labour market participation rate in 1998 was 59,1 %. Unemployment rate was 10,3% as compared to 9,6% in Estonia in general. Among risk groups in the age group of 15-74 years, the most outstanding are the young and adult people without qualifications and those over 50 years of age. The restructuring process of agriculture and food industry (decline in employment level), and loss of previous markets has caused high and long-term unemployment and low income level in the whole region.

Tartu is one of the most important science and innovation centres in Estonia, which generates and disseminates new knowledge and technologies for the whole Estonia. As the financing of R&D has been within several years oriented to the basic research, the scientific excellence in several fields is at internationally comparative level. The targeted development of the existing R&D potential and effective transfer of knowledge created is of utmost importance for the long-term development of the competitiveness of Estonia as a whole. The key issue for today is to stimulate the development and transfer of technology in order to commercialise the R&D results and increase the competitiveness of industry (see: sub-project 2).

At the same time the region has a great potential for tourism and recreation. Active nature and culture tourism, but also winter sports, have emerged as new and developing sectors in South-Estonia.

To support the economic development of the region with qualified labour force education and training delivery at different education levels and forms will be targeted. Currently there is mismatch between the demand and supply of labor. Lack of specialists with certain qualification is problem for functioning the market.

In Estonia, the approach has been taken towards integrating initial and continuing education and training within the existing education system (instead of creating a parallel system for adult training). Reorganisation and rationalisation of the VET institutions network on the one hand, and up-grading facilities and equipment on the other hand, will allow to concentrate the scarce resources in order to raise the quality of training provision.
Sub-project 1 – Agency for programme design and implementation in South-Estonia

Component 1: Elaboration of comprehensive business support strategy for S-E

Today’s business support system consists of several schemes (free consultations for start-ups, small-scale loans for start-ups, subsidised business advisory services and training, loans and guarantees for SMEs). To improve co-ordination they have to be merged and made easily accessible for local businesses. On 18th of March Estonian Government has made the decision to merge the existing business support schemes into one system, managed by the Ministry of Economic Affairs.

Based on this decision the Business Support Foundation (BSF) will be established (by the Dec. 2000), which contains the existing separate foundations as agencies of BDF (see ANNEX 6). Besides merging the business support schemes on central level, regional development agencies will be founded in at least 3 big economic regions of Estonia (Ida-Viru, South-Estonia, West-Estonia). South-Estonia Development Agency (SEDA) will be established by July 2000 as a branch of Estonian Regional Development Agency (ERDA). According to the plan, ERDA will become in an agency inside the Business Support Foundation (BSF) by the end of 2000. So SEDA will become a branch of the BSF (see ANNEX 6).

During the current sub-project the capacity of SEDA (trained staff, equipment, common information system) will be strengthened.

Component 2: Upgrading of South Estonian Development Agency (SEDA)

SEDA will facilitate the elaboration of regional business support strategy in co-operation with relevant regional and local authorities (local municipalities, county government, unions of entrepreneurs, labour unions, universities, etc.) and ensure the implementation of the development projects according to the strategy.

SEDA will act as Implementing Agency for current Economic and Human Resources Development project of South-Estonia (see more in chapter 4 and 6).

Using the potential of research centres, SEDA will prepare and provide a sample survey on satisfaction of entrepreneurs and other target groups of business support in the regions, covered by Phare 2000 SEC projects.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 1. Sub-project will be implemented by SEDA, management of component of business support strategy is responsibility of Strategy Committee of South-Estonia Counties Government (Mrs. Karin Jaanson) and of component of upgrade of SEDA - director of SEDA (will be appointed by ERDA by July 2000).

Sub-project 2 – CARIN I (Co-ordinated Assistance for Regional Innovation)

Tartu, the centre of South-Estonia, clearly differs from its agricultural hinterland
having a remarkable R&D recourses, based on the high concentration of R&D institutions around it. However, its potential to become a catalyst for business and industrial development for the whole region has not been sufficiently realised. With the aim to facilitate the commercialisation of R&D results, the key issue of the current sub-project is to strengthen the innovation support system of the region. The innovation support system should be able to assist the traditional industries to respond to the technology changes and also provide a seedbed for the creation of new hi-tech industries in Estonia.

The first steps for improving the support structures of innovation and strengthening the competence in specific technology areas have been made with the support of two previous Phare projects (see Chapter 3.2: Linked Activities). Unlike of the above-mentioned projects, the current project bases on comprehensive discussions in the preparation phase of the project. In this discussions all the respective stakeholders presented in the region (Estonian Chamber of Commerce and Industry, Tartu Business Advisory Centre, Estonian Association of Small and Medium Enterprises, Archimedes Foundation, Tartu Town and Tartu County Governments, Tartu Science Park, University of Tartu and Estonian Agricultural University) are involved. As a result of these round-table discussions, the current sub-project presents a new consensual approach to the improvement of innovation support system in the region. Also the activities of the current sub-project have been agreed by these round-table discussions, taking into account the main bottlenecks in the innovation support system where has to be addressed in first order. As a further development of these round-tables, the respective institutions have signed the agreement for mutual intentions in 24.03.2000.

Activities of the current sub-project contribute to the development of the co-ordinated support system for commercialisation of R&D results. The activities will concentrate on strengthening of co-operation network between respective authorities, improvement of infrastructure of support institutions and quality of support services. For better planning of the activities, the mapping of R&D resources and technology needs will be carried out, as a result of which a respective database shall be set up and made available. (For a more detailed description of activities see Annex 1B – the logframe matrix for sub-project 2).

*PHARE SPP pilot project (see 3.2. Linked activities) activities, where the beneficiary is the Tartu Science Park, concern the establishment of Computer Aided Design/Computer Aided Management training centre, Laser Job Shop, Start-up Fund and purchase and renovation of 1250m² of new rooms for the incubator. According to the existing demand for incubation premises for hi-tech SMEs in Tartu Science Park, the second phase for the extension of Tartu Science Park is planned, among other activities of the current sub-project. 1000 m² of rooms will be renovated and provided with technical communications, and 2.3 ha of territory will be developed. Tartu Science Park, which is a typical hi-tech incubator without focusing on any particular technology field, hosts firms active in the field of information technology, electronics, chemical technology etc. 80-85% of premises are filled (incl. pre-contracts for the new rooms provided within the framework of SPP pilot project).*
As of result of CARIN I in terms of Tartu Science Park, it is expected to improve the working environment of already existing firms, to offer additional 320m² of new incubation premises, where it is possible to host at least 8 new hi-tech SMEs.

Based on the several evaluations, the Estonian Science Competence Council has pointed out the perspective technology areas of Estonia: environmental, information, material and gene technologies. In the frame of Phare HESR project, network of Centres of Excellence network were established in Tartu and Tallinn for improving the interdisciplinary R&D co-operation. The recommendations of the evaluation of Estonian R&D system (analysis made by Cooper s& Lybrand on behalf of EC in 1997) outline the necessity to turn these centres more towards assisting the technology development of economy. As a part of the current sub-project, the strengthening of technology development base, from which the industry could benefit, is envisaged in the field of biotechnology (incl. food) and materials technology, where the infrastructure will be developed. The prioritisation here has been made, taking into account the demand of industry and perspectives to develop new hi-tech industry in Estonia.

As a result of the current sub-project, 550m² of new incubation premises in the field of biotechnology is occupied by up to 4 spin-offs. The project for building of the second phase of the incubation premises is prepared and the training class for the preparation of technicians for biotechnology SMEs is renovated and equipped. The volume of technology services in the field of material technologies offered to the respective industries is expected to increase up to 0.03MEUR.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 2. Sub-project will be implemented by SEDA, management of sub-project is responsibility of Tartu University (Mr. Andrus Tasa) and Tartu Science Park (Mr. Enn Erme) and Tartu Agricultural University (person to be appointed).

Sub-project 3 - Tourism Infrastructure in Peipsiveere region (Tartu, Jõgeva, Põlva Counties)

Peipsiveere region has former agricultural background. Problems with marketing an agricultural production have created a need for developing the alternative activities in the region. Tourism is one of the main areas, where local resources could be utilised.

Peipsiveere is a unique region with a rich cultural heritage (incl. Russian Old Believers’ religion, Setu ethnical group culture) located by Lake Peipsi, the fifth biggest lake in Europe. However, the potential of the region is not used as effectively as it could. Many tourism spots and objects are hardly known, accessible and therefore not visited by tourists.

The development of tourism and recreational facilities (e.g. information, accommodation, catering) would attract more tourists and lead to the increase of employment and overall economical growth of the region. Current project will
invest in renovation of valuable cultural objects, which will be the attractive components of Peipsiveere tourism products.

Although several tourism initiatives have already been undertaken (e.g. a Fish and Onion Restaurant, financed by Phare project), new sub-projects have to be developed to achieve considerable growth of tourism in the region.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 3. Sub-project will be implemented by SEDA (which will contain the existing Foundation South-Estonia Tourism), management of sub-project is responsibility of director of Foundation Peipsiveere Development (Mrs. Liina Salujõe).

Sub-project 4 - Tourism Infrastructure in Haanja region (Võru County)

Haanja is also former agricultural region, where agricultural activities were subsidised by the state, due to the hilly landscape and relatively low productivity of soil. New perspective of Haanja is decidedly tourism.

A long winter session and relatively warm summer create the good tourism and recreation possibilities in the Haanja area. The area is famous for its hills, lakes and beautiful untouched nature spots. During the winter months it offers good possibilities for winter sports and recreation. In summer months it is widely used for active vacation e.g. hiking, biking, water sports and kayaking.

Haanja region has potential to become an important tourism and recreational area due to its good location and closeness to three international border checkpoints. However, insufficient infrastructure and unsatisfactory tourism facilities in the concerned area are obstacles for the development of tourism in the region. In order to attract more private capital for developing accommodation and catering services in this area, a multifunctional recreation and conference centre will be established in Haanja Municipality.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 4. Sub-project will be implemented by SEDA (which will contain the existing Foundation South-Estonia Tourism). Management of the sub-project is responsibility of head of Haanja Municipality (Mr. Juri Gotmans).

Sub-project 5 - Enhancing Human Resources Development in S-E

Component 1: Development of Regional Training Centres (RTC) in Võru and Tartu and support to network of VET institutions in the region

Employment possibilities of South-Estonia affect straight the regional investment climate. Education is one of the priorities of South-Estonia development strategy and critical base for creating of new businesses.

Regional development will require investments into the regions. One of the prerequisites of attracting investments is qualified labour force. Based on the experience and feedback from the region on the PHARE pilot Regional Training
Centre (RTC) in Võru it is proposed to further support the Centre by developing new courses and services in support of the evolving needs of the region. Additionally, 1 new RTC will be developed based on the merge of the existing vocational education institutions in Tartu (based on the school-system re-organisation plan of Ministry of Education and the regional authorities). The 2 Regional Training Centres will offer initial and continuing education and training courses for a variety of target groups. The wide economic sectors identified as priority areas for new curricula to be developed in Võru and Tartu centres are wood industry, tourism, service sectors, IT, textile, food processing, metal and construction. The list of courses and education levels will be identified together with regional authorities and social partners based on the labour market analyses that will be completed by June 2000. Special attention will be paid to the development of courses on higher vocational education level with a view of supporting the potential of the region in high tech and innovative industry. The potential of Tartu University and innovation institutions will be used to support the development of these courses.

Investment is foreseen for equipment, simulation firms and library infrastructure. Facilities will be upgraded to help ensure the relevance of programmes to the needs of individuals and the economy.

Two RTCs will be responsible for supporting other VET institutions in the 5 counties (Põlva, Valga, Võru, Jõgeva, Tartu) with innovative programmes, teacher training and curriculum development/course delivery in order to secure wider dissemination. Where feasible, curriculum development will be undertaken in other VET schools in the region.

Building up the capacity within the RTCs will secure long-term effect in being able to meet the demands for qualified labour force in the quickly changing labour market situation. The RTCs will develop an awareness rising campaign on life-long learning.

Component 2: Strengthening of career counseling centres

As rapid changes in the economy and the whole society have put not only young people but also adults in a difficult situation when making decisions about their careers, competent advice is required. Though the employment office is providing counseling on the job opportunities and re-training for unemployed people. There is significantly bigger number of people in the regions who need advice, either school-leavers (after basic and upper-secondary school/gymnasium), people who need new jobs due to the restructuring of industry and agriculture, etc. The task of setting up counseling services has been delegated to the counties. The Ministry of Education has co-financed the start-up of the counseling service center in South-Estonia region (one in every county) primarily for young people (basic school and upper-secondary school). Unfortunately, adult job-seekers (and even 50% of unemployed) or those planning a career change, would rather not visit employment offices due to the established negative connotation related to employment offices in the society. Therefore, adults will be allowed access to the career counseling centres, and this will ensure services close to the place of residence of those in need.
The project will support the strengthening of the career counseling services. In order to get the centers operational in short-term, investment in equipment, development of materials and training of counselors is required.

