# Estonia – Latvia – Russia

# Cross-Border Cooperation Programme
## Within
## European Neighbourhood and Partnership Instrument

# 2007-2013

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**INTRODUCTION**

The Cross-Border Cooperation Programme Estonia – Latvia – Russia within the European Neighbourhood and Partnership Instrument 2007 – 2013 (hereinafter referred to as the "Programme") area has a long common history. From the middle of the 14th century until the middle of the 16th century, the Central and Southern parts of Estonia and Northern areas of Latvia constituted Old-Livonia under the rule of the Livonian Order. The same Estonian and Livonian provinces retained their special status under the so-called Baltic Special Rights in the Tsarist Russian Empire starting in the 18th century. With the fall of the Tsarist Russian Empire and October revolution that followed it, in 1918 Estonia and Latvia gained the status of independent states. In 1940 Estonia and Latvia were incorporated into the Soviet Union. After the half-century-long Soviet era, Estonia and Latvia regained their independence in 1991. A common past in the Soviet Union had equalised the levels of progress between the three countries, providing an almost uniform development platform with similar needs for the future. During 1990's cooperation between the three neighbouring states increased slowly, mainly due to the politically sensitive relations between the newly re-independent states and Russia, but also due to the lack of joint financing instruments for the cooperation projects. However, until recently cooperation activities have been more frequent on the Estonian-Latvian border; only in last few years also Russian regions are actively involved in the cross-border cooperation.

Since middle of 1990s regions of the Programme area have been involved in implementing different cross-border cooperation programmes. The first financial support for cross-border cooperation activities between Latvia and Estonia came in the middle of 1990s in the form of different Phare Cross-Border Cooperation programmes. These programmes have contributed to economic development of the border regions in Estonia and Latvia, and have made a significant contribution to building physical infrastructure, but have also given a possibility for these regions to become acquainted with procedures and practices of the INTERREG programmes. Phare CBC programmes have always been regarded as regional development programmes. In Russian part of the Programme area cross-border cooperation with Finland has been more popular. Leningrad region has a long cooperation history with Finland, while Pskov region has more experiences in inter-regional than in immediate cross-border cooperation. However, bilateral cooperation between Russia and Latvia and Estonia has been going on as part of Phare Credo programme. The PHARE External Border Initiative programme 2003 was aimed at promoting of balanced and sustainable development of Estonian regions bordering Russian Federation.

The first real trilateral cooperation in the region took place within the INTERREG IIIA North priority of the Baltic Sea Region INTERREG IIIB Neighbourhood programme in 2004-2006. It was the first financial instrument focusing on the immediate border areas of the three countries, and having a genuine cross-border cooperation as the main requirement of financing joint projects. The implementation of INTERREG IIIA North priority intensified the cooperation between the partners, who had been tied with earlier joint actions, and more importantly - widened the area of intensive cross-border cooperation also to the regions, which are not situated on the border or in its closest proximity. Although the cross-border cooperation nowadays is almost a daily routine in the Programme area, and finding joint solutions to similar problems is a normal practice for the local and regional authorities in the border areas, it has not always been so easy, and there are still a lot of challenges ahead.

The Programme will be implemented within framework of the European Neighbourhood and Partnership Instrument. The implementation of the Programme will allow the eligible regions in the three countries to pursue and continue cooperation initiated under different CBC programmes since beginning of the 1990s and especially under Estonia-Latvia-Russia INTERREG IIIA Priority North within the Baltic Sea Region INTERREG IIIB Neighbourhood Programme.

The Programme area covers both large and well-developed urban settlements and scarcely populated rural territories having distinctive characteristics and development needs. The regional analysis carried out shows that the area is unevenly developed - big urban centres experience rapid economic growth while in the large part of the territory low business activity, poor accessibility and out-migration of the population is observed. The main challenge of the Programme thus is to address the common problems in the way that would be mutually benefiting for the whole region and contribute to achieving the Programme vision, which envisages creating the region that provides development opportunities both for businesses and inhabitants. This means using the strengths of the region – beneficial geographical location, existing economic and cultural centres and previous cooperation experience in a strategic way to outweigh the weaknesses related to uneven development of the Programme area.

To address these challenges the partner countries have agreed that the overreaching strategic objective of the Programme is to promote joint development activities for the improvement of the region's competitiveness by utilising its potential and beneficial location in the cross roads between the EU and Russian Federation. More specifically it has been agreed to make the wider border area an attractive place for both its inhabitants and businesses through activities aimed at improving the living standards and investment climate. To achieve this aim, the Programme foresees support to joint actions of different partners from the region in three priority support areas – socio-economic development, addressing common challenges and promoting people-to-people cooperation.

## PROGRAMME SUMMARY AND DESCRIPTION OF THE PROGRAMMING PROCESS

### Regulatory framework

The Programme has been prepared in accordance with the Regulation of the European Parliament and of the Council No. 1638/2006 of October 24, 2006 laying down general provisions establishing European Neighbourhood and Partnership Instrument (hereinafter referred to as "ENPI Regulation"), the European Neighbourhood & Partnership Instrument Cross-Border Cooperation Strategy Paper 2007-2013 (hereinafter referred to as "Strategy Paper"), Commission Regulation (EC) No. 951/2007 of 9 August, 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing European Neighbourhood and Partnership Instrument (hereinafter referred to as the "Implementing Rules"), Council Regulation (EC, Euratom) No. 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities, Council Regulation (EC, Euratom) No. 1995/2006 of 13 December 2006 amending Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No. 2342/2002 laying down detailed rules for the

implementation of Council Regulation (EC, Euratom) No.1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. The Practical Guide to Contract Procedures for the EC External Actions 2006 (hereinafter referred to as the "PRAG Rules") and ENPI-CBC Programming Guidelines have also been taken into account when preparing the Programme.

The Strategic Environmental Assessment (SEA) was carried out for the Programme by external experts. The SEA Report is included as an annex to the Programme.

**Programming process**

The Programme has been developed as a joint effort of representatives of three countries involved in its implementation. To initiate the Programme preparation Latvian, Estonian and Russian counterparts organised the inter-ministerial meeting in Riga on 6 July, 2006, where it was decided to establish a Joint Task Force (hereinafter referred to as  "JTF") for the Programme preparation. The JTF was formed on partnership principle and included representatives from the national responsible institutions as well as respective regional authorities from all three involved countries.

To ensure inclusion of other relevant partners in the programming process Latvia formed a National Sub-Committee (hereinafter referred to as "NSC"), which included representatives of national and regional authorities and line ministries that have interest in the preparation of the European Territorial Cooperation and European Neighbourhood Partnership Instrument programmes. Latvian NSC meetings took place once in 2 months and were the main forum for consultancy, co-ordination and information exchange regarding the programming process.

The Ministry of the Interior of the Republic of Estonia established a national working group, which involved representatives from different line ministries, associations of local governments and county governments. The aim of the working group was to co-ordinate the elaboration of Estonian priorities and positions within preparation of the European Territorial Cooperation and European Neighbourhood Partnership Instrument Programmes. The representatives of regional NGO organisations, including Euroregion Pskov-Livonia were consulted on the case by case basis.

In Russia a working group was established for Programme preparation where representatives from national (Ministry for Regional Development and Ministry for Foreign Affairs) and regional (St.Petersburg, Pskov and Leningrad regions) authorities were represented. Additional expert assistance for the group was provided by the Tacis Local Support Office in St.Petersburg. Necessary consultations were arranged with other regional actors to elaborate Programme priorities and measures required. Joint position and proposals were agreed during the regular working group meetings in St.Petersburg and in Pskov.

Preparation of the Programme started in August 2006 when the first JTF meeting took place. All together seven JTF meetings were organised during which counterparts discussed and approved the priorities and implementation rules as well as management structure and financial aspects of the Programme. All the agreements were reached through comprehensive discussions and took into account viewpoints of different parties thus

ensuring that the final version of the Programme meets expectations of all partner countries.

**SEA process**

The Strategic Environmental Assessment under the Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and Programmes on the environment (SEA Directive) was carried by the association "Baltic Environmental Forum – Latvia" based on the contract signed between the association and the Ministry of the Regional Development and Local Government of the Republic of Latvia (acting as the Joint Managing Authority) on 6 July 2007.

The goal of SEA is to provide a basis for a high level of protection of the environment and to contribute to the integration of environmental considerations into preparation and adoption of plans and Programmes with the goal to promote sustainable development. According to the Directive 2001/42/EC Annex 1 the requested and relevant information and outcomes of the SEA are presented in the Environment Report. The Report was prepared based on available policy documents, statistics, information, and available knowledge and methods of the environment assessment.

The Environment Report reviews potential positive or negative effects of the Estonia-Latvia-Russia CBC Programme 2007-2013 on the following identified relevant environmental issues: air quality, climate change, maintenance of the biodiversity, maintenance of the landscape and cultural heritage, water resources, waste management and contaminated sites. The relevance has been identified in relation to the measures and the directions of support as specified by the Programming document. Precautionary principle has been highlighted as one of the key principle of the environmental assessment.

The Environment Report has concluded that the CBC Programme will contribute positively to several aspects of the general environmental management. However, it is rather uncertain about the cumulative effect of the CBC programme on the maintenance of biodiversity, water resources and waste management. Therefore the Environment Report contains a set of recommendations to prevent, reduce and as fully as possible offset any significant adverse effects on the environment. They should be considered when approving any relevant activity, particularly related to business support, transport development, or tourism development in nature areas would be recommendable.

The Environment Report proposes indicators for monitoring of significant environmental effects of the implementation of the Estonia - Latvia - Russia CBC Programme 2007-2013.

The Environment Report is also seen as a tool for making plans and programmes more environmentally friendly through close cooperation between environmental experts and programme developers. Contracted SEA experts have attended the Programme development meetings, as well as having bi-lateral meetings and communication with the country representatives of the programming team, relevant environmental authorities.

The public consultation on the draft Environment Report was performed in parallel with the consultation on the draft Estonia - Latvia - Russia CBC Programme 2007-2013 in November - December, 2007. Regarding the comments on the draft Environment Report,

they were received only from Latvian stakeholders. A part of them were related to mistranslation of the English version of the draft Environment Report in to Latvian or kind of editorial. The relevant content comments have been integrated or additional information provided. The results of the public consultation process were also reviewed at the Joint Task meeting held in Riga on 19 December, 2007.

After public consultation process, the revised Environmental Report has been submitted for assessment by the Latvian Environment State Bureau which is designated national supervisory body on SEA. They issued the Statement including recommendations on monitoring report and requirements on publication of the final Environment Report and Programming document. Consequently, the monitoring report shall be submitted in 2010 and 2013. The final report on the Strategic Environmental Assessment including the SEA statement is included as Annex 2 to the Programme Document.

**Public consultations**

The public consultations process of the draft Programme took place in all three countries according to the national legislation. In Latvia the draft Programme (dated 7 November 2007) and the draft SEA (dated 16 October 2007) were made publicly available through invitations officially sent to Latvian line ministries and regional administrations and announcements in Latvia's Official newspaper "Latvijas Vestnesis" on 9 November 2007 and in the homepage of Environmental State Bureau on 12 November 2007.

The Programme and the draft SEA were also publicly available at the home page of Latvian Ministry of Regional Development and Local Governments in the period 9 November- 19 December 2007. The final date for comments and suggestions was 7 December for draft Programme and 19 December for draft SEA report (due to the requirements in national legislation for Public consultations of the SEA reports). Altogether 23 organisations participated in the Public consultations 7 municipalities (City, District and Regional councils), 14 national governmental bodies, 1 Euroregion and European Commission.

In Estonia the draft Programme (dated 7 November 2007) and the draft SEA (dated 16 October 2007) were made publicly available at the Ministry web-site www.siseministeerium.ee/interreg in the period from 26 November till 20 December 2007. Public consultation seminars were carried out in Estonian eligible regions in Narva (07.12.2007), Rakvere (11.12.2007) and Tartu (13.12.2007) cities. Altogether 27 participants from 16 organisations including local governments, non-governmental organisations, and associations of local governments took part in the seminars.

In Russia the LSO St.Petersburg was asked to implement the public consultations on the new Estonia-Latvia-Russia CBC Programme. As part of public consultations process the draft Programme and SEA Report were placed on web-site of St.Petersburg Administration on 8 November 2007 and at the beginning of December also on the web-site of the Administration of Pskov region.

On 16 November 2007 the Committee for External Relations of St Petersburg, the Committee on International and External Economical Relations of Leningrad Region and LSO St.Petersburg held a joint information seminar in Smolny. 48 representatives of different organisations took part in this event including representatives of sectoral

committees of regional and local administrations, universities and NGOs. Upon the completion of the information seminar and based on the agreement with representatives of regional administrations the LSO St.Petersburg acted as a contact point where all interested organisations could send their questions and comments until 10 December 2007. After completion of the public consultations process the LSO in cooperation with regional administrations' representatives summed up the results prepared the report.

**Summary of the Programme content**

The Programme consists of 9 chapters.

Chapters 1 to 2 concentrate on analysis of the recent development trends in the Programme area, previous history of cross-border cooperation and strengths and weaknesses of the region. In the chapter 1 – Description of the Programme Area – the last paragraph of each sub-section summarises the most important problems of the relevant area to be addressed by the Programme.

Chapters 3 and 4 outline the vision and objectives of the Programme, the strategy envisaged to reach them and provides detailed description of the Programme priorities and directions of support. The Programme's indicators are set in the chapter 5. Chapter 6 describes the coherence with EU policies and strategies and other EU programmes.

Chapters 7 and 8 deal with the Programme implementation structures and procedures providing description of the management structure of the Programme, financial management and institutions involved in the Programme implementation. It also sets out the rules for project selection, implementation, reporting and audit.

Chapter 9 provides the description to the acronyms, abbreviations and common technical terms of the Programme.

# 1. DESCRIPTION AND ANALYSIS OF THE PROGRAMME AREA

## 1.1 Area and population

The Programme area includes the following NUTS III regions:

<u>Latvia:</u> Latgale, Vidzeme; adjoining areas: Riga City and Pieriga

<u>Estonia:</u> Kirde-Eesti, Lõuna-Eesti, Kesk-Eesti; adjoining area: Põhja-Eesti

<u>Russia:</u> Leningrad region, Pskov region, St.-Petersburg City.

