



## Case study

### Topic 01: ESIF Architecture

# Estonia



EUROPEAN UNION  
Cohesion Fund  
Operational Programme Technical Assistance



MINISTRY  
OF REGIONAL  
DEVELOPMENT CZ





## Table of contents

List of abbreviations .....	3
Executive summary .....	4
1. Basic characteristics of the ESIF system .....	5
2. Simplified scheme of the implementation structure .....	6
3. Answers to evaluation questions.....	8
3.1 Description of the implementation system.....	8
3.1.1 Division of competences .....	8
3.1.2 Pilot project of the State Shared Service Centre.....	10
3.1.3 Concentration of roles into a single institution.....	12
3.1.4 No subject-matter sponsors .....	12
3.2 Legal framework and methodological environment.....	12
3.3 Modifications over the programming periods.....	14
3.3.1 Reduction of the number of operational programmes .....	14
3.3.2 Reduction of the number of Implementing Bodies and unification of IT systems .....	15
3.3.3 Reduction and reallocation of employees .....	16
3.4 State aid, public procurement, and financial instruments .....	16
3.4.1 Regional disparities.....	16
3.4.2 Separation of EAFRD and EMFF .....	16
3.4.3 Thematic sub-committees .....	17
3.4.4 Non-Governmental Organizations (NGOs) .....	18
3.4.5 National cultural institutions and local governments .....	18
3.5 Awareness of applicants .....	19
3.6 Pros & Cons .....	20
3.6.1 Stability and continuity .....	20
3.6.2 High level of centralisation and concentration.....	20
3.6.3 Cooperation, communication, and sharing of best practice.....	20
3.6.4 Disunity of Implementing Bodies .....	21
3.6.5 Seeking an appropriate level of detail.....	22
3.6.6 IT system for legislation drafting.....	22
3.6.7 Research & Development .....	23
3.6.8 Pre-control of public procurement .....	23
3.6.9 Pre-counselling .....	23
3.7 Monitoring and IT .....	23
3.7.1 Monitoring IT system.....	25
3.7.2 Administrators & users .....	26
3.7.3 Legislative framework of the monitoring IT system's development.....	26
3.7.4 Responsibility for development of the monitoring IT system .....	26
3.7.5 Interoperability of the monitoring system .....	26
3.7.6 Verification of ownership structure.....	27
3.7.7 No blacklist, but a system of flags .....	27
3.7.8 Audit and control within the monitoring IT system.....	28
3.7.9 No interoperability with SFC.....	28
3.7.10 Data mining tools .....	28
3.7.11 Responsibility for correctness of data.....	29
3.8 Long-term strategic projects .....	29



3.9	Partnership Agreement.....	29
3.10	Modifications Linked with Reallocation .....	30
3.11	Audit and controls .....	30
3.11.1	Recommendatory findings.....	31
3.11.2	Sharing audit/control plans .....	32
3.11.3	Sharing results of controls/audits .....	32
3.11.4	Irregularities.....	32
3.11.5	Final decision .....	33
4.	Project activity review.....	34



## List of abbreviations

<b>AA</b>	Audit Authority
<b>CA</b>	Certification Authority
<b>CF</b>	Cohesion Fund
<b>CPR</b>	Common Provisions Regulation
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>EEA</b>	European Economic Area
<b>EMFF</b>	European Maritime and Fisheries Fund
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>EU</b>	European Union
<b>EUR</b>	Euro
<b>EY</b>	Ernst & Young
<b>FTE</b>	Full-time Employees
<b>IB</b>	Intermediate Body
<b>IT</b>	Information Technology
<b>MA</b>	Manging Authority
<b>NCA</b>	National Coordination Authority
<b>NGO</b>	Non-Governmental Organization
<b>OLAF</b>	European Anti-Fraud Office (Office de Lutte Anti-Fraud)
<b>OP</b>	Operational Programme
<b>PA</b>	Paying Authority
<b>R&amp;D</b>	Research and Development
<b>ROP</b>	Regional Operational Programme
<b>SFOS</b>	Structural Funds Operational System
<b>SSSC</b>	State Shared Service Centre

# Estonia

## Implementation structure

Estonia's model is highly centralized. The implementation structure is concentrated in a single Managing Authority (Ministry of Finance), instead of three MAs as it was in the previous programming period. The number of OPs has also declined from three to one. There is a visible continuous effort to simplify, unify and centralise in Estonia. Concentrated structure brings more effective communication, reduction of the administrative burden for the actors, knowledge concentration, procedure harmonisation and more straightforward coordination system. The steps for simplification of the implementation structure are followed by involvement of the State Shared Service Centre (SSSC), which is going to cover all kinds of subsidies and function as a second-level Intermediate Body, as well as overtake part of MA's agenda. Individual subjects (especially line ministries) appreciate that they can focus on substantive goals and results thanks to lower administrative burden.

+ Positive aspects	Negative aspects
<p>System's stability a continuity – development aiming for centralization and simplification</p> <ul style="list-style-type: none"> <li>▶ Clear formal and informal declaration of individual subjects' competencies</li> <li>▶ Harmonisation of approach towards beneficiaries and cost savings due to SSSC</li> <li>▶ Communication, cooperation and experience sharing</li> <li>▶ Low administrative burden perceived by most stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>▶ Weaker position of the Intermediate Body in comparison to MA and Implementing Bodies</li> <li>▶ Low coordination of ERDF, ESF, CF vs. EAFRD and EMFF</li> <li>▶ Currently low rate of absorption</li> </ul>

### Key aspects of the implementation structure

1

#### State Shared Service Centre (SSSC)

Since the second half of 2018 the technical implementation tasks are being transferred to the State Shared Service Centre (government agency subordinate to MF). The centre covers all kinds of subsidies (ESIF, national etc.) and is going to act as a MA, Implementing body and CA, while MF will continue to carry out planning, evaluation and monitoring activities.

2

#### Communication and cooperation

Effective communication and cooperation is supported by formal meetings and experience sharing among individual actors of the structure. They reside in a single building, which makes the communication highly effective. Effective communication and cooperation decreases audit costs and time spent on administration.

3

#### Centralization and concentration

The implementation structure is concentrated in a single MA – Ministry of Finance. Its sub-departments furthermore carry out the activities of AA and CA. Strong position of the MF provides coordination, synergy and complementarity.

4

#### Effective IT system

There is an effective IT system for drafting legislation (not limited to ESIF) in Estonia. It significantly lowers administrative burden connected with ESIF legislation. Throughout the IS there is a united monitoring system with interface for applicants and beneficiaries, which actors perceive also positively.



EUROPEAN UNION  
Cohesion Fund  
Operational Programme Technical Assistance



MINISTRY  
OF REGIONAL  
DEVELOPMENT CZ



Building a better  
working world

## 1. Basic characteristics of the ESIF system

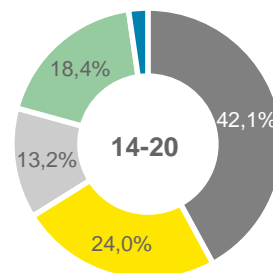
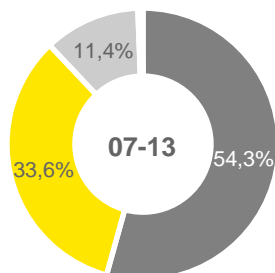
Number of operational programmes (OP/ROP)	Number of territorial units (NUTS1/NUTS2/NUTS3)
3 (3/0)	1/1/5

Total planned allocation (according to programming period and fund)

Total allocation (mil. EUR)

14-20: 4 414

07-13: 3 253



Overview of the operational programmes

Scheme 1: Estonian OPs<sup>1</sup>

	Allocation in €	Absorption	Managing authority
Cohesion Policy Funding - ERDF/ESF/CF	4 842 577 066	22 %	Ministry of Finance
Estonia - National Rural Development	987 213 426	40 %	Ministry of Finance
Maritime and Fisheries - Estonia	129 622 811	16 %	Ministry of Finance

