1. Basic Information

1.1 Desiree Number: ES0009-3

1.2 Title: ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF IDA-VIRU (I-V)

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

1.4 Location: ESTONIA, Ida-Viru County

2. Objectives

2.1 Wider Objective(s):
   - Favourable Environment for new and growing businesses in Ida-Viru

2.2 Immediate Objectives:
   - Co-ordinated Business Support Structures in Ida-Viru
   - Assistance system for technological restructuring of oil shale cluster in Ida-Viru
   - Tourism infrastructure in selected regions in Ida-Viru
   - Enhanced Human Resources Development in Ida-Viru

2.3 Accession Partnership (AP) 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 SME-s
In coming years the support to small enterprises must be continued, 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 main priorities include the creation of necessary institutional and legal framework for the management of EU Structural Funds, and the strengthening of administrative capacity in those institutions. One of the priorities is to strengthen the administrative capacity and use of technical
assistance on the state level, regional level, as well as on the local government level. It is important for managing the financial resources of EU before (Phare 2000, SPP Special Preparatory Program, SAPARD) and after Estonia’s accession to the 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 National Development Plan

The following chapters in the National Development Plan deal with the Economic and Human Resources Development Project of Ida-Viru:

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 through the enhancement of the competitiveness of the Estonian business sector. This will be achieved by:
- Development of business environment;
- Fostering of innovation and introduction of new technology;
- Stimulation of investments;
In concern to HRD, this chapter stresses the 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 co-operation 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 in order to enhance the competitive position of Estonia’s tourism on the international market. 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
Priorities for Ida-Viru region are:
- industry and business development,
- tourism
- employment and training,
- transport and logistics

Industry and business development belongs to the priorities of the region. Introduction of new technologies and support to SME-s can increase the competitiveness of the businesses. The decline in employment can be compensated by development of SME-s in tourism and other sectors. Improvement of education and training in the region is one of the preconditions for the effective accomplishment of the aforementioned priorities. Employment and training is key priority area primarily because of the need to retrain unemployed labour force from released due to restructuring of larger manufacturing enterprises.

• Set by the Development Strategy of Ida-Viru region
The Strategy of Ida-Viru County has been prepared in the framework of Estonian Act of Planning and Construction by the July 1997. It identifies the following priorities:
• Logistics;
• Education;
• Tourism.

These three priorities have been set in the situation, where many large companies in Ida-Viru were not privatised yet and the regional authorities had to await the decisions based on privatisation policy of Privatisation Agency, managed on central level of Estonia, before setting the priorities of regional business support system. By now the situation in Ida-Viru has been changed (see chapter 3 - Description). The majority of large companies have been privatised and the regional authorities consider the development of entrepreneur-ship and SMEs as one of the priorities of the region. Promotion of business development could guarantee the employment in the situation of continuous decline of employees in large companies. Ida-Viru County has stated it in different new documents, as Ida-Viru Employment Pact and Ida-Viru Tourism Strategy. Besides the promotion of different type of entrepreneur-ship and SMEs, the strong accent on regional tourism activities has been stated in alternate of former heavy industry.

2.5. Cross Border Impact: N/A
3. Description

3.1 Background and justification:

The target region covers one county: the Ida-Viru County. The region has a population of 195,000 inhabitants (in 1999), which represents 13.5% of Estonian total. Northeast Estonia is a highly urbanised region – 89% of the population lives in urban municipalities. Large industrial centres like Narva, Kohtla-Järve and Sillamäe as well as several smaller industrial settlements are located in the region. The ethnic composition of the population is unique in Estonia – the majority of the population consists of people who have emigrated from the former Soviet Union after the World War II, and their descendants. The share of Estonian population in this area is only 18.6%. The total population of the region has been continuously decreasing since 1991. The decrease in population in relation to 1989 is 12%, being remarkably higher than the Estonian average figure.

The industrial nature and tradition of the region are reflected in its current economic structure. Ida-Viru region produces 9.4% of total turnover of the national economy. The key sectors in terms of employment and output, are energy supply and mining, manufacturing, and construction. The main branches of manufacturing are metal working, textiles, chemical and construction industries. 52.7% of the labour force is engaged in the secondary sector, 43.6% in the tertiary sector and 4% in primary sector. Most of Estonian electricity (95%) is produced in Ida-Viru power plants based on oil shale. The main polluters in Estonia – oil shale mines and quarries, power plants and chemical industry are located in this region.

The location on the main transit routes is an important enhancing factor in the development of the region. Two major highways (Tallinn-St. Petersburg and Jõhvi-Tartu-Valga) as well as a railway line of international importance (Tallinn-Narva-St. Petersburg) pass through the region.

Traditionally, large enterprises dominate in the economic profile of the region. Most of the processing industries have been privatised and an extensive restructuring process is ongoing. As the largest energy sector enterprises are also subject to restructuring and privatisation a remarkable discharge of labour force is expected. Qualification of the labour force in Ida-Viru region does not correspond to the present economic structure and the entrepreneurial initiative of the population is modest. (approximately 1/3 lower than the Estonian average).

Labour market situation in the region is characterised by high unemployment rates side by side with the lack of highly qualified labour force, as revealed by different surveys. In 1998, labour force participation rate was 64,5% as compared to 63,1 % in 1999. Unemployment rate has increased from 14, 3 % in 1998 to 19,8 % in 1999. Among the risk groups in the age group of 15-74, the biggest are non-Estonian speakers (53,6%), people older than 50 years (36,0%), and people with general education only (i.e. without qualifications) (38,5%). Measures applied have to support the people in the risk groups to undertake training in order to equip them with necessary skills and knowledge to enter and stay in employment.
In order to restructure the economy and increase its competitiveness new technologies have to be introduced and investments attracted. In order to diversify the economic structure of the region more emphasis should be laid on business development, utilisation of local potential for tourism development, and modernisation of agricultural sector. Especially active nature and culture tourism has emerged as new and developing sectors. Training and retraining of labour force is condition for the diversification of the economy.

For Estonia, oil-shale is one of the most important natural resources, exploitation of which has based on the experience gained through 80 years of respective research and processing. Nowadays, Estonia covers more than 70% of its energy needs by oil-shale. In long run, oil-shale maintains its importance as a source of production of energy and oil-shale based industrial products (Pointed out in the “Long-term Development Plan of Estonian Fuel and Energy Sector” approved by the Government in February 1998). The majority of oil-shale related enterprises locate in Ida-Viru constituting an important part of the industrial complex of the North-East Estonia. The sub-project 3 aims at utilising the respective knowledge and expertise as a source for the development of industry, job creation and regional development in favour of Ida-Viru. The idea behind the establishment of regional centres of expertise is to assist the regions without remarkable R&D resources in management of technology transfer and product development in the fields, which are regarded to be important in terms of competitiveness of the specific region. For Ida-Viru County, the specific field where the technology assistance is necessary to be focused, is related to the inherited oil-shale complex.

With structural changes in industry, the volume of people to be trained and re-trained is increasing as well as the need for quality provision of training. The quality and content of training provision is underdeveloped due to rapid changes in economy and scarce resources. Supporting services, incl. information and career planning guidance for young and adult people in need of training or retraining are not available. Certification of qualifications in the region is not developed. The strategy of the human resources development in the region has to be developed. One of its main priorities should be the increase in the training supplies’ capacity to respond to the needs of the rapidly changing labour market. The project will support active labour market measures and bring back people from risk groups to employment. Additionally, providing business studies to young and adult people will impact job creation in the region.

Sub-project 1 – Agency for programme design and implementation in Ida-Viru

Component 1: Upgrading of Ida-Viru Development Agency (IVDA)

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 7). Besides merging the business support schemes on central level, regional development agencies will be founded in at least 3 big economic regions of Estonia. First one - Ida-Viru Development Agency (IVDA) was already established in March 2000 as a branch of Estonian Regional Development Agency (ERDA). According to the plan, ERDA will become an agency inside the Business Support Foundation (BSF). So IVDA will become a branch of the BSF (see ANNEX 7).

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

Component 2: Elaboration of comprehensive business support strategy for I-V

IVDA 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. IVDA will act as Technical Implementing Agency for the whole Economic and Human Resources Development project of Ida-Viru. (See more in chapter 4 and 6).

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 1. Sub-project will be implemented by IVDA, management of component of business support strategy is responsibility of Ida-Viru County Government (Mr. Agu Värimäe) and of component of upgrade of IVDA - director of IVDA (Mr. Ülari Alamets).

Sub-project 2 – Regional Incubation and Innovation Support Network

As a result of restructuring of industry in Ida-Viru region the number of jobs has continuously declined in large enterprises. Ida-Viru region has facing with problem of remarkable increase of unemployment. One solution is to support entrepreneur-ship and SME development in the region.

Two entrepreneur-ship centres of Ida-Viru, situated one in Jõhvi and another in Narva, do not offer the needed range of services for start-ups and SMEs, because of lack of knowledge and finances for more developed SME support measures (like incubation and innovation support). The first incubation and innovation centres will be established in I-V region (in Jõhvi - incubation centre and innovation centre; in Sillamäe - correspondence office of Jõhvi innovation centre) in the framework of SPP industrial pilot project (ANNEX 6). As investigation of the current project an integrated network of incubation and innovations centres have to be established in the main towns of the region, in order to achieve the stability in employment and business activities. Main investigation will be done in the region of Narva city. Type and size of future incubation centres is planned on the basis of assessment of needs in the region.
**Narva** Incubation Centre is expected to host at least 30 companies within 3 years. Companies profile breaks down in two groups:

1) High-tech and R&D Companies (estimated 60%)
   a) Outsourcing companies for large industries in the Narva region energy sector, textile, wood processing, electronic and metalworking;
   b) Internet marketing, E-commerce, IT and information exchange companies.

2) Low -Tech Companies (estimated 40%)
   a) Tourism services;
   b) Accounting services;
   c) Start-ups.

**Sillamäe** SME Consultation office is expected to be improved. Additional office space, total 80 m² will be refurbished and 3 working places for entrepreneurs equipped and Internet connection provided.