## Map 1. Programme area
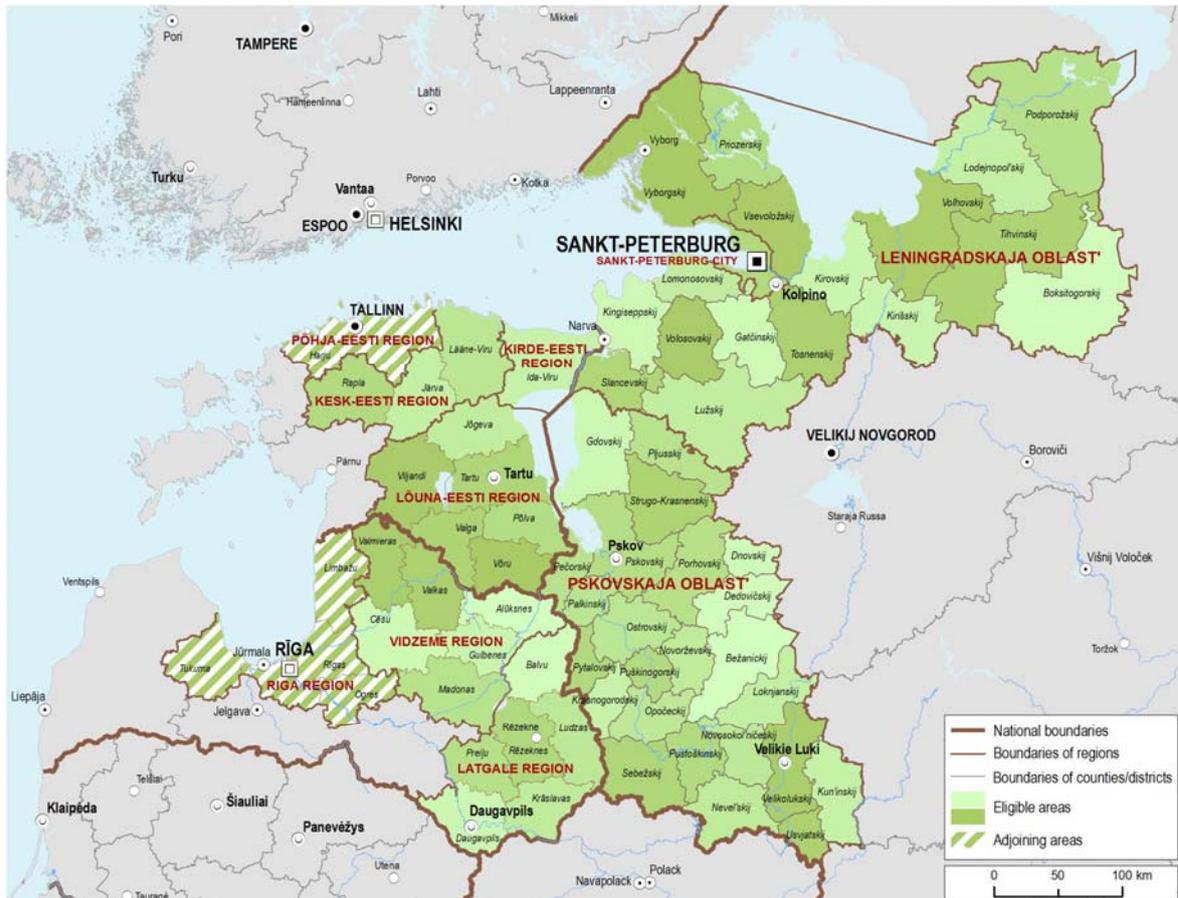


The description of different sectors in the following sub-sections below covers the whole Programme area including both the eligible areas and adjoining areas.

The Programme area lies in the East of the Baltic Sea region and covers Northern and Eastern parts of Latvia, Southern, Northern and Eastern parts of Estonia and Western part of Russia. The Programme area covers the territory of 213,752 km$^2$, out of which 14,798 km$^2$ are the adjoining areas. 32,298 km$^2$ of the area belongs to Estonia, 40,246 km$^2$ - to Latvia, and 141,208 km$^2$ - to Russia. 33.94 % of the Programme area lies within the EU, and 66.06 - outside the EU.

The area is divided by the EU internal border between Estonia and Latvia (343 km of land border), and the EU external border between Latvia and Russia (282 km) and Estonia and Russia (338 km, including 200 km water border along the Lake Peipsi/Chudskoe-Pskovskoe and Narva River). Estonia and Russia also share a long maritime border across the Gulf of Finland. The distance between the most remote seaside place in Estonia (Kesk-Eesti) and Russia across the sea is less than 150 km. The total length of the border within the Programme area is 963 km, of which 620 km is the EU external border.

The region holds the most advantageous geopolitical and geographical position of the main Russian strategic centre in the sphere of cooperation both with the EU and Baltic Region countries in particular. Being at the intersection of sea, river, air corridors and motor and railways, the Programme area possesses strong capacity in cargo flow and passenger traffic between the USA, Canada, EU and countries of the Asian Region.

On the other hand, the Programme area covers two distinct territories – two new EU Member States – Latvia and Estonia with similar history and development over the last 15 years – and eastern part the Russian Federation and St.Petersburg – the second biggest city in Russia. Although the whole region was a part of the Soviet Union until 1991 historically the culture and traditions have varied. Also developments on the both sides of the present EU external border have resulted in differences in the economic situation and living standards.

The total population of the Programme area is 9,831,524 inhabitants (2005), almost 50% (4.6 million) of them live in St.Petersburg. Altogether 29.4 % of the population of the Programme area lives in the EU territory, and 70.6 % outside the EU.

The general population density in Latvia is 35.5 inhabitants per km$^2$ (2006) and in the Programme area the indicator varies from 15.9 in Vidzeme region to 36.4 in Pierīga. In Estonia the average is 29.72 (2005) while in the Programme area population density varies from 15.56 inhabitants per km$^2$ in Kesk-Eesti to 51.4 – in Kirde-Eesti. In the Russian part of the Programme area (excluding St.Petersburg city) the population density varies from 12.5 persons per km$^2$ in Pskov region to 19.7 – in Leningrad region (the average figure for Russia is 8.7 persons per km$^2$). The variations in population density in the Programme area are illustrated in the map below.

As can be seen from the map, the majority of the population is concentrated in the urban areas. In Russia, St. Petersburg, the fourth largest city in Europe by a number of inhabitants, accommodates 4.6 million people at the area of 1,439 km$^2$. In Pskov and Leningrad regions the percentage of urban population is 67% and 66.4% respectively. In Latvia, 68% of population live in the cities and towns and 32% in the countryside, while in Estonia the division of urban and rural population is 70% and 30% respectively.

**Map 2. Population density of the Programme area**
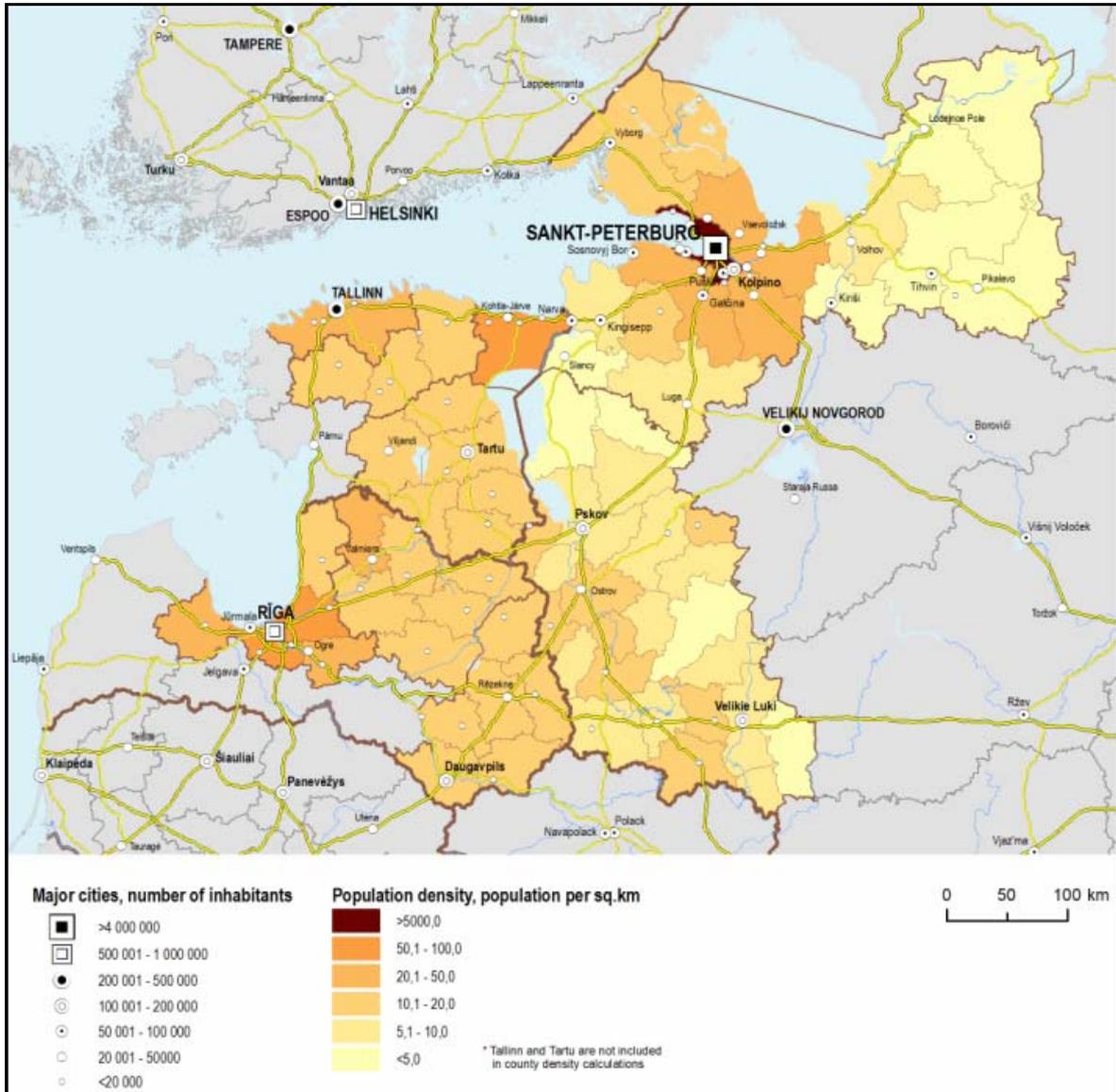


## 1.2 Demography

Demographic situation is characterized by low birth rates and ageing population in the most parts of the Programme area. In general, over the last decade the natural increase of the population in the Programme area has been negative, and even though the mortality rate is not growing a lot, the population trend is declining given the falls in birth-rate and no or minor increase in the life expectancy. Life expectancy in the cooperation area is rather low – around 55-60 years for men and 70-72 years for women in Russia, and around 63-64 years for men and 75-76 years for women in Estonia and Latvia.

In the Programme area Russian speaking population takes a large share also outside the territory of the Russian Federation. In Latvia the percentage of Russian speaking population in Latgale is 32.4 % and in Vidzeme – 10.3 %, while in Estonia the average percentage of Russian speaking population is 28%, but in some place near Russian border it can be very high, like 95% in Narva city.

An elderly population takes a high share in rural areas, whereas larger towns and cities, in particular those with universities and modern, knowledge based industry, attract younger population. The concentration of population, especially the youth, into urban areas and regional centres is characteristic for the most parts of the Programme area, with several rural areas being very sparsely populated. Migration trends are towards the urban areas, mostly the large cities. During the last years increasing migration from Latvian and Estonian parts of the cooperation area towards the old EU Member States is also observed.

Given the high percentage of the population living in the urban areas (especially in the big cities) and increasing tendency of young people migrating to cities and towns or leaving the region to work or study abroad efforts are required to promote polycentric development and to  increase attractiveness of rural areas and smaller towns. To this end activities aimed at improving employment prospects, increasing living standard and providing opportunities for spending leisure time are required. The Programme shall also address issues of encouraging local communities to get involved in NGO work and joint activities with neighbours across the border.

## 1.3 Transport and infrastructure

To attract foreign and domestic investment into the region and to increase the competitive advantage of the region it requires a transport and logistics capability that enables skilled people in the region and surrounding areas, to travel effectively to places of work thus mitigating the skill shortages currently present in the population and provides improved access to customers for business clients.

The Programme area is strategically positioned in a region that offers development benefit due to its geographical position and location relative to the EU TEN-T corridor and access to the Baltic ports. The development of the transport system and logistic services has the potential to promote socio-economic development of the region to deliver the objectives of Baltic 21, VASAB 2010 Plus, INTERREG III, EU Lisbon strategy for economic growth and employment and EU Gothenburg strategy for sustainable development and increase the competitiveness of the region through transport infrastructure development and business development.

The Programme area has a sufficient infrastructure network, including dense road network, railroads, sea and inland ports and international and regional level airports.