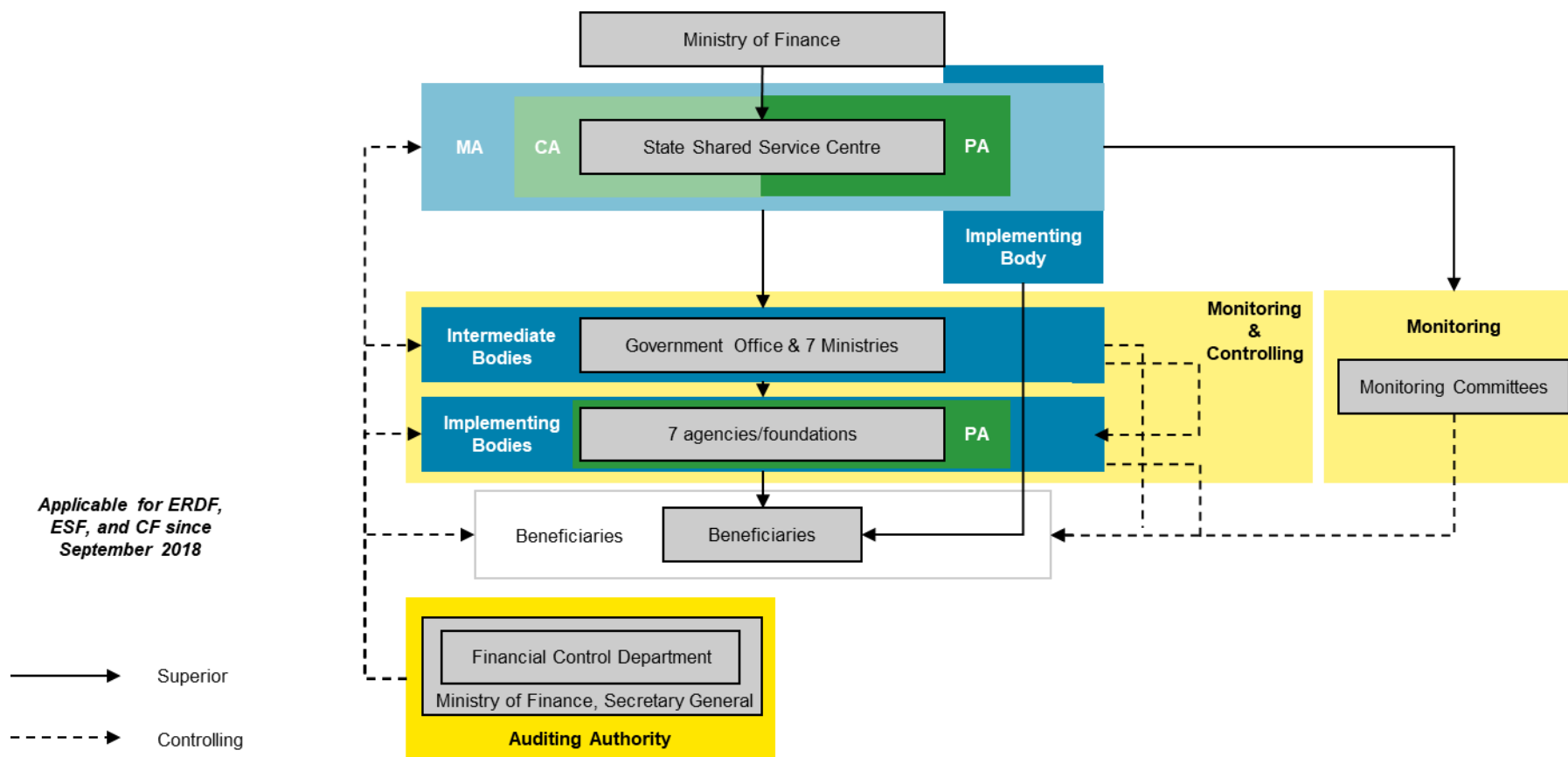
Estonian implementation structure is characteristic by a **single Operational programme** for all three major ESI funds – i.e. ESF, ERDF and CF. No regional operational programmes were set-up, as Slovenia is a small country with only one region of a NUTS2 level. There is **no National Coordination Authority** in Estonia, but instead, the implementation structure comprises of a single Managing Authority, eight Intermediate Bodies and eight Implementing Bodies. Since September 2018 there is being tested a project of the **State Shared Service Centre** shelters all programmes (both ESIF and national) in Estonia. The Centre represents the Managing Authority, Paying Authority, Certifying Authority and a single Implementing Body. The implementation structure is depicted in the **two following schemes** where the first scheme shows the **current setup of the pilot project of the State Shared Service Centre** and the second scheme depicts the implementation structure as of before the pilot project. Specifics and competencies of all key players are further described below in the text.

<sup>1</sup> Data gathered on 18.10.2018 from <https://cohesiondata.ec.europa.eu/>. Allocation is in EUR. Absorption means actual expenditure declared by the projects to the programmes.

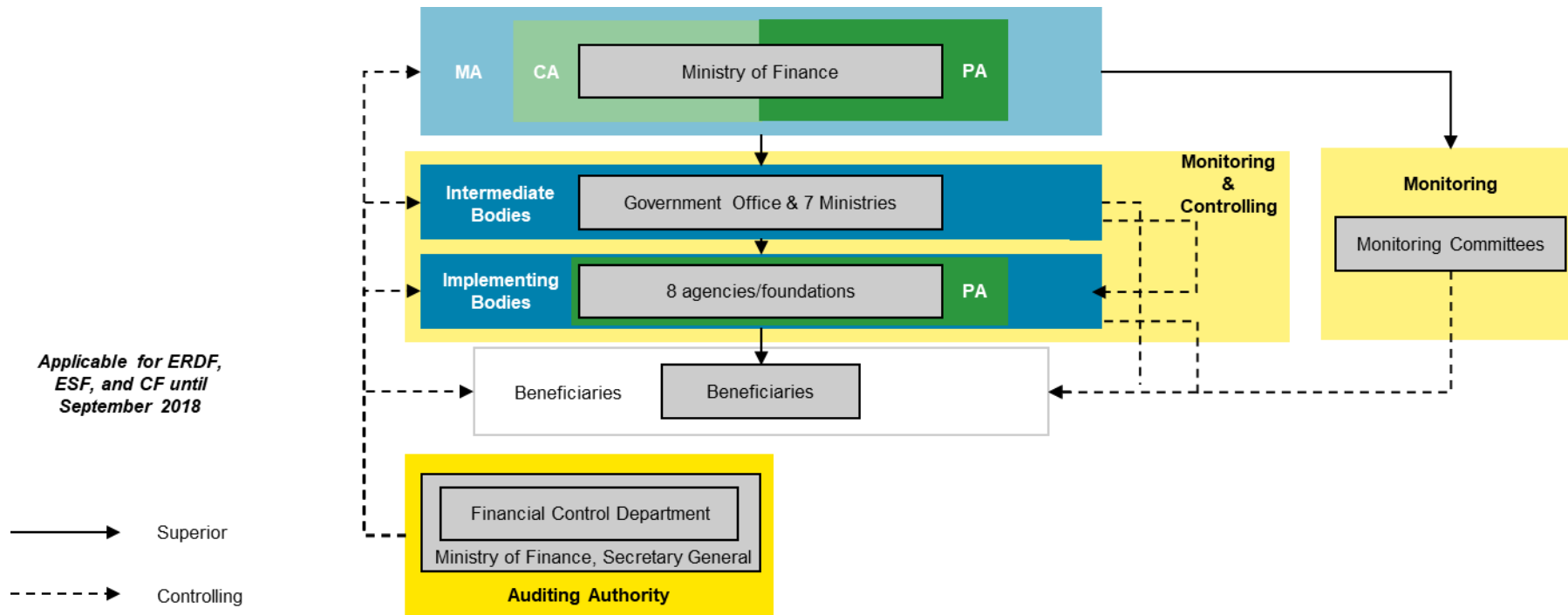


## 2. Simplified scheme of the implementation structure

*Scheme 2: Implementation structure – Estonia (valid from September 2018)*



*Scheme 3: Implementation structure – Estonia (valid until the end of August, 2018)*





### 3. Answers to evaluation questions

#### 3.1 Description of the implementation system

##### 3.1.1 Division of competences

It is essential to emphasize that there is no National Coordination Authority in Estonia. The core of the implementation structure is composed of three layers virtually laying below a potential NCA: a single Managing Authority, eight Intermediate Bodies, and eight Implementing Bodies. The structure had been resembling a pyramid when there used to be more Implementing Bodies in the previous programming period, while currently there is a tendency to reshape it into a diamond (assuming a single Implementing Body in the future if the pilot project mentioned below (chapter 3.1.2) will go on) – an implementation structure similar to the one which occurs in Latvia, for instance.

This kind of centralisation in combination with concentration of multiple roles in one institution (assuming a further progression of the pilot project there will be responsibilities of the Managing Authority, Certifying Authority, Implementing Bodies, overall coordinator of all funding sources, and Auditing Authority focused in the *Ministry of Finance* and its sub-ordinated institution, the *State Shared Service Centre*)<sup>2</sup> is suitable for smaller EU Member States, as Estonia. A single operational programme with a single Managing Authority at the top of the implementation structure allows for a straightforward coordination and management of individual stakeholders, thematic concentration, and implementation of ESIF itself.

The main role in setting up the processes within the implementation structure is also assigned to the Managing Authority, although the individual Intermediate Bodies (i.e., the line ministries) have responsibility to select individual Implementing Bodies and the whole arrangement has to be approved by the Estonian government at the end of the day. The government acts also as the final decision-maker with respect to any planned modifications of the system as well as the present pilot project.



#### Division of fundamental competences

##### **Managing Authority (MA):**

- ▶ Planning, accounting and budgeting
- ▶ Performing the role of Certifying Authority
- ▶ Monitoring and evaluation authority of the EU funds
- ▶ Approving decrees related to the EU funds
- ▶ Coordination of learning and training activities for the administration (MA/IB/AA/CA level)
- ▶ Setting up the MCS for the system and supervision of the delegated tasks in the level of IB and implementing bodies

##### **Intermediate Bodies (IB):**

- ▶ Guidance of the Implementing Bodies upon the implementation of the legislation concerning the conditions for the provision of the support
- ▶ Setting-up conditions for providing financial support and monitoring compliance
- ▶ Suggesting changes of the Partnership Agreement and the operational programme to the Ministry of Finance
- ▶ Fulfilling other competencies of the Managing Authority according to the Structural Funds Act

<sup>2</sup> Note that there used to be a concentration of the Managing Authority, Certifying Authority, and Auditing Authority into the *Ministry of Finance*, while currently only the last one remains within the ministry and the MA and CA together with one particular Implementing Body is assigned to the *State Shared Service Centre* which is sub-ordinated to the ministry.



- ▶ Submission of the information necessary for the performance of their functions to the MA and CA

#### **Implementing Bodies:**

- ▶ Provision of information to the public and potential applicants on the possibility to receive support and on the procedure for the application
- ▶ Assessment of applications and selection of projects
- ▶ Provision of information to applicants / beneficiaries in issues relating to the provision and use of the funds,
- ▶ Processing payment applications
- ▶ Making a financial correction decision and demanding recovery of unduly paid sums,
- ▶ Monitoring and control of the projects
- ▶ Preparation of guidelines for monitoring and control that are subject to approval by the Managing Authority
- ▶ Submission of the information necessary for the performance of their duties to the MA, Intermediate Bodies and CA

#### **Auditing Authority (AA):**

- ▶ Preparing audit plans
- ▶ Carrying out audits of operations, managing and control systems and accounts
- ▶ Finalisation and sharing of the audit results with relevant parties
- ▶ Monitoring fulfilment of the recommendations given by the Auditing Authority
- ▶ Carrying follow-up audits according to current needs
- ▶ Preparing yearly report for the European Commission
- ▶ Communication with OLAF

The main responsibilities of Implementing Bodies derive from legislation. If the Intermediate Body and the Implementing Agency wish to agree on additional tasks, a separate contract will be concluded. Intermediate Body is responsible for strategic setup. Intermediate Body does not control the activities of the Implementing Body directly. Tasks for the Intermediate Body derive from legislation, which has been established by Intermediate Body or MA.