Information on initial and continuing education courses will be collected in the region and a catalogue on initial and continuing training courses will be published to support the career counsellors. This information will be made available also for employment offices.

The experience obtained from this sub-project (and the one in Ida-Viru) will be incorporated into the development of a comprehensive career counselling system for young and adult to be finalised in co-operation between the Ministry of Education and the Ministry of Social Affairs.

The activities will be co-ordinated with the Ministry of Social Affairs on the Steering Committee level and the HRD working group level, with respective representatives included (respectively employment offices on HRD working group level).

Component 3: Development of network of accredited certifying institutions

One of the prerequisites for attracting investments into the regions is the availability of qualified labour force. Whereas certification of qualifications (incl. prior learning assessment) is not fully developed in the country, the concept of regional operations for awarding qualifications will be developed in the framework of South Estonia (and Ida Viru) projects.

At the same time in order to support the competitiveness of the individuals and companies in the region and meet the demands of the employers for highly qualified labour force, a transparent certification process will be developed. The project will support the development of accredited certifying institutions in South-Estonia to support the raise of the quality of the work force and provide additional motivation for individuals and companies for acquiring initial and further qualifications. To fulfil the aim, criteria for certifying institutions that will be authorised to award qualifications will be developed together with the employer and employee organizations in the region. Development of the accredited institutions will include elaboration of procedures and guidelines for awarding qualifications, a register for recording awarded qualifications, and training of examiners (incl. external examiners).

Added value of this project is motivating social dialogue in the region. Respective employer and employee organizations have been included in the Steering Committee as well as the list of the working group.

This component will be coordinated with the MoEA, with the Ministry of Social Affairs, Professional Councils, the Estonian Chamber of Commerce and Industry and the National Qualification and Examination Centre). Component will be implemented in line with the new Law on Recognition of Foreign Qualifications and Law on Professions (both to be passed by the Parliament in the 1st half of 2000).
Ministry of Education will be responsible for achieving the results of the sub-project 5. Sub-project will be implemented by SEDA. Foundation VET Reform in Estonia will be sub-contracted by SEDA for the management of the sub-project. Foundation VET Reform in Estonia together with regional authorities will appoint a sub-project manager.

FURTHER NEEDS FOR PHARE ASSISTANCE IN 2001

It is likely that further Phare investment will be required to support HRD in the region. There is a need to develop additional courses, full-time and short ones, to respond to the evolving needs of industry, and supporting entrepreneur-ship in the region through training.

Further assistance for development of tourism infrastructure, innovation support structures related to the different fields of science, industrial parks and business incubators in regional potential areas is needed in the course of Phare SEC 2001-2002.

Besides HRD, industry and tourism a new support area is proposed by the region (beneficiaries/applicants) - logistical infrastructure.

3.2 Linked activities:

Past Phare activities:
1. ES-9803.04.0002 SPP Pilot Project No. 2: Development of Regional Cooperation Network for Innovative Entrepreneurship
2. ES-9506.03.02 Tourism Development Program
3. ES-9608.01.01 Assistance to the SME Program in Estonia/Business Centers.
4. ES-9609.01 Regional Development Project.
5. ES-9609.01.01 South-Eastern Estonian Logistics Centre (pilot)
6. ES-9606.01.02 Improve entrepreneurial spirit in Peipsi region (pilot)
7. ES-9502.02BE Phare Project Higher Education and Science Reform
8. ES 9409 Vocational Education and Training Reform in Estonia
9. ES 9502.02BE Business Education Reform Programme
10. ES 9803.02.01 Upgrading the Skills of the Workforce in Estonia

The Phare regional development project has facilitated the formulation of Estonian regional development strategy. The strategy indicates that restructuring of rural areas in South-Estonia is one of the priorities of Estonian regional development (Project no. 4). The Phare SME project has created local business support centres (Project 3). In the frame of Phare HESR project (Project no.7) the Centre of Technological Competence was established in Tartu in 1997 in the four fields of technology: gene, environmental, material and information technology.

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1 Peipsi Nature Park, Otepää region, Vooremaa region, Piusa region, Põltsamaa region, Emajõgi Riverland, and etc.
2 Võru area, Tartu area, and etc.
3 Peipsi Water Park, Valga Logistics Centre, and etc.
The Phare tourism development program has facilitated the formulation of Estonian tourism strategy. The strategy underlined that tourism development in South-Estonia is a base for further development of the region (Project no. 2). Various projects (projects 1, 5, 6) have started to build up a favorable environment for industry and tourism development and similar initiatives will be undertaken by the current project.

Project "Upgrading the Skills of the Workforce in Estonia" (Project no. 10) has a twofold aim of developing and piloting the idea of regional training centres in the disadvantaged areas, and development of the national qualification system within the context of EU accession. It has prepared Estonian central and regional authorities for current Phare SEC project.

3.3 Results:

Sub-project 1:
- Comprehensive Business Support Strategy for S-E elaborated
- South-Estonia Development Agency (SEDA) upgraded

Sub-project 2:
- CARIN I (Co-ordinated Assistance for Regional Innovation) developed

Sub-project 3:
- Tourism Infrastructure in Peipsiveere region (Tartu, Jõgeva, Põlva counties) in place

Sub-project 4
- Tourism Infrastructure in Haanja region (Võru County) in place

Sub-project 5:
- Tartu and Võru Regional Training Centres operational
- 5 career counselling centres strengthened (one in every county)
- Network of accredited institutions and procedures for awarding qualifications developed

See ANNEX 1.

3.4 Activities

Sub-project 1 – Agency for programme design and implementation in South-Estonia (ANNEX 1A)

Component 1: Elaboration of comprehensive business support strategy for S-E
1.1.1 Meetings and workshops of Strategy Working group (representatives from regional and local governments, business support institutions, and business organisations)
1.1.2 Training for working group members

Component 2: Upgrading of South-Estonia Development Agency (SEDA)

1.2.1 Training of SEDA staff
1.2.2 Design of Information and management system for business support institutions
1.2.3 Building network between SEDA and regional business support institutions
1.2.4 Purchase of equipment for SEDA and for network building
1.2.5 Conducting a survey on satisfaction among the respective target groups (covering also Ida-Viru region)

Sub-project 2 - CARIN I (Co-ordinated Assistance for Regional Innovation)

2.1 Definition of regional innovation priorities and elaboration of detailed implementation plan for 2001-2003
   2.1.1 Mapping of technology needs of economy and market potential of existing R&D resources, and making respective database available
   2.1.2 Defining of development priorities and action plan, agreement by members of network
   2.1.3 Printing promotion materials for dissemination of information about respective development priorities, success stories etc.

2.2 Establishment of co-operation network between respective authorities and institutions
   2.2.1 Co-operation agreement between respective authorities and institutions
   2.2.2 Organising supportive activities
   2.2.3 Establishing information flow

2.3 Infrastructure for facilitation of technology development and transfer
   2.3.1 Development of Tartu Science Park II phase
   2.3.2 Establishment of company for technology transfer of Tartu University, and provision with technical infrastructure
   2.3.3 Reconstruction and equipping of product development centre in the field of food products
   2.3.4 Development of incubation premises for biotechnology spin-off companies
   2.3.5 Extension of rooms for material technology development
   2.3.6 Reconstruction and equipping of training class for biotechnology technicians

2.4 Increasing of quality of support services for introduction of new technologies
2.4.1 Design of two curricula for preparation of technology managers and managers for hi-tech SMEs
2.4.2 Training of trainers
2.4.3 Training of managers for spin-off firms
2.4.4 Training technology managers

Sub-project 3 – Tourism Infrastructure in Peipsiveere region (Tartu, Jõgeva, and Põlva counties) (ANNEX 1C)

According to the South-Estonia Tourism Strategy Tartu, Jõgeva and Põlva counties have agreed in need for developing of tourism in Peipsiveere region. In the phase I the infrastructure of unique cultural objects will be developed.

In order to increase tourism and trade, Peipsi Water Park Project (developing harbors, beaches and surroundings area) is foreseen in the phase II and Recreational Parks Project (developing tourism infrastructure in forests and bogs) in the phase III of the project (funding will be applied from Phare 2001 and 2002). Three different tourism products would form together the attractive tourism area of ‘Peipsi Lakeland’, which will be important part of the regional economy and employment in the future.

For further management and internal monitoring of sub-project the working group "Peipsiveere Culture Park" will be created with leading of Mrs. Liina Salujõe (director of Foundation Peipsiveere Development) (see Chapter 6 - Implementation Arrangements). The main task of the working group is selection and preparation for implementation of so-called "mini-projects" - components of tourism infrastructure in Peipsiveere region. Indicative list (with cost) of components is given in ANNEX 2C. Final decision for allocation of funds for components of sub-project will be done by project Steering Committee (incl. reallocation of funds in a transparent and defined selection procedure). (See also Chapter 6 - Implementation Arrangements).

Sub-project 4 – Tourism Infrastructure in Haanja region (Võru County) (ANNEX 1C)

According to the South-Estonia Tourism Strategy Võru County has selected Haanja region for developing of tourism. Infrastructure for conference and active nature tourism and sports will be developed, which will activate the local entrepreneurs to offer more accommodation and catering services.

For further management and internal monitoring of sub-project the working group "Haanja Conference and Sports Centre" will be created with leading of Mr. Juri Gotmans (head of Haanja Municipality) (see Chapter 6 - Implementation Arrangements). The main task of the working group is selection and preparation for implementation of so-called "mini-projects" - components of tourism infrastructure in Haanja region. Indicative list (with cost) of components is given in ANNEX 2D. Final decision for allocation of funds for components of sub-project will be done by project Steering Committee (incl. reallocation of funds in a transparent and defined selection procedure). (See also Chapter 6 - Implementation Arrangements).
Sub-project 5 - Enhancing Human Resources Development in Ida-Viru (ANNEX 1E)

Component 1: Development of RTCs in Võru and Tartu and support to network of VET institutions in S-E

5.1.1 Strategic plan for the development of the VET institutions network in the region
5.1.2 Review/or development of strategic and operational plans of 2 centres
5.1.3 Training of management and teaching staff
5.1.4 Development of 10 new curricula (incl. higher vocational education) in identified priority sectors and short modular courses for different target groups with integrated work-linked training periods in enterprises
5.1.5 Development of teaching materials, incl. for entrepreneurship and business studies
5.1.6 Procurement of equipment and upgrading the facilities to support the delivery of new courses
5.1.7 Set-up of a simulation firm for entrepreneurship studies and training of teaching staff
5.1.8 Development and implementation of an awareness rising campaign on life-long learning
5.1.9 2 RTC libraries will be provided with computers and modern literature to function as resource centres that collect and disseminate information on technological, scientific, management, EU related etc. topics, with Internet access, and will support initial as well as continuing training programmes.

Component 2: Strengthening of 5 career counseling centres

5.2.1 Training of career counselors of 5 centres
5.2.2 Collection and publication of information on training providers
5.2.3 Production of materials to support career counseling services

Component 3: Development of network of accredited institutions for awarding qualifications

5.3.1 Development of certification institutions
5.3.2 Development of procedures and tests
5.3.3 Training of examiners
5.3.4 Set up of a register of awarded qualifications

4. Institutional Framework

4.1 Steering and monitoring

Project steering Committee will be established for steering and monitoring of the project. The Ministry of Economic Affairs will chair Steering Committee. Jõgeva, Tartu, Põlva, Võru and Valga County Governments, other relevant ministries and institutions will be involved (see also Chapter 6 - Implementation Arrangements).
The Ministry of Economic Affairs (MoEA) is responsible for development of industry, trade, energy, tourism, innovation and regional businesses. The Ministry of Education (MoEduc.) is responsible for initial and continuing vocational education. The Ministry of Social Affairs is responsible for employment policy. The Ministry of Internal Affairs is responsible for local and regional administration. Jõgeva, Tartu, Põlva, Võru and Valga County Governments are responsible for balanced economic development of the county.

For daily monitoring of the project and serving the needs of Steering Committee, two Monitoring Units will be established (one in the MoEA and another in the MoEduc.). Monitoring units in the MoEA and MoEduc. are responsible for preparing the project, developing an operational institutional framework, and monitoring of implementation and working groups.

Independent evaluation will be carried out by an independent monitoring institution, which will report to European Commission, EC Delegation in Estonia, the Ministry of Finance, MoEA and Ministry of Education.