**Map 3. Transport and infrastructure network of the Programme area**
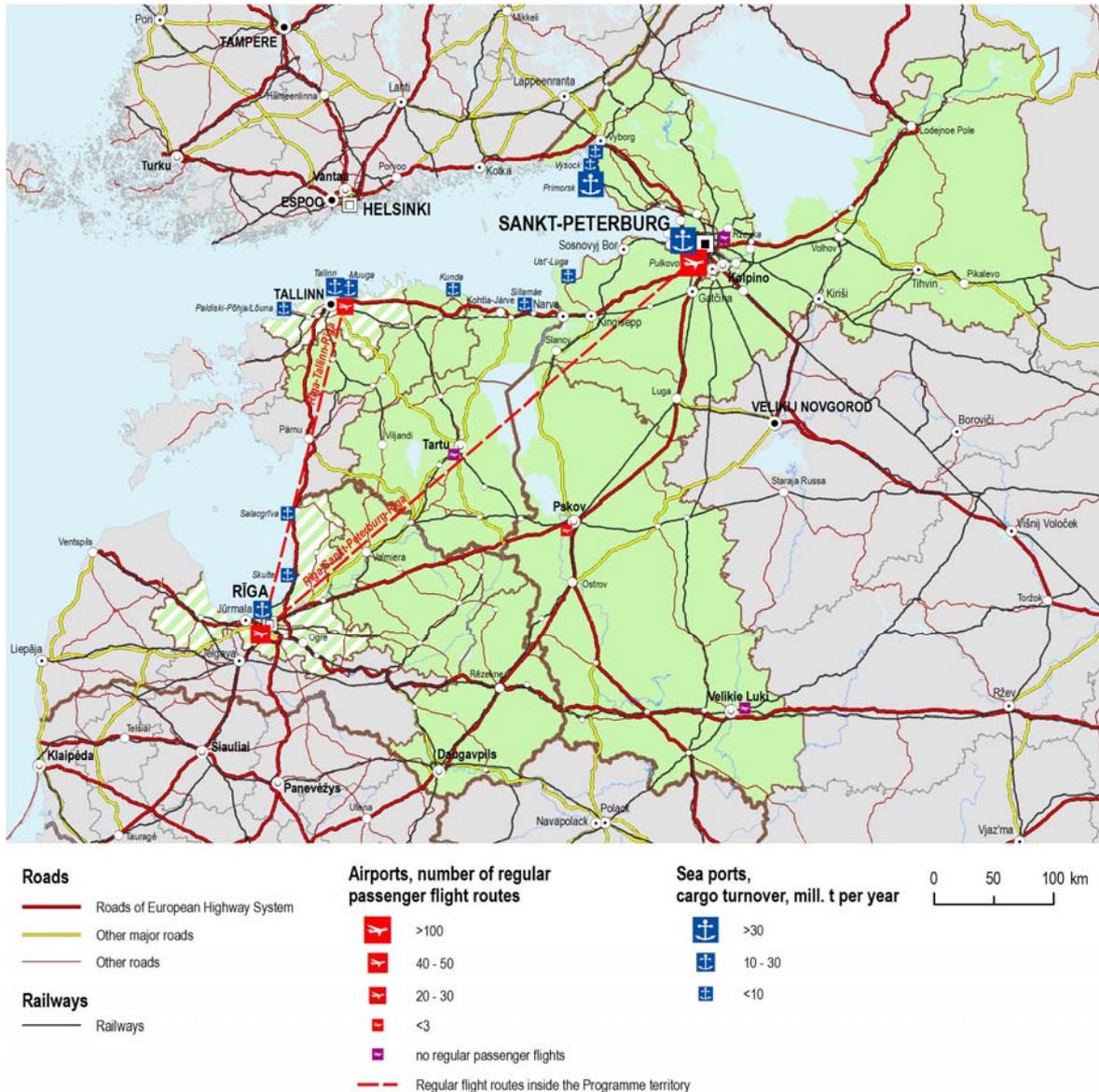


However, the existence of the network as such does not guarantee the necessary mobility of the population and cross-border connections. Each of the regions being part of the Programme area has relatively good connections to the national capitals and other cities and towns in the country. Nevertheless the movement of people and transportation of goods within the Programme area is hindered by two obstacles – lack of and poor quality border-crossing infrastructure (especially on the EU external border) and weak cross-border public transport connections in the Programme area.

As regards border crossing procedures for population of the Programme area there are major differences between travelling between Latvia and Estonia (crossing EU internal border) and between those countries and Russian Federation (crossing the EU external border).

On the Estonian-Latvian border there are 11 international road and 1 railway crossings. This network is sufficient to ensure flow of people and goods across the border. However, private cars are still the main mode of transportation when travelling from one country to another and crossing the border. The public transport - busses operate mainly between major cities (Riga- Pärnu-Tallinn or Riga-Tartu) with very few local stops. There is a railway connection between the two countries. Since 23 April 2008 the railway connection for passengers is renewed.

On the Latvian-Russian and Estonian-Russian border the main problem is throughput of the border-crossing points where both visa and customs control takes place, which is characterised by the long waiting time on the border. There are 3 international road and 2 rail crossings on Latvian-Russian border and 3 international road and 1 rail crossing on the Estonian-Russian border. In addition to that, there are also 2 bilateral border crossing-points on the Estonian-Russian border, and 2 - on the Latvian-Russian border.

Besides road and rail connections, there are 5 international airports in the Programme area - Riga International airport in Latvia, Tallinn Airport and Tartu airport in Estonia (though the latter has no regular connections), and Pulkovo airport in St. Petersburg and airport in Pskov in Russia. There are regular direct flight connections between Riga and Tallinn and Riga and St. Petersburg. In Latvian eligible areas, there are no functioning regional airports; therefore in order to facilitate the cross-border cooperation between Latvia and Russia the reconstruction of Daugavpils Airport has been initiated. In 2009 it is foreseen to operate regular domestic flights, and in coming years it is intended to develop Daugavpils airport in order to operate regular international flights.

The water transportation inside the Programme area is underdeveloped. However, the Programme area has a port infrastructure – there are 6 international ports operating on the coast of the Gulf of Finland, including 1 in Narva-Jõesuu, 4 in Leningrad region, and 1 large complex port in St.-Petersburg. In Pskov region there is a port in Starozhinets (on the Lake Peipsi/Chudskoe-Pskovskoe). In addition to that, in the Estonian Programme area there are 36 smaller ports: 6 of them are located in the Lake Peipsi/Chudskoe-Pskovskoe region and 28 - in the Gulf of Finland. The small ports have minor turnover, but they are important factors for the diversification of economic activities of the surrounding region. On the Latvian side (in the adjoining area) there is an international port in Riga as well as two smaller ports – Skulte and Salacgriva. Development of international small ports on the coast of Lake Peipsi/Chudskoe-Pskovskoe, Gulf of Finland and Gulf of Riga could serve as an important factor for facilitating water tourism within the Programme cooperation area, which has long national water borders between the states. However, until today insufficient joint activities have been undertaken to develop those relatively new water borders.

The main challenges of the region in the field of transport is the lack of and insufficient infrastructure of border crossings as well as lack of public transportation connections across the border, which have to be addressed in order to increase the mobility of population and cargo flows in the region. There is also room for improvement in use of waterways and developing new airline routes within the region.

## 1.4 Regional economy

*GDP structure*

The Programme area consists of rural areas with large industrial and economic centres of St.-Petersburg, Tallinn and Riga, and industrial district of Kirde-Eesti. The situation in the Programme area is characterised by concentration of capital and labour in the large urban territories where the majority of the GDP is produced. The share of the GDP for primary, secondary and tertiary sectors is rather equal throughout the Programme area and is as follows (2005):

| Country | GDP share, primary sector, % | GDP share, secondary sector, % | GDP share, tertiary sector, % |
|---|---|---|---|
| Latvia | 6.30 | 25.73 | 67.97 |
| Estonia | 5.85 | 34.93 | 59.22 |
| Russia | 6.50 | 30.00 | 63.50 |

The tertiary sector gives the largest share of the GDP in the most parts of the Programme area. The most important branches in services sector are tourism and trade, followed by communications and transport. Although the services sector has developed rapidly since beginning of the 1990s, its development patterns have not been favourable in geographical terms. The attainability of services in the Programme area is very uneven, with varied choice among different services and consumer products being the reality only in larger cities. Many smaller urban settlements and most of the rural areas are still without the most basic public services, such as central heating, water supply, and waste disposal. In rural areas the availability of health services and social care is also limited, often by the physical distance. Access to information and different information channels (e.g. Internet) is also available to a limited percentage of population. Thus, a wider and more even development of both public and private services remains an urgent need.

The agricultural sector provides a minor share of the GDP in the Programme area. The most important branches of the sector are cattle-breeding and plant-growing and the main products are hemp, milk and meat products, fruit and potatoes. Most of the agricultural manufacturers are relatively small, often producing only for self-consumption and selling their products by retail in the market. Limited number of large-scale wholesale agricultural producers operates in the area.

In the industrial sector in the Programme area the most important sectors include timber and wood processing and food and beverages (especially dairy and meat) production. In addition, there are important industrial enterprises of mechanical engineering and metal working in the eligible areas in Latvia and in Pskov region, electric power industry in Kirde-Eesti and Pskov region. St. Petersburg and Leningrad region are characterized by diversified economy – ship building, machinery, metallurgy, chemical industry, fuel production, pulp and paper processing and printing industry, etc.

*Entrepreneurship and SME development*

In general, the share of industry has decreased since the collapse of the Soviet Union, which concentrated on nationalised large-scale production of the heavy industry. Since the beginning of the 1990s, economy has shifted towards private ownership, with majority of enterprises being now of small or medium-size. The share of SMEs among economically active enterprises in the Programme area reaches 99% (2005). However, the SME development in the Programme area is rather uneven, as characterised by number of enterprises per 1000 inhabitants. In Latvia the average number of SMEs per 1000

inhabitants is 22 (2004, Central Bureau of Statistics) ranging from 10.8 enterprises in Latgale region to 32.9 enterprises in Pierīga. In Estonia the average number of SMEs per 1000 inhabitants is 48.51 (2005) ranging from 21.26 in Kirde-Eesti to 65.46 in Põhja-Eesti, while in Russia statistics show 25 enterprises per 1000 inhabitants in St.Petersburg and only 7.1 and 5.2 - in Leningrad region and Pskov region respectively (2006).

In addition to very uneven distribution of the SMEs in the Programme area, the general level of entrepreneurship is still relatively low compared to the average of the European Union where it reaches 50 SMEs per 1000 inhabitants (2004, Eurostat). In general, the business development is hampered by the lack of entrepreneurship traditions, administrative barriers, shortage of support structures and enterprise development centres and lack of access to seed and venture capital and structural unemployment. To address those issues a number of the EU SME support instruments have been made available to Latvian and Estonian entrepreneurs to improve the situation. In Latvia the EU support funding for SMEs is available in different forms such as grants, loans and guarantees. SMEs can also benefit from a series of non-financial assistance measures in the form of programmes and business support services. In Estonia *Enterprise Estonia* - one of the largest institutions within the national support system for entrepreneurship provides financing products, advice, partnership opportunities and training for entrepreneurs, research and development institutions and the public and third sector, while the Credit and Export Guarantee Fund KredEx's aims at improving the financing of small enterprises in Estonia and decreasing the export-related credit risks. A number of regional development centres and business advisory services provide consultation services for entrepreneurs, municipalities and NGOs. Similarly in Russia there are various programmes for support of the SMEs both at federal and regional level. The SMEs programmes are supported by the EU programmes like TACIS or individual EU counties and federal and regional government of Russia. Main support actions provided are financial assistance, institutional consulting and marketing research, business planning and legal services.

*Innovation and business incubators*

Over the last decade a growth of business incubators, industrial parks and technological centres has also been observed in the Programme area. The companies also pay more attention to creating innovative products and services that would provide higher value added than traditional industries.

In Estonia the dominant regions in terms of innovation, research and business activity are Põhja-Eesti, Lõuna-Eesti and Kirde-Eesti, while most of the R&D intense businesses are located in Tallinn and in its surroundings. Põhja-Eesti with Tallinn and its surroundings is the biggest industrial region in Estonia. There are 11 industrial zones (including, industrial parks, technology centres and industrial villages with special emphasis on environmentally friendly high technologies) and business incubators. Lõuna-Eesti with its educational institutions and 6 industrial parks and 2 industrial zones has a great potential in research and development area. Kirde-Eesti is the second industrial region in Estonia, whose 6 industrial zones are mainly focused on metal, chemical, construction, wood and electronic industry.

In the Latvian territory of the Programme area the industrial zones are concentrated around the capital city - there are 8 main industrial parks in Riga and 4 in Pierīga. In Latgale region there is a free economic zone in Rēzekne and industrial and technological parks in

Daugavpils, Līvani and Rezekne, while in Vidzeme region a business incubator in Valmiera was opened in 2007. In 2007 the Ministry of Economy of Latvia initiated Development Programme for Innovation Centres and Business Incubators, which is aimed at improving innovation infrastructure, supporting development and operation of innovation centres and business incubators as well as providing services of innovation centres and business incubators to newly-established companies thus contributing to development of new innovative companies. Within the framework of the programme 11 projects have been supported.

In Russia, the National Business Incubators Association has 65 members, which is relatively little given the size and economic potential of the country. According to the information of the Science Park and Innovation Centre Association in Russia there are 3 technology parks and 1 business incubator in St.Petersburg.

However, despite the development of business incubators and industrial parks in terms of innovative enterprises the companies in the Programme area is lagging behind the EU average of 45%. According to the European Innovation Scoreboard Estonia ranked 13th and Latvia – 24th out of 25 EU Member States. The main reason for this situation is lack of both public and private investments in research and development (R&D) and low awareness of importance of innovations among entrepreneurs. Limited information is available on innovative SMEs in Russia. The general trend, however, is that SMEs do not have the financial stability necessary to invest in R&D and more than 2/3 of innovation expenditure is concentrated in the chemical industry and machine building dominated by the large enterprises.

Despite the existing support is it clear that the business activity in the Programme area, especially in the rural areas and small towns close to the national borders needs to be fostered. In the Programme area the cooperation amongst entrepreneurs in development of new products and new technologies is limited. The innovative enterprises are concentrated around the big cities and SME often do not have enough resources for investment in the research and development. Also the knowledge about regulatory framework and financial requirements for initiating business in the neighbouring country is insufficient and awareness about opportunities for cross-border business cooperation and expanding the existing markets through joint ventures is relatively low. These challenges should be addressed through common measures aimed at improvement of business infrastructure, promoting contacts and networks and support to innovation and marketing activities.

## 1.5 Labour market

During the last decade with the constant GDP growth the employment in the Programme area has been increasing, and the unemployment rate is in general lower than the EU average of 8.9% (2006, Eurostat). According to the official statistics, the unemployment rates of the Programme area in Russia are as low as below 1% in St. Petersburg and Leningrad region, while in Pskov region the unemployment rate was 3% (2006). In Latvia it varies depending on region from 5.9 % in Riga to 11% in Latgale, while on the Estonian side the unemployment is from 7.9% in Põhja-Eesti to 16.2% in Kirde-Eesti.

The labour market situation in St. Petersburg and Leningrad regions has changed drastically during the last years, due to industrial and economic development of the region.

However, the employment level is not even throughout the region, and the North-Eastern depressive areas experience higher unemployment rates.

During the last years in Latvia and Estonia the problem of unemployment is replaced by the increasing labour shortage due to migration of workforce, especially younger generation from the rural areas, to the urban centres and EU-15 countries. The remaining workforce is often incompatible with the market demands in the specific areas. Although different re-training activities for long-term unemployed have been financed by the various support mechanisms there is still a need for more focused and extended activities in this area.

The Programme area, especially the rural areas are in clear need of measures aimed at increasing competitiveness of labour force through support to economically inactive population. In order to ensure that qualifications of the workforce meet the demands of the modern economies cooperation of educational institutions and businesses needs to be promoted and potential employees have to be trained for the professions demanded by the market. .  Initiatives aimed at encouraging the younger generation to initiate their own business in the rural areas as opposed to leaving the region should also be supported.

## 1.6 Information and communication

Availability of information and communication technologies is one of the aspects used to measure accessibility of the region. Limited data are available on the mobile phone and internet penetration in different regions of the Programme area thus the national statistical data are used, which are expected to reflect the situation in the area in question.