Even though the Managing Authority has gained a stronger role in defining the implementation structure throughout the time, it does not interfere in the content of measures. The Managing Authority rather ensures that all EU requirements are met in this sense. Such arrangement provides the Intermediate Bodies with a greater freedom in definition and pursuit of their activities. The Intermediate Bodies are responsible for their own themes and measures. When it comes to the planning and implementation of the measures (including the choice of the implementation scheme for a measure/activity), then it is done in cooperation between corresponding Intermediate Body and Implementing Bodies. In general, the Intermediate Bodies are more involved in the preparation/planning phase while the Implementing Bodies are more involved in the genuine implementation of the activities. Nonetheless, a particular division of competences might vary, so that the Implementing Bodies are more involved in the planning activities as well.

*„As the implementation structure has not changed substantially throughout three consecutive programming periods, the division of competences is already clear to all stakeholders.”*

Representative, External Assistance  
Risk Management Department, KredEx (Implementing Body)





„The competences and responsibilities are defined more clearly than in the past, but there are still some particular issues. For instance, there is a social-welfare programme administered by two ministries (as the *Intermediate Bodies*) which duplicates their work substantially.”

Partner

Civitta Estonia (Consulting Company)



### 3.1.2 Pilot project of the State Shared Service Centre

In the second half of 2018, the *Ministry of Finance* is reshaping the implementation structure of ESIF and other support measures which itself had been providing. The technical implementation tasks, with an analogous principle of a set-up structure as it has been agreed with the *European Commission* for the programming period 2014-2020, is being transferred to the *State Shared Service Centre*, a government agency sub-ordinated to the *Ministry of Finance*. Under this modification, all the functions and personnel that had been working for the ministry and a corresponding Implementing Body (*Enterprise Estonia*) are moved to the *State Shared Service Centre*. The modification affects the following departments and personnel of the *Ministry of Finance*:

- ▶ Department of Foreign Assistance,
- ▶ Department of Implementation of Foreign Assistance,
- ▶ EU Payments Department.

The above-mentioned departments are going to create a new Managing Authority, Implementing Body, and Certifying Authority within the *State Shared Service Centre*. At the same time, the ministry will still carry out the functions that are stated in the CPR as the Member States obligations (i. e., planning, evaluation, and monitoring).



#### State Shared Service Centre

The *State Shared Service Centre* is a government agency sub-ordinated to the *Ministry of Finance*. Its main tasks are the administration of state accounting, personnel, payroll, and public procurement, including provision of other related services to the line ministries and their agencies *State Chancellery*, *National Audit Office*, *National Library of Estonia*, *Art Museum of Estonia*, and *Integration Foundation*. The agency is also responsible for assurance of compliance with court decisions related to the relevant institutions.

Since September 2018, the agency has been incorporating the former departments of the *Ministry of Finance* that had been acting as the Managing and Certifying Authority and *Enterprise Estonia*, an Implementing Body corresponding to the *Ministry of Finance*.

The main rationale of the pilot project is as follows. Currently, individual financial resources (ESIF, state budget, Norwegian / EEA support etc.) are planned in different ways, so that each fund has its own rules and procedures for granting and implementing the support. The state's activities are planned and organized on a source-based basis, which has resulted in the following:

- ▶ Different institutions have different rules for applying for and receiving support, which makes it difficult and troublesome for an applicant / beneficiary to navigate in the existing rules.
- ▶ The applicant does not always know whom to contact and even if s/he does, s/he is not able to receive the full solution (i. e., all the necessary services and all procedural acts) at one place. The system is fragmented, resource-intensive, and sometimes overly bureaucratic.
- ▶ There are more than ten different IT systems for grant application in Estonia, that are being developed in parallel and for which the funds are diverted, although they offer either a partly or even completely similar service. Overall, it is costly and inefficient for the state and clearly unreasonable from the point of view of a client (i. e., an applicant / beneficiary).



- ▶ Due to the abundance of IT systems and support mediators, centralised management of information to make policy and implementation decisions is flawed as the policy-makers do not receive data on the progress of services and activities of a comparable quality.

*„The main point is to umbrella all government grants schemes. The implementation should be further focused on a client-oriented approach.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



Given the fact that the structural funds' allocation (EU budget and Estonian budget combined) will decrease by about a third in the next programming period 2021+ and taking into account that Estonia is in a process of moving away from the source-dependent planning (through implementation of an activity-based national budget), it is fundamental to make the administration of grants simpler, more resource-efficient, and harmonised.

*„The discussion has started about two and a half years ago. Although there used to be a strong resistance and some of the doubts are still remaining, the new pilot project is already widely accepted. Now, there should be a single door which you enter and get all the services at once.”*

Representative  
Financing Department, Estonian Ministry of Education and Research (IB)



The roots of an initial resistance against the pilot project which persists, to a limited extent, are directly linked with concerns about a possible forfeit of knowledge, if a substantial amount of employees will not be keen to transfer to the new institution, and an excessive detachment. Nonetheless, within the first stage of the pilot project, all of the employees which had been formerly working for the *Ministry of Finance* (as the Managing and Certifying Authority) and *Enterprise Estonia* (as an Implementing Body) are already transferred to the *State Shared Service Centre* from the beginning of September 2018.

*„The situation is comparable to an earlier unification of accounting services of the public institutions. The system works well, it is probably more efficient, but a contact with real people has been lost to a certain extent – it is more anonymous, with less personality. Both approaches have their pros and cons.”*

Representative  
Financial Department, Ministry of Culture (IB)



*„A gradual transformation with sequential testing of modifications is an option preferred by the representatives of our ministry. Otherwise, it might be an excessive shock for both beneficiaries (due to too many changes not corresponding to their needs) and employees of the existing Implementing Bodies (there is a danger of losing the knowledge possessed by those employees). Overall, there is a good idea behind the pilot project, but there is, for example, also a lot of IT problems arising from the fact that the individual measures, corresponding sectors and Implementing Bodies are very different.”*

Representative, Structural Funds Division  
Department of Foreign Financing, Ministry of Economic Affairs and Communications (IB)



*„There has been also a discussion about possibility of unification of the MA with Intermediate Bodies (comprising not only the administrative checks, but also the content- or result-oriented checks) while maintaining the individual Implementing Bodies. This issue is also linked with a revision of the budgetary processes.”*

Representative, Foundation  
SA Archimedes (Implementing Body)





### 3.1.3 Concentration of roles into a single institution

In practice, the above mentioned concentration of roles (especially these of the Managing and Auditing Authority) is not substantially challenged by responsible institutions. The role of the Managing Authority is assigned to the *Department of Foreign Assistance* (formerly under the *Deputy Secretary-General for Budget Policy* of the *Ministry of Finance*) while the one of the Auditing Authority is assigned to the *Financial Control Department* (under the *Secretary-General* himself); these departments had been functionally separated. The arrangement has been in place for three consecutive programming periods already. Initially, it had been introduced and explained to the *European Commission* which approved it. As there were no substantial issues during the course of the programming periods, it has not been necessary to justify the arrangement again. On the contrary, the *European Commission* appreciates the continuity of the system.

*„Each function (of the MA, AA, and CA) is assigned to a different department with the heads of the departments being authorised to make their own decisions. Independence of the AA is ensured by subordinating this department directly to the Secretary-General. The MA is, then, sub-ordinated to the deputy of the Secretary-General. This structure has been used for three consecutive programming periods without any objections from the European Commission.“*

Representative

Financial Control Department, Ministry of Finance (AA)



*„In general, there have been some discussions whether to transfer the auditing responsibilities to the National Audit Office, for example. An analysis of this alternative was made in the previous programming period and it concluded that there was no need to further separate the AA from the MA.“*

Representative

Foreign Assistance Department, Ministry of Finance (AA)



### 3.1.4 No subject-matter sponsors

There is no need for any subject-matter sponsors on top of the existing implementation structure as the network of involved institutions (the Managing Authority, Intermediate Bodies, and Implementing Bodies) is quite dense. No other institutions from outside of the implementation structure are formally invited to preparation of the programme, nor selection of individual projects etc., in this sense. Although there are discussions with relevant stakeholders with respect to individual measures and individual experts are contracted if necessary, an institute of "subject-matter authorities / sponsors" does not exist in Estonia. Even in the case of the previous reduction of the number of individual Implementing Bodies, none of them has become a subject-matter sponsor. The role of a sole Implementing Body within a particular sector is performed by a single institution while the others have transformed their roles by becoming beneficiaries.

*„In some cases, particular experts are contracted, but this is rather a matter of consultations of a specific agenda. In general, the network of Implementing Bodies ensures all the potential activities of subject-matter sponsor.“*

Partner

Consulting Company



## 3.2 Legal framework and methodological environment

The *Structural Funds Act* and the *State Budget Act* are the most important legislative acts relevant to ESIF. The individual governmental and ministerial decrees are, then, sub-ordinated to the *Structural Funds Act*. If a measure is adopted, the individual line ministries (as the Intermediate Bodies) are



responsible for creating their own decrees for its implementation whereas the Managing Authority regularly checks the development process. Once the MA approves the documents, the implementation may begin.

The Managing Authority also develops bidding guidelines for the Implementing Bodies serving to manage delegation of responsibilities and containing minimum criteria. The individual Implementing Bodies may further decide whether they want to broaden the criteria. At the same time, the Implementing Bodies are sharing their methodologies and procedures with the Managing Authority which checks that the minimum criteria are met. The guidelines are binding based on the *Structural Funds Act* itself and the individual agreements between the Implementing Bodies and the Managing Authority, or the Intermediate Bodies respectively.



## Legislative framework

### Horizontal legislation:

#### [Structural Assistance Act for the period of 2014-2020](#)

The law regulates the use of the ESIF for the period of 2014-2020, specifically, the rights and obligations of individual institutions and the system of monitoring and control. It describes the rights and responsibilities of each institution's implementation structure, the remuneration system, the appeal process and the monitoring and control system. In some sections, it also focuses on financial remediation or project publicity. It is binding for the managing and controlling authorities and the beneficiaries of subsidies.

Financial corrections are regulated in the Structural Assistance Act 2014-2020, Part 12.

### Measure-based legislation:

[A number of government directives](#) are linked to the Structural Assistance Act. In particular, they regulate the areas of operation of management and control systems, and also briefly describe the obligations of the beneficiaries and partners (e.g., the operation of the audit and the information system). The procedure for awarding subsidies is, besides the above mentioned directives, also regulated by general administrative-procedural regulations.