**Jõhvi** Incubation Centre is expected to host simultaneously at least 12 companies (typical incubation period 2 years). The necessary technological and business plan expertise will be carried out for the tender participants. The incubating firms will be chosen via open tenders from Ida-Virumaa. The following criteria will be applied:

- Maximum orientation on value-adding (production, product or service development);
- Maximum use of local expertise (spin-outs from existing industries);
- Maximum creation of highly qualified jobs;
- Orientation on company growth and export markets.

The planned capability of the incubator is to create 20-25 new highly qualified jobs.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 2. Sub-project will be implemented by IVDA, management of components in Narva region is responsibility of director of Narva Business Advisory Services Centre (Mr. Vitali Sergejev) and of components in other towns - project manager from IVDA (Mr. Martin Lehtla).

**Sub-project 3 – Upgrading of Oil-Shale Expertise Centre**

The sub-project 3 contributes to the improvement of the regional assistance system for the technological restructuring of the oil-shale cluster.

Oil-shale is on one hand a great potential, but on the other hand a big problem for the Ida-Viru region while the majority of the enterprises in the field locate there. The oil-shale cluster (mining, processing, energy production) is the biggest employer, exporter and polluter of the region. As the currently used technologies are highly inefficient and environmentally unfriendly, the further competitiveness of the region is highly dependent on an ability of the oil-shale cluster to introduce new and sustainable technologies, and increase the value-added of oil-shale products. The unfavourable working environment in Ida-Viru to attract highly qualified specialists to the region is also a considerable
factor impeding the management of the process of technological restructuring in oil-shale cluster.

Oil-Shale Research Institute at Kohtla-Järve has traditionally been the main oil-shale R&D institution accumulating a significant experience and practical knowledge in the field. In addition, there are more than 10 separately acting research groups and laboratories in Tallinn, Tartu and Ida-Viru each of them dealing with some certain aspect of oil-shale complex (see Chapter 6 - working group of Oil Shale Expertise Centre). However, lack of co-ordination between different R&D institutions and insufficient demand-orientation in R&D make these institutions unable to transfer the respective know-how and technologies in favour of the technological restructuring of the oil-shale cluster (incl. businesses) in Ida-Viru.

Taking into account the above-mentioned situation and development needs of the oil-shale cluster, the assistance system for the oil-shale cluster in Ida-Viru will be improved by:
- strengthening of the Oil-Shale Institute at Kohtla-Järve (1);
- establishment of co-ordinated network for technology development and transfer for oil-shale cluster, which involves the respective R&D institutions, industry and authorities (2);
- elaboration of the comprehensive oil-shale R&D programme taking into account the results of the auditing of the technologies currently used by the oil-shale cluster (3).

The reorganisation of the Oil Shale Institute of Tallinn Technical University to a project based institution, which is able to deal with the whole complex of oil-shale problems, has been already started according to the Resolution of the Board of Tallinn Technical University from 14.12.99. The new managing director is hired and the organisational changes are in process. As a result, already for the year 2000, more than 75% of the total budget has to be covered by obtaining contracts from oil-shale industry and applying for the grants through the targeted public support schemes. Currently, the Oil-Shale Institute holds three grants from the Estonian Science Foundation and, one grant from the Estonian Innovation Foundation.

As the result of current sub-project, the Oil Shale Institute constitutes a centre for the respective network acting as a one-stop shop for the oil-shale related industry at Ida-Viru. It will be achieved by providing the access to the respective knowledge on the spot and co-ordinator of the R&D activities in the oil-shale related field in Estonia.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 3. Sub-project will be implemented by IVDA. Management of the sub-project is in the responsibility of the Oil Shale Institute of Tallinn Technical University (Mr. Jüri Soone).
Sub-project 4 – Tourism infrastructure in Toila-Ontika region

Decline in employment of Ida-Viru activates the regional authorities to prepare the environment for alternative economic activities and use of still underused resources. Tourism is one of clearly defined priority areas in Ida-Viru for future.

Tourism development strategy of Ida-Viru defines the priority projects for the region. Preparedness of these tourism projects in Ida-Viru differs from project to project and County Government has selected the project “Toila-Ontika Nature Park” for financing under Phare 2000 SEC framework, as a pilot investment project. Toila-Ontika is situated nearby the mining area and current tourism project offers alternative employment possibilities for local people.

Toila-Ontika is a unique region with its specific local nature spots. The area is famous for its historical park of Toila, The Valaste Fall which is the highest (26 m) and the most beautiful fall in Estonia and Clint which is the highest Clint in Estonia almost 70 m above the sea level and provides excellent view to sea. (The Clint is under environmental protection by UNESCO). A great number of potential tourism objects and nature spots are not passable for tourists and Natural Park is not accessible, therefore not discovered and visited by tourists (bad local roads, impassable for visitors natural routes, not guaranteed security, etc). In the same time, potential businesses in tourism area (accommodation, catering and other services) cannot develop their activities without well developed physical infrastructure (local small roads, equipment to guarantee the security of visitors, etc.), which belongs to the Kohtla and Toila Local Municipalities.

Ministry of Economic Affairs will be responsible for achieving the results of the sub-project 4. Sub-project will be implemented by IVDA (which will contain the existing Ida-Viru Tourism Resource Centre), management of the sub-project is responsibility of Ida-Viru County Government (Mr. Peeter Kaldur).

Sub-project 5 - Enhancing Human Resources Development in Ida-Viru

Component 1: Development of Regional Training Centres in Kohtla-Järve and Narva

Employment possibilities (as a component of regional investment climate) in Ida-Viru have a direct impact on the development of the region. Education is one of the priorities of Ida-Viru development strategy and critical base for creating new businesses.

Based on the experience and feedback from the region on the PHARE pilot Regional Training Centre (RTC) in Kohtla-Järve 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 Narva. The 2 Regional Training Centres will offer initial and continuing education and training courses for a variety of target groups, incl. unemployed, people without qualifications, enterprises, SMEs and non-Estonian speakers. The wide economic sectors
identified as priority areas for new curricula to be developed in the region are energy, logistics, tourism and service sectors. 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. Among the new courses higher vocational education courses will be developed. Recent surveys indicate that employers prefer to have skilled employees with vocational higher education in a number of occupations. Other services will be developed in the RTCs based on the requests of the community, including entrepreneurship and business studies, library services to support initial and continuing education courses, simulation firms for entrepreneurship studies, etc. Support to up-grading of facilities where the inadequacy of existing resources can no longer ensure the relevance of programmes to the needs of individuals and the economy will be important. In up-grading the facilities, requirements for making the buildings accessible to handicapped people is taken into consideration, otherwise often denied from training opportunities because of not having physical access to training institutions.

RTCs will be responsible for supporting other VET institutions in the region with innovative programmes, teacher training and curriculum development/course delivery in order to secure wider dissemination.

Component 2: Career counselling centre

Success of the previously described sub-project will largely depend on the availability of and access to information by the end users i.e. the young and adult people looking for training or retraining opportunities. This fact was also highlighted in the OMAS report recommendations R/ES/EDU/99029 saying that the VET reform component should undertake activities in raising awareness once the immediate objectives of the project have been achieved.

The task of setting up counselling services has been delegated to the counties. The Ministry of Education has co-financed the start-up of the counselling services centre in Ida-Viru region primarily for young people (basic and upper secondary school graduates). In order to draw up a development plan and get the centre operational in short-term, investment in equipment, development of materials and training of personnel 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 both in Estonian and Russian. This information will be made available for employment services as well.

Whereas only 50 % of unemployed seek for assistance and information in the employment offices (supervised by the Ministry of Social Affairs), and a big number of adult job seekers would avoid visiting employment offices, it is the aim not to deny access to adult people in the career counselling centres.

Based on the experience obtained from this project, development of a comprehensive career counselling system for young and adult people will be finalised in co-operation between the Ministry of Education and the Ministry of Social Affairs. Activities of the current sub-project will be co-ordinated between these ministries 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: Network of accredited certifying institutions for awarding qualifications

The prerequisite for attracting investments into the regions is availability of qualified skilled workers. Whereas certification of qualifications (incl. prior learning assessment) is not fully developed in the country, the concept of regional operations for awarding qualifications has to be developed in the framework of Ida-Viru (and South-Estonia) project.

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, the sub-project will support the development of accredited institutions in Ida-Viru. That will include development of procedures and guidelines for awarding qualifications, training of examiners (incl. external), setting up a register for issued qualifications and dissemination of information on this new opportunity. The certifying institutions will be identified and accredited based on criteria elaborated together with the employer and employee organisations. Respective organisations have been included in the Steering Committee as well as in the list of the working group on HRD (see Chapter 6).

Value added of this sub-project is motivating social dialogue in the region. Apart from involving social partners in the region, the sub-project will be co-ordinated with the MoEA with the Ministry of Social Affairs, the Estonian Chamber of Commerce and Industry and the National Qualification and Examination Centre. Sub-project 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 IVDA. Management of sub-project 5 will be delegated to the Foundation VET Reform in Estonia (managers will be appointed by Foundation VET Reform in Estonia and Ida-Viru County Government).

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 entrepreneurship in the region through training. Additional courses and services will be set up to widen access to training and education for all target groups. There is an increasing need to support development of tourism and industrial infrastructure (tourism logistics, nature tourism, business incubators, industrial parks).
3.2 Linked activities:

Past Phare activities:
1. ES-9803.04.0002 SPP Pilot Project No. 2: Development of Regional Co-operation Network for Innovative Entrepreneurship
2. ES-9608.01.01 Assistance to the SME Programme in Estonia/Business Centres;
3. ES-9609.01 Regional Development Project;
4. ES-9506.03.02 Tourism Development Program;
5. ES 9409 Vocational Education and Training Reform in Estonia;
6. ES 9502.02BE Business Education Reform Programme;
7. ES 9803.02.01 Upgrading the Skills of the Workforce in Estonia;
8. ES 9619-03-03 Tourism development in Ida-Viru county.