4.2 Implementation

The implementation function of South-Estonia project will be given to the South-Estonia Development Agency (SEDA), which will be a branch of the Business Support Foundation (BSF). BSF will consist of four agencies (technology, regional development, tourism and investment & export). Expertise in HRD will gain from Foundation VET Reform in Estonia by representation of this foundation in SEDA.

4.3 Beneficiaries

The direct beneficiaries of the project are local municipalities, SEDA, RTCs, Tartu University, Tartu Science Park, other R&D and business support institutions. They are involved in working groups for the sub-projects and municipalities provide a part of national co-financing.

4.4 Owners of the assets

For the investment components of the South-Estonia project the "Engineer" will be hired by SEDA who is the “Employer” for the project.

Owners of the assets after the end of the project:

- Sub-project 1- Agency for programme design and implementation in South-Estonia - SEDA
- Sub-project 2 – CARIN I (Co-ordinated Assistance for Regional Innovation) - Innovation support institutions (Tartu University, Tartu Science Park, etc.)
Sub-project 3 - Tourism Infrastructure in Peipsiveere region (Tartu, Jõgeva, Põlva Counties) - local municipalities of Peipsiveere region

Sub-project 4 - Tourism Infrastructure in Haanja region (Võru County) - Haanja municipality

Sub-project 5 – Enhancing HRD

Component 1: Development of RTCs in Võru and Tartu and support to the network of VET institutions in the region - Ministry of Education (regional Training Centres)

Component 2: Strengthening of career counselling centres - local municipalities (Career Counselling Centres)

Component 3: Development of network of accredited institutions of awarding qualifications - Ministry of Education

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Investment Support</th>
<th>Institution Building</th>
<th>Total Phare (I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
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<tbody>
<tr>
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<tr>
<td>Sub-project 2</td>
<td>CARIN I (Co-ordinated Assistance for Regional Innovation)</td>
<td>1.25</td>
<td>0.25</td>
<td>1.5</td>
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<td>Tourism Infrastructure in Peipsiveere region</td>
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<td>4.4</td>
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</tr>
</tbody>
</table>

See detailed cost breakdown of sub-projects in ANNEXES 2A-2E. For sub-projects 3-4 (ANNEX 2C and ANNEX 2D) detailed cost breakdown is indicative. Breakdown of funds between Tartu and Võru RTCs in ANNEX 2E is also indicative.

6. Implementation Arrangements

6.1 Implementing Agency

CFCU will be the implementing agency for the project. CFCU will be responsible for contracting and payments of project. Technical implementation of the project is responsibility of SEDA.
PAO: 
Name: Mr. Martin Põder  
Title: Deputy Secretary General  
Institution: Ministry of Finance  
Address: Suur-Ameerika 1; Tallinn 15006, Estonia  
Phone: +372 6113545  
Fax: +3726317810  
E-mail: martinp@fin.ee

6.1.1 Steering and monitoring

Steering Committee

For regular steering and monitoring purposes an inter-institutional Steering Committee will be appointed for the project, which meets on quarterly basis to monitor the progress of the project. The SC will:

- review, comment and approve all the reports and work plans
- discuss and authorise any changes that need to be made in project implementation plan or resource allocation, and will ensure the transparency in project selection process
- if in the capacity of its members, solve the problems in project environment

The SC includes the following members:
1. Raul Malmstein, Chairperson, Deputy Secretary General on Economic Development, MoEA
2. Signe Ratso, Deputy Secretary General on EU Integration, MoEA
3. Sirje Põder, Head of Monitoring Unit, MoEA
4. Madis Lepajõe, Deputy Secretary General, MoE
5. Mati Kask, Head of Vocational Education Department, MoEduc
6. Reelika Arro, Senior Specialist of Employment Department, MoSA
7. Priidu Ristkok, Head of Regional Development Department, MoIA
8. Representative of S-E, to be appointed by Central Union of Industry and Employers
9. Eve Sepp or Arno Arukask, Representative of S-E, Central Labour Union
10. Toomas Hansson, Representative of S-E, Chamber of Commerce and Industry
11. Mati Jõgi, Acting Head of Development and Planning Department, Jõgeva County Government
12. Haimar Sokk, Head of Development and Planning Department, Põlva County Government
13. Karin Jaanson, Deputy Head of Development and Planning Department, Tartu County Government
14. Georg Trashanov, Head of Development and Planning Department, Valga County Government
15. Ülle Puustusmaa, Head of Development and Planning Department, Võru County Government
16. Kai Willadsen, EC Delegation
17. Renaldo Mändmets, Head of the Foreign Financing Department of the Ministry of Finance
Monitoring Units within the ministries

For preparation and daily monitoring of the overall project the inter-departmental Monitoring Unit will be set up in the MoEA.

The MU will:
- design the overall project
- maintain regular contacts with Implementing Agency and regional authorities
- provide logistical support for the Steering Committee
- be represented in Working Groups for sub-projects

The MU will consist of the following officials:
1. Sirje Põder, Unit Head, Regional Development Specialist (Economic Development Department) - project design, sub-project 1
2. Marika Tamm, Foreign Aid specialist (EU Integration Department) - project design
3. Kitty Kubo, Innovation Specialist (Industry Department) - sub-project 2
4. Riina Piliste, Tourism specialist (Trade Department) - sub-project 3-4
5. Paul Madalik, Business Development Specialist (Economic Development Department)

The Ministry will ensure that the members of the unit will have sufficient working time allocated for their tasks in the unit (at least 20% of the total working time). The rest they will spend on regular tasks of the relevant department.

Mr. Mati Kask, Head of the Vocational Education Department in the Ministry of Education will monitor HRD components - sub-project 5.

6.1.2 Technical implementation Unit

South-Estonia Development Agency (SEDA)

SEDA, a branch of Business Development Foundation will act as the technical implementation unit of the project. Its responsibilities include:
- project management
- providing TA for project beneficiaries,
- writing integrated project reports,
- providing logistical support for the sub-project based working groups.

South-Estonia Development Agency will work on the basis of the current Project Fiche and Terms of Reference.

SEDA is responsible for implementation of the whole project. Implementation can be arranged by project managers of SEDA or delegated to other appropriate institutions (e.g. management of sub-project 5 to Foundation of VET Reform in Estonia).

Working Groups within SEDA

SEDA will set up sub-project based working groups consisting of relevant steering and beneficiary organisations, experts and NGO representatives. The working groups will advise implementation of the relevant project components. Working group for tourism sub-projects will also select the "mini-projects" inside
the sub-project. Working Groups will meet at least on a regular basis. Working groups will be chaired by the SEDA project managers responsible for the relevant component, or if practical, project manager of relevant sub-contractor.

In the framework of South-Estonia project 5 working groups will be established:

For sub-project 1: **Business Support Strategy and upgrade of SEDA**
Composition: Ministries  
County Governments  
South Estonian Development Agency  
Union of Local Municipalities  
Union of Employers  
Labour Union  
Business Support Structures  
Universities  
Regional Training Centres  
NGOs

For sub-project 2- **CARIN (Co-ordinated Assistance for Regional Innovation)**
Composition: Tartu County Government.  
Tartu Town Government  
University of Tartu  
Estonian Agricultural University  
Tartu Science Park  
Archimedes Foundation Estonian  
Chamber of Commerce and Industry, Tartu Regional Department  
Estonian Association of Small and Medium Enterprises  
Tartu Business Advisory Centre  
Ministry of Economic Affairs  
South Estonian Development Agency  
Foundation Innovation Fund

For sub-project 3- **Peipsiveere Culture Park**
Composition: Ministry of Economic Affairs  
S-E Development Agency  
Peipsiveere Development Agency  
Jõgeva County Government  
Põlva County Government  
Tartu County Government  
Union of Local Municipalities of Jõgeva County  
Union of Local Municipalities of Põlva County  
Union of Local Municipalities of Tartu County  
Foundation S-E Tourism

For sub-project 4- **Haanja Conference and Sports Centre**
Composition: Võru County Government  
Foundation S-E Tourism  
S-E Development Agency  
Haanja Municipality  
Local entrepreneurs
Ministry of Economic Affairs

For sub-project 5 - **Human Resources Development**
Composition: Ministry of Education
Foundation VET Reform in Estonia
S-E Development Agency
County Government
Employment Office
Regional Training Centres
Regional BAS Centres
Chamber of Commerce and Industry
Confederation of Estonian Employers and Industry
Trade Union
Local Governments
Career Guidance Centres

See project implementation scheme in ANNEX 5.

**PO in the MoEA is:**
Mrs. Signe Ratso
Deputy Secretary General
Ministry of Economic Affairs
Harju 11
Tallinn 15072
Estonia
Phone: +372 6256310
Fax: +372 6313660
e-mail: sratso@mineco.ee

**PO in the Ministry of Education is:**
Mr. Mati Kask
Head of the Vocational Education Department
Ministry of Education
Sakala 23, 10141 Tallinn
Tel: (2) 6 281 220
Fax: (2) 6 311 505

6.2 Twinning

No twinning arrangements are foreseen for the implementation of the project.

6.3 Non-standard aspects

National co-financing will come from the 2001 and 2002 budgets of the MoEA.
For sub-project 5 Ministry of Education has earmarked co-financing in its budget for 2000 and 2001.

The DIS Manual will strictly be followed.
6.4 Contracts

<table>
<thead>
<tr>
<th>Sub-project 1</th>
<th>Supply contracts</th>
<th>Service contracts</th>
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<tr>
<td>Sub-project 2</td>
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<td></td>
</tr>
<tr>
<td>CARIN I (Co-ordinated Assistance for Regional Innovation)</td>
<td>1.25</td>
<td>0.25</td>
</tr>
<tr>
<td>Sub-project 3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism Infrastructure in Peipsiveere region</td>
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<td>0.02</td>
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<td>Sub-project 4</td>
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</tr>
<tr>
<td>Tourism Infrastructure in Haanja region</td>
<td>0.36</td>
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<tr>
<td>Sub-project 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhancing Human Resources Development in S-E</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Total</td>
<td>3.3</td>
<td>1.1</td>
</tr>
</tbody>
</table>

7. Implementation Schedule

7.1 Start of tendering/call for proposals: 11.2000

7.2 Start of project activity: 01.2001

7.3 Project Completion: 12.2002

8. Equal Opportunity

- Equal opportunities for men and women will be ensured by the steering committee during the implementation of the project.
- In sub-project 6-8 the equal opportunities for men and women to participate in the project will be also guaranteed and measured by recording the participants in the training courses.

9. Environment

- Environmental Impact Assessment report is not available at the moment, but will be elaborated with Phare technical assistance before the beginning of project or before the start of investment activities for sub-projects 2-4.
- The sub-project 5 has a direct positive impact, as environmental issues will be integrated into the developed modules for initial and continuing training.

10. Rates of return

- Economic internal rate of return, and the feasibility studies are in preliminary stage (first assessments of needs, SWOT Analyses, etc.), but they will be completed with

\[ \text{Funds for TA have been reserved from ES9912: PHARE Project Preparation Facility.} \]
Phare Technical Assistance\[ before the beginning of project or before the start of investment activities for sub-projects 2-4.

11. Investment criteria

11.1 Catalytic effect:

- Development of infrastructure in the region will attract co-financing from private sector
- Sub-project 5: the project improves the capacity of the human resources in the regions as active and educated people with equal opportunities are the key-element of arising and using the regions social and economic potential

11.2 Co-financing:

- 25% co-financing will be allocated from the State Budget/Local Budgets.
- Sub-project 5: the project will be co-financed by the Estonian Ministry of Education; sub-projects 1-4: by the MoEA and respective local municipalities.

11.3 Additionality:

- Phare grants do not displace other financiers (mainly different National Support Programs). If public support arises, the interest of financiers from the private sector or IFIs will arise as well.
- Sub-project 6-8: boosting HRD will attract and complement the investments into the regions and will support the government active labour market measures to combat unemployment and social crisis in the regions.

11.4 Project readiness and Size:

- Before the start of investment components all necessary technical studies will be completed (see item 9,10).
- The total of all Phare financed investment components of the project is 3,3 MEUR.
- The current project is phase one for developing favourable business environment for new and growing businesses in South-Estonia. Further development will take place in the year 2002-2003.
- Sub-project 5: deriving from the surveys, statistics and regional development plans the key issues tackled by the project are in coherence. The project is also in line with the recommendation made by ETF for further assistance in the sector.

11.5 Sustainability:

- The investment will be sustainable after the completion of the project. Local government and state authorities will pay for future maintenance and operating costs of business support system and innovation support infrastructure in S-E. Local government will own the tourism objects, which will be partly operated and maintained by private entrepreneurs. The project will not have an adverse effect

\[ Funds for TA have been reserved from ES9912: PHARE Project Preparation Facility.\]
on the environment.