The number of guidelines issued has been reduced and partially replaced by explanatory letters to specific decrees. The Implementing Bodies have considerable flexibility in the way they implement a programme – among others, they are responsible for selecting the beneficiaries themselves. This modification has proved successful as the processes became more efficient, according to the representatives of the Managing Authority. There are also no national guidelines for beneficiaries anymore; instead, every Implementing Body has its own guidelines. The content of such guidelines depends on the implementing bodies, but it mostly covers information on how to apply for funding, frequently asked questions etc. Furthermore, there are materials in the form of presentations (which are either introduced at seminars, or publicly available online). These again include information that is relevant according to the Implementing Bodies.

*„There used to be more, and more specific, requirements and consequent guidelines in the past, but since Estonia has been implementing ESIF for over ten years, not everything has to be emphasized again and again. Recently, there is a shift towards a risk-based assessment.”*

Representative

Foreign Assistance Department, Ministry of Finance (MA)





*„The guidelines issued by our Intermediate Body towards the Implementing Bodies used to be more detailed and strict in the previous programming periods while it has been relaxed, to a certain extent, for the current one.”*

Representative, Structural Funds Division  
Department of Foreign Financing, Ministry of Economic Affairs and Communications (IB)



### 3.3 Modifications over the programming periods

#### 3.3.1 Reduction of the number of operational programmes

In comparison to the previous programming period 2007-2013, the number of operational programmes has been reduced from three to one, mainly in order to reduce the administrative burden. While the roles of individual Managing Authorities had been assigned to three line ministries (*Ministry of Education and Research, Ministry of Environment, and Ministry of Economic Affairs and Communications*) in the past, the *Ministry of Finance* (or the *State Shared Service Centre*) has been designated as a single Managing Authority for the programming period 2014-2020. Although no evaluation of the merger of operational programmes is available, the representatives of individual institutions from the inside of the implementation structure reach a consensus that this step aiming at reducing an administrative burden has proved successful.

*„The reduction of number of OPs is perceived mainly as an administrative step. From the perspective of the Auditing Authority, the management and control audit has to be done only once instead of an individual audit for each OP. Otherwise, there is no significant impact on the AA.”*

Representative  
Financial Control Department, Ministry of Finance (AA)



*„The modification has reduced administrative burden of the line ministries (these which were formerly responsible for an individual OP) linked with monitoring and reporting.”*

Representative  
Financial Department, Ministry of Education and Research (IB)



*„The reduction of OPs has made it easier for our institution to focus on the mainstay of our responsibilities.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



*„Having a single OP in 2014-2020 is considered as providing the system with more flexibility, easier negotiations, and management of the OP and its modifications.”*

Executive Officer  
SA Innove (Implementing Body)



*„The tendency of reduction and unification on different levels of the implementation is about to further continue with respect to the expected decrease in allocation.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



The only substantial concern captured during the interviews emphasizes the issues of inflexibility linked to achieving financial indicators unified across the entire operational programme and production of new measures. First, the financial indicators appear to be too tight, in certain cases, as they are not as tailored according to an individual operational programme as they used to be. Second, the former



Managing Authorities have lost a certain amount of their power and it is no more as straightforward to prepare and implement a new measure as it had been.

The merger of individual Managing Authorities has been accompanied also by consolidation with the role of Certifying Authority.

### 3.3.2 Reduction of the number of Implementing Bodies and unification of IT systems

As already mentioned earlier, the number of individual Implementing Bodies diminishes over the time which supposes to further continue, if the pilot project of the *State Shared Service Centre* resumes (for more information, see chapter 3.1.2). The rationale of the gradual reduction of Implementing Bodies consists especially in seeking more efficiency, reducing administrative burden, concentrating knowledge, harmonising procedures, and focusing power. The Implementing Bodies were not cancelled according to any rules, but rather according to specific needs of each Ministry.

One of the integral partial modifications is unification of monitoring IT systems. The original network of non-interoperable IT systems ran by individual Implementing Bodies is continuously replaced and incorporated in *SFOS* (with an interface for applicants and beneficiaries called *e-Toetus*), a single monitoring system. The main goals are having all information available inter-connected together, enabling the system to be as efficient as possible, and making the services to clients (i. e., applicants/beneficiaries) better. For more information on IT, see chapter 3.2.

*„Even if there will not be a single Implementing Body in the future, there should be a single IT system.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



*„Although the ESIF as a whole is perceived as rather too bureaucratic by potential applicants and beneficiaries, this e-Toetus has already improved the perception significantly. Both the application process and preparation of open calls has been simplified. For instance, although there is an option to apply in paper, such option is barely used in practice.”*

Representative  
Financial Department, Ministry of Education and Research (IB)



Moreover, further harmonisation and simplification of procedures inside the Implementing Bodies takes place. For instance, the individual contact points for financial and content issues have been unified into a single one so that the communication between an Implementing Body and a beneficiary is straighter and simpler.

*„At the beginning of the previous programming period, there used to be two separate contact points, at an Implementing Body, for financial and content questions. Later, it has been unified having only single contact person assigned to each project.”*

Representative  
Financial Department, Ministry of Culture (IB)



An isolated issue of separation of duties and institutional conflict of interest between an Implementing and Intermediate Body has been resolved through a shift of the Implementing Body directly under the Managing Authority, as described in the following box.



*„There used to be a situation in the past when certain Implementing and Intermediate Bodies were under the Ministry of Social Affairs. The MA (Ministry of Finance) perceived this as a potential problem to the separation of duties in the decision-making process. There were many disputes between the MA and Ministry of Social Affairs which did not want to make some required financial corrections. Therefore, the role of the Implementing Body has been taken over under the MA. Since then, the cooperation has been much better.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



### 3.3.3 Reduction and reallocation of employees

Although the maintenance of necessary knowledge is a priority for the responsible stakeholders, there is a continuous decrease in the number of employees due to natural reduction linked with a decrease in total allocation. Currently, there are ca. 300 FTEs employed within the implementation structure of ESIF in Estonia, but the number is foreseen to decrease to about a half of it in the upcoming programming period. Speaking about the Managing Authority in particular, the number of employees had declined from ca. 120 FTEs in the previous programming period to about 80 FTEs before the shift of the role to the *State Shared Service Centre*. Yet, only few people were dismissed; if someone had left, the position has not been filled anymore.

*„The scheme of employees' mobility is not systematically applied but is rather necessity-based. For instance, SA Innove has loaned its specialists to Enterprise Estonia for a certain period of time.”*

Executive Officer  
SA Innove (Implementing Body)



## 3.4 State aid, public procurement, and financial instruments

One of the main challenges to tackle is the situation when the beneficiaries execute the procurements which are later checked and verified with a certain delay, and therefore, under a slightly different circumstances (as the environment of procurement and its rules are changing a lot over the time) – causing issues and ineligible costs not only based on the faults of the beneficiaries. Similarly, there is an excessive room for interpretation of the Common Provision, with respect to financial instruments, which makes it difficult to harmonise different expectations of individual stakeholders.

However, none of the three interviewed institutions were able to provide a possible solution for this issue.

*„This lack of clarity of the Common Provision is a pity, because the financial instruments are important and useful.”*

Representative, Structural Funds Division  
Department of Foreign Financing, Ministry of Economic Affairs and Communications (IB)



### 3.4.1 Regional disparities

Although the regional disparities still represent a challenge to resolve, some considerable efforts have been made in the current operational programme. Within the operational programme's planning, the RIS3 and place-based-development principles were used for strengthening the regional development.

### 3.4.2 Separation of EAFRD and EMFF

The implementation of (i) ERDF, ESF, and CF on one hand, and (ii) EAFRD and EMFF on the other is rather separated, not much coordinated. The *Ministry of Rural Affairs* acts as the Managing Authority



of both EAFRD and EMFF operational programmes, different monitoring IT systems are employed, and also the roles of the Certifying Authority, Paying Authority, and Auditing Authority are assigned to different institutions (the *Ministry of Rural Affairs*, its sub-ordinated agency called *Estonian Agricultural Registers and Information Board*, and *KPMG Baltics*). The main inter-connection lies in a co-participation in the corresponding Monitoring Committees – representatives of one Managing Authority are members of the Monitoring Committee of the other group of funds and vice versa. Furthermore, all measures prepared and adopted by one Managing Authority are consulted and agreed with the other; nonetheless, it is rather a case-by-case coordination.

### 3.4.3 Thematic sub-committees

The concentration of Cohesion Policy into a single operational programme has made the system more flexible and negotiation and management of the thematic concentration easier. There are thematic sub-committees of the Monitoring Committees (e. g., the *Integration & Migration Sub-Committee*). The sub-committees deal with several individual measures according to an assigned topic. For example, the *Ministry of Culture* and *Ministry of Interior Affairs* are involved in the *Integration & Migration Sub-Committee*. The same sub-committees deal also with other sources of funding (under a system of national strategies) while their super-ordinated Monitoring Committees are dedicated exclusively to ESIF. The *State Shared Service Centre* is currently the main coordinator of all funds irrespective of their source (except for EAFRD and EMFF), sheltering the system of national strategies which are developed by the corresponding sub-committees. In other words, the government's programmes are prepared on a sector-by-sector basis and all ESIF as well as other sources of funding are taken into consideration in the national action plans. In a particular case of the EEA Grants and Norwegian Funds, the double-financing risks are being assessed by individual line ministries (as the Intermediate Bodies) and later taken into account by the *State Shared Service Centre*.

The planning of ESIF is a part of wider planning documents. For example, in education sector, the ESIF means and measures are the part of the *Estonian Lifelong Learning Strategy 2020* that includes also considerable amount of measures financed purely from the state budget.

*„The reduction of OPs has reduced the administrative burden and made it easier to manage synergies and complementarities.“*

Representative, External Funding  
Financial Department, Ministry of Culture (IB)



The level and perception of success in managing complementarities and synergies seem to rely on a particular sector. The lowest common denominator of respondents' comments is the simplification emerging from unification of the operational programmes. Nevertheless, apart from this, the assessment differs widely.