Linked activities undertaken by other parties:
1. Fact finding mission of the World Bank to assess development needs of Ida-Virumaa (in order to compile balanced socio-economic development strategy) in March 2000;
2. Agreement between the Department of Energy of the USA and the Ministry of Economic Affairs of Estonia for Scientific and Technology Co-operation on Oil-Shale Research and Utilisation (signed in February 5th, 2000). This agreement covers joint research projects in selected fields.

Phare Regional Development Project has facilitated the formulation of Estonian regional development strategy, which indicates that the restructuring of industrial areas in North-Estonia (incl. Ida-Viru region) is one of the priorities for Estonian regional development (project no. 3).

As part of Phare SME programme (project no. 2) Narva Business Advisory Service Centre was established.

Previous PHARE projects (projects no. 1,4,8) have initiated activities to build up favourable environment for business development and to attract tourists. Within the framework of SPP Pilot Project No. 2 the first initiative for development of regional co-operation network for innovative entrepreneur-ship was made (ANNEX 6). These initiatives will be continued by the current project.

3.3 Results

Sub-project 1:
- Comprehensive Business Support Strategy for I-V elaborated
- Ida-Viru Development Agency upgraded

Sub-project 2:
- Regional Incubation and Innovation Support Network in place
Sub-project 3:
- Oil-shale expertise centre upgraded

Sub-project 4:
- Tourism infrastructure in Toila-Ontika region in place

Sub-project 5:
- Kohtla-Järve and Narva Training Centres operational
- Career counselling centre strengthened
- Network of accredited institutions for awarding qualifications developed

See ANNEX 1.

3.4 Activities:

Sub-project 1 - Agency for programme design and implementation in Ida-Viru (ANNEX 1A)

Component 1: Comprehensive Business Support Strategy for I-V
  1.1.1 Meetings and workshops of Strategy Working group (representatives from regional and local governments, business support institutions, business organisations)
  1.1.2 Training for working group members

Component 2: Upgrade of Ida-Viru Development Agency (IVDA)
  1.2.1 Training of IVDA staff
  1.2.2 Design of information and management system for business support institutions
  1.2.3 Building network between IVDA and regional business support institutions
  1.2.4 Provision of equipment for IVDA

Sub-project 2 – Regional incubation and innovation support network (ANNEX 1B)

  2.1 Jõhvi Incubation Centre infrastructure upgraded
  2.2 Narva Incubation Centre with branch in Sillamäe operating
  2.3 Consultation offices in Kiviõli and Kohtla-Järve operating
  2.4 Ida-Virumaa Innovation Centre activities enlarged to other towns in region

Sub-project 3 – Upgrading of Oil-Shale Expertise Centre in Kohtla-Järve (ANNEX 1C)

  3.1 Strengthening of Oil-Shale Institute at Kohtla-Järve
    3.1.1 Restructuring of Oil-Shale Institute
    3.1.2 Training of the key staff of Oil-Shale Institute for project management and customer’s relations
3.1.3 Improvement of the working conditions at Oil-Shale Institute
3.1.4 Updating of laboratory equipment for ensuring the quality of services offered

3.2 Creation of co-ordinated network for technology development and transfer for oil-shale cluster
   3.2.1 Regular interaction of the network and improvement of information flow
   3.2.2 Purchasing of office equipment for holding the network at Oil Shale Institute

3.3 Elaboration of comprehensive oil shale R&D programme
   3.3.1 Auditing of existing technologies and technology needs in oil-shale related area
   3.3.2 Fixing of development priorities and elaboration of comprehensive R&D programme

Sub-project 4 – Tourism infrastructure in Toila-Ontika region
(ANNEX 1D)

Ida-Viru County Government selected Toila-Ontika region for support in tourism development. This region will be developed as an active natural tourism area. For further management and internal monitoring of sub-project the working group "Toila-Ontika Nature Park" will be created with leading of Mr. Peeter Kaldur (advisor of Ida-Viru County Government) (see Chapter 6 - Implementation Arrangements). The main task of the working group is defining and preparation for implementation of so-called "mini-projects" - components of tourism infrastructure in Toila-Ontika 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, which would have the flexibility to add to this indicative list/reallocate funds in a transparent and defined selection procedure. (See Chapter 6 - Implementation Arrangements).

Sub-project 5 - Enhancing Human Resources Development
(ANNEX 1E)

Component 1: Further development of Kohtla-Järve Regional Training Centre and establishment of a new RTC in Narva
   5.1.1 Development/review of strategic and operational plans of the centres
   5.1.2 Training of management and teaching staff
   5.1.3 Development of 5 new curricula in identified priority sectors and short modular courses for different target groups with integrated work-linked training periods in enterprises
   5.1.4 Development of teaching materials, incl. for entrepreneur-ship and business studies
   5.1.5 Procurement of equipment and upgrading of facilities to support the delivery of new courses
   5.1.6 Set-up of a simulation firm for entrepreneur-ship studies and training of teaching staff
   5.1.7 Development of PR plans
5.1.8 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 career counselling centre
- 5.2.1 Training of counsellors
- 5.2.2 Production and dissemination of materials
- 5.2.3 Collection of information on training providers in the region, publishing and dissemination of catalogue(s) on education providers and courses

Component 3: 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 for accrediting
- 5.3.4 Development 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. Ministry of Economic Affairs will chair the Steering Committee. Ida-Viru County Government and other relevant ministries 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.

*Ida-Viru County Government* is responsible for balanced economic development of the regions.

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, 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, and the Ministry of Finance, MoEA and Ministry of Education.

4.2 Implementation
The technical implementation function of Ida-Viru project will be given to the **Ida-Viru Development Agency (IVDA)**, which will be a branch of the Business Support Foundation (BSF). BSF will consist of four agencies (technology, regional development, tourism and foreign direct investment & export). IVDA will act as technical implementing agency for the project. Expertise in HRD will be gained from Foundation VET Reform in Estonia by representation of this foundation in IVDA.

4.3 Beneficiaries

Direct beneficiaries of the project (owners) are IVDA, Narva BAS Centre, Oil Shale Institute, RTCs, municipalities (Toila, Kohtla, Jõhvi, Narva, Kohtla-Järve, Kiviõli, Sillamäe). They are involved in management of 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 Ida-Viru project, the "**Engineer**" will be hired by Business Development Foundation, who is the “**Employer**” for the project.

**Owners of the assets** after the end of project:

- **Sub-project 1** - Agency for programme design and implementation in Ida-Viru - IVDA
- **Sub-project 2** - Regional Incubation and Innovation Support Network - IVDA, Narva BAS Centre
- **Sub-project 3** - Upgraded oil-shale expertise centre – **Oil-Shale Institute of Tallinn Technical University**
- **Sub-project 4** - Tourism infrastructure in Toila-Ontika region – **Kohtla and Toila municipalities of Ida-Viru County**
- **Sub-project 5** – Enhancing HRD

Component 1: Further development of Kohtla-Järve Regional Training Centre and an establishment of new RTC in Narva - **Ministry of Education** (Regional Training Centres)

Component 2: Strengthening of career counselling centre - **Local Municipalities** (Career Counselling Centre)

Component 3: Network of accredited institutions for awarding qualifications - **Ministry of Education**
5. Detailed Budget

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Investment Support</th>
<th>Institution Building</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>0.07</td>
<td>0.13</td>
<td>0.05</td>
<td></td>
<td>0.18</td>
</tr>
<tr>
<td>Sub-project 2</td>
<td>0.4</td>
<td>0.1</td>
<td>0.5</td>
<td>0.16</td>
<td></td>
<td>0.66</td>
</tr>
<tr>
<td>Sub-project 3</td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
<td>0.1</td>
<td></td>
<td>0.4</td>
</tr>
<tr>
<td>Sub-project 4</td>
<td>0.39</td>
<td>0.03</td>
<td>0.42</td>
<td>0.14</td>
<td></td>
<td>0.56</td>
</tr>
<tr>
<td>Sub-project 5</td>
<td>0.6</td>
<td>0.4</td>
<td>1.0</td>
<td>0.32</td>
<td></td>
<td>1.32</td>
</tr>
<tr>
<td>Total</td>
<td>1.65</td>
<td>0.7</td>
<td>2.35</td>
<td>0.77</td>
<td></td>
<td>3.12</td>
</tr>
</tbody>
</table>

See detailed cost breakdown in ANNEXES 2A-2E. Cost breakdown for sub-project 4 (ANNEX 2D) is indicative as well breakdown of funds for Kohtla-Järve and Narva RTCs in ANNEX 2E.

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 is responsibility of IVDA.

PAO: Name: Mr. Martin Pöder
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 Eurointegration, MoEA
3. Sirje Põder, Head of Monitoring Unit, MoEA
4. Mati Kask, Head of Vocational Education Department, MoEduc.
5. Reelika Arro, Senior Specialist of Employment Department, MoSA
6. Priidu Ristkok, Head of Regional Development Department, MoIA
7. Ivar Rooks, Representative of I-V, Central Union of Industry and Employers
8. Helle Palk, Representative of I-V, Central Labour Union
9. Ain Kiviorg, City Mayor, Sillamäe City Government
10. Margus Ilmjärv, Representative of I-V, Chamber of Commerce and Industry
11. Agu Värimäe, Deputy County Governor, I-V County Government
12. Leo Raidma, Head of Department of Education, I-V County Government
13. Kai Willadsen, EC Delegation
14. Hannes Aarma, Deputy Head of the Foreign Financing Department, MoF

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 3
4. Riina Piliste, Tourism specialist (Trade Department) - sub-project 4
5. Paul Madalik, Business Incubation Specialist (Economic Development Department) - sub-project 2

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
Ida-Viru Development Agency (IVDA)

IVDA, 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.

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

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

Working Groups within IVDA

IVDA 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-project will also select the "mini-projects" inside the sub-project. Working Groups will meet at least on a regular basis. The IVDA project managers responsible for the relevant component or if practical, project manager of relevant sub-contractor will chair working groups.