Estonia has the most advanced information infrastructure of any former communist eastern European state. 61% of the working population aged 25–49 are using the Internet, while 90% of the young people aged 12–24 are the most active Internet users. There are 62.9 main phone lines per 100 households, and the digitization level of main lines are 82%. The figures for 2006 showed that mobile phone penetration has reached 107% because some people may have multiple active SIM cards.

In 2006, 49 % of Latvian population regularly used computer, but 46% - Internet. In Latvia 46% of all companies use Internet, but 59 % of companies have computers. As in Estonia there are differences between larger and smaller enterprises in usage of the IT, as larger companies have more resources and needs to use information technologies. Similarly to Estonia, the main obstacles for wider usage of the IT are lack of financial and human resources and poor Internet coverage, especially in rural areas. Latvia is well covered by mobile phone networks and around 95% of population uses mobile phones.

In Russia, according to the World Bank data there are 152 Internet users per 1000 inhabitants, while the mobile phone penetration has reached 100%. In the Programme area, in St. Petersburg approximately 650 thousand households have a personal computer. In the city there are around 100 public Internet access points, which are used by approximately 45000 people a month. In Pskov region there are 28 phone lines per 100 households, the digitization level reaches 74% in the urban areas and 39.5% in the rural areas. Efforts are made to provide Internet connection for households, including Wi-Fi Internet coverage.

In the Programme area the challenge related to information and communications field is availability of fast internet access (broadband) outside the major cities and towns. In the border area the Internet is often available only in public access points (schools, libraries). The situation is considerably better in Estonia, which is covered by an extensive Wi-Fi network. Another issue to be addressed in the Programme area is increased use of computers and necessary training for population to increase the use of Internet thus opening new possibilities to the local inhabitants, especially in the rural areas. Development of different kind of e-services to businesses and population could be seen as tool for economic development in remote areas.

## 1.7 Education and research

The Programme area is covered by an even network of educational institutions, thus providing everyone with a possibility to acquire general education near their living place. The eligible areas in Estonia, Latvia and Russia are covered also by a wide network of vocational education centres, providing a large variety of skill acquisition possibilities. However, the provided vocational education courses often do not match the market needs. There is a clear need to link the network of vocational education, but also provide various re-qualification courses to better meet the demands of the labour market. Although the connection has improved during the recent years, unemployment due to non-qualification remains a problem, especially in the rural areas.

The Programme area offers a wide range of possibilities for acquiring higher education. In Tallinn there are 4 public universities, 5 private universities, 5 state and 8 private institutions of professional higher education offering programmes in economics, law, natural sciences, arts etc. In the Programme eligible area Tartu hosts the country's oldest University with faculties of medicine, natural sciences, philology and economics as well as the Estonian University of Life Sciences. Also 4 state and 2 private institutions of professional higher education are situated in Tartu.

In Latvia there are 29 state and private universities – 25 in Riga, 1 in Daugavpils, 1 in Rezekne and 1 in Valmiera. The University of Latvia, which is based in Riga, provides curricula in natural and social sciences, while the Riga Technical University focuses on technical specialities but Riga Stradins University offers curricula in medicine. The universities outside Riga offer courses in economics, tourism management, ICT, pedagogy, philology, physics and mathematics and music.

In the Russian part of the Programme area, there are 48 state universities, 18 military higher education institutions and 45 private higher education institutions in St. Petersburg as well as 5 higher education institutions in Leningrad region. They offer a range of study programmes in fields of humanities and social sciences, medicine, finance and banking, electrical engineering and related fields. In Pskov region there are 23 higher professional education institutions - 14 state higher educational institutions (9 of them are branches) and 9 private higher education institutions offering 21 specializations for post-graduate education.

Besides universities and higher education institutions, there are numerous public scientific institutes and organisations, academic centres, and branch higher education institutions, not to mention the private higher education facilities throughout the cooperation area, thus providing a good scientific research potential. However, the funds delivered into research

and development are rather low, and innovation policy is not the highest priority field for the national governments. Although the situation has somewhat improved during the recent years, the scientific centres must often find their own financing for research project.

The existing network of vocational and higher education institutions in the region provides an opportunity for further development of cooperation between businesses and educational institutions that would result in better matching of the needs of the industries with curricula provided by the educational establishments. The cooperation of universities and scientific centres also needs to be encouraged in order to share results of scientific research and build on each other's experience.

## 1.8 Environment and nature

The territory of the Programme area is relatively plain and is covered with forests, bogs and marshlands and numerous lakes and rivers. The Lake Peipsi/Chudskoe-Pskovskoe, which marks the border between Estonia and Russia, covers an area of 3,521 km$^2$ and is the fourth largest lake in Europe, while the Lake Ladoga located in the Leningrad region with its territory of 17,700 km$^2$ and approximately 660 islands is the largest lake in Europe. The natural resources of the Programme area include oil shale, peat, phosphorite, limestone, dolomite, amber, wood, clay and sand; mineral waters are found in Pskov region, Lõuna-Eesti as well as Vidzeme region.

The territory is characterised by high bio-diversity, and in all three countries efforts are made to protect the natural values. In the eligible areas in Estonia there are 3 national parks, 26 nature reserves and more than 50 landscape reserves. In Latvian part of the eligible area there are, 2 national reserves, 3 national parks, 1 biosphere reserve, and 233 nature protection areas. Eligible territories in Estonia and Latvia are covered also by a network of areas under NATURA 2000.

In Leningrad region, 6 % of the territory is under nature protection areas, including 5 marshlands of international significance, 2 natural parks of federal importance, 22 natural reserves, 14 natural places and 1 national nature park of regional importance. St. Petersburg as a city has a unique water area of 840 square kilometres of the Neva inlet and the Eastern part of the Gulf of Finland, which includes over 140 rivers, canals and springs and 260 enclosed water bodies.

Despite the large number of water management projects, there are still lots of untreated waste water and further deterioration of sewage treatment facilities is a common concern. In the Programme area outside the larger cities the water management infrastructure is outdated in the most villages and small towns. This poses a real risk to groundwater and surface sites, as it can contaminate groundwater through unprotected wells. In certain areas drinking water does not meet quality standards and demands due to the sub-standard technical condition of supply networks.

Although rich in natural resources, the region relies mostly on the imported energy. Latvia is heavily dependent on import of energy resources as 57% of all energy resources in 2005 were imported mainly from Russia, while Estonia imports 27.5% of all energy resources. The most popular source of energy in Latvia is natural gas that accounts for 31 % of all consumption followed by other fuel - 30% and timber resources - 22%. In Estonia the most popular energy source are oil shell - 56% following by other fuel – 18 % and natural gas –

12%. In Latvia the proportion of renewable energy resources currently amounts to 36% (Eurostat, 2005) of the total consumption of energy resources, thus placing Latvia among Europe's leaders in the use of renewable energy resources. The share of renewable energy sources in the primary energy consumption of the 25 EU member states is around 6% (Eurostat, 2005). However, in Latvia the high proportion is mainly thanks to using water energy, while other renewable energy sources could be developed. Thanks to wide use of domestic oil shell resources in Estonia share of energy from renewable sources is considerably lower - 11% (Eurostat, 2005). In Russia that share of renewable resources are much lower and does not reach 3% of all produced energy.

Thus to preserve the environment and natural values of the Programme area a number of problems have to be addressed. The joint environmental management is underdeveloped in cooperation area. Although natural resources are often the same in both sides of the border, such as several nature reserves on the Estonian-Latvian border and Lake Peipsi/Chudskoe-Pskovskoe on the Estonian-Russian border, there are insufficient joint activities such as environmental monitoring, water or fishing stock protection being carried out. Joint monitoring activities would also be welcome in relation to pollution of surface waters and ground waters. In light of global climate changes more attention in the Programme area should be paid to increasing the share of renewable energy sources in the total energy consumption and joint activities aimed at energy efficiency. Finally, the environmental awareness of the population needs to be increased through different educational and PR campaigns.

## 1.9 Tourism

The Programme area has a good potential for tourism, which includes clean nature, rich historical heritage and large cultural centres like St. Petersburg, Riga and Tallinn. Also a growing demand for different tourism services (holiday homes, weekend packages, different recreational tours and packages) is observed in the region, the supply and quality of the services offered do not meet the demand. Tourism companies are thus forced to invest in improving their infrastructure and thinking about differentiating their offer and providing new services. In the future more emphasis will have to be placed on offering innovative solutions also in the area of tourism ensuring that the industry creates high value added for its services. To attract foreign tourists, cooperation of tourism operators from the Programme area in packaging their products and organising joint marketing activities clearly showing the advantages of the region compared to other locations are required.

The flow of tourists between the countries is affected by the existing visa and border crossing regimes. Tourism between the eligible areas in Estonia and Latvia is considerably easier due to non-visa requirement. On 21 December 2007 Latvia and Estonia joined the Schengen Agreement. The border of Latvia and Estonia with Russia became the external border of the Schengen area.

The agreement between the European Community and the Russian Federation on the facilitation of the issuance of visas to the certain categories of the citizens of the European Union and the Russian Federation entered into force on 1 June 2007.

To ensure further growth of the tourism industry in the region joint marketing activities are required to promote the Programme area as a united tourism destination. In cooperation

with local companies, organisations and inhabitants it is necessary to research the existing tourism potential of the Programme area and based to that to improve the existing and create new tourism products (including, niche products like nature tourism, sports tourism, sacral tourism) as well as to invest in renovating different objects in the rural areas – old manor houses, churches, etc., that could be used to develop tourism products and similar areas.

## 1.10 Culture

The Programme area has rich and diverse cultural traditions both in the big cities like St.Petersburg, Riga, Tallinn as well as border regions where different ethnic groups live – these areas are especially interesting due to the mix of various cultures.

In the Programme area in Estonia there are two distinct areas – western coast of the Lake Peipsi/Chudskoe-Pskovskoe and Setomaa. In the late 17th century Russian old believers settled on the central Western coast of Lake Peipsi/Chudskoe-Pskovskoe. Now there are almost 15 thousands old believers who have been born in Estonia. Estonians and Russians with their different languages, customs and faiths, lived here side by side for 300 years, not merging but peacefully getting on with each other. Up to now the main activities of people in the region of Lake Peipsi/Chudskoe-Pskovskoe are fishing and vegetable-growing. Traditional fish and onion fares are regularly organised in such old believers' places as Kasepää, Kallaste and Seto Lüübinitsa. Those events are very popular among Estonian people but they are becoming to be of interest for foreign tourists. Also the unique and not very much studied old believers' culture and traditions, especially history of the Church needs to be preserved and rediscovered.

The southeast of Estonia is a peculiar historical and ethnical region where Seto people live. They are known as the Estonians of Pskov region or orthodox Estonians who are speaking the regional variety of Estonian. Seto culture has developed under influence of the Eastern Russian and Western Finish-Ugrian cultures. Currently the historic territory of Seto is divided by national border between Estonian and Russia. In order to promote the culture and traditions of Setomaa the Seto Congress was established. The re-introduction of Kuningriik (the annual cultural festival - annual Seto Kingdom day where a king is chosen), the writing and singing of the Seto national anthem and most recently the designing and flying of the Setomaa flag, have all helped to rekindle an interest in the Seto culture. It is a measure of their success that Kuningriik is attended by thousands of Estonian and Russian Setos.

The region of Kirde-Eesti has close cultural, historical and social connections with Russian bordering regions not only because of high share of Russian-speaking people in the region but also due its economic specialisation in oil-shale and electric-power industry which influence very much the living environment and draws together with Slancy district from Russia. The main centre of attraction is of cause a unique complex of medieval fortresses of Narva and Ivangorod cities on the banks of Narva River.

In Latvian part of the Programme area – there are 2927 cultural monuments in Riga and Riga district (among them 1672 in Riga), 1709 – in Vidzeme and 1441 - in Latgale. Riga historical centre is included into UNESCO world heritage list. There are outstanding medieval architectural monuments in Vidzeme, like Cesu and Turaidas castles, in Latgale there are plenty of religious architectural monuments, as well as Aglonas basilica – the holly place of international importance and Daugavpils fortress.

Latgale region is characterised by ethnic diversity. Latgale and Vidzeme have strong cultural cooperation traditions with the neighbouring countries and mixture of different ethnic groups has resulted in rich culture of traditions and great cultural heritage, including outstanding architectural monuments – ensembles of cities, countryside estates, cathedrals and churches. Compared to Latgale, the Vidzeme region has rather homogeneous ethnic structure and the highest share of ethnic Latvians among the regions of the country. Traditional culture of Vidzeme draws its roots both from Latgalians and Livs – the ancient inhabitants of the region. Considering the differences in historical development of the territory and also cultural interactions (Latvians, Germans, Swedes Polish, Russians) – Riga region, Riga, Vidzeme and Latgale are characterised by rich and original historical and cultural heritage (tangible heritage – cultural monuments, intangible heritage – folklore, traditions, rituals etc.), cultural diversity, different ethnic structure and different religions (Catholicism, Orthodoxy and Old-belief in Latgale, Lutheranism in Vidzeme).

In the Programme adjoining areas Riga and Tallinn are two capital cities with rich architectural and cultural heritage, museums, theatres and opera offering their inhabitants and visitors a wide range of cultural activities. In the Programme eligible area St.Petersburg possesses a considerable historical and cultural heritage, which helps to attract tourists (both domestic and foreign) and to attract investment for development of new spheres like cultural tourism and creative industries. The city has more than 5800 cultural monuments and the historical centre of St. Petersburg is included in the UNESCO world heritage list. Leningrad region is rich with historical and architectural monuments (more than 1000), including monasteries, fortifications and the city of Old Ladoga – first capital of Ancient Russia. In Pskov region the city of Pskov is one of Russia's oldest cities and a centre of the Old Russian architecture and painting. There are nearly 100 historical monuments within the city - fortification, civil and cult, as well as of monumental painting, some of them are included in the UNESCO world heritage list. In the region there are also several ancient fortresses and old monasteries and the Pushkin Reserve.

To preserve the cultural heritage and traditions of the region, which are often kept by elderly people, activities aimed at promoting those values and sharing them with wider audiences are required in the region. In addition to that, research that would help to discover and better understands century-old traditions making them attractive for today's society are required. In the urban areas the potential of using historical values for city branding shall be explored and cooperation among people working in the field of culture on both sides of the border should be promoted thus contributing to better understanding of neighbouring nations.