*„In the case of our institution, the synergies and complementarities are essential as there are multiple channels to finance research and education. There are specific measures to support different types of beneficiaries – according to the existing kinds of financing that they are already receiving (e. g., ERA Chairs, Marie Curie actions etc.) – so that they are complementing these areas which are not covered by the other type of funding.“*

Representative, Foundation  
SA Archimedes (Implementing Body)



*„Overall, there are not many national funding opportunities in our sector, so the complementarity in this sense does not demand much coordination.“*

Representative, Structural Funds Division  
Department of Foreign Financing, Ministry of Economic Affairs and Communications (IB)





*„Speaking about assurance of complementarities and synergies, there is quite a lot of bureaucracy for our institution linked with avoidance of double financing, reporting etc.”*

Representative, External Assistance  
Risk Management Department, KredEx (Implementing Body)



*„In practice, the synergies are not really visible – there is still a lot of space for improvements.”*

Partner  
Civitta Estonia (Consulting Company)



#### 3.4.4 Non-Governmental Organizations (NGOs)

The issue of NGOs is not specifically addressed in Estonia; there are no priority axes, specific objectives, measures, nor calls for proposals tailored to NGOs in particular. The perception whether there is any significant struggle of NGOs in receiving funds is not uniform and varies across individual sectors. While the situation is being appraised as standard by the representatives of the Managing Authority and Intermediate Body responsible for culture, or even outstanding with respect to work-life and health priorities, some disadvantages are acknowledged in the case of education. Multiple representatives of Intermediate and Implementing Bodies responsible for education confirm that NGOs may struggle due to their smaller size and difficult pursuit of the portion of their own self-financing.

*„In the case of priorities of work-life and health, it is quite an opposite as there is a lot of NGO and they are very active and successful in applying for funding (both during the current and previous programming periods). There are no specific measures, but there is a strong union of NGOs in Estonia.”*

Representative  
Strategy and Budget Management Department, Ministry of Social Affairs (IB)



*„In Estonia, the situation is similar to the Czech Republic in the way that the NGOs have ideas and desire, but not enough power and own resources (because they are small) to implement the projects. However, it used to be a bigger issue in previous programming period.”*

Partner  
Civitta Estonia (Consulting Company)



In any case, it is widely agreed that the NGOs have rather a strong position in Estonia, in general, because of broad acceptance of general public and strong umbrella institutions. Last, it is underlined by different respondents that any positive discrimination of NGOs could generate an issue of purpose-built establishment of NGOs by true beneficiaries in order to gain as much allocation as possible.

#### 3.4.5 National cultural institutions and local governments

Within the sector of culture, a different problem is observed linked to national museums or theatres. These institutions are established as the state-owned non-profit organisations which are recognised as large enterprises by the EU legislation (according to the state-aid rules), in practice. Based on this, a considerable amount of calls for proposals are closed for them, even though they would fit their needs.

Moreover, there has been an issue linked to local governments. In both current and previous programming period, the closed calls for proposals for local governments have been arranged (for instance, two different calls for proposals of welfare measures tailored specifically to local governments are in operation currently) as an attempt to involve the local governments more in the social system (i. e., the social services). Nevertheless, some complaints occurred challenging whether the private sector should really be excluded from these open calls.



*„At the end of the day, the rationale of these closed calls for local governments was sufficiently explained and an agreement between all stakeholders was settled.”*

Representative

Strategy and Budget Management Department, Ministry of Social Affairs (IB)



### 3.5 Awareness of applicants

The basic awareness is ensured through the means of the general ESIF website (operated by the *State Shared Service Centre* as the Managing Authority), websites of individual line ministries (as the Intermediate Bodies), websites of relevant agencies/foundations (as the Implementing Bodies), regional development centres abundant in local-level (county-level) experts, and individual dissemination activities. Among others, the main ESIF webpage (operated by the SSSC) comprises the relevant legislation, open calls, and list of individual approved and disapproved projects. The very same content is also available in a mobile application. Nonetheless, neither the website, nor the application covers other types of funding different than ESIF. On the other hand, the opposite applies for the individual websites of the Intermediate and Implementing Bodies which present information linked with all the measures and priorities they implement, both ESIF and non-ESIF. A provision of bigger picture including all funding sources at once might be introduced with respect to concentration of coordination into the *State Shared Service Centre*, but there has been no serious discussion about this so far.

*„There was a study based on a questionnaire filled by beneficiaries conducted on the topic of awareness and its general finding is that a lack of awareness is not a key problem.”*

Representative, External Assistance

Risk Management Department, KredEx (Implementing Body)



*„In practice, the ESIF website is not used so much by the potential applicants; they rather search on the websites of individual institutions (agencies, ministries). A bigger picture is still missing in this sense.”*

Partner

Civitta Estonia (Consulting Company)



In addition, there is an email list of public institutions receiving newsletters about ESIF on a regular basis. Furthermore, a TV show providing the examples of existing successful projects and options for potential applicants should be presented by a national broadcaster during the autumn 2018.

*„The ESIF TV show should serve as an inspiration for potential applicants at the first place.”*

Representative, External Funding

Financial Department, Ministry of Culture (IB)



*„Too much information tends to turn into noise. Instead of 1000 e-mails, one website with an up-to-date database of all funding instruments could do wonders. This kind of very useful tool, consisting of available grants, was available on the Enterprise Estonia website for last programming period (07-13), but unfortunately no longer exists.”*

European Commission (2015): “Stairway to Excellence, Country Report: Estonia.” JRC Science and Policy Report (EUR 27442 EN), pp. 4.





## 3.6 Pros & Cons

### 3.6.1 Stability and continuity

Stability and continuity of the system are perceived as one of the key factors of a successful and efficient ESIF implementation by representatives of institutions from inside and outside of the implementation structure. The Estonian implementation structure has not changed substantially throughout three consecutive programming periods since 2004. The prevailing modifications over time are usually linked with simplification or concentration of competences.

*„The Estonian legislation governing ESIF implementation has been developed over three programming periods (2004-2006, 2007-2013, and 2014-2020) based on the accumulated experience and in accordance with the changes of a relevant EU legal framework, but the main principles remain the same.”*

Officer  
SA Innove (Implementing Body)



The national *Structural Funds Act* for the 2014-2020 programming period is very similar to the previous one, although there is a formal difference as it is a governmental decree currently while it used to be a decree of the minister of finance formerly.

*„The existing implementation structure has already improved over the time and all stakeholders are familiar with it due to the stability and corresponding predictability of the system.”*

Representative  
Financial Department, Ministry of Culture (IB)



### 3.6.2 High level of centralisation and concentration

As Estonia is one of smaller EU Member States, with respect to population and regional division, the elements of both centralisation and concentration are suitable for it. A centralisation of the ESIF implementation into a single Managing Authority, the *Ministry of Finance* (the departments of which also carry out the competences of the Auditing Authority and Certifying Authority), allows for a straight coordination and efficient communication. Besides other things, the mentioned authorities reside in the same complex of buildings making also an informal cooperation very effective. The recent pilot project of a vertical concentration into the *State Shared Service Centre* (for more information see chapter 3.1.2) then attempts to harmonise the approach towards beneficiaries and to gain some cost savings through a reduction of administrative burden. The open calls and other activities conducted by the Intermediate Bodies (e. g., learnings and trainings) are also centrally coordinated by the Managing Authority.

Beyond the ESIF, the *Ministry of Finance* had been and the *State Shared Service Centre* is going to be the main coordinator of all national funds, local funds, and other financial resources from the European Economic Area. Despite few exceptions (e. g., the implementation of EAFRD and EMFF by the *Ministry of Rural Affairs*) the *State Shared Service Centre* exercises ultimate control over all types of funding by means of a budgetary control. The overall strong position of the *Ministry of Finance* makes the security of coordination, synergies, and complementarities easier in practice. The strong position of the Ministry of Finance in Estonia is very natural, as the Ministry is unofficially superordinate to other Ministries in this sense. Furthermore, interviewees acknowledged that a strong Managing Authority is very important to ensure a smooth implementation process.

### 3.6.3 Cooperation, communication, and sharing of best practice

In Estonia, people can turn with their questions to all bodies in the public sector according to law. Therefore, they can address their queries to Implementing Bodies, Intermediate Bodies, and Managing

Authority etc.; there is no communication hierarchy. However, beneficiaries mostly communicate with the authority to which they have turned for a grant or financial instrument. Usually this institution knows the client best and is able to answer all his questions.

Most of the respondents representing the Managing Authority, Intermediate Bodies, and Implementing Bodies agree that the competences of individual stakeholders are defined clearly, in general, and that not only formal, but also informal cooperation is the key of an efficient implementation. In this matter, the stability of the structure is instrumental in building and maintaining personal relations.

The partial shortcomings may arise from the fact that the role of Intermediate Bodies is rather weak in comparison to the Managing Authority and Implementing Bodies. There is a certain ambiguity about the responsibility over decision-making and incentive to solve problems of the Intermediate Bodies, in practice, as they are mainly responsible for setting-up conditions at the initial stages (e. g., definition of measures, preparation of legal document etc.) while their role virtually diminishes during the implementation stage. For more information on division of competences, see chapter 3.1.1.

*„The role of the Intermediate Bodies is somewhat weak as the main collaboration takes place between the Managing Authority and Implementing Bodies.”*

Representative  
SA Archimedes (Implementing Body)



*„It is not always absolutely clear which institution has the final word when we are consulting specific issues with the Managing Authority and Intermediate Body.”*

Representative, External Assistance  
Risk Management Department, KredEx (Implementing Body)



Nonetheless, a smooth cooperation of individual stakeholders is enhanced by formal meetings and sharing of best practice. For instance, regular meetings are held between the Intermediate Bodies and corresponding Implementing Bodies as well as between individual Intermediate Bodies. The number of seminars on various topics appointed to employees from the inside of the implementation structure organised either by the Managing Authority or the Intermediate Bodies has increased in the comparison with the previous programming period. Moreover, the institutions of a particular sector seek to harmonise their procedures and share the best practice.

*„An efficient communication and sharing of best practice (particularly between the Intermediate Bodies and Implementing Bodies) is emphasized in order to reduce time consumption and costs of auditing.”*

EY Baltic & Praxis Centre for Policy Studies (2016): "Evaluation of effectiveness of the Structural Fund Implementation Schemes and the Administrative Burden of Beneficiaries." Final Report, pp. 33-34.