In the framework of Ida-Viru project 5 working groups will be established:

For sub-project 1: **Business Support Strategy and upgrade of IVDA**

**Composition:** Ministries
County Government
Ida-Viru Development Agency
Union of Local Municipalities
Union of Employers
Labour Union
Business Support Structures
Universities
Regional Training Centres

For sub-project 2: **Incubation and Innovation Support Network**

**Composition:** Ministry of Economic Affairs
Ida-Viru Development Agency
Ida-Viru County Government
Jõhvi Town Government
Narva Town Government
Ida-Viru Business Incubation Centre
Narva Business Advisory Centre
Ida-Viru Innovation Centre
For sub-project 3: **Oil-Shale Expertise Centre**
Composition: Tallinn Technical University:
Tartu University
Estonian Energy Research Institute
Tallinn Pedagogical University
Central Laboratory of Environmental Research
Virumaa College
Representatives of oil-shale related companies
Ida-Viru County Government
Ida-Viru Development Agency
Ministry of Economic Affairs
Foundation Innovation Fund

For sub-project 4: **Toila-Ontika Nature Park**
Composition: Ida-Viru County Government
Toila Municipality
Kohtla Municipality
Ida-Viru Tourism Resource Centre
Ida-Viru Development Agency
Representatives of local entrepreneurs
Ministry of Economic Affairs

For sub-project 5: **Enhancing Human Resources Development**
Composition: Ministry of Education
County Government
Ida-Viru Development Agency
Employment Office (MoSA)
Regional Training Centres
Narva BAS Centre
Chamber of Commerce and Industry
Confederation of Estonian Employers and Industry
Trade Union
Local Governments
Career Guidance Centre

See scheme of project implementation in ANNEX 5.

**PO in the MoEA is:**
Mrs. Signe Ratso
Deputy Secretary General
Ministry of Economic Affairs
Harju 11
Tallinn 15072
Estonia
Phone: +3726256310
Fax: +3726313660
e-mail: sratso@mineco.ee

**PO in the Ministry of Education:**
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 envisaged

6.3 Non-standard aspects

National co-financing for sub-projects 1-5 will come from the 2001-2002 years budget of MoEA.
For sub-projects 6-8 Ministry of Education has earmarked co-financing in its budget for 2000 and 2001.
The DIS Manual will strictly be followed.

6.4 Phare contracts:

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Supply contracts</th>
<th>Service contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-project 1</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>Agency for programme design and implementation in Ida-Viru</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 2</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Regional Incubation and Innovation Support Network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 3</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Upgrading of oil-shale expertise centre</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 4</td>
<td>0.39</td>
<td>0.03</td>
</tr>
<tr>
<td>Tourism Infrastructure in Toila-Ontika region</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-project 5</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Enhancing Human Resources Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.66</td>
<td>0.69</td>
</tr>
</tbody>
</table>

7. Implementation Schedule


7.2 Start of project activity: 01.2001.

7.3 Project Completion: 12.2002.

8. Equal Opportunity
Equal participation of men and women will be ensured by steering committee during the implementation of the project.
In sub-project 5 the equal opportunities for men and women to participate in the courses will be guaranteed and measured by recording the participants in the training courses.

9. Environment

Environmental Impact Assessment report is not available at the moment, but it will be elaborated with Phare technical assistance before the beginning of project or before the start of investment activities for sub-projects 3-5.
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 and will be completed with Phare technical assistance before the beginning of project or before the start of investment activities for sub-projects 2-4.
For example, for subproject 2, there is existing a short problem analyses of SMEs, SWOT Analysis of Narva area and SMEs, recorded discussions with local authorities and politicians, and identification of premises suitable for Incubation Centre in Narva (available in Narva BAS Centre). More precise needs such as technical project for Incubator in Narva and Consultation office in Sillamäe, development of reconstruction and IT projects, definition of sustainability criteria by developing institution links and network with funding sources, etc. will be established by relevant studies.

11. Investment criteria

11.1 Catalytic effect:

- Readiness of IVDA to implement an integrated social and economic cohesion project attracts other programmes and donors to invest in this region.
- Development of infrastructure in the region (incubation and innovation infrastructure, tourism infrastructure) will attract investments from private sector and IFI-s.
- Development of favourable infrastructure for technology development and transfer in the region will stimulate investments from private sector and IFI-s into oil-shale processing industry. Existence of the source of high standard expertise, information and co-operation network in oil-shale-related area encourages the investments into new hi-tech SME-s in the region.
- Sub-projects 5 will improve 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:

1 Funds for TA have been reserved from ES9912: PHARE Project Preparation Facility.
2 Funds for TA have been reserved from ES9912: PHARE Project Preparation Facility.
25% co-financing will be allocated from 2000-2002 State Budget/Local Budgets.
Sub-projects 5 will be co-financed from the Estonian Ministry of Education budget 2000 and 2001.
Sub-projects 1-4 from the budget of the MoEA and respective local governments for the years 2001-2002.

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 5 - boosting HRD will attract and compliment 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 the necessary technical studies will be completed. The total of all investment components of the project is 1.66.
- The current project is the phase I for developing favourable environment for new and growing businesses in Ida-Viru. Further development or the phase II of created network will take place in the years 2002-2003.
- Sub-project 5: Deriving from the surveys, statistics and regional development plans the key issues tackled by the project are in coherence. Labour market analyses that will be accomplished in June 2000 will give the input for strategic decisions on identification the list of curricula. 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. After the completion of the project local government and state authorities will cover future maintenance and operating costs of business support system, innovation and tourism support infrastructure in Ida-Viru.
- Oil Shale Institute acts as a project based institution, which is self-sufficient by offering respective R&D, technology transfer and consultation services to the oil-shale related enterprises, different level authorities, potential investors etc. Also there are targeted public support schemes available, providing the grant schemes for applied research and technology development. Already from the budget for 2000, nearly 75% is obtained through the projects.
- 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 the all the partners and sustainability of the outcomes of the project. The measures described comply with European Employment Strategy: improving employability, developing entrepreneur-ship, encourage adaptability of businesses and their employees, strengthening equal opportunities for women and men.
11.6 Compliance with state aids provisions

- Project will comply with Estonian Competition Law, which regulates provision of state aid in Estonia and is harmonised with EU regulations.

11.7 Contribution to National Development Plan

The following chapters of the National Development Plan deal with Economic and Human Resources Development Project of Ida-Viru Region:

- Ch 4.2 - Industry and Business Development
- Ch 4.3 - Tourism
- Ch 4.4 - Employment and Training
- Ch 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 - Ida-Viru Development Agency (IVDA). Estonian Government has taken the decision (on 18th of March 2000) to create integrated BSF by Dec. 2000. IVDA has been already founded in March 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 IVDA will become in a regional (Ida-Viru) branch of BSF.

Ministry of Economic Affairs, Estonian Regional Development Agency and Ida-Viru County Government are currently planning the appropriate structure and functions of the agency to ensure that IVDA 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, Narva BAS Centre, Ida-Viru Tourism Resource Centre, Foundation VET Reform in Estonia, etc.) will be utilised by staffing and functioning of IVDA.


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.

3 See summary in item 2.4
ANNEXES TO PROJECT FICHE

1. ANNEX 1 Logical framework matrix for the project: Economic and HRD in I-V
2. ANNEX 1A Logical framework Matrix for sub-project 1: I-V agency for programme design and implementation
3. ANNEX 1B Logical framework matrix for the sub-project 2: Regional Incubation and Innovation Support Network
4. ANNEX 1C Logical framework matrix for the sub-project 3: Upgrade of centre of oil-shale expertise
5. ANNEX 1D Logical framework matrix for the sub-project 4: Tourism Infrastructure in Toila-Ontika region
6. ANNEX 1E: Logical framework matrix for the sub-project 5: Enhancing Human Resources Development in I-V
7. ANNEX 2 Detailed cost breakdown of the project: Economic and HRD in I-V
8. ANNEX 2A Detailed cost breakdown of the sub-project 1: I-V agency for programme design and implementation
9. ANNEX 2B Detailed cost breakdown of the sub-project 2: Regional Incubation and Innovation Support Network
10. ANNEX 2C Detailed cost breakdown of the sub-project 3: Upgrade of centre of oil-shale expertise
11. ANNEX 2D Detailed cost breakdown of the sub-project 4: Tourism Infrastructure in Toila-Ontika region
12. ANNEX 2E Detailed cost breakdown of the sub-project 5: Enhancing HRD in Ida-Viru
13. ANNEX 3 Time implementation chart of the I-V project
14. ANNEX 4 Contracting and disbursement schedule of the I-V project
15. ANNEX 5 Scheme of implementation arrangements of the I-V project
17. ANNEX 7 Short description and scheme of the reform of business support foundations in Estonia
LOGFRAME PLANNING MATRIX FOR
ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF IDA-VIRU REGION

Project Number: ES0007-3

Wider Objective
- Favourable Environment for new and growing businesses in Ida-Viru
  - Number of new firms increases 5% by the end of 2002 compared to 2000
  - Number of new jobs increased 5% by the end of 2002 compared to 2000
  - Investments increase 10% by the end of 2002 compared to 2000

How, When and By Whom Indicators Will Be Measured
- Database of Business Register
- Database of Business Register
- Regional Statistical Reports (annual)

Assumptions and Risks

Immediate Objectives
- Co-ordinated Business Support Structures in Ida-Viru
- Assistance system for technological restructuring of oil shale cluster in Ida-Viru
- Tourism infrastructure in selected regions in Ida-Viru
- Enhanced HRD in Ida-Viru
  - 80% of I-V business support institutions in the region have accepted the common business support strategy
  - Satisfaction level of target groups
  - Satisfaction of the target group with the assistance system
  - Number of tourists in county increased 10% by the end of year 2002 compared to year 2000
  - Satisfaction level of target groups

How, When and By Whom Indicators Will Be Measured
- Recorded agreement on Business Support Principles
- Regional Survey among the target groups
- Regional Survey among the target groups
- Statistical Yearbooks issued by Estonian Statistical Office
- Regional Survey among the target groups