- Sub-project 5: the project supports the implementation of regional development plans within the framework of on-going vocational education reform in Estonia, in line with the newly adopted decisions, laws and agreements with the social partners. This will secure the interest of all the partners and sustainability of the outcomes of the project. The measures described comply with the European Employment Strategy: improving employability, developing entrepreneurship, encourage adaptability of businesses and their employees, strengthening equal opportunities for women and men.

11.6 Compliance with state aids provisions:

- The state aid is regulated by Estonian Competition Law, which is harmonized and in compliance with European Union regulations.

11.7 Contribution to the National Development Plan:

The project will help to implement the measures according to the relevant parts of the National Development Plan. The following chapters from the National Development Plan are related to the Economic and Human Resources Development Project of South-Estonia:

- Chapter 4.2 - Industry and Business Development,
- Chapter 4.3 - Tourism,
- Chapter 4.4 - Employment and Training,
- Chapter 6.4 - Priorities for Target Regions

12. Conditionality and sequencing

The main condition for the whole project is operating Business Support Foundation (BSF) with its branch - South-Estonia Development Agency (SEDA). Estonian Government has taken the decision (on 18th of March 2000) to create integrated BSF by Dec. 2000. SEDA will be founded in July 2000 as a branch of Estonian Regional Development Agency (ERDA). Following the Government decision ERDA will become in a part of BDF and according to that SEDA will become in a regional (South-Estonia) branch of BSF.

Ministry of Economic Affairs, Estonian Regional Development Agency and county governments of the target region will plan the appropriate structure and functions of the agency to ensure that SEDA is staffed and functioning before the project begins. Existing capacity to implement and manage EU projects on regional and central level (Estonian Regional Development Agency, regional BAS Centres, Foundation South-Estonia Tourism, Foundation VET Reform in Estonia, etc.) will be utilised by staffing and functioning of SEDA.


The labour market analyses will be completed by June 2000.

Development of a network and procedures for awarding qualifications will be based on the new “Law on Professions” and “Law on Recognition of Foreign Qualifications”
expected to be passed by the Parliament in the first half of 2000.

Development of human resources, tourism and business & innovation is already outlined as priority in NDP and county strategies, and can be therefore started before the completion of the regional business support strategy.

See sequencing in ANNEX 3 and ANNEX 4.
Annexes to project Fiche

1. ANNEX 1 Logical framework matrix for the project: Economic and HRD in S-E
2. ANNEX 1A Logical framework matrix for the sub-project 1: South-Estonia (S-E) programme design and implementation agency
3. ANNEX 1B Logical framework matrix for the sub-project 2: CARIN I (Co-ordinated Assistance for Regional Innovation)
4. ANNEX 1C Logical framework matrix for the sub-project 3: Tourism Infrastructure in Peipsiveere region
5. ANNEX 1D Logical framework matrix for the sub-project 4: Tourism Infrastructure in Haanja
6. ANNEX 1 E Logical framework matrix for the sub-projects 5: Enhancing Human Resources Development in South-Estonia
7. ANNEX 2 Detailed cost breakdown of the project: Economic and HRD in S-E
8. ANNEX 2A Detailed cost breakdown of the sub-project 1: Comprehensive Business Support Strategy for S-E and upgrade of South Estonian Development Agency (SEDA)
9. ANNEX 2B Detailed cost breakdown of the sub-project 2: CARIN I (Co-ordinated Assistance for Regional Innovation)
10. ANNEX 2C Detailed cost breakdown of the sub-project 3: Tourism Infrastructure in Peipsiveere region
11. ANNEX 2D Detailed cost breakdown of the sub-project 4: Tourism Infrastructure in Haanja
12. ANNEX 2E Detailed cost breakdown of the sub-project 5: Enhancing HRD in S-E
13. ANNEX 3 Time implementation chart of the S-E project
14. ANNEX 4 Contracting and disbursement schedule of the S-E project
15. ANNEX 5 Scheme of implementation arrangements of the S-E project
16. ANNEX 6 Short description and scheme of the reform of business supporting foundations in Estonia
**ANNEX 1 to Project Fiche**

**LOGFRAME PLANNING MATRIX FOR**
ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF SOUTH-ESTONIA (S-E)

<table>
<thead>
<tr>
<th>Project Number ES0007-2</th>
<th>Total Budget: 5.85 MEUR</th>
<th>Phare contribution: 4.4 MEUR</th>
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</thead>
</table>

### Wider Objective ES007-2

**Indicators of Achievement**
- Favourable Business Environment in S-E
  - Investments increase 3% by the end of 2002 compared to 2000
  - Number of firms increased 5% by the end of 2002 compared to 2000

**How, When and By Whom Indicators Will Be Measured**
- Statistical Yearbooks issued by Estonian Statistical Office
- Database of Business Register

**Assumptions and Risks**

### Immediate Objectives ES007-2

**Indicators of Achievement**
- Integrated Support System for Business Development and Innovation in S-E
  - 80% of S-E business support institutions are integrated in the support system
  - Satisfaction level of entrepreneurs

- Tourism infrastructure in selected regions of S-E
  - Number of tourists in S-E increased 5% by the end of 2002 compared to 2000
  - Satisfaction level of target groups

- Enhanced HRD in South Estonia
  - Satisfaction level of target groups

**How, When and By Whom Indicators Will Be Measured**
- Agreement on Business Support Principles available in SEDA
- Regional Sample Survey of enterprises
- Statistical Yearbooks issued by Estonian Statistical Office
- Regional Survey among the target groups

**Assumptions and Risks**

### Outputs ES007-2

**Indicators of Achievement**
- Comprehensive Business Support Strategy for S-E
  - Strategy approved by regional authorities by the end of year 2001

- South-Estonia Development Agency (SEDA) upgraded
  - Phare South-Estonia project successfully implemented by the end of 2002

- Network for CARIN I (Co-
  - Action plan approved by at least

**How, When and By Whom Indicators Will Be Measured**
- Reports of Strategy working group meetings available in SEDA
- Strategy Paper available in SEDA and county governments
- Regular Reports of SEDA to Steering Committee
- Meeting reports, Progress and Final

**Assumptions and Risks**

1) Stable macroeconomic development in Estonia
2) Favourable business related legislation
3) Sufficient Policy Support for Businesses and Innovation
4) Successful restructuring of current business support structures
| ordinated Assistance for Regional Innovation) established | 90% of respective authorities and institutions and published by 2001  
- Co-operation agreement between at least 90% of respective authorities and institutions by 2001  
- Incubation premises for hi-tech SMEs increased 50% by the end of 2002 compared to 2000  
- 8 additional firms in incubator by the end of 2002  
- Volume of technology transfer services increased at least 20% by 2002 compared to 2000  
- Tourism support system for Peipsi region co-ordinated by respective unit in SEDA  
- Number of tourists visited Jõgeva, Tartu and Põlva counties increased 10% by the end of year 2002 compared to 2000  
- Number of tourists passing Haanja area increased 20% by the end of 2002 compared to 2000  
- Number of tourism services providers increased 20% in Haanja by the end of 2002 compared to 2000  
- Ten (10) new curricula and short modular courses for target groups developed  
- 50 teachers' pedagogic and technical skills up-graded  
- Equipment and facilities up-graded  
- Resource centres and simulation firms operational | Reports of the Sub-Project  
- Documents approved and published  
- Recorded co-operation agreement  
- Inspection by the Steering Committee  
- Project reports  
- Project reports  
- Regular reports of SEDA  
- Estonian Statistical Office, Yearbook  
- Project reports, survey  
- Regional Database (CSO), Business Register, municipality statistics  
- MoE and Professional Councils approve the curricula  
- Employment Offices and employers feedback on the quality of the new courses  
- Project reports  
- Inspection by the Steering Committee  
- MoEduc. carries out acceptance of Resource centres and simulation firm. |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism Infrastructure in Peipsiveere region in place</td>
<td></td>
</tr>
</tbody>
</table>
- Tourism Infrastructure in Peipsiveere region in place |
| Tourism Infrastructure in Haanja region (Võru County) in place |  
- Tourism Infrastructure in Haanja region (Võru County) in place |
| Two (2) RTCs developed and operational |  
- Two (2) RTCs developed and operational |
### Five (5) career counselling centres strengthened
- Film and video clips on lifelong learning produced
- Number of people who use the information and services
- 2 catalogues published
- Counselling material published
- 10 counsellors trained
- Certifying procedures, guidelines and tests developed
- 10-15 examiners trained
- 2-3 institutions accredited
- Register of awarded qualifications set up

### Accredited certifying institutions developed
- Project reports
- Project reports
- Project reports
- Project reports
- Approval and evaluation report by the Professional councils accepting the procedures
- Regular Statistics of the accredited institutions
- Project reports, Internet

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Budget TOTAL</th>
<th>Budget Phare</th>
<th>Assumptions and Risks</th>
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<tbody>
<tr>
<td>Institutional building and investment components</td>
<td><strong>Sub-project 1</strong> - S-E strategy and upgrade of SEDA - 0.2 MEUR</td>
<td><strong>Sub-project 1</strong> - S-E strategy and upgrade of SEDA - 0.15 MEUR</td>
<td>1) Active involvement of regional authorities and other institutions</td>
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<tr>
<td>Phare funding</td>
<td><strong>Sub-project 2</strong> - CARIN - 2 MEUR</td>
<td><strong>Sub-project 2</strong> - CARIN - 1.5 MEUR</td>
<td>2) Feasibility and Environmental Impact studies are completed in time</td>
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<td><strong>Sub-project 3</strong> - Tourism in Peipsiveere region - 0.35 MEUR</td>
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<td></td>
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<td><strong>Sub-project 4</strong> - Tourism in Haanja region - 0.4 MEUR</td>
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</tr>
<tr>
<td></td>
<td><strong>Sub-project 5</strong> - HRD - 2.65 MEUR</td>
<td><strong>Sub-project 5</strong> - HRD - 2.0 MEUR</td>
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### LOGFRAME PLANNING MATRIX FOR sub-project 1

**South-Estonia (S-E) programme design and implementation agency**

<table>
<thead>
<tr>
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<th>Project Name</th>
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<th>Phare contribution: 0.15 MEUR</th>
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</thead>
</table>

**Wider Objective**

- **Integrated support system for business development and innovation in S-E**
  - 80% of regional business support institutions are integrated in the support system by the end of 2002
  - Satisfaction level of enterprises positive

**How, When and By Whom Indicators Will Be Measured**

- Signed agreement on business development principles available in SEDA and county governments
- Regional survey among the target group

**Assumptions and Risks**

- Co-ordination of sectoral and regional planning has improved (incl. design of state budget)
- Administrative reform successfully completed
- Reform of business support foundations successfully completed

**Immediate Objectives**

- Capacity of programme design and implementation in South-Estonia
  - Sort-term and medium-term priorities for South-Estonia identified by the end of 2001
  - Financing of public development projects has increased 25% by the end of 2002 compared to 2000

**How, When and By Whom Indicators Will Be Measured**

- South-Estonia development strategy accepted by regional authorities and social partners (signed agreement)
- Annual reports presented by SEDA to Steering Committee

**Assumptions and Risks**

- Co-ordination of sectoral and regional planning has improved (incl. design of state budget)
- Administrative reform successfully completed
- Reform of business support foundations successfully completed

**Outputs**

- Comprehensive business support strategy for S-E
  - Strategy paper approved by regional authorities and social partners by the end of 2001

**How, When and By Whom Indicators Will Be Measured**

- Reports of Strategy working group meetings available in SEDA
- Strategy Paper available in SEDA

**Assumptions and Risks**

- Effective co-operation of respective ministries and regional authorities
- SEDA capable to implement regional programmes
- Satisfaction level of target groups assessed
- Phare South-Estonia project successfully implemented by the end of 2002
- Sample survey among enterprises in S-E (and I-V) completed by July 2003
- Project Regular and Final reports
- Interim report of survey available in the end of 2002 and final report in July 2003 in SEDA (IVDA), MoEA and MoEduc
- Successful involvement of private sector into development activities

**Inputs**
- Funds from State budget and Phare for sub-project components:
  - Business support strategy - 0.07 MEUR
  - Sample survey - 0.02 MEUR
  - Upgrade of SEDA - 0.11 MEUR
  - Local expertise
- See detailed cost breakdown in ANNEX 2A

- SEDA established, staffed and functioning by the end of 2000
- S-E county governments and unions of local municipalities offer effective partnership to the MoEA and MoEduc. in the project
<table>
<thead>
<tr>
<th>Project Number ES</th>
<th>Total Budget: 2.0 MEUR</th>
<th>Phare contribution: 1.5 MEUR</th>
</tr>
</thead>
</table>