*„The Implementing Bodies which the Ministry of the Interior has partnered with have been together using the administrative best practices such as the tender document templates, pre-verification of tenders, or preliminary consultations.”*

Adviser  
Foreign Financing Department, Ministry of the Interior (IB)



#### 3.6.4 Disunity of Implementing Bodies

The harmonisation of practices applied by individual Implementing Bodies has always been one of the major topics discussed in Estonia. The number of Implementing Bodies had been questioned as too high by the *European Commission* and consequently has been reduced from the beginning of the current programming period 2014-2020 (typically, the number of Implementing Bodies within a particular sector has been reduced to one – e. g., the authority of four individual Implementing Bodies within the transportation sector has been consolidated to one of them only). The ongoing pilot project



of the *State Shared Service Centre* further lowers the number of Implementing Bodies with a possibility of complete unification in the future. The concentration of agenda into the remaining Implementing Bodies is being accompanied by a concentration of other responsibilities, formerly assigned to line ministries (i. e., Intermediate Bodies), as well, which strengthens the authority of Implementing Bodies, but weakens the role of Intermediate Bodies as described earlier.

*„Our sectoral ministry, the Ministry of Economic Affairs and Communications (the Intermediate Body in transportation sector), used to have more responsibilities such as financing decisions, financial correction decisions etc., which are currently in the competence of the Implementing Body. The main reason for the transfer of competences is that there had been four different Implementing Bodies responsible for individual sub-sectors (i. e., roads, railways, airports, and maritime) in the previous programming period. For 2014-2020, the number of Implementing Bodies has been reduced to one as there had been too few projects for the whole system to work efficiently (currently, there are ca. fifty projects in total within the transportation sector).”*

Expert

Transport Investments Department, Technical Regulatory Authority (Implementing Body)



The original rationale of dense network of Implementing Bodies had lied in a sector- or measure-specific focus of individual agencies/foundations enabling close and customised treatment of beneficiaries. Nevertheless, the shortcomings linked with disunity of procedures and fragmented network of a two-digit number of incompatible monitoring IT systems has prevailed over the advantages, although the relevant stakeholders admit that it is challenging to avoid a related loss of personal approach and specific knowledge. Therefore, a transfer of corresponding employees is an integral part of the modifications.

*„To retain people with specific expertise and functions is of the utmost priority. If the functions move from one office to another, also the people will move.”*

Representative

Foreign Assistance Department, Ministry of Finance (MA)



### 3.6.5 Seeking an appropriate level of detail

All respondents conclude that seeking an appropriate level of detail with respect to legislation governing the ESIF implementation is a ceaseless process. Nonetheless, the overall framework of both legal and non-legal documents is perceived as reasonably appropriate in Estonia, although it is commonly known that there are examples of more relaxed well-working frameworks (e. g., the case of Finland which is often praised by the representatives of Estonian institutions). If there is a criticism of the framework, then it originates in complaints of the representatives of the Intermediate Bodies, Implementing Bodies, or beneficiaries, e. g., about overly strict rules of revenue deduction from the eligible costs, excessive amount of indicators to monitor (under assumption that some of them are virtually useless), or incompatibility of individual EU and national legislative acts excluding some project ideas in practice.

To illustrate the volume of the Estonian guidelines for beneficiaries, the Project Preparation and Implementation Handbook for applicants and beneficiaries has 42 pages and 2 attachments (linked to planning and budgeting); the Accounting Manual has 59 pages; the Horizontal Policy Guideline has 9 pages and the Guide for Public Contracts to ESIF has 100 pages.

### 3.6.6 IT system for legislation drafting

Not specific to ESIF, there is an efficient IT system for drafting of legislation in Estonia. The drafts of legislative acts are prepared, remarked, and refined within the IT system by all stakeholders relevant to the particular priority (i. e., the *Ministry of Finance*, line ministries, Implementing Bodies, and even



other stakeholders as universities, specialised foundations etc.). Multiple respondents praise the system for reducing the amount of bureaucracy linked with the preparation of ESIF legislation.

### 3.6.7 Research & Development

Although the research & innovation legal system was assessed by the *European Commission*<sup>3</sup> as well-functioning, there had been no need to adjust the legal system specifically towards innovative projects in practice.

*„Under ESIF implementation, there is the Structural Funds Act and all other legal background is derived from it, which also applies to R&D. Based on the Act, other frameworks have been developed, e. g., eligibility, strategic planning, financial corrections, IT systems etc. There is not a specific legal framework for each category, they all have the very same background.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



### 3.6.8 Pre-control of public procurement

A national system of pre-control of tenders / public procurement is voluntarily employed by most of the Implementing Bodies for about 2 years. Consequently, the number of misconducts has been reduced which helped especially the Auditing Authority.

### 3.6.9 Pre-counselling

The level of pre-counselling has inflated due to better promotion, public seminars, and individual consultations, which is also perceived by applicants/beneficiaries.

The public seminars take place on various topics, which are changed as needed. The specific topics include, for example, risk assessment or irregularities.

*„The public seminars are not anymore about reading loud something which is already stated in available documents. The officers provide the beneficiaries with genuinely valuable information.”*

Partner  
Civitta Estonia (Consulting Company)



## 3.7 Monitoring and IT

The responsibility for monitoring at both programme- and project-level are shared mainly between the Monitoring Committee, Managing Authority, and individual Implementing Bodies.

The *State Budget Department* of the *Ministry of Finance* is the unit responsible for the Monitoring Committee. The main tasks of the Monitoring Committee are monitoring of the implementation of the Operational Programme (through monitoring reports), approval of the selection criteria of projects, preparation of the evaluation plan, communication strategy of the Operational Programme, and prospective amendments to the Operational Programme. While the size and composition of the Monitoring Committee of the Operational Programme may vary over the course of the programming period, representatives of partners will usually form around one-third of its members. The meetings of the Monitoring Committee are held at least once a year and the records of the meetings are publicly available on the ESIF websites.

The Managing Authority has delegated execution of project-level monitoring to the Implementing Bodies and issues the guidelines on how to comply with the minimum requirements that apply to all

<sup>3</sup> European Commission (2015): “Stairway to Excellence, Country Report: Estonia.” JRC Science and Policy Report (EUR 27442 EN), pp. 7-8.



Implementing Bodies uniformly. Nonetheless, the guidelines provide the Implementing Bodies with sufficient freedom and decision-making power, so that they can conduct the necessary control activities etc. according to a particular scheme.

*„There is not much coordination of monitoring processes across individual sectors (for instance, the indicators are measure- or sector-specific). The unification of forms is irrelevant in this matter. Overall, the main common feature has become the unified IT system (with individual forms to fill).”*

Representative, Foundation  
SA Archimedes (Implementing Body)



*„Our Implementing Body evaluates the risks of the schemes that it applies. In the case of risk analysis, we take into account the maximum amount of subsidy, percentage of support, predictable number of projects, length of the project period, nature of the eligible costs etc. The amount of the on-the-spot checks is defined according to the risk-level. Once a quarter, we evaluate the behaviour of beneficiaries (detected violations, audit findings, enforced recoveries etc.) based on which we further re-evaluate the risk levels of the scheme. Once a year, we report results to the Managing Authority.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



The project-level monitoring is conducted by individual Implementing Bodies – deriving it from the project reports and following the data collection rules of ESIF. The project reporting is done through *e-Toetus* module of *SFOS* (both systems are described in detail further below) or any other platform that is so far used by the Implementing Bodies (e. g., the self-service portal of *Enterprise Estonia*).

*„The new requirements linked with data collection with respect to ESF implementation are quite demanding and it is substantially time consuming to fulfil them.”*

Representative  
Financing Department, Estonian Ministry of Education and Research (IB)



Once *SFOS* and *e-Toetus* are used by a given Implementing Body, the main processes of project-level monitoring are automated within the monitoring IT system. A basic monitoring report template is available in the system and the project indicators and progress activities are being reported through the predefined forms. Furthermore, the Implementing Body can add some extra information specific to the measure or activity to the monitoring forms in order to collect the additional information.

*„The new IT system, e-Toetus, is generally perceived as functioning well. There is a wider information stored with higher level of automation and less bureaucracy at the same time. For instance, the payment claims are processed substantially faster than formerly – ideally, the beneficiary's tax IT system generates an Excel file which is later uploaded to and utilised by the monitoring system.”*

Representative, Foundation  
SA Archimedes (Implementing Body)



*„The process of projects' monitoring is mostly same for all cases, the only differences lie in a specific content and periods of reporting. Our Implementing Body has automated all of the monitoring processes within our own monitoring IT system. If there is a new, unique indicator in the scheme, it might be added and further collected according to the beneficiary's project.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



The “**one data only one time**” principle is followed within *SFOS* and different linkages between public databases are created as possible (for more information in interoperability see section 3.2.1).



*„The monitoring of intermediate results dominates.”*

EY Baltic & Praxis Centre for Policy Studies (2016): "Evaluation of effectiveness of the Structural Fund Implementation Schemes and the Administrative Burden of Beneficiaries." Final Report, pp. 34.



*„One of the disadvantages of the existing system is that the progress reports are not always thoroughly checked by the corresponding authorities. In practice, it is the final report what really matters.”*

Partner  
Civitta Estonia (Consulting Company)



*„The main present issue of the new monitoring system, SFOS, is twofold. First, it should be suitable for specific needs of different stakeholders (the Managing Authority, Auditing Authority, Intermediate and Implementing Bodies, Certifying Authority, and beneficiaries) at the same time which makes it overly comprehensive. Second, it serves also as an internal administrative system (i. e., not only the project-related data is inserted), and thus, individual developments of the system can contradict each other. Moreover, the capacity to develop the system is limited. The above mentioned makes the development lengthy and burdensome.”*

Executive Officer  
SA Innove (Implementing Body)



*„Sometimes, the documents or data which are not further utilised are still collected – nourishing an unnecessary bureaucracy. For instance, the forecasts of future volumes in the case of programme for health care centres are required, although the forecasts are useless (as it is not possible to produce a reliable prediction in such case) which is widely well-known.”*

Partner  
Civitta Estonia (Consulting Company)



### 3.7.1 Monitoring IT system

There is a central ESIF monitoring and management IT system called *SFOS (Structural Funds Operational System)* which consists of two parts:

- ▶ Module for the institutions of the implementation structure (called *SFOS*)
- ▶ Module for the applicants/beneficiaries (called *e-Toetus*)

The applicants can submit their applications through *e-Toetus*. Nevertheless, not all the institutions use *e-Toetus* for applications as the process of unification of IT systems into a single one is under way. Finally, it is not possible to lodge complaints within *e-Toetus*, so far.