Assumptions and Risks
1) Stable macroeconomic development in Estonia
2) Favourable business related legislation
3) Process of privatisation and property reform on track in Ida-Viru region
4) Favourable political situation between Russia and Estonia (Europe)
<table>
<thead>
<tr>
<th><strong>Comprehensive Business Support Strategy for I-V</strong></th>
<th><strong>Strategy paper approved by regional authority by the end of 2001</strong></th>
<th><strong>Meeting reports, Progress and Final Reports of the Project</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ida-Viru Development Agency (IVDA) upgraded</strong></td>
<td><strong>Phare Ida-Viru project successfully implemented by the end of 2002</strong></td>
<td><strong>Progress and Final Reports of the Project</strong></td>
</tr>
<tr>
<td><strong>Regional Incubation and Innovation Support Network</strong></td>
<td><strong>Increased rate of return of incubating companies by 10% by the end of 2002 compared to 2000</strong></td>
<td><strong>Annual report of Incubation centres to IVDA</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Volume of innovation support services increased up to 50% by the end of 2002 compared to 2000</strong></td>
<td><strong>Annual report of Innovation Centre’s Network to IVDA</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Volume of services (technological consultations, expertise, joint R&amp;D projects, information and co-operation network) offered by the Centre of Oil-Shale Expertise increased 100% by the end of 2002 (from 0.11 MEUR today)</strong></td>
<td><strong>Annual project report</strong></td>
</tr>
<tr>
<td><strong>Centre of Oil-Shale Expertise upgraded</strong></td>
<td><strong>Mutual co-operation agreement between at least 90% of network members signed by the end of 2001</strong></td>
<td><strong>Signed co-operation agreement available by the end of 2001 in IVDA</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Comprehensive oil-shale R&amp;D programme approved by 80% of respective authorities by the end of 2001</strong></td>
<td><strong>Approved R&amp;D programme available by the end of 2001 in IVDA</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Number of firms providing new services in Toila-Ontika region increased 20% by the end of 2002 compared to 2000</strong></td>
<td><strong>Direct counting by Kohtla and Toila municipalities</strong></td>
</tr>
<tr>
<td></td>
<td><strong>There are created 20 new jobs directly and at least 30 jobs by supporting structures by the end of 2002 compared to 2000</strong></td>
<td><strong>Direct counting by Kohtla and Toila municipalities</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Five (5) new curricula and short modular courses developed</strong></td>
<td><strong>MoEduc. and Professional Councils approve curricula, project reports</strong></td>
</tr>
<tr>
<td></td>
<td><strong>30 teachers' pedagogic and technical skills upgraded</strong></td>
<td><strong>Emloyment Offices and employers feedback on the quality of the new courses</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Equipment and facilities up-graded</strong></td>
<td><strong>Project reports</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Resource centres and simulation firms equipped</strong></td>
<td><strong>Inspection by Steering Committee</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Number of people who use the information and services</strong></td>
<td><strong>MoEduc. carries out acceptance of Resource centres and simulation firm.</strong></td>
</tr>
<tr>
<td><strong>Tourism infrastructure in Toila-Ontika region upgraded</strong></td>
<td><strong>Two (2) RTCs developed and operational</strong></td>
<td><strong>Project reports</strong></td>
</tr>
</tbody>
</table>

1) Effective co-operation between respective ministries and regional authorities
2) SPP Pilot project 2 has achieved its purpose
3) Availability of financial instruments for new and growing enterprises
4) Successful restructuring of current business support structures
Career counselling centre strengthened

Accredited certifying institutions developed

- 5 counsellors trained
- Catalogue on training providers published
- Counselling material published in Estonian and Russian
- 1-2 institutions accredited
- Certifying procedures, guidelines and tests developed
- 5 examiners trained
- Register of awarded qualifications set up

- Project reports
- Project reports
- Project reports
- Regular Statistics of the accredited institutions
- Approval and evaluation report by the Professional Councils accepting the procedures
- Project reports
- Project reports

Inputs | Indicative Budget | Implementation Period | Assumptions and Risks
--- | --- | --- | ---
Phare funding | See Detailed Cost Breakdown of the Project (ANNEX 2) and ANNEXES 2A-2E | See TIME IMPLEMENTATION CHART | 1) Active involvement of regional authorities and other institutions 2) Feasibility and Environmental Impact studies are completed in time
Ministry of Economic Affairs co-financing | Sub-project 1 - 0.18 MEUR Sub-project 2 - 0.66 MEUR Sub-project 3 - 0.4 MEUR Sub-project 4 - 0.56 MEUR Sub-project 5 - 1.32 MEUR TOTAL: 3.12 MEUR | | 
Ministry of Education co-financing | Training | Local and international expertise | | 

Project reports
Project reports
Project reports
Regular Statistics of the accredited institutions
Approval and evaluation report by the Professional Councils accepting the procedures
Project reports
Project reports

Inputs

- Project reports
- Project reports
- Project reports
- Regular Statistics of the accredited institutions
- Approval and evaluation report by the Professional Councils accepting the procedures
- Project reports
- Project reports

Assumptions and Risks

1) Active involvement of regional authorities and other institutions
2) Feasibility and Environmental Impact studies are completed in time
| LOGFRAME PLANNING MATRIX FOR sub-project 1 | | |
| Ida-Viru (I-V) programme design and implementation agency | | |
| Project Number: ES | | |
| Total Budget: 0.18 MEUR | | |
| Phare contribution: 0.13 MEUR | | |

**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>Co-ordinated business support structures in Ida-Viru</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• 80% of regional business support institutions agreed with principles of I-V business support strategy by the end of 2002</td>
<td>• Signed agreement on business development principles available in Ida-Viru County Government</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Regional Survey among the target group</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></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>Capacity of programme design and implementation in Ida-Viru</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Sort-term and Mid-term priorities for Ida-Viru identified by the end of 2001</td>
<td>• Ida-Viru development strategy accepted by regional authorities and social partners (signed agreement)</td>
<td>• Co-ordination of sector and regional planning has improved (incl. design of state budget)</td>
</tr>
<tr>
<td>• Financing of public development projects has increased 25% by the end of 2002 compared to 2000</td>
<td>• Annual reports presented by IVDA to Steering Committee</td>
<td>• Administrative reform successfully completed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reform of business support foundations successfully completed</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>Comprehensive business support strategy for I-V</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Strategy paper approved by regional authorities and social partners by the end of 2001</td>
<td>• Reports of Strategy working group meetings available in IVDA</td>
<td>• Effective co-operation of respective ministries and regional authorities</td>
</tr>
<tr>
<td></td>
<td>• Strategy Paper available in I-V County Government</td>
<td>• Successful involvement of private sector into development activities</td>
</tr>
</tbody>
</table>
• IVDA capable to implement regional programmes

• Phare Ida-Viru project successfully implemented by the end of 2002

• Project Regular and Final reports

### Inputs

- Funds from State budget and Phare for sub-project components:
  1. Business support strategy - 0.07 MEUR
  2. Upgrade of IVDA - 0.11 MEUR

  **TOTAL** - 0.18 MEUR

- Local expertise

- IVDA staffed and functioning by the end of 2000

- I-V County Government and Union of Local Municipalities offer an effective partnership to the MoEA and MoEduc. in the project
## LOGFRAME PLANNING MATRIX FOR sub-project 2
### IDA-VIRU REGIONAL INCUBATION AND INNOVATION SUPPORT NETWORK

<table>
<thead>
<tr>
<th>Project Number</th>
<th>ES</th>
<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></td>
<td></td>
<td>1. Co-ordinated Business Support Structures in Ida-Viru</td>
<td>1.1 Incubation, business advisory and innovation structures have accepted common business support principles</td>
<td>1.1 Recorded agreement on Business Support Principles</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
</tr>
<tr>
<td></td>
<td>1/2</td>
<td>1.2 Satisfaction Level of target groups</td>
<td>1.2 Regional survey among the target groups</td>
<td></td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Immeditate Objectives</td>
<td>Indicators of Achievement</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Regional Incubation and Innovation Support Network</td>
<td>1.1 Increased rate of return of incubating companies by 10% by the end of 2002 compared to 2000</td>
<td>1.1 Annual report of Incubation centres</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.2 Increase of 15% of the incubating companies turnover by the end of year 2002 compared to 2000</td>
<td>1.2 Account reports of new businesses in Incubators</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.3 Volume of innovation support services increased up to 50% by the end of the year 2002</td>
<td>1.3 Annual report of Innovation Centre’s Network</td>
<td></td>
</tr>
<tr>
<td>Output</td>
<td></td>
<td>Indicators of Achievement</td>
<td>How, When and By Whom Indicators Will Be Measured</td>
<td>Assumptions and Risks</td>
<td></td>
</tr>
</tbody>
</table>
1. **Jõhvi Incubation Centre infrastructure upgraded**
   - 1.1 300 m² of additional space of incubation premises prepared and equipped in Jõhvi Incubation Centre
   - 1.2 12 firms in incubator by the end of 2002

2. **Narva Incubation Centre operating**
   - 2.1 1500 m² of space of incubation premises prepared and equipped in Narva.
   - 2.2 30 firms in incubator by the end of 2003

3. **Sillamäe consultation office improved**
   - 3.1 Premises of Sillamäe SME Consultation point and additional office space, total 80 m² will be refurbished
   - 3.2 3 working places for entrepreneurs equipped and Internet connection provided.