**Wider Objective**  
- *Integrated Support System for Business Development and Innovation in S-E*  
  - Satisfaction of respective target groups with innovation support system  
  - Independent survey among the respective target groups

**Immediate Objectives**  
1. Regional innovation action plan for 2001-2003 accepted by respective parties  
2. Co-operation network between respective authorities and institutions operating  
3. Infrastructure for facilitation of technology development and transfer in place  
4. Quality of support services for introduction of new technologies increased

| 1. Action plan approved by at least 90% of respective authorities and institutions and published by the end of 2001 | 1. Documents approved and published |
| 2. Co-operation agreement between at least 90% of respective authorities and institutions by the end of 2001 | 2. Recorded co-operation agreement |
| 3.1 Up to 8 new hi-tech SMEs in Tartu Science Park and up to 4 new spin-offs in the field of biotechnology by the end of 2002 | 3.1 Project reports |
| 3.2 Incubation premises for hi-tech SMEs increased at least 35% by the end of 2002 from today’s 2600m² | 3.2 Project reports |
| 4. Volume of technology services offered by Tartu University increased up to 0.03 MEUR by the end of 2002 from today’s 0.003 MEUR | 4. Project reports |

**Assumptions and Risks**  
- Stable macroeconomic development  
- Favourable legal framework  
- Policy support for technology development and innovation (significant increase of budget allocations for technology development and innovation)  
- Implementation of NDP in concern of restructuring of Innovation Foundation and improvement of public support schemes for technology development and innovation
<table>
<thead>
<tr>
<th>Outputs</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Technology needs of economy and existing R&amp;D resources with market potential mapped</td>
<td>1.1 Evaluation report approved by respective institutions by the end of 2001</td>
<td>1.1. Evaluation report</td>
<td>• Good co-operation between respective institutions</td>
</tr>
<tr>
<td></td>
<td>1.2 Completed database available by the end of 2002</td>
<td>1.2 Project reports, Internet</td>
<td>• Support of regional and local authorities to the activities</td>
</tr>
<tr>
<td></td>
<td>1.3 Development priorities defined and agreed by the end of 2001</td>
<td>1.3 Recorded documents</td>
<td>• Interest and support from final target groups</td>
</tr>
<tr>
<td></td>
<td>1.4 Respective materials printed by the end of 2002</td>
<td>1.4 Published materials</td>
<td></td>
</tr>
<tr>
<td>2.1 Co-operation network between respective authorities and institutions established</td>
<td>2.1 Meetings of respective institutions at least once a quarter 2001-2002</td>
<td>2.1 Meeting reports</td>
<td></td>
</tr>
<tr>
<td>2.2 Supportive activities organised</td>
<td>2.2 Training session’s and seminar’s TORs</td>
<td>2.2 Project reports</td>
<td></td>
</tr>
<tr>
<td>2.3 Information flow organised</td>
<td>2.3 Common Web-page and e-mail list for network exists by the end of 2001</td>
<td>2.3 Web address and e-mail address</td>
<td></td>
</tr>
<tr>
<td>3.1 Tartu Science Park Development II phase completed</td>
<td>3.1.1 1000 m² renovated rooms provided with technical communications by the end of 2002</td>
<td>3.1.1. Project reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.1.2 2.3 ha additional territory developed by 2002</td>
<td>3.1.2 Territory in use (parking lot and landscaping)</td>
<td></td>
</tr>
<tr>
<td>3.2 Technology transfer company of Tartu University established and provided with technical infrastructure</td>
<td>3.2.1 Business plan, statute developed by the end of 2001</td>
<td>3.2.1 Legal person exists</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.2.2 TT company manned and trained</td>
<td>3.2.2. Project reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.2.3 Office equipped by 2001</td>
<td>3.2.3 Inspection of the office by the steering committee</td>
<td></td>
</tr>
<tr>
<td>3.3 Product development centre of Estonian Agricultural University in the field of food products reconstructed and equipped</td>
<td>3.3.1 Technology laboratory reconstructed and equipped</td>
<td>3.3.1. Inspection of the office by the steering committee</td>
<td></td>
</tr>
<tr>
<td>3.4 Incubation premises for biotechnology</td>
<td>3.4.1 800m² new facilities for</td>
<td>3.4.1 Inspection of the</td>
<td></td>
</tr>
<tr>
<td>spin-off companies developed in the biotechnology Centre of Excellence of Tartu University</td>
<td>biotechnology spin-offs available by the end of 2002 (500m2 for incubation)</td>
<td>office by the steering committee</td>
<td></td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>--------------------------------</td>
<td></td>
</tr>
<tr>
<td>3.4.2. Full project (incl. architectural, environmental) for building of second stage for biotechnology industry completed by the end of 2002</td>
<td>3.4.2. Project prepared for investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5 Extended rooms for development of material technology Centre of Excellence of Tartu University</td>
<td>3.5 722 m² rooms reconstructed and provided with technical communications by the end of 2002</td>
<td>3.5 Inspection of the office by the steering committee</td>
<td></td>
</tr>
<tr>
<td>3.6 Training class for biotechnology technicians equipped and reconstructed in Tartu University</td>
<td>3.6 Training class renovated and equipped by the end of 2001</td>
<td>3.6 Inspection of the office by the steering committee</td>
<td></td>
</tr>
<tr>
<td>4. Training courses of technology managers introduced</td>
<td>4.1 Two curricula for preparation of technology managers and managers for hi-tech SMEs designed by 2001</td>
<td>4.1 Two curricula introduced to the University of Tartu</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.2 10 trainers trained by 2001</td>
<td>4.2 Project reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.3 20 spin-off firms managers trained by 2002</td>
<td>4.3 Project reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.4 40 persons trained as technology managers by 2002</td>
<td>4.4 Project reports</td>
<td></td>
</tr>
</tbody>
</table>

**Inputs**

<table>
<thead>
<tr>
<th>1.1 – 1.4 Assessment of needs and action plan</th>
<th>2.1 - 2.3 Co-operation network</th>
<th>3.1 – 3.6 Technology transfer structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phare contribution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. 0.01 MEUR</td>
<td>2. 0.04 MEUR</td>
<td>3. 1.4 MEUR including:</td>
</tr>
<tr>
<td>3.1 total 0.17 MEUR</td>
<td>3.1.1. 0.13 MEUR (INV)</td>
<td>3.1.2 0.04 MEUR (INV)</td>
</tr>
<tr>
<td>3.2 total 0.07 MEUR</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Phare contribution**

- Development priorities and action plan agreed by different parties
- Administrative capacity and know-how sufficient in region for implementation of projects
- Properly prepared projects
- Funding of project according to agreed work-plan
| 3.2.1 business plan, statute     | 3.2.1 0.003 MEUR (IB) |
| 3.2.2 recruitment and training  | 3.2.2 0.037 MEUR (IB) |
| 3.2.3 office equipment          | 3.2.3 0.03 MEUR (INV) |
| 3.3 Product development centre of Agricultural University | 3.3 0.09MEUR (INV) |
| 3.4 Bio-technology incubation   | 3.4 total 0.51MEUR |
| 3.4.1 new incubation premises   | 3.4.1 0.4 MEUR (INV) |
| 3.4.2 project preparation       | 3.4.2 0.11 MEUR (IB) |
| 3.5 Material technologies centre of excellence | 3.5 0.51MEUR (INV) |
| 3.6 Training class              | 3.6 0.05MEUR (INV) |
| **4. Quality of support services** | **4. 0.05 MEUR** |
**ANNEX 1C to Project Fiche**

| LOGFRAME PLANNING MATRIX for sub-project 3 – Tourism Infrastructure in Peipsiveere region (PEIPSI CULTURE PARK) | Economic and HRD project of S-E | Date of drafting: 17.03.00 |

| **Total Budget:** (MEUR) | **Phare contribution:** (MEUR) |
| 0.47 | 0.35 |

<table>
<thead>
<tr>
<th><strong>Wider Objective</strong></th>
<th><strong>Indicators of Achievement</strong>*</th>
<th><strong>How, When and By Whom Indicators Will Be Measured</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism infrastructure in selected regions of S-E</td>
<td>Number of tourists in S-E increased 5% by the end of 2002 compared to 2000</td>
<td>Statistical Yearbooks issued by Estonian statistical Office</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Immediate Objectives</strong></th>
<th><strong>Indicators of Achievement</strong>*</th>
<th><strong>How, When and By Whom Indicators Will Be Measured</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism infrastructure in Peipsiveere region - Phase I – Peipsi Culture Park</td>
<td>Number of tourists visited Jõgeva, Tartu and Põlva counties increased 10% by the end of year 2002 compared to 2000</td>
<td>Statistical Yearbooks issued by Estonian statistical Office</td>
<td>Stable macroeconomic development in Estonia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Outputs (Results)</strong></th>
<th><strong>Indicators of Achievement</strong>*</th>
<th><strong>How, When and By Whom Indicators Will Be Measured</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Integrated tourism support system for Peipsi region</td>
<td>Tourism support system for Peipsi region co-ordinated by respective unit in SEDA</td>
<td>Regular reports of SEDA</td>
<td>Higher demand for tourism services in Peipsiveere region</td>
</tr>
<tr>
<td>2. Improved tourism infrastructure in most attractive places of the Peipsi region</td>
<td>Infrastructure for culture tourism renovated</td>
<td>Inspection by Steering Committee</td>
<td>Culture tourism is popular</td>
</tr>
<tr>
<td>3. Effective marketing of the region</td>
<td>Information about Peipsiveere collected and disseminated</td>
<td>3.1 Information available and knowledge gained via various channels and events</td>
<td></td>
</tr>
<tr>
<td>3.2 Project regular reports</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Input</strong></th>
<th><strong>Budget (Phare)</strong></th>
<th><strong>Preconditions</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 project manager</td>
<td>Working group &quot;Peipsi Culture Park&quot; will</td>
<td>1. Steering Committee will approve</td>
</tr>
</tbody>
</table>
| 1 project expert or advisor | identify the "priority projects and submit the proposal for allocation of funds to these projects to the Steering Committee for approval. Indicative list of "priority projects is attached in ANNEX 2C. **Total amount of funds available for the project is 0.47 MEUR (Phare - 0.35 MEUR).** | activities and documents  
2. Project partners confirm their partnership in the project  
3. Entrepreneurs are interested in participating in the project |
### ANNEX 1D to Project Fiche

**LOGFRAME PLANNING MATRIX FOR sub-project 4 Tourism infrastructure in Haanja region**

<table>
<thead>
<tr>
<th>Project Number ES</th>
<th>Economic and HRD project of S-E</th>
<th>Date of drafting:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Wider Objective

<table>
<thead>
<tr>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Tourism infrastructure in selected regions of S-E</td>
<td>Number of tourists in S-E increased 5% by the end of 2002 compared to 2000</td>
<td>Statistical Yearbooks issued by Estonian statistical Office</td>
</tr>
</tbody>
</table>

#### Immediate Objectives

<table>
<thead>
<tr>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Tourism infrastructure in Haanja region</td>
<td>Number of tourists passing Haanja area increased 20% by the end of 2002 compared to 2000</td>
<td>Project reports, survey</td>
</tr>
<tr>
<td></td>
<td>Number of tourism services providers increased 20% in Haanja by the end of 2002 compared to 2000</td>
<td>Regional Database (CSO), Business Register, municipality statistics</td>
</tr>
</tbody>
</table>

#### Outputs

<table>
<thead>
<tr>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improved infrastructure for tourism and sports in Haanja</td>
<td>Infrastructure for active nature &amp; conference tourism and sports constructed and renovated</td>
<td>Availability of national and local co-finances</td>
</tr>
<tr>
<td>• Developed private-public co-operation</td>
<td>Complementary services (accommodation, etc.) developed by private companies</td>
<td>Availability of financing for companies</td>
</tr>
</tbody>
</table>

#### Inputs

- Equipment, civil works, machinery, experts

| Budget TOTAL 0.53 MEUR (Phare: 0.4 MEUR) | Selection of "priority projects" will be the responsibility of Haanja working group. | Steering Committee will approve the selected "priority projects". |

---

**Project Number ES**

- Total Budget: 0.53 MEUR
- Phare contribution: 0.4 MEUR
### ANNEX 1E to Project Fiche