## 2. SWOT analysis

The SWOT analysis, which is based on regional analysis above as well as regional consultation process during the programming process, addresses elements of cross-border relevance for all three involved partner countries, as it is envisaged that the mainstream development of the border regions will be addressed through the Cohesion Fund and Objective 1 programmes in both participating EU Member States and in Russia it will be financed from the national investment programmes.

| STRENGTHS | WEAKNESSES |
|---|---|
| 1. Beneficial geographical location with good road and railway connection, strategic transport corridors of international importance and transit traffic routes<br>2. Existence of basic business infrastructure and IT facilities<br>3. Existing primary infrastructure (electricity, water, gas supply)<br>4. Existence of general education facilities in the area (universities and vocational institutions).<br>5. Clean and diverse natural environment and great biological and landscape diversity as a basis for environmentally friendly tourism potential in rural areas.<br>6. Large economic and cultural centres - St.Petersburg, Tallinn, Riga – development engines for the whole area<br>7. Cultural variety, joint historical experience, historically formed personal contacts and better knowledge and understanding of each other<br>8. Common language of communication – Russian – spoken among most of the population (30+ years) | 1. Decreasing and ageing population, low life expectancy<br>2. Low business activity and entrepreneurship in the rural areas<br>3. Poor and outdated condition infrastructure (e.g. large share of gravel roads, insufficient cross-border transportation links)<br>4. Shortage of services for transit and logistics in many parts of the Programme area<br>5. Poor linkage between vocational education system and enterprises<br>6. Out-migration of qualified workforce from rural areas to urban centres<br>7. Uneven attainability of public services (e.g. heating, water supply, waste health and social services etc.) and consumer products in the border area<br>8. Underdeveloped cooperation among state institutions and municipalities and private sector<br>9. Insufficient administrative capacity of the public sector |
| OPPORTUNITIES | THREATS |
| 1. Development of international transport corridors, logistics and transport services<br>2. Development of value-added processing industry based on local resources<br>3. Increase in contacts between inhabitants and organisations across the border number of joint cultural events and other activities on a people-to-people level due to facilitation of visa regime between Russia and EU countries (facilitation of visa regime supports tourism development as well)<br>4. Further development of network of cities and towns (polycentric development)<br>5. ICT becoming more available and affordable<br>6. International tourism trends encouraging use of the region's tourism potential (environment, recreation possibilities, cultural and historical sites) | 1. Continuing low birth rate and sparse and ageing population in the border areas<br>2. Isolation and marginalisation of local communities and unattractive countryside<br>3. Emigration of qualified workforce from periphery into centres or other countries<br>4. Globalisation pressure - traditional sectors facing an intense competition<br>5. Insufficient investment rate in the region, especially rural areas |

## 3. STRATEGY OF THE PROGRAMME

The overall target of the Programme is to utilise potential of the wider border region for its economic development to attract productive investments for better employment and creation of prosperity. Bearing this in mind the vision of the Programme is to reach the state where the border region is fast developing enjoying the benefits of private and supporting public investments in productive sectors. Local, regional and national authorities are working together with educational and knowledge institutions to ensure sufficient labour supply and human skills improvement meeting the needs of the local companies. Transportation infrastructure is improved offering good quality road, rail and air connections with logistics, warehouse and other value added services at competitive prices. Natural resources are used for developing tourism and taking benefit of the potential of the renewable energy. Business related infrastructure is developed in compliance with European environmental requirements and best practices thus ensuring that environmental resources are not further degraded and the current values preserved. Out-migration has decreased when possibilities for employment, earnings, personal skills development and living conditions has improved. Communities across border are working together to improve jointly the quality of life and to build shared values, norms and tolerance in multicultural environment.

The starting point for the Programme is insufficient connections across border and missing cooperation for the joint development the area. Connections existed 15 years ago disappeared.  In spite facing similar problems in the region the co-operation between different authority levels as well as organisations is still poor. That fact prevents regional stakeholders from joint tackling regional and local problems and dealing with joint development of the programme area for the prosperity of all parties involved.  However, enterprises in the border regions have good connections and regular business-to-business cooperation.

The Programme area as described in the previous chapters covers different urban settlements and rural territories with distinctive characteristics and development needs. Low economic activity and level of competitiveness, poor condition of the transport networks hindering accessibility and out-migration of young and educated people due to unattractiveness of the region can be observed in large territories of the Programme areas. On the other hand, rapid economic growth of the large cities and urban areas makes the gap between different parts of the Programme area even bigger. The main task of the Programme thus is to address the common challenges in the way that would be mutually benefiting for the whole region and contribute to sustainable development of the Programme area.

The overarching strategic objective of the Programme is to promote joint development activities for the improvement of the region's competitiveness by utilising its potential and beneficial location in the cross roads between the EU and Russian Federation. The specific objective is to make the wider border area an attractive place for both its inhabitants and businesses through activities aimed at improving the living standards and investment climate.

In order to reach its strategic objective, the Programme foresees three priorities focusing on fostering economic development, addressing common challenges in the border area and promoting cooperation of local communities.

In order to promote high effects of the cross-border activities from possible synergies and coherence with projects and programmes funded under other EU policies as well as to avoid duplication, information on activity funding in the recent past may be exchanged as required between Directorate Generals of the EC before launching calls for proposals. The EC's line Directorate Generals should be consulted on the proposals submitted within the call for proposals. For that purpose, EuropeAid Co-Operation Office will request each Directorate General to nominate one or more contact points.

## 4. PRIORITIES

The structure and content of priorities of the Programme has been defined on the basis of analysis, vision and strategy outlined in the previous chapters. The Programme is divided into three major priorities dealing with substance:

- The first priority – Socio-economic Development - is dedicated to strategic development of border region's competitiveness through support to business and labour market development, improvements in communication networks and exploring region's potential for tourism as well as maintaining efficient and safe borders.

- The second priority – Common Challenges - aims at addressing common problems and initiating and continuing joint actions in the areas of common interest on both sides of the border.

- The third priority - Promotion of People to People Cooperation - is focussing on small scale activities for improving the cooperation of the border region supporting wide range of activities to be performed by regional and local municipalities and various actors of the society, which have been identified as being of crucial importance to a more integrated region.

**Priority I.  Socio-economic development**

**Measure 1.1 Fostering of socio-economic development and encouraging business and entrepreneurship**

Although constant economic growth is observed throughout the Programme area, the level of entrepreneurship is still relatively low compared to the EU average. The majority of enterprises produce for the domestic market and cross-border links between the companies are underdeveloped. Further cooperation between the businesses and educational and scientific institutions needs to be improved to ensure higher level of innovation and matching the supply of the labour market to the demands of the industry. Creating job opportunities and supporting economically inactive population have to be encouraged in order to improve living standards of the population in the border areas and contribute to solving of social problems. The directions of support are aimed at addressing those issues through a wide range of activities, both investments and soft projects shall be eligible.

Directions of support:

- Support to SME development, improvement of business related infrastructure, promotion and diversification of local economic and business environment
- Development of know-how and promotion of innovations, research and technology
- Development of labour market potential (improvement of employment conditions, support to economically inactive population, cooperation between research institutions, educational establishments and businesses in order to raise the quality of workforce and human resource development, etc.)
- Development of entrepreneurs' contacts and networks

**Measure 1.2 Transport, logistics and communication solutions**

The Programme area is covered by a dense network of roads and railways. However, their poor condition and lack of border crossing facilities as well as public transport connection across the border hinders mobility of the population of the region and smooth flow of cargos across the area. The use of waterways and air connections within the Programme area is underdeveloped and needs further improvements in connections and services. The measure includes directions of support aimed and development of transport corridors, related infrastructure and public transportation routes as well as information infrastructure that would contribute to improvement of accessibility of the region. Both investments and soft projects shall be eligible.

Directions of support:

- Development of transport corridors and small-scale infrastructure (improvement of road, rail, water and air networks and services)
- Planning and development of border–related infrastructure (parking areas, facilities for various services of interest for travellers both - tourists and truck drivers, recreation areas etc.)
- Development of new cross-border public transportation routes and services
- Development of information infrastructure and services, creation of joint information facilities

**Measure 1.3 Tourism development**

The rich cultural heritage and clean nature serves as a potential for tourism development in the Programme area. The region is characterised by increasing number of tourists and growing demand for high-quality services for local and foreign visitors. In order to compete with other potential tourism destinations the tourist operators in the region are required to invest in development of new infrastructure and innovative services and promote tailor-made holiday packages. In order to address those issues the directions of support include activities aimed at improving infrastructure and accessibility as well as joint marketing actions to promote the region as an attractive tourism destination. Both investments and soft projects shall be eligible.

Directions of support:

- Development of tourism infrastructure, joint tourism products and services and their accessibility (accessibility of roads connected with tourism routes, installation of guide-boards, etc.)
- Coordinated tourism strategies and marketing measures (joint events aiming at extending attractiveness of the Programme area, information services, etc.)
- Development of networks of tourism organisations and creation of new contacts in the tourism sector

**Priority II: Common challenges**

**Measure 2.1 Joint actions aimed at protection of environment and natural resources**

The Programme area is rich in biodiversity and natural values and there are many protected areas on the both sides of the border. However, the nature protection activities are mainly carried out by different national authorities and the environmental awareness of the society is low. There are also very few joint studies or actions aimed at cross-border management of natural values or joint pollution control in the region. The directions of support of the measure thus aim at solving common challenges through activities in the field of joint environmental management and research, small-scale infrastructure development and environmental education. Both investment and soft projects shall be eligible.

Directions of support:

- Environmental studies and management (researches addressing environmental pollution, monitoring, management, etc.)
- Environmental awareness raising (incl. establishment of information centres and introduction of systemic environmental education, etc.)
- Environmental risk management and cooperation of environmental services
- Planning and  improvement of small scale environmental infrastructure

**Measure 2.2 Preservation and promotion of cultural and historical heritage and support of local traditional skills**

Since different ethnic groups live in the Programme area, especially in the border areas, an interesting mix of cultures and traditions has developed there. The region also possesses a rich cultural and historical heritage – architectural monuments and museums and their collections. However, the knowledge of traditional crafts is slowly disappearing with the elderly generation and many of the historical buildings – old manor houses, castles and churches, especially in the countryside, are in a state that requires urgent action to preserve this heritage for the next generations. The directions of support of this measure are aimed at reviving century-old traditions and preserving historical heritage through their use in today's context. Both investments and soft projects shall be eligible.

Directions of support:

- Preservation and restoration of cultural and historical heritage

- Application of local crafts, know-how and traditional skills in business development

**Measure 2.3 Improvement of energy efficiency and promotion of renewable energy sources**

Most of the Programme area does not have own energy resources and relies heavily on imported energy. In view of the global climate changes and necessity to apply environmental friendly approach to the use of energy, the share of the renewable energy resources in the region shall be promoted. The aim of the measure thus is to promote effective and sustainable use of energy resources and to diversify the range of used sources of energy through joint research, planning and exchange of experiences. Both investments and soft projects shall be eligible.

Directions of support:

- Effective and sustainable use of energy resources, energy savings
- Development of alternative and renewable energy sources

**Priority III:  Promotion of people to people cooperation**

**Measure 3.1 Development of local initiative, increasing administrative capacities of local and regional authorities**

Although there is a history of cross-border cooperation between local and regional authorities and NGOs in the Programme area it is still mostly limited to working together on a project basis rather than day-to-day cooperation and common decision making. The support of this measure is aimed at implementing projects that would make the cooperation in the region more regular and contribute to increasing the administrative capacity of local and regional authorities through different training and networking activities. Both investments and soft projects shall be eligible.

Directions of support:

- Promotion of cooperation and networking between local and regional authorities and NGOs. Promote the participation of civil society in local initiatives and promote common dialogue between local authorities and society

- Increasing the administrative capacity of local and regional authorities (including, cooperation in providing public services and e-services etc.)

**Measure 3.2 Cooperation in spheres of culture, sport, education, social and health**

Although the historical links of different ethnic groups living in the Programme area date back to the 14th century nowadays due to the national borders (especially the EU external border) the local communities are rather isolated and are involved in very few joint activities. The situation is, however, expected to improve with facilitation of visa regime between the EU and Russian Federation. The aim of this measure is to contribute to cooperation and network building of local communities through supporting projects in the

field of culture, sport, education, social and health. Both investments and soft projects shall be eligible.

 Directions of support:

- Development of people – to - people cooperation (in culture, sport, education, social sphere and health etc.)
- Exchange of initiatives in education, culture, health and social care
- Establishment and development of common information space and partnership networks

# 5. INDICATORS

The Programme indicators are vital to the efficient and effective implementation of the Programme. They serve to monitor and evaluate the extent to which the Programme has achieved its objectives, and the efficiency with which it has done so.

Two levels of indicators can be distinguished. Baseline is considered as zero for all of them.

Horizontal

Indicators on the horizontal level comprise measurements referring to transversal principles that need to be upheld at all impact levels of the programme (short-term, medium-term and long-term).

Monitoring and evaluation will follow limited and simple indicators focusing on the Programme contribution to European cross-cutting themes, SEA and Strategy Paper objectives, such as: sustainable development and equal opportunities.

| Programme aims | Impact Indicators | Target 2015 |
|---|---|---|
| Sustainable development | Number of projects having positive influence on environment and sustainable development | 100% of all the projects |
| Equal opportunities | Number of projects targeting disadvantaged groups or having positive influence on gender equality | 50% of all the projects |

Vertical

This second indicator level follows the programme design in formulating specific indicators for achievement. Indicators at priority level are necessary to evaluate and monitor the programme. These indicators are linked to the aim of each priority. *Output indicators*: measure consequences on the activity level. They have the shortest time horizon, referring to outcomes which are typically directly related to the activity itself and are relatively fast to materialise. *Result indicators*: measure consequences on the level of the field of intervention. They apply to a longer time scale than output indicators, and refer to direct consequences.