4. **Consultation offices in Kiviõli and Kohtla-Järve operating**
   - 4. Offices equipped, 2 consultants in both offices hired and trained

5. **Ida-Virumaa Innovation Centre activities enlarged to other towns in region**
   - 5. Regular innovation services offered at least to 10 companies outside Jõhvi by the end of 2002; 4 innovation specialists trained

**Inspection**

1. **Inspection by Steering Committee**
   - 1.1 Inspection by Steering Committee

2. **Project regular reports to IVDA**
   - 2.1 Inspection by Steering Committee

3. **Inspection by Steering Committee**
   - 3.1 Inspection by Steering Committee

4. **Project regular reports to IVDA**
   - 4.1 Inspection by Steering Committee

5. **Inspection by Steering Committee**
   - 5.2 Project regular reports to IVDA

**Inputs**

1. **Narva Incubation centre 0,329 MEUR**
2. **Sillamäe consultation office 0,031 MEUR**
3. **Kohtla-Järve consultation office 0,05 MEUR**
4. **Kiviõli consultation office 0,05 MEUR**
5. **Further development of Jõhvi Incubation centre, incl. establishment and co-ordination of the Network: 0,2 MEUR**

**Total 0,66 MEUR**

**Assumptions and Risks**

- Local Governments continuously involved
- Interest of enterprises to use services of the Network

- Buildings can be identified
- Enough trainers can be identified
| LOGFRAME PLANNING MATRIX for subproject 3 - CENTRE OF OIL-SHALE EXPERTISE |
|--------------------------------|-------------------|-------------------|-------------------|
| **Wider Objective** | **Indicators of Achievements** | **How, When and by Whom Indicators Will Measured** | **Assumptions and Risks** |
| **Assistance system for technological restructuring of oil-shale cluster** | Satisfaction of the target group with the assistance system | Survey conducted by independent evaluator after the completion of the project | |

<table>
<thead>
<tr>
<th><strong>Immediate Objectives</strong></th>
<th><strong>Indicators of Achievements</strong></th>
<th><strong>How, When and by Whom Indicators Will Measured</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
</table>
| 1. Oil Shale Institute at Kohtla-Järve strengthened | Volume of services (technology consultancy, expertise, joint R&D projects, information and co-operation network) offered by the Centre of Oil-Shale Expertise increased 100% by 2002 from 0.11 MEUR today (2000) | Yearly inspection by Steering Committee | Stable macroeconomic development
Human resource development on track Ida-Viru
Restructuring of oil-shale cluster on track in Ida-Viru
Human resource development on track Ida-Viru
Restructuring of oil-shale cluster on track in Ida-Viru
Importance of oil-shale as a source for energy and processed products
Stable crude oil prices on the world markets |
| 2. Co-ordinated network for technology development and transfer for oil-shale cluster exists | Mutual co-operation agreement between at least 90% of network members signed by the end of 2001 defining the respective tasks and obligations of each member | Signed co-operation agreement available by the end of 2001 | |
| 3. Comprehensive oil shale R&D programme exists | Comprehensive oil-shale R&D programme approved by 80% of respective authorities by the end of 2001 | Approved R&D programme available by the end of 2001 | |

<table>
<thead>
<tr>
<th><strong>Outputs</strong></th>
<th><strong>Indicators of Achievements</strong></th>
<th><strong>How, When and by Whom Indicators Will Measured</strong></th>
<th><strong>Assumptions and Risks</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Oil-Shale Institute restructured</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Key staff of Oil-Shale Institute trained for project management and customer’s relations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Working conditions improved at Oil-Shale Institute</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Laboratory equipment updated for ensuring the quality of services offered</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Regular interaction of the network and improved information flow;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Office equipment for holding the network in place at Oil Shale Institute</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Existing technologies and technology needs audited in oil-shale related area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Development priorities fixed and comprehensive R&amp;D programme elaborated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 New statute, work organisation and business plan approved by the end of 2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 At least 10 people trained by the end of 2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 At least 400m2 rooms renovated and provided with technical communications by the end of 2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Two analytical laboratories equipped by the end of 2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1 Meetings and seminars at least semi-annually 2001-2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.2 Web site and common e-mail list of the network in use by the 2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Office equipment purchased</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Existing technologies and technology needs in oil-shale related area audited by the end of 2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Development priorities agreed by at least 80% of network members and R&amp;D programme elaborated by the end of 2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Approval of Council of Tallinn Technical University</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Certificates of the training available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Inspection of the rooms by Steering Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Purchasing documents and inspection of the equipment by Steering Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.1 Minutes of the events available, regular reports to steering committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.2 Web site address; e-mail address available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Purchasing documents and inspection of the equipment by steering committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1 Report of the audit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Recorded agreement</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Good co-operation between respective institutions and authorities
- Support of regional and local authorities to the activities
- Tallinn Technical University supports the oil shale related research at Ida-Viru
- Interest of oil-shale related enterprises to improve efficiency of oil production, develop new products and minimise adverse environment impacts
<table>
<thead>
<tr>
<th>Inputs</th>
<th>Phare:</th>
</tr>
</thead>
</table>
| 1. Strengthening of Oil Shale Institute at Kohtla Järve  
1.1 Restructuring of Oil-Shale institute  
1.2 Training of key staff of Oil-Shale Institute for project management and customer’s relations  
1.3 Improvement of working conditions at Oil-Shale Institute  
1.4 Updating of laboratory equipment for ensuring the quality of services offered | 1. 0.24 MEUR (0.19 INV + 0.05 IB)  
1.1 0.01 (IB)  
1.2 0.04 (IB)  
1.3 0.14 (INV)  
1.4 0.05 (INV) |
| 2. Creation of co-ordinated network for technology development and transfer for oil-shale cluster  
2.1 Regular interaction of the network and improvement of information flow  
2.2 Purchasing of office equipment for holding the network at Oil Shale Institute | 2. 0.06 MEUR (0.01 INV + 0.05 IB)  
2.1 0.05 (IB)  
2.2 0.01 (INV) |
| 3. Elaboration of comprehensive oil-shale R&D programme | 3. - |

- Administrative capacity and know-how sufficient for implementation of projects  
- Properly prepared projects  
- Funding of project according to agreed work-plan
## LOGFRAME PLANNING MATRIX FOR sub-project no. 5
**DEVELOPMENT OF TOILA-ONTIKA NATURE PARK**

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Economic and HRD in I-V</th>
<th>Date of drafting: 29.03.00</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Project Number:**

**Total Budget:** 0.56 MEUR

**Phare contribution:** 0.42 MEUR

### Wider Objective

**Indicators of Achievement***

- Number of tourists in county increased 10% by the end of year 2002 compared to year 2000

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

- Statistical Yearbooks issues by Estonian statistical Office

**Assumptions and Risks**

- Tourism infrastructure in selected regions of Ida-Viru
- Number of tourists in county increased 10% by the end of year 2002 compared to year 2000

### Immediate Objectives

**Indicators of Achievement***

- Number of firms providing new services in Toila-Ontika region increased 20% by the end of 2002 compared to 2000

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

- Project progress reports
- Direct counting by the municipalities

**Assumptions and Risks**

- Tourism infrastructure and services in Toila-Ontika region
- Number of firms providing new services in Toila-Ontika region increased 20% by the end of 2002 compared to 2000

### Outputs

**Indicators of Achievement***

- Infrastructure for active nature tourism constructed and renovated
- Accessibility of tourism objects improved
- Security of visitors nearby Clint guaranteed
- I-V Tourism Resource Centre involved in project management
- Information about Toila-Ontika Nature Park collected and disseminated

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

- Inspection by Steering Committee
- Inspection by Steering Committee
- Inspection by Steering Committee
- Project progress reports to IVDA
- Information available for visitors and investors via different channels
- Project regular reports

**Assumptions and Risks**

- Favourable political between Russia and Estonia
- Stable macroeconomic situation in Estonia

- Toila and Kohtla municipalities are actively supporting project realisation
- The private sector will profit from development of tourism infrastructure and develop own services
Inputs
Working group of Toila-Ontika Nature Park will identify the "priority projects" and submit the proposal for allocation of finances for these projects to the Steering Committee for acceptance. Indicative list of "priority projects is attached in ANNEX 2D.

**Total amount of project - 0,56 MEUR (Phare - 0,42 MEUR).**
<table>
<thead>
<tr>
<th>Project Number</th>
<th>Wider Objective</th>
<th>Immediate Objectives</th>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Enhanced Human Resources Development in Ida–Viru</td>
<td>2.1 Widening access to initial and continuing education and training</td>
<td>3.1 2 RTCs developed and operational</td>
</tr>
<tr>
<td></td>
<td>1. Rate of employment in I-V remains the same by the end of 2002 as 2000</td>
<td>2.1.1 Different target groups have enrolled in initial and continuing education and training courses in the RTCs, 2.1.2 Feedback from the students and employers on the quality of offered courses in the RTCs.</td>
<td>3.1 Strategic and operational plans</td>
</tr>
<tr>
<td></td>
<td>2.1.1 MoEduc regular statistics</td>
<td>2.1.2 Analysed evaluation sheets of the course participants</td>
<td>3.1 The plans are approved by the Regional</td>
</tr>
<tr>
<td></td>
<td>2.1.1 MoEduc regular statistics</td>
<td>2.1.2 Analysed evaluation sheets of the course participants</td>
<td>3.1 Prior identification of the labour market</td>
</tr>
<tr>
<td></td>
<td>Assumptions and Risks</td>
<td>Assumptions and Risks</td>
<td>Assumptions and Risks</td>
</tr>
<tr>
<td></td>
<td>Assumptions and Risks</td>
<td>Assumptions and Risks</td>
<td>Assumptions and Risks</td>
</tr>
</tbody>
</table>

**Logical Framework Matrix for Sub-Projects 5 “Enhancing Human Resource Development in Ida–Viru Region”**

- **Support to HRD**: 29.03.2000
- **Contracting period expires**: 31.12.2002
- **Disbursement period expires**: 31.12.2003

<table>
<thead>
<tr>
<th>Total Budget: (MEUR)</th>
<th>Phare contribution: (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Indicators of Achievement**