**LOGICAL FRAMEWORK MATRIX FOR SUB-PROJECT 5 “Enhancing Human Resource Development in South of Estonia”**

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Total Budget: (MEUR)</th>
<th>Phare contribution: (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ES</td>
<td>2.65</td>
<td>2.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support to HRD</th>
<th>Date of drafting: 29.03.2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires: 31.12.2002</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enhanced HRD in South Estonia</td>
<td>Enhanced HRD in South Estonia</td>
<td>Employment rate in S-E increased 1% by the end of 2002 compared to 2000</td>
<td>1. Labour Force Survey (State Statistics Board)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 Widened access to initial and continuing education and training</td>
<td>2.1.1 Number of enrolled people in the RTCs for continuing education courses has increased by 30% as compared to the average within public VET institutions.</td>
<td>2.1.1 Employment Offices regular statistics, MoEduc. statistics</td>
<td>2.1. Financing schemes to support individuals and SMEs in participating in continuing education courses available</td>
</tr>
<tr>
<td></td>
<td>2.1.2 Feedback from the students and employers on the quality of offered courses in the RTCs</td>
<td>2.1.2 Analysed evaluation sheets of the courses participants</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.2 Different target groups used the information and competent advice on career planning</td>
<td>2.2 Quarterly statistics of the career guidance centres on the number of people who get directly contact and information through the services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.3 People acquire certified qualifications that will make them more competitive in the labour market</td>
<td>2.3 Professional Councils reports and information in the register of awarded qualifications</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outputs</th>
<th>Indicators of Achievement*</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inputs</td>
<td>Budget (Phare):</td>
<td>Be Measured</td>
<td></td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>• Labour market analyses</td>
<td>1. Development of RTCs - 1.4 MEUR</td>
<td>3.1. Strategic plans are approved by the Regional Steering Committee. MoEduc. and Professional Councils have approved new courses</td>
<td></td>
</tr>
<tr>
<td>• International and local know-how and expertise</td>
<td>2. Career counselling - 0.35 MEUR</td>
<td>3.2 MoEduc. carries out acceptance of Resource centres and simulation firms</td>
<td></td>
</tr>
<tr>
<td>• Equipment</td>
<td>3. Network &amp; procedures for awarding qualification - 0.2 MEUR</td>
<td>3.3 Regular Project Reports</td>
<td></td>
</tr>
<tr>
<td>• Training</td>
<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3.5 Regular Project Reports. Approval and evaluation report by the Professional councils accepting the procedures</td>
<td></td>
</tr>
</tbody>
</table>

| 3.1 2 RTCs developed and operational based on the needs of the region | 3.1 Strategic and operational plans developed, 10 new curricula + short modular courses developed, 50 teachers pedagogic and technical skills up-graded, equipment and facilities up-graded | 3.1. Strategic plans are approved by the Regional Steering Committee. MoEduc. and Professional Councils have approved new courses                                                                                       |
| 3.2 Resource centres and simulation firms equipped                   | 3.2 Approval procedure for the Resource centres and simulation firms             | 3.2 MoEduc. carries out acceptance of Resource centres and simulation firms                                                                                                                                 |
| 3.3 Awareness raising events on lifelong learning completed           | 3.3 Films and video clips produced                                              | 3.3 Regular Project Reports                                                                                                                                                                                   |
| 3.4 Five counselling centres strengthened                            | 3.4. Materials on career counselling published, 10 career counsellors trained, two catalogues on continuing education providers published | 3.4 Regular Project Reports                                                                                                                                                                                   |
| 3.5 Accredited certifying institutions developed                     | 3.5 Certifying procedures, guidelines and tests developed, 10–15 examiners trained, 2–3 institutions accredited, register set up | 3.5 Regular Project Reports. Approval and evaluation report by the Professional councils accepting the procedures                                                                                           |

<table>
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<th>Be Measured</th>
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<td>3.3 Regular Project Reports</td>
</tr>
<tr>
<td>• Training</td>
<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
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</tbody>
</table>

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<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
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<td>3.4 Regular Project Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Budget (Phare):</th>
<th>Be Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Labour market analyses</td>
<td>1. Development of RTCs - 1.4 MEUR</td>
<td>3.1. Strategic plans are approved by the Regional Steering Committee. MoEduc. and Professional Councils have approved new courses</td>
</tr>
<tr>
<td>• International and local know-how and expertise</td>
<td>2. Career counselling - 0.35 MEUR</td>
<td>3.2 MoEduc. carries out acceptance of Resource centres and simulation firms</td>
</tr>
<tr>
<td>• Equipment</td>
<td>3. Network &amp; procedures for awarding qualification - 0.2 MEUR</td>
<td>3.3 Regular Project Reports</td>
</tr>
<tr>
<td>• Training</td>
<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Budget (Phare):</th>
<th>Be Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Labour market analyses</td>
<td>1. Development of RTCs - 1.4 MEUR</td>
<td>3.1. Strategic plans are approved by the Regional Steering Committee. MoEduc. and Professional Councils have approved new courses</td>
</tr>
<tr>
<td>• International and local know-how and expertise</td>
<td>2. Career counselling - 0.35 MEUR</td>
<td>3.2 MoEduc. carries out acceptance of Resource centres and simulation firms</td>
</tr>
<tr>
<td>• Equipment</td>
<td>3. Network &amp; procedures for awarding qualification - 0.2 MEUR</td>
<td>3.3 Regular Project Reports</td>
</tr>
<tr>
<td>• Training</td>
<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Budget (Phare):</th>
<th>Be Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Labour market analyses</td>
<td>1. Development of RTCs - 1.4 MEUR</td>
<td>3.1. Strategic plans are approved by the Regional Steering Committee. MoEduc. and Professional Councils have approved new courses</td>
</tr>
<tr>
<td>• International and local know-how and expertise</td>
<td>2. Career counselling - 0.35 MEUR</td>
<td>3.2 MoEduc. carries out acceptance of Resource centres and simulation firms</td>
</tr>
<tr>
<td>• Equipment</td>
<td>3. Network &amp; procedures for awarding qualification - 0.2 MEUR</td>
<td>3.3 Regular Project Reports</td>
</tr>
<tr>
<td>• Training</td>
<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Budget (Phare):</th>
<th>Be Measured</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Labour market analyses</td>
<td>1. Development of RTCs - 1.4 MEUR</td>
<td>3.1. Strategic plans are approved by the Regional Steering Committee. MoEduc. and Professional Councils have approved new courses</td>
</tr>
<tr>
<td>• International and local know-how and expertise</td>
<td>2. Career counselling - 0.35 MEUR</td>
<td>3.2 MoEduc. carries out acceptance of Resource centres and simulation firms</td>
</tr>
<tr>
<td>• Equipment</td>
<td>3. Network &amp; procedures for awarding qualification - 0.2 MEUR</td>
<td>3.3 Regular Project Reports</td>
</tr>
<tr>
<td>• Training</td>
<td>4. Implementation support - 0.05 MEUR</td>
<td>3.4 Regular Project Reports</td>
</tr>
</tbody>
</table>
ANNEX 2

DETAILED COST BREAKDOWN OF THE PROJECT (5,85 MEUR)

Project No: ES
Project Title: ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF S-E

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Institution Building</th>
<th>Phare Investment Support</th>
<th>Total Phare (I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-project 1</td>
<td>0.06</td>
<td>0.09</td>
<td>0.15</td>
<td>0.05</td>
<td></td>
<td>0.2</td>
</tr>
<tr>
<td>Agency in S-E for programme design and implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 2</td>
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<td>0.25</td>
<td>1.5</td>
<td>0.5</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>CARIN I (Co-ordinated Assistance for Regional Innovation)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 3</td>
<td>0.33</td>
<td>0.02</td>
<td>0.35</td>
<td>0.12</td>
<td></td>
<td>0.47</td>
</tr>
<tr>
<td>Tourism Infrastructure in Peipsiveere region</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 4</td>
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<td>0.4</td>
<td>0.13</td>
<td></td>
<td>0.53</td>
</tr>
<tr>
<td>Tourism Infrastructure in Haanja region</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sub-project 5</td>
<td>1.3</td>
<td>0.7</td>
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<tr>
<td>Enhancing Human Resources Development in S-E</td>
<td></td>
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<tr>
<td>Total</td>
<td>3.3</td>
<td>1.1</td>
<td>4.4</td>
<td>1.45</td>
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<td>5.85</td>
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</table>
### ANNEX 2A

**Detailed Cost Breakdown of the Sub-project 1 (0,2 MEUR)**

**Sub-project N°: ES**
**Sub-project title: Agency in S-E for programme design and implementation**

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Elaboration of comprehensive business support strategy for S-E</th>
<th>Investment</th>
<th>Institution Building (IB)</th>
<th>Total Phare (=I+IB)</th>
<th>Recipient*</th>
<th>IFI*</th>
<th>TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Elaboration of comprehensive business support strategy for S-E</td>
<td></td>
<td></td>
<td>0,05</td>
<td>0,04</td>
<td></td>
<td>0,09</td>
</tr>
<tr>
<td></td>
<td>Sample survey on satisfaction of target groups</td>
<td></td>
<td></td>
<td>0,03</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 2</td>
<td>Upgrading of South-Estonia Development Agency (SEDA)</td>
<td>0,06</td>
<td>0,04</td>
<td>0,1</td>
<td>0,01</td>
<td></td>
<td>0,11</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>0,06</td>
<td>0,09</td>
<td>0,15</td>
<td>0,05</td>
<td></td>
<td>0,2</td>
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</tbody>
</table>
## ANNEX 2B

**Detailed Cost Breakdown of the Sub-project 2 (2 MEUR)**

**Sub-project N°: ES**

**Sub-project title:** CARIN I (Co-ordinated Assistance for Regional Innovation)

<table>
<thead>
<tr>
<th>Phare Support Invest. Support</th>
<th>Support Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing*</th>
<th>IFI*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Definition of regional innovation priorities and elaboration of action plan for 2001-2004</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td></td>
<td>0.02</td>
</tr>
<tr>
<td>2. Development of co-operation network</td>
<td>0.04</td>
<td>0.04</td>
<td>0.06</td>
<td></td>
<td>0.10</td>
</tr>
<tr>
<td>3. Development of infrastructure for facilitation of technology development and transfer</td>
<td>1.25</td>
<td>0.15</td>
<td>1.4</td>
<td>0.28</td>
<td>1.68</td>
</tr>
<tr>
<td>3.1 Tartu Science Park II</td>
<td>0.17</td>
<td>-</td>
<td>0.17</td>
<td>0.03</td>
<td>0.2</td>
</tr>
<tr>
<td>3.1.1 renovation of rooms</td>
<td>0.13</td>
<td>-</td>
<td>0.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.2 development of territory</td>
<td>0.04</td>
<td>-</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 TT company of Tartu University</td>
<td>0.03</td>
<td>0.04</td>
<td>0.07</td>
<td>0.01</td>
<td>0.08</td>
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<tr>
<td>3.2.1 business plan, statute</td>
<td>-</td>
<td>0.003</td>
<td>0.003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.2 recruitment and training</td>
<td>-</td>
<td>0.037</td>
<td>0.037</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.3 office equipment</td>
<td>0.03</td>
<td>-</td>
<td>0.03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 product development centre of Agricultural University</td>
<td>0.09</td>
<td>-</td>
<td>0.09</td>
<td>0.01</td>
<td>0.1</td>
</tr>
<tr>
<td>3.4 Bio-technology incubation</td>
<td>0.4</td>
<td>0.11</td>
<td>0.51</td>
<td>0.08</td>
<td>0.59</td>
</tr>
<tr>
<td>3.4.1 new incubation premises</td>
<td>0.4</td>
<td>-</td>
<td>0.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4.2 project preparation</td>
<td>-</td>
<td>0.11</td>
<td>0.11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5 Material technologies centre of excellence</td>
<td>0.51</td>
<td>-</td>
<td>0.51</td>
<td>0.14</td>
<td>0.65</td>
</tr>
<tr>
<td>3.6 Training class</td>
<td>0.05</td>
<td>-</td>
<td>0.05</td>
<td>0.01</td>
<td>0.06</td>
</tr>
<tr>
<td>4. Increase of quality of support services for introduction of new technologies</td>
<td>-</td>
<td>0.05</td>
<td>0.05</td>
<td>0.15</td>
<td>0.20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1.25</strong></td>
<td><strong>0.25</strong></td>
<td><strong>1.5</strong></td>
<td><strong>0.5</strong></td>
<td><strong>2.0</strong></td>
</tr>
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</table>
ANNEX 2C

Indicative Detailed Cost Breakdown of the Sub-project 3 (0.47 MEUR)