**Priority I. Socio-economic development**

| Priority aims | Result Indicators | Target 2015 | Outputs | Target 2015 |
|---|---|---|---|---|
| 1.1.To foster socio-economic development and to encourage business and entrepreneurship | Number of projects supporting business development and labour market development in the border area | 8 | Number of innovation/ promotion / initiatives for entrepreneurs | 8 |
| | | | Number of operating networks created | 5 |
| 1.2. To improve transport, logistics and communication solutions | Number of projects creating new or improving existing cross-border physical connection and ICT links | 7 | Number of infrastructure objects/services developed or renovated | 6 |
| | | | Number of joint initiatives aimed at increasing accessibility of/in the programme area | 6 |
| 1.3. To develop region's potential for tourism | Number of tourism development projects | 12 | Number (amount) of tourism infrastructure developed | 8 |
| | | | Number of partnerships contracts / agreements | 9 |
| | | | Number of elaborated joint tourism strategies | 4 |
| | | | Number of new nature related/seasonal tourism products/services created | 8 |
| | | | Number of joint events or information services aimed at extending the attractiveness of the Programme area | 12 |

**Priority II: Common challenges**

| Priority aims | Result Indicators | Target 2015 | Outputs | Target 2015 |
|---|---|---|---|---|
| 2.1.To ensure joint actions aimed at protection of environment and natural resources | Number of projects in environmental field | 8 | Environmental infrastructure objects | 4 |
| | | | Number of solutions developed/tested to protect the environment | 6 |
| | | | Number of joint planning activities/initiatives | 8 |
| 2.2.To preserve and to promote cultural and historical heritage and local traditional skills | Number of projects supporting preservation and promotion cultural and historical heritage/ traditional skills | 15 | Number of business activities created on the basis of local crafts, know-how and traditional skills | 4 |
| | | | Number of historical and/or cultural sites restored | 10 |
| 2.3.To improve energy efficiency | Number of projects developing collaboration in the field of use of renewable energy, usage of renewable energy resources | 5 | Number of joint solutions developed/tested to save energy | 5 |

**Priority III:  Promotion of people to people cooperation**

| Priority aims | Result Indicators | Target 2015 | Outputs | Target 2015 |
|---|---|---|---|---|
| 3.1.To develop local initiative increasing administrative capacities of local and regional authorities | Number of projects promoting greater interaction among various institutions and bodies on both sides of the border | 20 | Number of networks / agreements involving municipalities, non-governmental organisations and other institutions | 10 |
| | | | Number of joint trainings, seminars, forums for municipalities, NGOs etc | 30 |
| 3.2. To increase cooperation in spheres of culture, sport, education, social and health | Number of projects promoting greater interaction among various institutions and people on both sides of the border | 30 | Number of official bodies involved in partnerships contracts / agreements establishing permanent relations | 30 |
| | | | Number of institutions involved in  projects achieving educational / cultural / sport / social / health objectives | 60 |

## 6. COHERENCE WITH EU POLICIES AND PROGRAMMES

The Programme has been prepared in accordance to the European Neighbourhood & Partnership Instrument Cross-Border Cooperation Strategy Paper 2007-2013, a document that provides the strategic framework for EC support for cross-border cooperation on the external borders of the European Union including strategic cooperation with Russia, together with the Indicative Programme for this cooperation.

According to the Strategy Paper the core policy objectives of CBC on the external borders of the Union are to support sustainable development along both sides of the EU's external borders, to help decrease differences in living standards across these borders and to address the challenges and opportunities following on EU enlargement or otherwise arising from the proximity between regions across land and sea borders. The CBC programmes are specifically intended to address four priority areas:

1) promote economic and social development in regions on both sides of common borders;
2) address common challenges, in fields such as environment, public health and the prevention of and fight against organised crime;
3) ensure efficient and secure borders;
4) promote local cross-border "people-to-people" actions.

The Programme includes three priorities that will address the above mentioned areas through relevant directions of support. The Priority I of the programme will contribute to improving economic and social development and maintaining efficient and safe borders in the Programme area through support to business and labour market development, improvements in communication networks and exploring region's potential for tourism as well as support to border-related infrastructure and transport networks. The Priority II will address the common challenges in the area of joint management of resources, especially in the field of environment, while the people-to-people actions under the Priority III will focus on creating more integrated border areas through cooperation in the areas of culture, education and health.

The Programme has been prepared in accordance with the EU common policy and during its preparation the EU policies on sustainable development, equal opportunities for all social groups, competition, and public procurement were taken into account. These horizontal policies must be taken into account in all aspects of implementation of the Programme and actions supported by the Programme should integrate these principles in their activities.

Besides taking into account EU priority areas for cross-border programmes and guidelines included in the EU policies, the Programme will also ensure complementarity to actions implemented in the EU MS countries under Convergence objective. During the programming period 2007-2013 Estonia and Latvia will implement operational programmes that will be financed from the Structural Funds and the Cohesion Fund. The Priorities of the Convergence Objective programmes in Estonia and Latvia, as presented below, are related to the cooperation priorities within the Programme. However the activities will take place within the territory of a single country and are aimed at fulfilment of national objectives.

In Estonia three different programmes will be implemented during the programming period:

1) Operational programme for the development of living environment (ERDF; Cohesion Fund) financing activities in the fields of environmental protection, energy, local and regional development, education and development of health and welfare infrastructure;

2) Operational programme for developing the economic environment  (ERDF; Cohesion Fund) supporting development and productivity growth of enterprises, R&D capability, tourism and creative industries, development of national R&D programmes as well as the development of the transport infrastructure and information society; and

3) Operational programme for human resource development (ESF) financing the activities supporting education, R&D, youth work, labour market development, enterprises and increase in administrative capacity.

Although several of the above topics are supported also from this Programme, none of the activities designed for the Convergence Objective will duplicate the activities financed under the ENPI CBC. The Programme will contribute to the achievements of the national policy objectives but support only the activities with clear cross-border impact, utilising the added value of cross-border cooperation in the selected directions of support.

There will be three thematic operational programmes implemented in Latvia under the Convergence Objective:
1) Operational programme for the development of human resources and employment (ESF) targeted at the development of education and science, fostering of employment, social integration and health of labour force, and the strengthening of administrative capacity;

2) Operational programme for the development of entrepreneurship and innovations (ERDF) focusing development of the capacity of science and research sector, support to emerging merchants and improvement the competitiveness of existing companies; and

3) Operational programme for the development of infrastructure and services (ERDF; Cohesion Fund) providing support in a framework of seven priority areas related transport networks and infrastructure, establishment and improvement of large-scale environmental infrastructure, production and use of renewable energy and facilitating the creation of information society in Latvia.

All three countries will participate in several cross-border cooperation programmes during the programming period 2007-2013.

Latvia will participate in Latvia-Lithuania Cross-border Cooperation Programme under European Territorial Cooperation Objective. The territory of the above programme will cover part of the eligible area of this Programme and cooperation priorities are quite similar as well. It has been a clear intention of the partnership to take into account complementarily of both programmes and to co-ordinate the actions so that there is no double financing for the concrete operation provided.

Latvia and Estonia will participate in the Latvia-Estonia Cross-border Cooperation Programme under European Territorial Cooperation. The territory of the above programme will cover part of the eligible area of this Programme. Similarly like in the case of Latvia-Lithuania CBC programme cooperation priorities are quite similar and co-ordination of the

two programmes and avoidance of double financing will be achieved by cooperation of Latvian and Estonian national authorities.

Latvia and Estonia will also participate in the cross-border Central Baltic Programme, which will be implemented under European Territorial Cooperation Objective in parallel to this Programme, covering partly the same territory and similar topics for cooperation and also allows bilateral cooperation between Estonia and Latvia.

Russia will participate in the ENPI CBC South-East Finland/Russia programme, where Leningrad Region and St.Petersburg City will be eligible territories. The programme will grant aid to joint development projects following a strategy and priorities which are jointly agreed by the Finnish and Russian partners development of transport links and the state of the environment as well as business and the business environment and improving conditions for cooperation.

All three countries will participate in the transnational Baltic Sea Region 2007-2013 Programme where Estonia and Latvia are eligible with entire territories while regions of the Russian Federation that are part of this Programme are also eligible.  The programme will concentrate on fostering innovations and developing attractive and competitive cities and regions, internal and external accessibility and Baltic Sea as a common resource. The focus of the Baltic Sea Programme is slightly different both in terms of content and geographical coverage thus ensuring that no duplications with this Programme take place.

Estonia and Latvia will also participate in the interregional INTERREG IVC Programme where both states are eligible with entire territories, and can co-operate with each other in several topics similarly financed from this Programme. Estonian and Latvian participation in the above programmes is possible, however, only as part of the wider partnership. Also, the operations funded from the above programmes are focusing on a different geographical context, thus providing sufficient safeguards to avoid duplication with this Programme.

The potential overlapping of funding shall be avoided through the coordination of decision making processes carried out by the JMC of the respective programmes.

## 7. PROGRAMME IMPLEMENTATION STRUCTURE AND PROCEDURES

Members of the Joint Task Force in the 3$^{rd}$ meeting on 1 December 2006 agreed to establish a new implementation structure for the Programme using the principle of continuity according to Article 17 of the Implementing Rules.

The implementation arrangements of the Programme must be established in accordance with the regulatory framework which is stated in the chapter "Programme Summary and Description of the Programming Process" of this Programme, integrating, as indicated in this Programme document, the experience of the implementation of previous Neighbourhood Programmes (in particular, the INTERREG IIIA Priority of the Baltic Sea Region INTERREG III B Neighbourhood Programme supporting cross-border cooperation between Latvia, Estonia and Russia, (hereinafter referred to as "North Priority"), and PRAG Rules.

The Programme Document contains the general implementation provisions which are described in more detail in the Guidelines to Applicants. The Guidelines to Applicants shall contain detailed guidance to applicants, beneficiaries and project partners on project development and implementation issues.

### Joint Structures and Designation of Competent Authorities

The following chart illustrates the implementation structure and bodies involved in the implementation of the Programme.
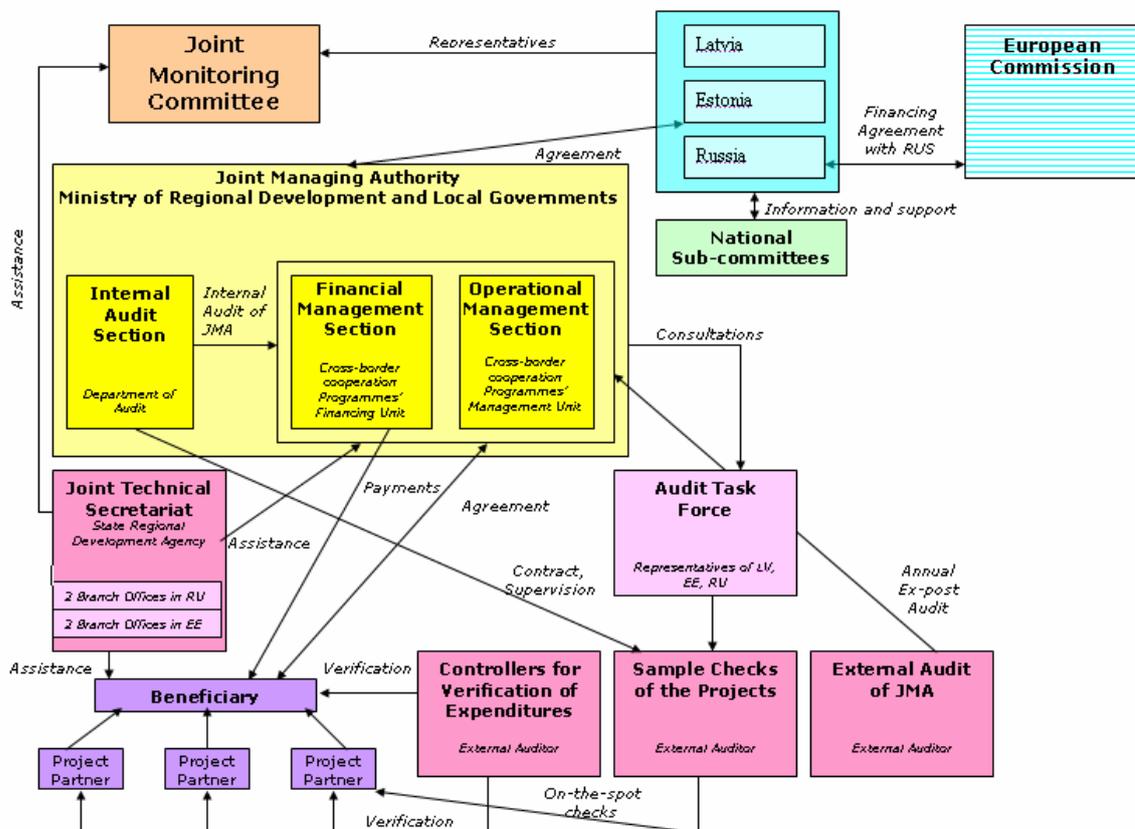
## 7.1. Joint Monitoring Committee

In accordance with Article 11 (2) of the ENPI Regulation and according to Article 11 of Implementing rules, one single committee – a Joint Monitoring Committee (hereinafter referred to as the JMC) will be established. It will be responsible inter alia for monitoring of the Programme and approval of the projects.

*7.1.1 Functions of the Joint Monitoring Committee*

In accordance with Chapter III of the Implementing Rules and in particular Article 13 of the Implementing Rules JMC is responsible for the following functions concerning the Programme:

- approval of the work programme of the Joint Managing Authority (hereinafter referred to as the "JMA") and the Joint Technical Secretariat (hereinafter referred to as the "JTS"),

- deciding on the amounts and allocation of the Programme's resources for technical assistance (hereinafter referred to as the "TA") and human resources,

- at each of its meetings, reviewing the management decisions taken by the JMA,

- deciding on the selection criteria of the projects and approval of any revision of those criteria in accordance with programming needs,

- at each of its meetings and on the basis of the documents submitted by the JMA, evaluating and monitoring accomplished progress of the Programme,

- examining the contentious cases of recovery notified by the JMA,

- at least once a year examining all reports submitted by the JMA, and, if necessary, taking appropriate measures,

- requesting the changes of the Programme (according to Article 7 of the Implementing Rules),

- requesting the European Commission (hereinafter referred to as the "EC") on the early termination of Programme, if necessary (according to Article 44 (1) of the Implementing Rules).

Furthermore the JMC shall also:

- approve the Guidelines to Applicants and any substantial changes to those,

- approve the application pack before launching the Call for Proposals by JMA,

- approve the JMA plan of the information and visibility actions, referred in Article 42 of the Implementing Rules,

- review the outcome of the audit and control exercises by reviewing the annual audit reports and take decisions on the necessary actions related to the recoveries,

- establish Task Forces if necessary.

JMC nominates itself as a Selection Committee (hereinafter referred to as the "SC"). In this regard the composition of the JMC and voting and non-voting rights of its members shall remain as described in Chapter 7.1.2 of Programme document. The tasks of the JMC acting as SC shall be as follows:

- approving the reports of the opening sessions;

- reviewing and approving the outcome of the administrative eligibility check;

- appointing assessors for the quality assessment of project applications,

- approving the Evaluation Report;

- taking the final decision on selection of projects and on grant amount allocated for each project.

The JMA will chair and act as secretariat for JMC acting as SC.