- How, When and By Whom
- Will Be Measured

**Assumptions and Risks**

- Labour Force Survey (State Statistics Board)
- Different target groups have enrolled in initial and continuing education and training courses in the RTCs,
- Feedback from the students and employers on the quality of offered courses in the RTCs.
- Different target groups use information on continuing training and competent advice on career planning.
- People acquire certified qualifications that will make them more competitive in the labour market.
- Strategic and operational plans
- The plans are approved by the Regional.
<table>
<thead>
<tr>
<th>Inputs</th>
<th>Budget (Phare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>International and local know-how and expertise</td>
<td>1. Dev. of regional training centres in Kohtla-Järve and Narva: 0.75 MEUR</td>
</tr>
<tr>
<td></td>
<td>2. Dev. of career counselling centre 0.1 MEUR</td>
</tr>
<tr>
<td></td>
<td>3. Dev. of a network of certifying institutions 0.1 MEUR</td>
</tr>
<tr>
<td></td>
<td>4. Implementation support 0.05 MEUR</td>
</tr>
</tbody>
</table>

| Steering Committee.                        | Steering Committee. MoEduc. and Professional Councils have approved new courses |
| MoEduc. and Professional Councils          | 3.2 MoEduc. carries out acceptance of Resource centres and simulation firms   |
| have approved new courses                  | 3.3 Regular Project Reports                                                   |

| needs in the region with sufficient details for education to respond will be completed by June 2000 |
| 3.2 Social partners, especially employers in the region well motivated and involved in the development of the curricula |

| offering initial as well as short courses based on the needs of the region | developed, 5 new curricula + short modular courses developed, 30 teachers pedagogic and technical skills up-graded, equipment and facilities up-graded |
| 3.2 Resource centres and simulation firms equipped.                      | 3.2 Approval procedure for the Resource centres and simulation firms.          |
| 3.3. The career counselling centre strengthened                           | 3.3 Materials on career counselling published (also in Russian), 5 career counsellors trained, catalogues on continuing education providers published (also in Russian) |
| 3.4 Accredited certifying institution developed.                          | 3.4 Certifying procedures and guidelines fully developed, examiners trained, 1–2 institutions accredited, register set up |

| 3.2 MoEduc. carries out acceptance of Resource centres and simulation firms | 3.3 Regular Project Reports |
| 3.4 Certifying procedures and guidelines fully developed, examiners trained, 1–2 institutions accredited, register set up | 3.4 Regular Project Reports. Approval and evaluation report by the Professional councils accepting the procedures |
## ANNEX 2

### DETAILED COST BREAKDOWN OF THE PROJECT (3,12 MEUR)

#### Project N°: ES

#### Project Title: ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF I-V

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Description</th>
<th>Phare</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Investment Support</td>
<td>Institution Building</td>
</tr>
<tr>
<td>Sub-project 1</td>
<td>Ida-Viru programme design and implementation agency</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>Sub-project 2</td>
<td>Regional Incubation and Innovation Support Network</td>
<td>0.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Sub-project 3</td>
<td>Upgrading of oil-shale expertise centre</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Sub-project 4</td>
<td>Tourism Infrastructure in Toila-Ontika region</td>
<td>0.39</td>
<td>0.03</td>
</tr>
<tr>
<td>Sub-project 5</td>
<td>Enhancing Human Resources Development</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1.65</strong></td>
<td><strong>0.7</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Description</th>
<th>Phare</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Phare (=I+IB)</td>
<td>National Co-financing</td>
</tr>
<tr>
<td>Sub-project 1</td>
<td>Ida-Viru programme design and implementation agency</td>
<td>0.13</td>
<td>0.05</td>
</tr>
<tr>
<td>Sub-project 2</td>
<td>Regional Incubation and Innovation Support Network</td>
<td>0.5</td>
<td>0.16</td>
</tr>
<tr>
<td>Sub-project 3</td>
<td>Upgrading of oil-shale expertise centre</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Sub-project 4</td>
<td>Tourism Infrastructure in Toila-Ontika region</td>
<td>0.42</td>
<td>0.14</td>
</tr>
<tr>
<td>Sub-project 5</td>
<td>Enhancing Human Resources Development</td>
<td>1.0</td>
<td>0.32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>2.35</strong></td>
<td><strong>0.77</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project</th>
<th>Description</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-project 1</td>
<td>Ida-Viru programme design and implementation agency</td>
<td></td>
<td>0.18</td>
</tr>
<tr>
<td>Sub-project 2</td>
<td>Regional Incubation and Innovation Support Network</td>
<td></td>
<td>0.66</td>
</tr>
<tr>
<td>Sub-project 3</td>
<td>Upgrading of oil-shale expertise centre</td>
<td></td>
<td>0.4</td>
</tr>
<tr>
<td>Sub-project 4</td>
<td>Tourism Infrastructure in Toila-Ontika region</td>
<td></td>
<td>0.56</td>
</tr>
<tr>
<td>Sub-project 5</td>
<td>Enhancing Human Resources Development</td>
<td></td>
<td>1.32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>3.12</strong></td>
</tr>
</tbody>
</table>
ANNEX 2A

Detailed Cost Breakdown of the Sub-project 1 (0,18 MEUR)

**Sub-project N°: ES**  
**Sub-project title:** Ida-Viru programme design and implementation agency

<table>
<thead>
<tr>
<th>Component</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>
</table>
| Component 1  
Elaboration of comprehensive business support strategy for I-V | 0,03 | | 0,03 | 0,04 | | 0,07 |
| Component 2  
Upgrading of Ida-Viru Development Agency (IVDA) | 0,06 | 0,04 | 0,1 | 0,01 | | 0,11 |
| TOTAL | 0,06 | 0,07 | 0,13 | 0,05 | | 0,18 |
ANNEX 2B

Detailed Cost Breakdown of the Sub-project 2 (0,66 MEUR)

Sub-project N°: ES
Sub-project title: Incubation-innovation support network

<table>
<thead>
<tr>
<th>Sub-project Description</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>1. Establishment of Incubation Centre in Narva</td>
<td>0.264</td>
<td>0.03</td>
<td>0.294</td>
<td>0.035</td>
<td>0.329</td>
<td></td>
</tr>
<tr>
<td>2. Improving Sillamäe SME consultation office</td>
<td>0.016</td>
<td>0.01</td>
<td>0.026</td>
<td>0.005</td>
<td>0.031</td>
<td></td>
</tr>
<tr>
<td>3. Establishment of Consultation Office in Kohtla-Järve</td>
<td>0.01</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>4. Establishment of Consultation Office in Kiviõli</td>
<td>0.01</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>5 Establishment of the Incubation and Innovation Support Network in Ida-Viru</td>
<td>0.1</td>
<td>0.02</td>
<td>0.12</td>
<td>0.08</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>0.4</strong></td>
<td><strong>0.1</strong></td>
<td><strong>0.5</strong></td>
<td><strong>0.16</strong></td>
<td><strong>0.66</strong></td>
<td></td>
</tr>
</tbody>
</table>
### ANNEX 2C

**Detailed Cost Breakdown of the Sub-project 3 (0.4 MEUR)**

**Sub-project N°: ES**

**Sub-project title: Centre of Oil-Shale Expertise**

<table>
<thead>
<tr>
<th></th>
<th>Investment</th>
<th>Institution Building (IB)</th>
<th><strong>Total Phare (=I+IB)</strong></th>
<th>Recipient*</th>
<th>IFI*</th>
<th><strong>TOTAL</strong>*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Strengthening of Oil Shale Institute at Kohtla-Järve</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Oil-Shale Institute restructured</td>
<td>0.19</td>
<td>-</td>
<td>0.24</td>
<td>0.06</td>
<td>-</td>
<td>0.3</td>
</tr>
<tr>
<td>1.2 Key staff of Oil-Shale Institute trained for project management and customer’s relations</td>
<td>-</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Working conditions improved at Oil-Shale Institute</td>
<td>0.14</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Laboratory equipment updated for ensuring the quality of services offered</td>
<td>0.05</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2. Creation of co-ordinated network for technology development and transfer for oil-shale cluster</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Regular interaction of the network and improved information flow</td>
<td>0.01</td>
<td>0.05</td>
<td>0.06</td>
<td>0.02</td>
<td>-</td>
<td>0.08</td>
</tr>
<tr>
<td>2.2 Office equipment for holding the network in place at Oil Shale Institute</td>
<td>-</td>
<td>0.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3. Elaboration of comprehensive oil-shale R&amp;D programme</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
<td>0.1</td>
<td>-</td>
<td>0.4</td>
</tr>
</tbody>
</table>
INDEX 2D

Indicative Detailed Cost Breakdown of the Sub-project 4 (0,56 MEUR)

Sub-project N°: ES
Sub-project title: Development of Toila-Ontika Nature Park

<table>
<thead>
<tr>
<th>Indicative cost breakdown by preliminary list of &quot;priority projects&quot; of Toila-Ontika*</th>
<th>Investment</th>
<th>Institution Building (IB)</th>
<th>Total (=I+IB)</th>
<th>Recipient*</th>
<th>IFI*</th>
<th>TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Renovation of Visitors Centre</td>
<td>0,18</td>
<td>0,18</td>
<td>0,02</td>
<td>0,2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Establishing hiking paths</td>
<td>0,04</td>
<td>0,04</td>
<td>0,01</td>
<td>0,05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Completing of Valaste Fall platform and Ontika platform</td>
<td>0,11</td>
<td>0,11</td>
<td>0,01</td>
<td>0,12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Institutional strengthening of Tourism Resource Centre and project management</td>
<td>0,01</td>
<td>0,01</td>
<td>0,03</td>
<td>0,04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Promotional materials</td>
<td>0,02</td>
<td>0,02</td>
<td>0,01</td>
<td>0,03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Road pavement</td>
<td>0,06</td>
<td>0,06</td>
<td>0,06</td>
<td>0,12</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>0,39</strong></td>
<td><strong>0,03</strong></td>
<td><strong>0,42</strong></td>
<td><strong>0,14</strong></td>
<td><strong>0,56</strong></td>
<td></td>
</tr>
</tbody>
</table>

* Working group "Toila-Ontika Nature Park" will make a proposal to adjust this list by occurrence of need, Ida-Viru Steering Committee will authorise the reallocation of the budget.
ANNEX 2E

Detailed Cost Breakdown of the Sub-project 5 (1,32 MEUR)