Sub-project title: Tourism Infrastructure in Peipsiveere region

<table>
<thead>
<tr>
<th>Indicative cost breakdown by preliminary list of &quot;priority projects&quot; in Peipsiveere*</th>
<th>Investment</th>
<th>Institutional building</th>
<th>Total Phare</th>
<th>Recipient</th>
<th>IFI</th>
<th>TOTAL* MEUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific marketing plan (Lake Peipsi tourism route (plan, map))</td>
<td>0.02</td>
<td></td>
<td>0.02</td>
<td></td>
<td></td>
<td>0.02</td>
</tr>
<tr>
<td>Training (local guides, local handicrafts skills, icon painters, B&amp;B training, local musicians, psychological training, specific business training and language training)</td>
<td></td>
<td></td>
<td></td>
<td>0.0504</td>
<td></td>
<td>0.0504</td>
</tr>
<tr>
<td>Info points and museums</td>
<td>0.095</td>
<td>0.095</td>
<td></td>
<td></td>
<td></td>
<td>0.095</td>
</tr>
<tr>
<td>Manor-houses</td>
<td>0.073</td>
<td>0.073</td>
<td></td>
<td></td>
<td></td>
<td>0.073</td>
</tr>
<tr>
<td>Churches and monastery</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>Info signs and stands</td>
<td>0.062</td>
<td>0.062</td>
<td></td>
<td></td>
<td></td>
<td>0.062</td>
</tr>
<tr>
<td>Conferences, events</td>
<td></td>
<td></td>
<td></td>
<td>0.013</td>
<td></td>
<td>0.013</td>
</tr>
<tr>
<td>Marketing of the region (website, media, tourism fairs, video-film)</td>
<td></td>
<td></td>
<td></td>
<td>0.016</td>
<td></td>
<td>0.016</td>
</tr>
<tr>
<td>Book of local historical legends and cultural traditions and local brochures and information bulletin</td>
<td></td>
<td></td>
<td></td>
<td>0.0132</td>
<td></td>
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<tr>
<td>Development of specific local handmade products and souvenirs</td>
<td></td>
<td></td>
<td></td>
<td>0.022</td>
<td></td>
<td>0.022</td>
</tr>
<tr>
<td>Joining to European culinary heritage network</td>
<td></td>
<td></td>
<td></td>
<td>0.0015</td>
<td></td>
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</tr>
<tr>
<td>Project management</td>
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<td></td>
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<td>0.0003</td>
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<td>0.33</td>
<td>0.02</td>
<td>0.35</td>
<td>0.12</td>
<td></td>
<td>0.47</td>
</tr>
</tbody>
</table>

* Working group "Peipsi Culture Park" will make a proposal to adjust this list by occurrence of need, South-Estonia Steering Committee will decide the allocation/reallocation of budget.
ANNEX 2D

Indicative Detailed Cost Breakdown of the Sub-project 4 (0,53 MEUR)

Sub-project title: Tourism Infrastructure in Haanja region

<table>
<thead>
<tr>
<th>Indicative cost breakdown by the preliminary list of &quot;priority projects&quot; in Haanja*</th>
<th>Investment</th>
<th>Institution Building (IB)</th>
<th>Total Phare (=I+IB)</th>
<th>Recipient*</th>
<th>IFI*</th>
<th>TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recreation, sport and conference centre constructed</td>
<td>0,23</td>
<td>0,23</td>
<td>0,05</td>
<td>0,28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking places built</td>
<td>0,03</td>
<td>0,03</td>
<td>0,01</td>
<td>0,04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-country ski and bicycle paths constructed</td>
<td>0,06</td>
<td>0,06</td>
<td>0,03</td>
<td>0,09</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ski and bicycle stadium constructed</td>
<td>0,02</td>
<td>0,02</td>
<td>0,01</td>
<td>0,03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sanitary systems constructed</td>
<td>0,02</td>
<td>0,02</td>
<td>0,01</td>
<td>0,03</td>
<td></td>
<td></td>
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<tr>
<td>Action and marketing plan elaborated</td>
<td>0,04</td>
<td>0,04</td>
<td>0,02</td>
<td>0,06</td>
<td></td>
<td></td>
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<tr>
<td>TOTAL</td>
<td>0,36</td>
<td>0,04</td>
<td>0,13</td>
<td>0,53</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Working group "Haanja Sports and Conference Centre" will make a proposal to adjust this list by occurrence of need, South-Estonia steering Committee will decide the allocation/reallocation of budget.
## ANNEX 2E

### Detailed Cost Breakdown of the Sub-project 5 (2,65 MEUR)

**Sub-project title: Enhancing Human Resources Development in S-E**

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Development of Regional Training Centres in Võru and Tartu</th>
<th>Phare Investment Support (I)</th>
<th>Phare Institution Building (IB)</th>
<th>Total Phare (I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1.0</td>
<td>0.4</td>
<td>1.4</td>
<td>0.49</td>
<td></td>
<td>1.89</td>
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<tr>
<td><strong>Component 1A</strong></td>
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<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>- Indicative Phare allocation for Võru RTC</td>
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<td>0.45</td>
<td>0.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1B</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Indicative Phare allocation for Tartu RTC</td>
<td></td>
<td>0.55</td>
<td>0.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 2</td>
<td>Development of career counselling centres</td>
<td>0.2</td>
<td>0.15</td>
<td>0.35</td>
<td>0.03</td>
<td></td>
<td>0.38</td>
</tr>
<tr>
<td>Component 3</td>
<td>Development of a network of certifying institutions</td>
<td>0.1</td>
<td>0.1</td>
<td>0.2</td>
<td>0.03</td>
<td></td>
<td>0.23</td>
</tr>
<tr>
<td>Implementation Support for sub-project 5</td>
<td></td>
<td>0.05</td>
<td>0.05</td>
<td>0.1</td>
<td></td>
<td></td>
<td>0.15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>0.7</td>
<td>2.0</td>
<td>0.65</td>
<td></td>
<td>2.65</td>
</tr>
</tbody>
</table>
### TIME IMPLEMENTATION CHART

**Project N°: ES**  
**Project Title:** ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF SOUTH-ESTONIA (S-E)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
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<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sub-project 1:</strong> Component 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive Business Support Strategy for S-E</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Institution Building</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Sub-project 1:</strong> Component 2</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>South-Estonia Development Agency (SEDA)</td>
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<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Institution Building</td>
<td>x</td>
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</tr>
<tr>
<td>Investment</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td><strong>Sub-project 2</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>CARIN I (Co-ordinated Assistance for Regional Innovation)</td>
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<tr>
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<td>x</td>
</tr>
<tr>
<td><strong>Sub-project 3</strong></td>
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<td></td>
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<tr>
<td>Tourism Infrastructure in Peipsiveere region</td>
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<td>x</td>
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<td><strong>Sub-project 4</strong></td>
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<td><strong>Sub-project 5</strong></td>
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<tr>
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<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Investment</td>
<td>x</td>
<td>x</td>
<td>x</td>
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ANNEX 3 CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

**Project No: ES**  
**Project title:** ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF SOUTH-ESTONIA (S-E)

### CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>TOTAL (MEUR)</th>
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</thead>
<tbody>
<tr>
<td>MEUR</td>
<td>30.06.00</td>
<td>30.09.00</td>
<td>31.12.00</td>
<td>31.03.01</td>
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<tr>
<td>Phare Investment</td>
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<td>3.0</td>
<td>3.3</td>
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### CUMULATIVE DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
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<th>2001</th>
<th>2002</th>
<th>TOTAL (MEUR)</th>
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<tr>
<td>MEUR</td>
<td>30.06.00</td>
<td>30.09.00</td>
<td>31.12.00</td>
<td>31.03.01</td>
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<tr>
<td>Phare Investment</td>
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<td>South-Estonia Project</td>
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<td><strong>TOTAL (INV+IB)</strong></td>
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<td>2,11</td>
<td>2,68</td>
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ANNEX 5 Implementation Scheme of Economic and Human Resources Development project of South Estonia

STEERING COMMITTEE
MoEA (chairperson), MoEduc., MoSA, MoA, MoF, Central Union of Industry and Employers, Central Labour Union, Chamber of Commerce and Industry, Jõgeva, Põlva, Tartu, Valga, Võru County Governments, Unions of Local Governments, EC Delegation

MONITORING UNIT in MoEA
Economic Development Department (head of unit), Industry Department, Trade Department, EU Integration Department

TECHNICAL IMPLEMENTATION UNIT
South Estonian Development Agency (SEDA)

WORKING GROUP for sub-project 3
“Peipsiveere Culture Park”
Jõgeva, Põlva and Tartu County Governments, Unions of Local Municipalities of Jõgeva, Põlva and Tartu County, Peipsiveere Development Agency, SEDA, MoEA

WORKING GROUP for sub-project 4
“Haanja Conference and Sports Center”
Võru County Government, Foundation South-Estonian Tourism, SEDA, Haanja municipality, local entrepreneurs, MoEA

WORKING GROUP for sub-project 1
“Business Support Strategy and Upgrade of SEDA”
Relevant ministries, County Governments, Unions of Local Municipalities, Union of Industry and Employers, Labour Union, Business Support Structures, Universities, Regional Training Centres

WORKING GROUP for sub-project 2
“Innovation Support System”
Foundation Innovation Fund, Tartu County Government, Tartu City Government, Tartu BAS Centre, University of Tartu, Estonian Agricultural University, Tartu Science Park, Archimedes Foundation Estonia, Chamber of Commerce and Industry, Estonian Association of SMEs, SEDA, MoAE

WORKING GROUP for sub-project 5
“Human Resources Development”
MoEduc., County Governments, SEDA, Employment Offices (MoSA), Regional Training Centres, Chamber of Commerce and Industry, Union of Estonian Employers and Industry, Trade Union, Local Governments, Career Guidance Centres
ANNEX 6 Short description and scheme of reforming of business support foundations

FINAL REPORT
Transformation of the Foundation
(Abridged Version)

With its resolution from November 2, 1999, the Government of the Republic of Estonia assigned Mr. Mihkel Pärnoja, Minister of Economic Affairs, Mr. Siim Kallas, Minister of Finance and Mr. Ivari Padar, Minister of Agriculture, the task to examine the plan for transformation of foundations that deal with enterprising, whereas it was based on the principle description of the transformation of foundations put forward by the Ministry of Economic Affairs. Finally seven (7) foundations were referred to as the objects of transformations.

Under the administration of the Ministry of Economic Affairs:
- EIKAS – Estonian Investment and Trade Development Foundation;
- EKS – Foundation for Enterprising Credits;
- EKGSA – Export Credit and Guarantee Foundation;
- Foundation “Estonian Home”
- Foundation “Innovation Fund”

Under the administration of the Ministry of Interior Affairs:
- ERSA – Estonian Regional Development Foundation.

Under the administration of the Ministry of Roads and Communication:
- EITAS – Estonian Infrastructure and Transport Development Foundation.

The objective of transformation of the foundations is to increase the efficiency of the work of the institutional infrastructure created for the purpose of developing enterprising. The precondition is that this can be achieved in case the following sub-objectives are kept in mind:
- Bringing the principles of the work of the institutional infrastructure closer to the relevant principles of the European Union and through this creation of the possibility for inclusion of international means in the support of the development of Estonian enterprising;
- Abandoning the copying of the activities of the private sector;
- Increase of the transparency of the instruments used to support enterprising;
- Improvement of the accessibility of the information that concerns enterprising support offered by the state through more developed commercial structures;
- Creation of a synergy through concentration of the management of target areas.

It would be appropriate to discuss the said objectives in the actual economic context in which Estonia can find itself today. The ability of enterprises to adopt has been supported by major foreign investments as is characteristic of transition economies. Enterprises with major foreign participation have proved to be more successful according to several criteria. The continuous flow of foreign investments to Estonia can be “guaranteed” only by an attractive economic environment, including the existence of necessary production resources, among which qualified labour is of most importance. Until now, privatisation and take-over of Estonian enterprises has played a major role in the inclusion of direct foreign investments, and now the so-called “real criteria” (existence of high quality production inputs, including and most of all the existence of qualified labour) are becoming more and more important now. Development of a higher level of employment and competitive economic space within the entire territory of Estonia (not only in

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6 Research Foreign Investor 1998, EIKAS, University of Tartu
Tallinn) calls for radical structural reforms in a relatively short time frame, whereas the focus in these reforms should be directed at the increase of the quality of “human capital” and development of an integrated enterprising support system. In the process of integration in the European Union the attention of Estonia is also directed at the increase of our administrative abilities in order to guarantee, among other things, that the pre-accession assistance (and structural funds) are used as efficiently as possible in the future. In relation to this it would be practical to base the development of the enterprising support system on standpoints that are important for the economy of Estonia:

- maintenance of macro-economic stability;
- in order to achieve a macro-economic environment in the economy of Estonia that would be stable on a long-term basis, structural changes have to be introduced which would guarantee the ability of enterprises to compete in the internal market of the European Union. When Estonia joins the European Union, the fulfilment of the Copenhagen criteria can be the basis for achievement of the Maastricht criteria;
- the main focus in the fast structural reforms will be on the administrative reform and the decrease of unemployment (i.e. “human capital” quality problems);
- development of an integrated enterprising support system;
- in the preparation of long-term economic strategies, more attention should be paid to the development of regional economic political measures which are extremely important for Estonia also from the standpoint of the efficiency of inclusion and application of EU pre-accession assistance;
- the trend is to include the private sector in offering public financial services.