*„The role of e-Toetus is increasing as it is regularly developed and made considerably more user-friendly. In particular, our Implementing Body is fully reliable on SFOS, while the corresponding beneficiaries use e-Toetus already almost entirely. The system offers also a statistical reporting system, from where data can be easily retrieved.”*

Executive Officer  
SA Innove (Implementing Body)





„The new monitoring IT system is substantially better than the former ones. For instance, communication between beneficiary and relevant institutions has improved considerably as it is now handled within e-Toetus. Also, a project management is easier as e-Toetus includes the automated calculations (e. g., finance). Moreover, in comparison to the other IT systems, e-Toetus does not crash anymore.”

Partner  
Civitta Estonia (Consulting Company)



„Until now, our Implementing Body has been using its own IT system, called Navision, since 2006. An Implementing Body is free to design and develop its own IT system considering its needs as long as a transfer of minimum required amount of information to SFOS is assured. Nonetheless, we consider to migrate to SFOS for the 2021+ period under assumption that a corresponding comfort for users will be provided (e. g., worktables with duties, delegation of responsibilities, automatic control systems with national databases etc.). We already participate in development of SFOS including preparation of our own proposals.”

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



### 3.7.2 Administrators & users

The main monitoring IT system, *SFOS (e-Toetus)*, is administered by the Managing Authority. The other monitoring IT systems, which are going to be all replaced and integrated into *SFOS*, have their own administrators assigned case by case. For instance, *Enterprise Estonia* (an Implementing Body) is still using its own self-service platform; however, there has been also cases when the applications have been submitted through *Estonian Science Information System*.

There are no active roles assigned to users from the outside of the implementation structure. Nonetheless, there is an observer role in the system used mainly by the *National Audit Office*, *Police and Border Guard Board*, and *Estonian Internal Security Service*.

### 3.7.3 Legislative framework of the monitoring IT system's development

The *Regulation 1303/2013 Art. 122 and 125* and *Implementing Regulation 1011/2014* represent the ground legislative documents for development of the monitoring IT system. *The Structural Funds Act* and corresponding governmental regulation set up precise guidelines for information system's development and usage. The national legislation is updated ad hoc, according to the current needs.

### 3.7.4 Responsibility for development of the monitoring IT system

The Managing Authority is responsible for development of the main monitoring IT system, *SFOS*. Various stakeholders can make the change requests, which are consequently reviewed and prioritized by the Managing Authority. The prospective execution of the changes is, then, financed through ESIF Technical Assistance.

### 3.7.5 Interoperability of the monitoring system

As already explained, the main monitoring IT system *SFOS* is fully integrated with *e-Toetus*, which is an interface for applicants and beneficiaries. *SFOS* is already interoperable with various external IT systems and registers.



For instance, some of the essential connections are established with the following systems (i. e., the list is not complete):

- ▶ Population Register and Central Commercial Register
- ▶ e-Procurement Register
- ▶ State Aid Register
- ▶ e-State Treasury
- ▶ Estonian Land Board Data Register
- ▶ Document Exchange Centre

*„One of the crucial existing interconnections has been the one with the e-Procurement Register. On the other hand, for example, the Register of the Rural Development Fund would be one of the most beneficial new interconnections in the future.”*

Representative, External Assistance  
Risk Management Department, KredEx (Implementing Body)



*„SFOS has been recently interconnected with the Public Procurement Register and Punishment Register. Further interconnections with the e-Tax Board and the State Register of Securities are planned. In addition to SFOS, the specific IT system of our Implementing Body, called Navision, is interconnected with the State Aid Register and Commercial Register.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



*„A higher level of automation has allowed to assess the fundamental issues instead of carrying out correction of minor mistakes.”*

Representative, Foundation  
SA Archimedes (Implementing Body)



### 3.7.6 Verification of ownership structure

The verification of an applicant's ownership structure is not automated. A particular solution depends on the corresponding Implementing Body, but usually the head of department assigns responsible coordinators to each application/project.

However, all the necessary information to verify the ownership structure is usually already in the information system. All applicants and beneficiaries (both Estonian and foreign) have to have an electronic ID and all companies have to be registered. When they register themselves, they already have to bring an evidence on their ownership structure. In case this information is not available in the system, the applicant is contacted and asked to provide supporting documentation.

### 3.7.7 No blacklist, but a system of flags

Obviously, there is no blacklist of applicants as this would not be in compliance with corresponding legislation, but some of the stakeholders use a system of flags or warning signs based on the history of a beneficiary or are considering to employ it in the future.

*„In the case of our Implementing Body, the Monitoring and Risk Assessment Unit assigns the alert stamps to the contact cards of the applicants/beneficiaries as a warning sign. For example, if the beneficiary has a large tax debt to the tax administration / a fraud risk has been realised / the company is bankrupt / etc., the stamp is assigned. This does not directly stop the procedures, but the controllers should pay an extra attention to the particular beneficiary.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)





*„There is a discussion (e. g., during a recent seminar on risk-assessment in April 2018) about a flag system as a part of the risk-assessment of applicants/beneficiaries. Such system would be based on the existing experience of individual Implementing Bodies shared through SFOS. It would be beneficial to have an indication of potentially problematic applicants/beneficiaries.”*

Representative, External Assistance  
Risk Management Department, KredEx (Implementing Body)



### 3.7.8 Audit and control within the monitoring IT system

There is no module for audit in SFOS, only audit findings are stored in the project's data. The Managing Authority uses SFOS to a more significant extent in comparison to the Auditing Authority, but the control module is not fully integrated due to different requirements and checklists for each type of control.

*„The Managing Authority has its own system where it stores data from the control activities, so that any unauthorized person cannot access it. Nonetheless, the aim is that the entire communication regarding the audits and controls will be done via SFOS/e-Toetus in the future.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



*„Because of potentially complicated and time-consuming integration, the Auditing Authority is not currently planning any steps in this regard.”*

Representative  
Financial Control Department, Ministry of Finance (AA)



*„The checks of ESIF support are recorded in a single database. Nevertheless, the results of controls conducted by different Implementing Bodies are not accessible to everyone (except for the Managing Authority and Auditing Authority). On the contrary, the data of other controllers, such as the tax office or police, are not stored in this single register, but the experts of these authorities meet on a regular basis to exchange information.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



### 3.7.9 No interoperability with SFC

There is no connection of the monitoring IT system with SFC. Instead, all the information is entered to SFC manually through user interface.

*„As Estonia is a small Members State with a single OP and limited number of priority areas, there is no need for automatic data transfers to SFC.”*

Advisor  
Foreign Assistance Department, Ministry of Finance (MA)



### 3.7.10 Data mining tools

There is SAP Business Object available for the data mining and reporting purposes. Numerous predefined reports are prepared by the Managing Authority for ESIF administration. The users are able to make changes within the predefined reports and within the predefined data objects, and save changes to their user folder for later needs.



### 3.7.11 Responsibility for correctness of data

The responsibility for correctness of data lies on the body which uploads the data. If it is a final beneficiary who enters the data, then the responsibility for data correctness lies on the final beneficiary. If an Implementing Body uploads the data, then it is responsibility of the Implementing Body. Nevertheless, once a year, the Managing Authority carries out data correctness audit together with the Implementing Bodies, and consequently, any identified inaccuracy is corrected.

## 3.8 Long-term strategic projects

Once a long-term strategic project which exceeds the timeframe of a single programming period appears, the case is continuously consulted with the *European Commission*. Nonetheless, even an agreement with the *European Commission* does not ensure a smooth implementation due to potential interrogation by other relevant institutions such as the *Court of Auditors*.

*„One healthcare project (hospitals-related) had been financed in the previous programming period being accompanied by consultations and further follow-up with the EC whether it might be a single project running through two consecutive programming periods or rather administratively divided in two separated projects. The final decision was that it should not be running through multiple periods, but nowadays, the Court of Auditors declares that it actually should be a single long-term project. Therefore, there is still an ongoing discussion with the European Commission how to resolve the problem.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



*„There are few such long-term projects – for instance, a road infrastructure project which had started at the beginning of 2007-2013. The case has been continuously consulted with the European Commission which effectively assured a smooth transition of the project to the current programming period.”*

Representative, Structural Funds Division  
Department of Foreign Financing, Ministry of Economic Affairs and Communications (IB)



## 3.9 Partnership Agreement

For a small Member State as Estonia, the Partnership Agreement is completely unnecessary with respect to the implementation period as it is virtually duplicate with the more detailed Operational Programme, but it has its value during the preparation phase of the programming period.

*„It would be beneficial to have an equivalent of the Partnership Agreement for all types of possible EU funding comprised together, and then, only a single OP for the Cohesion Policy.”*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



The indicators included in the Partnership Agreement correspond to the prior ones from other existing strategic documents. The document includes a result-framework for indicators and is perceived as rather result-oriented.

The Managing Authority is responsible for setting the objectives, paying lip service to its horizontal strategy, developmental needs, EU 2020 goals, and government's sectoral development plans. All this is consolidated within the regular budgetary process. Then, the objectives are discussed and approved by the ministries and the social partners, who are also involved in the drafting process. Similarly, the Operational Programme's document is drafted by the Managing Authority while different stakeholders and partners are invited to add their input.



### 3.10 Modifications Linked with Reallocation

The change in total allocation from ERDF, ESF, and CF combined in comparison to the previous programming period 2007-2013 equals to an increase of around 8%. In contrast, a substantial decrease in total allocation is foreseen for the upcoming programming period 2021+ (see more information on the planned modifications below). This forecast is one of the possible motivations for the currently implemented changes, i.e. decreasing the number of Implementing Bodies and uniting them in one institution.