Sub-project N°: ES
Sub-project title: Enhancing HRD in I-V

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
<th>Phare</th>
<th>Support</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></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1</strong></td>
<td>Development of Regional Training Centres in Kohtla – Järve and Narva</td>
<td>0.5</td>
<td>0.25</td>
<td>0.75</td>
<td>0.2</td>
<td>0.95</td>
<td></td>
</tr>
<tr>
<td><strong>Component 1A</strong></td>
<td>Indicative Phare allocation for Kohtla-Järve RTC</td>
<td></td>
<td>0.2</td>
<td>0.1</td>
<td>0.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1B</strong></td>
<td>Indicative Phare allocation for Narva RTC</td>
<td>0.3</td>
<td>0.15</td>
<td>0.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Component 2</strong></td>
<td>Development of career counselling centre</td>
<td>0.05</td>
<td>0.05</td>
<td>0.1</td>
<td>0.01</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td><strong>Component 3</strong></td>
<td>Development of a network of certifying institutions</td>
<td>0.05</td>
<td>0.05</td>
<td>0.1</td>
<td>0.01</td>
<td>0.11</td>
<td></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>0.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>0.6</td>
<td>0.4</td>
<td>1.0</td>
<td>0.32</td>
<td>1.32</td>
<td></td>
</tr>
</tbody>
</table>
## ANNEX 3 TIME IMPLEMENTATION CHART

**Project N°: ES**  
**Project Title: ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF IDA-VIRU REGION**

<table>
<thead>
<tr>
<th>Sub-project 1: Component 1</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive Business Support Strategy for I-V</td>
<td>J F M A</td>
<td>J F M A</td>
<td>J F M A</td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project 1: Component 2</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgrade of Ida-Viru Development Agency (IVDA)</td>
<td>J F M A</td>
<td>J F M A</td>
<td>J F M A</td>
</tr>
<tr>
<td>Institution Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project 2</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Incubation and Innovation Support Network</td>
<td>J F M A</td>
<td>J F M A</td>
<td>J F M A</td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x X</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project 3</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgrading of oil-shale expertise centre</td>
<td>J F M A</td>
<td>J F M A</td>
<td>J F M A</td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project 4</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toila-Ontika Nature Park</td>
<td>J F M A</td>
<td>J F M A</td>
<td>J F M A</td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x X</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-project 5</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancing Human Resources Development</td>
<td>J F M A</td>
<td>J F M A</td>
<td>J F M A</td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
<td>x x x x x x x x</td>
</tr>
</tbody>
</table>
ANNEX 4

CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

Project No: ES
Project title: ECONOMIC AND HUMAN RESOURCES DEVELOPMENT PROJECT OF IDA-VIRU REGION

CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phare</td>
<td>31.08.00</td>
<td>30.09.00</td>
<td>31.12.00</td>
<td>31.03.01</td>
<td>30.06.01</td>
<td>30.09.01</td>
<td>31.12.01</td>
<td>31.03.02</td>
<td>30.06.02</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ida-Viru Project</td>
<td></td>
<td>1.40</td>
<td>1.65</td>
<td>1.65</td>
<td>1.65</td>
<td>1.65</td>
<td>1.65</td>
<td>1.65</td>
<td>1.65</td>
</tr>
<tr>
<td>Phare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ida-Viru Project</td>
<td></td>
<td>0.46</td>
<td>0.54</td>
<td>0.70</td>
<td>0.70</td>
<td>0.70</td>
<td>0.70</td>
<td>0.70</td>
<td>0.70</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>1.46</td>
<td>1.94</td>
<td>2.35</td>
<td>2.35</td>
<td>2.35</td>
<td>2.35</td>
<td>2.35</td>
<td>2.35</td>
<td></td>
</tr>
</tbody>
</table>

CUMULATIVE DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Date</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phare</td>
<td>31.08.00</td>
<td>30.09.00</td>
<td>31.12.00</td>
<td>31.03.01</td>
<td>30.06.01</td>
<td>30.09.01</td>
<td>31.12.01</td>
<td>31.03.02</td>
<td>30.06.02</td>
</tr>
<tr>
<td>Investment</td>
<td></td>
<td>0.48</td>
<td>0.72</td>
<td>0.97</td>
<td>1.13</td>
<td>1.29</td>
<td>1.45</td>
<td>1.65</td>
<td>1.65</td>
</tr>
<tr>
<td>Ida-Viru Project</td>
<td></td>
<td>0.24</td>
<td>0.33</td>
<td>0.40</td>
<td>0.50</td>
<td>0.56</td>
<td>0.63</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Phare</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Building</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ida-Viru Project</td>
<td></td>
<td>0.24</td>
<td>0.33</td>
<td>0.40</td>
<td>0.50</td>
<td>0.56</td>
<td>0.63</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>0.72</td>
<td>1.05</td>
<td>1.37</td>
<td>1.62</td>
<td>1.85</td>
<td>2.07</td>
<td>2.35</td>
<td>2.35</td>
<td>2.35</td>
</tr>
</tbody>
</table>
MONITORING UNIT
in MoEduc.
Vocational Education Department

STEERING COMMITTEE
MoEA (chairperson), MoEduc, MoSA, MoIA, MoF, Central Union of Industry and Employers, Central Labour Union, Ida-Virumaa County Government, Union of Municipalities, EU Delegation

TECHNICAL IMPLEMENTATION UNIT
Ida-Virumaa Development Agency (IVDA)

WORKING GROUP for sub-project 4
"Toila-Ontika Nature Park"

WORKING GROUP for sub-project 3
"Oil Shale Expertise Center"
Tallinn Technical University, Oil Shale Institute, Tartu University, Estonian Energy Research Institute, Tallinn Pedagogical University, Central Laboratory of Environmental Research, Virumaa College, oil-shale related companies, Ida-Virumaa County Government, IVDA, MoEA

WORKING GROUP for sub-project 1
"Business Support Strategy and Upgrade of IVDA"
Relevant ministries, Ida-Virumaa County Government, IVDA, Union of Local Municipalities, Union of Industry and Employers, Labour Union, Business Support Structures, Universities, Regional Training Centres

WORKING GROUP for sub-project 2
"Incubation and Innovation Support Network"

WORKING GROUP for sub-project 5
"Enhancing Human Resources Development"
MoEduc, County Government, IVDA, Employment Office (MoSA), Regional Training Centres, Chamber of Commerce and Industry, Union of Estonian Employers and Industry, Trade Union, Local Governments, Career Guidance Centre

ANNEX 5 Implementation Scheme of Economic and Human Resources Development project of Ida-Virumaa

02.05.00
ANNEX 6

Sub-project N° 3: ES

Sub-project title: Incubation-innovation support network

Links with past Phare activity: ES-9803.04.0002 SPP Pilot Project No. 2: Development of Regional Co-operation Network for Innovative Entrepreneurship;

<table>
<thead>
<tr>
<th>SPP Pilot Project No. 2 results by March, 2001</th>
<th>Phare 2000 activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ida-Virumaa Business Incubator Centre operating in Jõhvi (Pargi 27)</td>
<td>Further development of Ida-Virumaa Business Incubator Centre in Jõhvi (Pargi 27)</td>
</tr>
<tr>
<td>• 1. phase of preparation of premises completed (ground floor and first floor, 605 m²)</td>
<td>• 2. phase of preparation of premises (second floor, 300 m²)</td>
</tr>
<tr>
<td>• Staff (min of 3 persons) hired and trained</td>
<td>• Hiring and training of additional staff</td>
</tr>
<tr>
<td>• Min. of 6 companies selected, trained and started incubating</td>
<td>• Selecting, training and starting incubating additional companies</td>
</tr>
<tr>
<td>• Business Consultation services integrated with the services of Incubation Centre</td>
<td>• Integrating of incubation and innovation services</td>
</tr>
<tr>
<td>Consultation office in Sillamäe operating</td>
<td>• Establishment and co-ordinating of the Network</td>
</tr>
<tr>
<td>Consultation office in Sillamäe operating, providing business consulting services</td>
<td></td>
</tr>
</tbody>
</table>

Ida-Virumaa Innovation Centre in Jõhvi operating

• Working places equipped
• Staff (5 persons) hired and trained
• Working Group established
• Co-operation with local governments, universities, vocational schools, enterprises established
• Preliminary SME research completed
• Seminars etc

Establishing of Narva Incubation Centre (including improving SME Consultation point in Sillamäe) and Consultation offices in Kiviõli and Kohtla-Järve

• Selection of building for Narva Incubation Centre, purchasing of premises
• Improving of Sillamäe facilities, based on the SME Consultation office in Sillamäe
• Establishing of Consultation offices in Kiviõli and Kohtla-Järve
• Hiring and training of staff
• Integrating with business consulting and innovation services
• Selecting, training and starting incubating of companies from Narva and Sillamäe

Further development of Ida-Virumaa Innovation Centre

• Enlargement of activities to other towns in region, integrating with incubation centres and Consultation offices
• Training of innovation/technological transfer managers
• Creating database, promoting innovation, technological transfer and internationalisation
• Seminars etc
• Further development of services
ANNEX 7 Short description and scheme of reforming of business supporting 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 an Guarantee Foundation;  
- Foundation “Estonian Home”  
- Foundation “Innovation Fund”

Under the administration of the **Ministry of Internal 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 Tallinn) calls for radical structural reforms in a relatively short time frame, whereas the focus in

---

4 Research Foreign Investor 1998, EIKAS, University of Tartu
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 and 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). creation

2) EAS would merge with the following foundations: EIKAS, ERSA, Innovation Fund, and take

5 Creation of two independent foundations Enterprising Development Foundation and Enterprising Guarantee 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.
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 specialty 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 fulfilment 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 that 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, etc.) and that these areas have been covered by 1-2 project managers, as necessary;
13) EGS will use the services of commercial structures (banks, insurance companies) as much as

---

6 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.
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 EKGS, 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.
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**
- **AGENCY OF REGIONAL DEVELOPMENT**
  - **SME LOAN GUARANTEES**
  - **ADVISORY COUNCIL**
- **AGENCY OF TECHNOLOGY**
  - **EXPORT GUARANTEES**
  - **ADVISORY COUNCIL**

**VENTURE CAPITAL FUND**
- **SUPERVISORY BOARD**
- **BOARD OF DIRECTORS**
- **AGENCY OF TOURISM**
  - **ADVISORY COUNCIL**
- **AGENCY OF EXPORT AND INVESTMENTS**
  - **ADVISORY COUNCIL**

*Annex 1*