*7.1.2 Composition, chairmanship and decision making of the Joint Monitoring Committee*

The JMC will include balanced number of representatives appointed by each participating country, from national and regional levels (at least one representative of each eligible region), up to 7 persons from each country. It is up to each national responsible institution of the participating country to decide on the composition of its delegation to the JMC. By the initiative of the JMC members the Chairperson has the right to invite experts to the JMC meetings, who will act as observers. The members of the JMC are designated as representatives of nominated institutions of participating countries on a functional basis. Participating countries have the right to substitute their representatives both by appointment of deputies or by sending substitutes to the meetings. The same rights and duties as for the JMC members shall also apply to their deputies and substitutes.

In accordance with Article 11 (3) of the Implementing Rules the EC must be invited to and informed about the organization and the conclusion of each JMC meeting. The EC has the right to participate, on its own initiative, in all JMC meetings, as an observer and without any decision making power.

Representatives of the JMA and the JTS shall participate in the work of the JMC in an advisory capacity.

The members of the JMC shall have the mandate to take all decisions related to the Programme within the framework of the competences of JMC. Decisions of JMC shall be made by consensus among the delegations of participating countries (one voice per country delegation). However, it may put certain decisions to a vote, particularly those relating to the final selection of projects and the grant amounts allocated to them. In such case unanimity must be reached between the delegations of the countries participating in the project (one vote per country delegation).

The JMC shall have a chairperson on annually rotating principle representing the Republic of Latvia Ministry of Regional Development and Local Governments, Ministry of the Interior of the Republic of Estonia and the Ministry of Regional Development of the Russian Federation.

The chairperson of the JMC shall lead discussions and act as arbitrator. He/she shall retain the vote as a member of the national delegation he/she represents.

The JMC in its work will be assisted by the JTS that will be responsible for the preparation of all documentation relating to the meetings and taking the minutes during the meeting. Minutes of the JMC meetings shall be produced, circulated and filed in electronic format.

Minutes of the JMC meetings shall be sent to each member and participant of the JMC meeting and to the EC.

Meetings of the JMC shall be held as often as necessary and at least once a year.

JMC may also take decisions through written procedure at the initiative of its Chairperson, the JMA or one of the participating countries. In case disagreements arise during the written procedure, any member of the JMC may request that the decision be discussed at a meeting.

### 7.1.3 Rules of Procedure of the Joint Monitoring Committee

According to Article 12 (1) of the Implementing Rules, the appointed members of the JMC shall adopt its Rules of Procedure. They will contain further details on tasks, composition, chairmanship, and decision-making in the JMC. The appointed members of JMC will unanimously adopt the Rules of Procedure at its first meeting after approval of the Programme by the EC.

### 7.1.4 Conflict of interest

Decisions on financing will be made, and the implementation of the Programme will be monitored by the members of the JMC. Any decisions and/or assessment have to be free from bias and must not be influenced by partial interest of any of the individual members of the JMC and assessors involved in project assessment. To avoid any conflict of interest, individual members must not act as a beneficiary, or as any of the project partners. They must not be financially involved in the project, i.e. as a beneficiary, project manager, expert or consultant subcontracted by the beneficiary. Each member of the JMC and assessors will sign a declaration of confidentiality and impartiality applicable for the whole evaluation process.

## 7.2. National Sub-Committees

Partner countries may establish national advisory bodies – National Sub-Committees (NSC). The aim of the NSC is to ensure contribution by wider scope of Programme stakeholders (other national line ministries, regional and local institutions, social and economic partners, environmental bodies, NGOs etc.) to Programme development and implementation. NSC shall act as forums for discussing and defining national opinion prior to the JMC meetings. NSC may also act as multipliers in distributing the information about the funding opportunities Programme offers and disseminating Programme results. The work of NSCs shall be organised and financed by the participating country.

## 7.3. Joint Managing Authority

In accordance with Article 10 of the ENPI Regulation the Programme shall be implemented by JMA located in a Member State. The EU Member States participating in the Programme – Latvia and Estonia as well as the Partner Country Russian Federation have agreed to designate **the Ministry of Regional Development and Local Governments of the Republic of Latvia** to fulfil the functions of the JMA for the Programme.

Location of the JMA: Republic of Latvia Ministry of Regional Development and Local Governments, Lacplesa Street 27, Riga, LV – 1011, Latvia.

The JMA shall be supervised by the Head of the JMA .

The JMA shall be responsible for Programme management and implementation by putting in place procedures to ensure that expenses declared under the Programme are genuine and legitimate and establishing reliable computerised accounting, monitoring and financial information systems.

The JMA has an internal audit service completely independent of the services responsible for operational and financial management.

The JMA shall be subject to an annual external ex-post audit referred to in Article 31 of the Implementing Rules carried out by an independent external auditor.

According to Article 10 (1) of the ENPI Regulation and Article 16 of the Implementing Rules the JMA will establish the JTS.

If necessary, the JMA will sign agreement with the Ministry of the Interior of the Republic of Estonia on the implementation of the Programme and, in particular, the duties of the JMA, management and financial procedures of the Programme, responsibility of the countries participating in the Programme in relation to the audit and control, and for the recoveries.

Furthermore in accordance with Article 9 (8) of ENPI Regulation, the EC shall conclude the Financing Agreement with the Partner Country – Russian Federation that will include the legal provisions necessary for the implementation of the Programme.

According to Article 10 (5) of ENPI Regulation and Article 14 of the Implementing Rules the JMA shall separate the operational management from the financial management as well as from the audit functions. Within the financial management, the JMA shall ensure proper segregation of duties between the authorisation of payments and the management of bank account (accountancy). In accordance with EC Financial Regulation segregation of duties between authorising and accounting officer will be ensured. The JMA may decide to delegate part of its functions to the JTS.

According to Article 14 (8) of the Implementing Rules the JMA shall in particular respect the conditions and payment deadlines for the grant agreements that it signs with beneficiaries. Using appropriate verification procedures it shall ensure that the funds paid under grant agreements are used only for the purposes for which they were granted. A general system shall be used for the management of accounts and the administrative and financial monitoring of grants and contracts (correspondence, follow-up letters or reminders, receipt of reports, etc.). This system will be compatible with the computerised system of the Programme described in chapter 7.7.

According to Article 14 (9) of the Implementing Rules the JMA shall without delay notify the EC and the JMC of any change in its procedures or its organisation, or any other circumstances likely to affect Programme implementation.

The functioning of the JMA shall be financed from the Community contribution, in-kind contribution provided by the JMA and additional co-financing from the participating countries.

The JMA, and the various beneficiaries, project partners and contractors, shall be subject to controls by the EC, by the European Court of Auditors and by the European Anti-fraud Office (OLAF) (according to Article 14 (10) of the Implementing Rules).

*7.3.1. The Operational Management Section of the Joint Managing Authority*

The operational management of the Programme shall be carried out by the Operational Management Section of the JMA, which is Development Instruments Department of the Ministry of Regional Development and Local Governments of Republic of Latvia.

In accordance with Article 15 (1) of the Implementing Rules the JMA is responsible for managing and implementing the Programme, including TA, in line with the principle of sound financial management and the principles of economy, efficiency and effectiveness, and carries out any controls necessary in accordance with the rules and procedures provided for by the relevant regulations.

According to the Implementing Rules and in particular Articles 14 and 15 the main functions of the JMA regarding the operational management are as follows:

- organising of the JMC meetings, including drawing-up the minutes of the meetings,

- drawing up Programme level annual operational and any other reports and sending them to the JMC and the EC,

- launching, after approval of the JMC, the calls for proposals for the selection of projects and calls for tenders,

- receiving project applications, organising, chairing and acting as secretariat for evaluation sessions, and sending reports including assessment recommendations to the JMC and to the EC,

- following the selection of projects by the JMC, signing grant contracts with the beneficiaries, and the contractors for the supply, services, works contracts financed from the Programme's TA budget;

- setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are maintained on both – Programme and project level,

- carrying out operational follow-up to the projects,

- preparing the detailed annual budget of the Programme,

- carrying out any environmental impact assessment studies on the Programme level,

- in collaboration with the JTS elaborating and implementing the information and visibility plan.

Furthermore the Operational Management Section of the JMA should also:

- ensure that projects are selected for funding in accordance with the criteria applicable to the Programme and that they comply with applicable Community and national rules for the whole of their implementation period. For the purpose of the selection and approval of projects, the JMA shall ensure that beneficiaries are informed of the specific conditions concerning the products or services to be delivered under the projects, the financing plan, the time limit for the execution, and the financial and other information to be kept and communicated,

- lay down the implementing arrangements for each project in the grant contract with the beneficiary,

- verify that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for the projects has actually been incurred and complies with Community and national rules,

- examine the progress made in implementing the Programme, the principle results achieved over the previous year, the financial implementation and other factors with a view to improving implementation,

- elaborate the Guidelines to Applicants according to PRAG within the competence of the operational management of the Programme.

*7.3.2. The Financial Management Section of the Joint Managing Authority*

In accordance with Article 10 (5) of ENPI Regulation and Article 14 of the Implementing Rules the financial management and certification functions of the Programme shall be ensured by a Financial Management Section of the JMA the tasks of which will be undertaken by the Department of Finance of the Ministry of Regional Development and Local Governments of Republic of Latvia.

According to the Implementing Rules main functions of the JMA regarding the financial management and certification are as follows:

- establishing an independent and separate accounts of the Programme in compliance with the requirements of Article 22 of the Implementing Rules. At least once a year presenting to the JMC **and the EC** the report reconciling these accounts with the balance in the account of the Programme,

- issuing the necessary payment requests for the EC and receiving the payments made by the EC (Article 15 of the Implementing Rules),

- according to the periodicity envisaged drawing up financial reports and other relevant reports to the JMC and the EC (Article 15 of the Implementing Rules),

- notifying immediately (within five working days) the JMC of all contentious cases of recoveries (Article 15 (i) of the Implementing Rules),

- carrying out financial follow-up to the projects,

- upon receipt of supporting documents and after operational and financial verification proceeding with payments of EU grant amounts and recovery orders towards projects. At the end of the project, and after the necessary verifications and audits have been carried out, the JMA Financial Section makes out final payments or issues recovery orders to the beneficiaries (Article 15 and 27 (1) of the Implementing Rules),

- in any case, the JMA is responsible for the recovery of any unjustified or ineligible expenditure from beneficiaries established in the Member States and for the reimbursement to the EC of its share or amounts recovered, in proportion to its contribution to the Programme. In case the JMA could not recover the amounts due within one year of the issuing of recovery order, the Member State where concerned beneficiary or partner is established will have to reimburse them to the JMA (Article 27 of the Implementing Rules),

In the case where recovery orders concern ineligible expenses in a partner country, and whereby the JMA does not succeed in recovering the funds from the beneficiary or a partner (Article 27 (3) of the Implementing Rules) within a maximum of 12 months after issuing of recovery order, the JMA refers the case to the EC which, on the basis of a complete file, takes the responsibility to settle the matter.

Furthermore the JMA Financial Management Section should also:

- elaborate Guidelines to Applicants within the competence of the financial management and certification of the Programme,

- certify that:

    - the statement of projects' expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;

    - the expenditure which is declared on the basis of the PRAG expenditure verification report complies with applicable Community and national rules and has been incurred in respect of projects selected for funding in accordance with the criteria applicable to the Programme and complying with Community and national rules,

- receive the payments made by the participating countries in the Programme to co-finance TA,

- ensure for the purposes of certification that it has received adequate information from the Operational Management Section of the JMA on the procedures and verifications carried out in relation to expenditure included in statements of expenditure,

- take into account for certification purposes the results of all audits carried out by or under the responsibility of the Internal Audit Section of the JMA,

- maintain accounting records in computerised form of expenditure declared to the EC,

- ensure that the beneficiaries receive the total eligible grant amount as quickly as possible and in full. No amount shall be deducted or withheld and no specific charge or other charge with equivalent effect shall be levied that would reduce these amounts for the beneficiaries,

- ensure that beneficiaries and other bodies involved in the implementation of projects maintain either a separate accounting system or an adequate accounting code for all transactions relating to the project without prejudice to national accounting rules,

- keep an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for a project. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the Programme by deducting them from the next statement of expenditure,

- monitor commitments and payments of EU funds on the Programme level,

- at the latest by 30 April each year, send to the EC a provisional forecast of its likely applications for payment for the current financial year and the subsequent financial year. This information will be sent together with the request for pre-financing and accompanying documents requested under Article 26.1 of the Implementing Rules,

- ensure the system for recording and storing in computerized form the accounting records for each project under the Programme and that the data on implementation

necessary for financial management, monitoring, verifications, audits and evaluation is collected,

- ensure that all the supporting documents regarding expenditure and audits on the Programme concerned are kept available for the EC and the Court of Auditors for a period of seven years following the closure of the Programme.

## 7.4. The Internal Audit Section of the Joint Managing Authority

In accordance with Article 10 (5) of ENPI Regulation the separation of audit functions should be ensured through a proper segregation of duties within the JMA and further within this Programme by establishing the Internal Audit Section of the JMA. As required by Article 14 (6) of the Implementing Rules the Internal Audit Section of the JMA which lies with the Audit Department of the Ministry of Regional Development and Local Governments of the Republic of Latvia, is completely independent of the structural units and entities responsible for the operational, financial and certification functions of the JMA.

The main functions of the Internal Audit Section of the JMA regarding the audit are as follows:

- implementing audit programme to check the internal circuits and ensure that procedures have been correctly applied within the JMA. Drafting the resulting annual internal audit report and forwarding it to the JMA (the State Secretary of the Ministry of Regional Development and Local Governments supervising all the structural units involved in implementation of the Programme), the JMC and to the EC (Articles 15 (2 d) and 29 (1-2) of the Implementing Rules),

- organising and contracting annual external financial audits on the direct expenditure of the JMA. This audit shall also ensure the correctness of the JMA accounts,

- from the end of the first year of the Programme, in cooperation with other JMA Sections, each year ensuring the drawing up and supervising the implementation of the annual audit plan for the projects financed by the Programme (Article 37 (1) of the Implementing Rules).

Furthermore the Internal Audit Section of the JMA shall:

- organise tendering, sub-contracting and monitoring of the performance of the audit company responsible for annual sample checks of the projects,

- organise the work and meetings of the Audit Task Force,

- elaborate the Audit Guidelines for bodies performing audit and controls for the Programme.

## 7.5. Joint Technical Secretariat

According to Article 16 of the Implementing Rules the JMA will establish a JTS, which shall assist it in the daily management of the Programme. The JTS shall have branch offices established in the participating countries with the task to inform and support potential beneficiaries of the Programme in the country where activities are envisaged.