With the sector of education, an overall shift towards softer projects was identified by multiple respondents (the proportion of ESF has increased). First, the aspects of education and labour market are strongly underlined in the current operational programme by the means of measures including trainings of teachers and school leaders, inclusive education, career counselling, optimizing educational network etc. For instance, the labour market measures are targeted to increase the number of economically active people (among others, by bringing more people with special needs to the labour market). Second, there has been a shift between different stages of education to be supported between the recent programming periods – from the vocational education infrastructure to the general education.

Within the transportation sector, in a particular case of the *Technical Regulatory Authority* (an Implementing Body), there has been a considerable reduction of total allocation (around 30%). Moreover, although there used to be measures financed from both CF and ERDF, the projects are funded exclusively from the CF in the current programming period.

*„In a particular example of our Implementing Body, the allocation for the programming period 2014-2020 has increased in comparison to the previous period. Nonetheless, the staff capacity allocated to ESIF administration has not increased adequately. Therefore, the individual tasks have been revised and internal optimisation along with risk-based control simplifications has been made. Although being somewhat difficult to achieve, the simplifications have proved beneficial. The risk-based approach is lessening the burden of controls and enables concentrating on objectives and results.”*

Executive Officer  
SA Innove (Implementing Body)



*„It is too soon to assess the planned reduction of allocation for 2021+ and consequent measures, but the topics should be decided first, and afterwards, the available budget distributed, not vice versa.”*

Representative  
Financial Department, Ministry of Culture (IB)



### 3.11 Audit and controls

There are two basic levels of cooperation with respect to audit and control:

- ▶ The Managing Authority has a supervision authority over the Intermediate and Implementing Bodies – it controls, trains, and guides them. Until 2017, the main method employed had been the on-the-spot checks (i. e., controlling compliance with the procedures and producing a final report on that matter). Recently, the Managing Authority focuses more on risk-prevention, using data from the monitoring IT system to check if the rules are followed properly.
- ▶ Although there are no specific procedures for cooperation of the Managing, Auditing, and Certifying Authorities, they unofficially meet every second week to discuss everything concerning all these three institutions. The Auditing Authority also discusses findings with the Managing Authority so that the eligibility rules are understood in the same way (such discussions happen on a regular basis). When an audit report notifies an irregularity, the



beneficiary usually turns to the Managing Authority which further involves the Auditing Authority in the subsequent discussions.

*„The Managing Authority was also doing on-the-spot checks of the IBs, but now they check mainly the reports.”*

Representative  
Financial Control Department, Ministry of Finance (AO)



The Auditing Authority outsources some of its task (especially the projects' audits) to private companies from outside of the implementation structure.

*„In previous programming period, it used to be burdensome for the beneficiaries of large amounts of allocation to face all kinds of audits and controls at the same time especially with respect to considerably lower level of computerisation. Nowadays, substantially larger extent of project's administration is done within the IT system which makes it much easier for such beneficiaries.”*

Representative, External Funding  
Financial Department, Ministry of Culture (IB)



The *National Audit Office* is also competent to conduct audits of ESIF, but it has not done so, in practice. Therefore, the only institutions involved in audit and control activities of beneficiaries are the Auditing Authority (partially outsourced by external auditors) and Implementing Bodies, while the Managing Authority mainly controls the functioning of Intermediate and Implementing Bodies.

*„In practice, the National Audit Office carries out checks of the measure's results, not of specific beneficiaries.”*

Member of the Board  
Management Board, Enterprise Estonia (Implementing Body)



Finally the *Department of Public Procurement Policy* of the *Ministry of Finance* is involved in the way that it updates the relevant legislation and provides the other stakeholders with consultations. For instance, the Auditing Authority is often consulting them. Nonetheless, the *Department of Public Procurement Policy* interferes only in the cases of complaints; it does not conduct checks of the public procurement on a systematic basis.

### 3.11.1 Recommendatory findings

The Auditing Authority formulates mainly recommendations in its audit reports, which should be, but may not be taken into account by the Managing Authority or Implementing Bodies. A detection of irregularity or need for recovery is always further passed to the corresponding Implementing Body, which is responsible for the enforcement. The implementing Body then issues a formal decision / administrative act which justifies the finding and requests a recovery or other further action. Therefore, the findings are merely recommendatory for the responsible institution, although they are mostly followed, in practice.

*„Usually, the Implementing Bodies do not conduct any additional checks to confirm the finding themselves – this happens only when there is a danger of a systematic nature of the finding.”*

Representative  
Financial Control Department, Ministry of Finance (AA)



The beneficiary can lodge a complaint to the Managing Authority in a case of objections against the audit results.



### 3.11.2 Sharing audit/control plans

The audit plans of the Auditing Authority are shared with the Managing Authority, audit firms, and also made publicly available on the websites. The audit of operations is conducted on the costs which had been already checked by the Implementing Body to verify the control mechanisms – thus, there is certain duplicity of controls and audits in this sense. The controls made by the Managing Authority are always planned in cooperation with the subject of control in order to avoid duplicity of control activities.

*„When preparing its half-a-year plans, the Auditing Authority always asks the managing Authority which activities it would like the Auditing Authority to conduct. Then, the Auditing Authority decides if it adopts the recommendations.“*

Representative  
Foreign Assistance Department, Ministry of Finance (MA)



*„The Auditing Authority takes the MA's recommendations into account, but it conducts a risk-based assessment and consequent audits according to its own decision.“*

Representative  
Financial Control Department, Ministry of Finance (AA)



While a risk-based assessment is applied in the case of management and control systems' audit, it is not so in the case of operations' audits, where only a statistical sampling method is used.

*„The Implementing Bodies used to check virtually all funds, but currently, a sampling is applied to greater extent.“*

Representative  
Financial Control Department, Ministry of Finance (AA)



### 3.11.3 Sharing results of controls/audits

The Auditing Authority publishes the audit reports on its websites including a full detail of the auditee and results. Therefore, all identified irregularities are made publicly available. Internally, the Auditing Authority shares the results with the Managing Authority and especially the Implementing Bodies, which are responsible for enforcement towards the beneficiaries. The Auditing Authority is not involved in any preventive activities towards the beneficiaries; this is an exclusive responsibility of the Managing Authority and Implementing Bodies.

*„So far, there have been no complaints or objections against the practice of publishing detailed information about the auditee and results.“*

Representative  
Financial Control Department, Ministry of Finance (AA)



Finally, there is usually a responsible person in each Intermediate and Implementing Body who receives an information on detection of all irregularities across all sectors and measures through the monitoring IT system and consequent email notification. On the other hand, the Implementing Bodies report all identified violations of rules to the Managing Authority.

### 3.11.4 Irregularities

The irregularities are defined in the *Structural Funds Act* and further procedures of their handling are described in a corresponding governmental regulation, which is not ESIF-specific but deals with other sources of foreign funding as well (e. g., Norwegian funds). The difference in handling misuse of funds from ESIF and national funds is that the national funds are more independently managed by individual line ministries receiving the amount for re-distribution. The national funds are subject to control by the *National Audit Office*.



As already described, the handling of irregularities is centrally coordinated by the Managing Authority, but the financial corrections and justification of the decision is responsibility of the Implementing Bodies. If there is a need to go to the court, this is the responsibility of a corresponding Implementing Body as well.

*„There is also a possibility in the Estonian law that the MA can make a decision on irregularity itself, but to the knowledge of the representatives of our Implementing Body, this possibility is not used in practice.”*

Executive Officer  
SA Innove (Implementing Body)



The Managing Authority, in cooperation with the Auditing Authority, organizes seminars and other events on irregularities, fraud suspicions, and sharing of best practice. These events are arranged within the implementation structure being closed for beneficiaries, for instance. The cooperation with the police and public prosecutor's office is also perceived as very important due to the need for harmonisation of procedures, and therefore, both formal and informal cooperation with these institutions takes place.

### 3.11.5 Final decision

In the case of a dispute between the Auditing Authority, Implementing Body, or the beneficiary, it is the Managing Authority's responsibility to settle them. The dissatisfied party provides the Managing Authority with materials for evaluation. The Managing Authority analyses them and, if possible, issues a written statement. If a roundtable is necessary, the Managing Authority hosts it. Based on the available materials, the Managing Authority makes a final decision. If either party is further dissatisfied, the Managing Authority marks the dispute as "unsolved" and the ineligible costs are incurred by the non-compliant party. If a disagreement persists, also the *European Commission* or the *European Court of Auditors* may be contacted and asked for a decisive opinion.

*„Alternatively, the related costs are transferred to the Certifying Authority with a suspicion for irregularity. Then, the Certifying Authority resolves the situation itself or escalates it to the European Commission.”*

Representative  
Financial Control Department, Ministry of Finance (AA)



*„In practice, the disagreement between our ministry and the Auditing Authority appears from time to time. The Auditing Authority usually enforces its opinion. Overall, the cooperation works well as the communication is opened and timely – both formal and informal relations are maintained which is of the utmost importance.”*

Representative, Structural Funds Division  
Department of Foreign Financing, Ministry of Economic Affairs and Communications (IB)





## 4. Project activity review

### Total number of institutions approached

- ▶ 25

### Total number of persons approached

- ▶ 57

### Total number of interviews conducted (by institution):

- ▶ Implementation structure institutions (NCA/MA/AA/CA/PA/IB1/IB2): 14
- ▶ Academics: 0
- ▶ Consulting companies: 2
- ▶ Representatives of the beneficiaries: 0
- ▶ Local EY office: 1

### List of studies, analyses, evaluations, and other relevant documents used

- ▶ European Commission (2015): "Stairway to Excellence, Country Report: Estonia." JRC Science and Policy Report (EUR 27442 EN).
- ▶ EY Baltic & Praxis Centre for Policy Studies (2016): "Evaluation of effectiveness of the Structural Fund Implementation Schemes and the Administrative Burden of Beneficiaries." Final Report.
- ▶ KPMG (2016): "EU Funds in Central and Eastern Europe." Progress Report 2007-2015.
- ▶ DG for Internal Policies (2014): "Implementation of Cohesion Policy 2014-2020: Preparation and Administrative Capacity of Member States." Structural and Cohesion Policies.
- ▶ Partnership Agreement.
- ▶ Operational Programme documents.