In order to fulfil the said task, the Minister of Economic Affairs Mr. Pärnoja formed a management council for management of the foundation reform. Five working groups have been formed by the management council whose task is to work with the different aspects of the transformation of foundations. The working groups were:

- Functions, organisation and budget;
- Financial instruments;
- Legal issues;
- European integration and international co-operation (Europe Agreement, EU, WTO, OECD, Bern Union);
- Administration and logistics.
EVALUATION OF THE PRESENT SITUATION AND THE WORK OF OPERATING FOUNDATIONS

In the period of preparation of the transformation of foundations all included foundations were given the opportunity to introduce their activities to the work groups and in addition to this the Ministry of Economic Affairs collected information about the economic activities of foundations. When we generalise the opinions that have emerged in the course of the work, we can point out the following observations:

1) Problems related to management. The current institutional structure of foundations has developed in a rather chaotic manner, branch ministries have assigned different functions to different foundations. Co-ordination in the co-operation of foundations has not been sufficient and existing co-operation is based more on personal contacts between people rather than on strategic management decisions. Some functions are fulfilled by more than one foundation. In principle, there have also been problems in the co-operation of the managers and supervisory boards of different foundations as well as in the co-operation between the supervisory boards of foundations and the branch ministry who exercises the founder rights. Problems have also emerged from the absence of strategic development plans and policies in several areas which the foundations could proceed from, and co-operation between branch ministries is not sufficient. Sometimes the supervisory boards of foundations are excessive, which makes it difficult to organise co-operation and disperses responsibility for the performance of the foundation.

2) Problems related to operating expenses. When we analyse the operating expenses of foundations, the operating expenses can be treated from two aspects. On one side calculations have been made about the costs associated from issuing one loan from a foundation as compared to commercial banks. The results show that the costs of a foundation are smaller. However, the said fact is just one side of the coin and does not consider the fact that the expenses of commercial structures are bigger because of objective reasons – the cost of maintenance of a branch of offices, IT development, risk management, and other expenses, which are basically absent in foundations or are very small. This fact is considerably more important when we compare it with the operating expenses of other budgetary structures (we assume that the share of the private sector in financing foundations is very small at the moment). In the given case the expenses of foundations are non-proportionally high compared to the relevant expenses of ministries. The analysis conducted by the Ministry of Economic Affairs showed that when we compare the average expenses of analysed foundations and the expenses of the Ministry of Economic Affairs, then the compared data (in Kroons) is the following:

<table>
<thead>
<tr>
<th></th>
<th>Foundation</th>
<th>Ministry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location cost per sq.m/year</td>
<td>2,339</td>
<td>589</td>
</tr>
<tr>
<td>Location cost per employee/year</td>
<td>38,424</td>
<td>14,583</td>
</tr>
<tr>
<td>Salary cost per employee/year*</td>
<td>150,133</td>
<td>88,516</td>
</tr>
<tr>
<td>Economic expenses per employee/year**</td>
<td>160,708</td>
<td>68,480</td>
</tr>
</tbody>
</table>

* without the remuneration of the supervisory board
** without EIKAS programs and EXPO
Therefore expenses in foundations are currently not proportionally high when compared to other budgetary institutions and the state has to pay more attention to the control of expenses in foundations.

3) Problems related to administrative weakness. In case of some foundations we could talk about the insufficient development of institutional structures, which leads to administrative weakness. A typical example here is SA Innovation Fund where the actual management of the activities has been left on the shoulders of the supervisory board and there is practically no administrative machine for co-ordination of the development of technology and innovation in Estonia. The other circle of problems is related to administrative weakness on the regional level. The methods used in branches are very badly co-ordinated on the regional level and often there is no connection between programs. The European Commission has also pointed out the said weakness when it evaluated the efforts of Estonia in the inclusion of pre-structural means.

4) Problems related to the changing economic environment. The economic environment in Estonia has changed considerably during the last decade. The problems that were extremely topical only five years ago have changed in many aspects. For example, today Estonia has a developed and strong commercial banking structure, the volume and nature of the financial services offered by them has changed significantly. Even though access to capital continues to be acute for small and medium size enterprises, the problem is that there is the need to reconsider the objectives that the state seeks to achieve through the structures and functions of foundations, which exists now. Similar changes have taken place elsewhere as well and this calls for revaluation of the efficiency of the work of the enterprising support system. This should not be a single action, but a process where the needs related to the use of resources with maximum efficiency and the experience and requirements arising from Estonia’s more extensive integration in Europe have to be considered. In the area of small and medium-size enterprises, the recommendations on the development of enterprising offered by the OECD are of support.

The following is an overview of the activities and results of the work groups.

GENERAL RESULTS ABOUT THE FORMATION OF A NEW STRUCTURE

The following institutional and functional solution scheme that is offered reflects mostly the standpoint of the Ministry of Economic Affairs and the included experts. Many of the main standpoints of the reform that have been discussed until now have found the support of enterprising roof organisations.

In addition to the foundations that were determined as the object of the foundation reform, the possibility that the Board of Tourism under the administration of the Ministry of Economic Affairs will be liquidated has also been considered, whereas some of the functions will be transferred to the foundation and some to the Ministry of Economic Affairs and the Board of Consumer Protection.

The proposals are (see the figure of the structure, Annex I):

1) to create two new foundations Enterprising Development Foundation (EAS) and Enterprising Guarantee Foundation (EGS).

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7 Creation of two independent foundations Enterprising Development Foundation and Enterprising Guarantee
2) EAS would merge with the following foundations: EIKAS, ERSA, Innovation Fund, and take over some functions of the Board of Tourism;

3) EGS would merge with the following foundations: EKGSA, EKSA and Estonian Home;

4) EAS is the so-called base institution and would offer support services (administration, IT, accounting, etc.) also to EGS;

5) the work of EAS and EGS would be managed by supervisory board whose optimal size could be 7 people, whereas 5 members could be higher state officers (for example, representatives from the Ministry of Finance, the Office of the Regional Minister, the Ministry of Foreign Affairs, the Ministry of Agriculture, the Ministry of Economic Affairs) and two members from the business circle. The members of both supervisory boards could be identical, because the creation of two foundations in not caused by managerial reasons (see note to article 1 above);

6) EAS consists of four agencies (agency of technology, agency of tourism, agency of export and investments, agency of regional development). The managers of the agencies will belong in the board of directors of the EAS and the work of the board of directors will be managed by the chairman elected in a public competition and the chairman will be liable for the management of the entire foundation;

7) three structural units work by the chairman of the board of directors of EAS: a) internal audit, b) general department (IT, accounting, etc.) and support unit of foreign economic representatives;

8) advisory councils will be created by the agencies of EAS and EGS which shall include specialists from different ministries as well as from enterprising organisations that deal with the given area. The advisory councils will act first and foremost in close co-operation with the agencies in order to guarantee that there is constant overview and control over the projects prepared by the agencies. When necessary, the advisory councils can make proposals to the supervisory board of the foundation about changing the activity strategy of the agency;

9) the agencies that act by the EAS will use all possibilities to perform the project prepared and co-ordinated by them with the assistance of the private sector, enterprising roof organisations and speciality associations;

10) the agency of regional development to be created by the EAS will create three regional centres and advisory councils formed from the representatives of county governments and local administrations and entrepreneurs will act by these centres. Creation of regional centres in Ida-Virumaa, South Estonia and West Estonia must strengthen the enterprising support system outside Tallinn and at the same time guarantee the fulfillment of the tasks that Estonia has taken upon itself in relation to joining the European Union. This concerns mostly the efficient and purposeful use of (pre)structural means;

11) EGS will be created as a uniform structure who offers different guarantee products (guarantees to loans for small and medium-size enterprises, guarantees to loans for young families, etc.). EGS works by the EAS and the everyday work of the EGS will be managed by the manager of the foundation. In order to better co-ordinate the work of EGS and EAS, the manager of EGS should participate in the meetings of the board of directors of the EAS as a member without the right to vote;

12) the staff of EGS will be as small as possible and the foundation will only deal with the development of new products and monitoring of the existing products. There staff of the foundation could consist of 5-10, provided that the guarantees issued by the foundation demand specialisation in different areas (small and medium-size enterprises, export, homes,

Foundation is practical because of two aspects: 1) in order to isolate the possible financial risks arising from guarantees, i.e. should the amount of possible losses arising from guarantees exceed the owners' equity of the foundation, then in case of one foundation the activity of the entire structure would be paralysed, 2) giving the state guarantee to a separate foundation would be easier and more transparent than giving it to the sub-unit of a foundation.
13) EGS will use the services of commercial structures (banks, insurance companies) as much as possible and not give direct loans any more. Since the activities of EGS are basically insurance technical, then it would be practical if it had insurance technical reserves. In the initial period of activities the reserves will be formed from the loan portfolios of EKGSA, EKSA and SA Estonian Home. In principle, these loan portfolios could be a) sold to commercial structures, b) the administration of loan portfolios could be dealt with by itself and insurance technical reserves corresponding to insurance requirements could be formed over time;

14) EGS applies for a direct state guarantee to the guarantees issued by it. At the present time state guarantee has on the basis of law been given to export guarantees in the extent of up to 300 million Kroons. A similar scheme could be used with regard to the guarantees issued by other foundations, whereas the upper limit of guarantees would be determined with a resolution of Riigikogu. The activities of EGS are directed at earning the so-called zero profit, which basically means that in a longer perspective (10-15 years) the guarantee premiums earned by the foundation should be at least equal to the sum of the operating expenses of the foundation and the insurance benefits disbursed. Since the result of issuing guarantees depends on the economic situation and shocks in local as well as foreign markets, then it can not be excluded that in terms of different years the economic activities could be both profitable and not profitable;

15) creation of a state venture capital instrument (structure – Venture Capital Fund) is extremely important, but this should be done outside the foundation reform whereas commercial and non-commercial activities should be kept separated. The given instrument is necessary in order to tie the activities of the agency of technology of the EAS and on the other hand to offer possibilities for solution of the “owners’ equity” problem and capitalisation of enterprises with high market potential (not only in the sector of high technology). The Venture Capital Fund offers investments mostly to SMEs in the initial and early stages where risks with regard to expected income are too high, the amount of investment too small and the processing costs too high for private capital based funds;

16) in the management of foundations it is important to transfer to the principle of strategic management where the process of budget formation will have an important role. Strategic management and financing of foundations must become based on state development plans and introduction of the policies developed on the basis thereof (e.g. industrial policy, export policy, SME support policy, etc.);

17) the budget of the foundation would be prepared according to agencies and projects that apply for financing must correspond to the priorities set forth in state development plans.

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8 The standpoint of the Ministry of Finance in the given issue is that foundations do not need employees at all and that their activity could be fully transferred to commercial structures on the basis of agreements. The possibility of this approach has been discussed in more detail in the overview of the activities of the financial instruments work group.
PLAN FOR TRANSFORMATION OF ENTERPRISING FOUNDATIONS

ENTERPRISING DEVELOPMENT FOUNDATION

SUPERVISORY BOARD

BOARD OF DIRECTORS

INTERNAL AUDIT

SUPPORT UNIT

ECONOMIC REPRESENTATIVES ABROAD

AGENCY OF EXPORT AND INVESTMENTS

ADVISORY COUNCIL

IDA-VIRU DEVELOPMENT AGENCY

AGENCY OF REGIONAL DEVELOPMENT

ADVISORY COUNCIL

SOUTH-ESTONIAN DEVELOPMENT AGENCY

AGENCY OF TECHNOLOGY

ADVISORY COUNCIL

WEST-ESTONIAN DEVELOPMENT AGENCY

AGENCY OF TOURISM

ADVISORY COUNCIL

ENTERPRISING GUARANTEE FOUNDATION

SUPERVISORY BOARD

BOARD OF DIRECTORS

VENTURE CAPITAL FUND

SUPERVISORY BOARD

BOARD OF DIRECTORS

VENTURE CAPITAL FUND

AGENCY OF EXPORT AND INVESTMENTS

ADVISORY COUNCIL

SME LOAN GUARANTEES

ADVISORY COUNCIL

EXPORT GUARANTEES

ADVISORY COUNCIL

Annex I