*7.5.1 Operation of the Joint Technical Secretariat*

The JMA after consultations with the participating countries has decided that the JTS of the Programme will be hosted by the State Regional Development Agency (hereinafter referred to as "the Agency") that is separate legal entity acting under supervision of the Minister for Regional Development and Local Governments of Latvia.

<u>The location of the Joint Technical Secretariat will be</u>: State Regional Development Agency, Elizabetes street 19, Riga, LV – 1010, Latvia.

Furthermore branch offices of the JTS shall be established in Estonia and Russia – two in each country with an aim to inform potential beneficiaries of the Programme in the country where activities are envisaged. In Estonia the branch offices will be established in Tartu and Jõhvi. In Russia the branch offices will be established in St Petersburg and Pskov. The branch offices shall function as an integral part of the JTS.

The JTS shall be managed by a Head of JTS.

The JTS shall have international staff, which will be recruited on a proportional basis, ensuring knowledge of all Programme area languages and English, including Estonian, Latvian and Russian nationals. For the recruitment processes and staff matters a separate Task Force shall be established by the JMA involving the representatives of national responsible institutions or respective regional authorities from all three participating countries. The staff of the JTS shall be employed by the Agency under the Republic of Latvia Labour Law. The staff of the branch offices shall be employed by hosting institutions under respective national labour laws. The Hosting Institutions for the branch offices in Estonia shall be proposed by national delegation and be approved by the JMC. The Hosting Institutions for the branch offices in Russia shall be contracted by the JMA through the tender procedure using the capacity of the Task Force established by the JMA <u>for recruitment of the staff of the JTS</u>.

The number and qualification of staff shall correspond to the tasks defined below. The staff of the JTS shall cover all relevant languages – Estonian, Latvian, Russian and English.

In line with the provisions of Article 16 (1) of the Implementing Rules the JTS shall be financed from the TA budget.

*7.5.2 Tasks of the Joint Technical Secretariat*

The JTS tasks will be carried out under the responsibility of the JMA. The tasks of JTS shall, in principle, include the following:

• distribution of information about the Programme,

• organizing activities to promote the Programme and to support generation, development and implementation of projects,

• assisting the JMA in elaboration of the Guidelines to Applicants,

• providing information to potential and existing beneficiaries, as well as project partners on the Programme,

• organizing the meetings of the JMC, drafting the minutes, preparing, implementing and following up its decisions, including organising written procedures, etc.,

- providing advice and assistance to financed projects regarding implementation of activities and financial administration,

- monitoring progress, including financial progress, made by financed projects by collecting and checking project progress reports, monitoring outputs, results and financial implementation,

- developing and implementing Programme's information and visibility plan,

- co-operating with organisations, institutions and networks relevant for the achievement of the objectives of the Programme.

- performing administrative eligibility check of project proposals.

More detailed tasks and functions of the JTS shall be described in the Rules of Procedures of the JTS. Rules of Procedure of JTS will be adopted by the JMC.

## 7.6. Overview of the Staff Resources Dedicated to Programme Management

The indicative number of staff to be employed in each of the bodies involved in Programme management shall be further agreed by the JMC:

- Operational Section of the JMA – two full-time employees;

- Financial Management Section of the JMA – two full-time employees;

- Audit Section of the JMA – one full-time employee;

- JTS – twelve full-time employees.

For the Programme management and implementation the JMA will, within the scope of allocated TA budget, ensure sufficient properly qualified human resources fully dedicated to the Programme, the requisite computerised management and accountancy tools and financial circuits that comply with the relevant EU legislation.

## 7.7. Computerised Programme Management System

In order to ensure adequate storage and processing of Programme and project data a secure limited access computerised programme management system – programme database, shall be operated by the JMA and the JTS. Such database has been established for the implementation of the Estonia – Latvia – Russia Priority North of the Baltic Sea Region INTERREG III B Neighbourhood Programme. The database ensures storage and processing of full Programme life-cycle information and is based on project level data. It is a tool used for project receipt, filing, assessment, reporting, monitoring, payments and aggregating data on Programme level. The necessary amendments shall be made to reflect the requirements of this ENPI Programme.

## 8. PROGRAMME IMPLEMENTATION

The implementation of the Programme will be complaint with the regulatory framework as indicated in the chapter "Programme Summary and Description of the Programming Process"of the Programme document and in chapter 7.

## 8.1 Basic Principles in relation the Projects and Beneficiaries

### 8.1.1 Beneficiaries and project partners

Eligibility rules related to the participation in calls for proposals are those referred to in article 21 of the ENPI Regulation and the Strategy Paper.

**The beneficiary** is the body which signs a grant contract with the JMA and which assumes the full legal and financial responsibility for the project implementation vis–a–vis that authority, it receives the financial contribution from the JMA and ensures it is managed and, where appropriate, distributed in accordance with the agreements drawn up with its **partners** (hereinafter referred to as the "**project partners**"). The beneficiary alone is responsible to the JMA and it is directly accountable to the JMA for the operational and financial progress of activities (Article 2 (2) of the Implementing Rules).

Both, beneficiaries and project partners shall be liable for proper use of the project funds and shall be addressed as regards the recovery as it is described in detail in the Section 8.4.4 of this Programme.

Following bodies can be beneficiaries and project partners:

1. National, regional and local public authorities;

2. Associations formed by one or several national, regional or local authorities;

3. Public equivalent bodies (any legal body governed by public or private law):

    a. established for the specific purpose of meeting needs in the general interest, not having an industrial or commercial character,

    b. having legal personality,

    c. financed, for the most part, by the State, regional or local authorities; or other bodies governed by public law, or subject to management supervision by those bodies, or having an administrative, managerial or supervisory board, more than half of whose members are appointed by the state, regional or local authorities or by other bodies governed by public law (for example, municipal and state enterprises, trade unions, medical institutions, museums, etc.);

4. Associations formed by one or several bodies governed by public law as defined under paragraph 3 above;

5. NGOs and other non-profit making bodies;

6. Educational organisations (schools, preschool institutions, colleges, institutes, universities);

7. Small or medium sized enterprises (hereinafter referred to as "SMEs") (only within priority 1).

SMEs are eligible for participation in the Programme under the following conditions:

- private company is micro, small or medium sized enterprise, which means it employ fewer than 250 persons and it has an annual turnover not exceeding EUR 50 million, and/or has annual balance sheet total not exceeding EUR 43 million;

- SMEs can be eligible for funding in projects whose immediate objective is non-commercial;
- the results of the projects with the involvement of SMEs have to be available for the use of wide public;
- in case of participation of SMEs max Programme co-financing rate is 50% of the total eligible costs of this SME;
- SMEs cannot act as a Beneficiary of the project;
- SMEs cannot act as the only partner from the participating country.

### 8.1.2 Geographical eligibility

Beneficiaries and project partners must be located (have their legal address) in the Programme area.

The Programme funding may up to a limit of 20% be used for financing the expenditure incurred by project partners from adjoining areas in Estonia and Latvia.

In accordance with the Article 40 of the Implementing Rules each project shall involve at least two partners, of whom at least one project partner shall be located in the Programme area in one of the Member States and at least one project partner located in the Programme area in Russian Federation.

### 8.1.3 Nature of projects

In accordance with the Article 41 of the Implementing Rules the nature of the projects can be of three types:

- Integrated projects, where each partner carries out a part of the activities of a joint project on its respective side of the border,

- Symmetrical projects, where similar activities are carried out in parallel in the territory of the Member State(s) and partner country,

- Simple projects with a cross-border effect, taking place mainly or entirely on one side of the border, but for the benefit of all project partners.

### 8.1.4 Eligible costs

Eligible expenditures of the Programme are regulated in the Articles 33 and 34 of the Implementing Rules. The eligibility of costs within supported projects is determined by Article 36 of the Implementing Rules, PRAG Rules as well as other EU legal acts (e.g. EU Directives governing public procurement and competition) and relevant national legislation of the EU Member States. Detailed rules on the eligibility of costs financed by the Programme will be provided in the Guidelines to Applicants.

## 8.2 Generation, application and selection of projects

The JTS will proactively support the beneficiaries and project partners throughout the life cycle of projects. The JTS will also perform the administrative eligibility check.

*8.2.1. JTS support to generation of projects*

The JTS will apply the following measures to support the generation of projects:

- Clarifying to applicants Programme requirements regarding technical questions (however, a prior opinion cannot be given on the eligibility of an applicant, a partner, an action or specific activities);

- programme website, including a section on frequently asked questions (FAQ) and a project idea database;

- regular information seminars for potential applicants;

- thematic seminars, focusing on one or several priorities or themes.

Details will be laid down in the Guidelines to Applicants and the Rules of Procedure of JTS.

*8.2.2. Submission of the project applications*

Regular calls for project proposals will be launched by the JMA. Targeted calls may be used for specific purposes. The number of calls per year will be flexible depending e.g. on the progress of the Programme.

The JTS will prepare an application pack based on the annexes of PRAG Rules. It shall be available on the website of the Programme in digital form for download. Among other things, an application form will be issued; its use shall be mandatory for legal entities who decide to apply for funding.

Applications shall be submitted to the JTS both as data file and as printout signed by the legal entity which applies as the beneficiary. In order to ensure equal treatment of applications, to avoid giving an advantage to the applicants located closer to the JTS in terms of the time and costs for the submission of the project applications, the deadline date shall be set for the postal stamp on the envelope containing the hard copy of the proposal and its electronic version. Minor missing documents can be requested by the JTS within a specific time period. The midnight of the deadline date shall be set as a deadline for submission of electronic copy of the application via e-mail.

After having been received project application forms are placed on the restricted website to be accessed by the assessors and the JMC members.

*8.2.3 Assessment of the project applications*

The assessment procedure consists of administrative eligibility check and a quality evaluation process.

The administrative eligibility check based on administrative eligibility criteria will be carried out by the JTS on behalf of the JMA. During the administrative eligibility check national authorities in Latvia and Estonia are responsible for verification of the legal status of the beneficiaries and project partners, as well as for determination if the project is not overlapping with other EU or public financed activities.

The outcome of the administrative eligibility check shall be approved by the JMC.

The quality assessment shall be performed by external assessors. The organisation of and technical support to the quality assessment process will be ensured by the JMA and JTS.

The quality assessment will be based on predefined quality assessment criteria. The quality assessment criteria shall be listed in the Guidelines to Applicants and approved by the JMC.

The quality assessment shall be done against qualitative judgement expressed in scores. "Four eye" principle shall be applied – i.e. each application shall be read by at least two assessors. If necessary, additional specific (technical or thematic) expertise shall be engaged.

The quality assessment shall begin with an introduction session during which the assessors shall receive instructions, agree on harmonised interpretation of assessment criteria, sign confidentiality statement and distribute applications among assessors. The introduction session shall be chaired by the JMA. Minutes of the introduction session shall be prepared by the JTS.

Further the assessors shall carry out individual assessment using electronic copies of application forms and annexes. An output of the assessment for each application is individual evaluation grid with scores and comments.

The quality assessment shall be finished with closing session during which consolidated evaluation grids will be developed. No voting shall be used. The consolidated evaluation grids will include individual scores of each involved assessor and consolidated comments. If the scoring of the particular application differs considerably between the involved assessors all the comments shall be included into evaluation report, and a third assessment shall be carried out. The closing session will be chaired by the JMA. Minutes of the closing session shall be prepared by the JTS and will include recommendations for decision making. Together with consolidated evaluation grids, the minutes of opening and closing sessions shall constitute the Evaluation Report which shall be forwarded to the JMC at least three weeks before its meeting.

*8.2.4 Selection of the projects (decision making)*

Decisions on projects to be financed and on grant amounts to be allocated shall be made by the JMC during its meetings.

The JMC decision shall contain reasoning for approval or rejection of the application. Following the decision of the JMC the JMA shall issue letters to applicants notifying them on the outcome of the JMC decision making procedure and stating the reasons for project approval / rejection.

The JMC may, when taking decision on a project, indicate a list of minor corrections to be made to the proposal. In such a case, the final decision on project can only be made after their fulfilment. Final approval decision in these cases can either be made by the JMC via written procedure or entrusted to the JMC Chairperson. The envisaged procedure shall be described in the Minutes of the JMC meeting.

In case the JMC decision does not follow all or part of the recommendations of the assessors, it shall provide reasoning for the decision during the meeting. The reasoning shall be documented in the Minutes of the JMC meeting which are distributed to all the

members and observers of the JMC, including the EC. A separate notification will be sent to the EC via e-mail in this case. In case the EC shall have an objection or reservation regarding the decision, it shall have 15 working days to notify the JMC on that. In case no response has been received from the EC within 15 working days, the decision of the JMC shall come into force.

### 8.2.5 Contracting of the projects

Following the decision of the JMC, the JMA will prepare a grant contract to be signed with the beneficiary of the approved project. On behalf of the JMA the contract shall be prepared by the responsible Project and Financial Managers in the JTS and signed by the Head of JMA.

Further on the beneficiary shall sign the Partnership Agreement with all project partners laying down provisions for distribution of tasks, responsibilities and Programme's financial contribution. Model Partnership Agreement shall be developed by JMA and made available on Programme's website.

The procurement of goods, supplies and services carried out in the framework of project shall follow the following rules:

- for procurement carried out by beneficiaries and project partners located in Russia – in accordance with PRAG Rules;

- for procurement carried out by the beneficiaries and project partners located in the EU Member States – in accordance with national public procurement legislation, irrespective of their legal status, as compliant with Community directives applicable to procurement procedures.

When carrying out public procurement it should be ensured that, whenever appropriate, equal access to procurement is ensured to possible sub-contractors from all participating countries – i.e. Terms of Reference, Technical Specifications etc. should be available in English or Russian and publishing of tender shall be ensured so as to reach those.

The list of contracts awarded by the JMA will be published on Programme's website.

### 8.2.6 The JTS support during implementation of project

The JTS will apply the following measures to support the implementation of projects:

- seminars with management focus (e.g. project management, procurement, financial management and auditing, information and visibility provisions, etc.) to provide the beneficiaries with knowledge on how to implement projects,

- ad-hoc meetings with project / financial managers to discuss the progress of project implementation,

- quality workshops / content related training for on-going projects, either thematic or cross-thematic (1) to steer the projects towards the results expected at the Programme level, (2) to accumulate the expertise of the projects for the Programme needs, and (3) to allow for exchange of ideas among project beneficiaries and partners,

- database of approved projects (with information to be uploaded from the projects),

- mailings lists and various feed-back tools (guidance events, individual consultations, surveys, question and answer section on the website, etc.),

- individual consultations with projects and on-the-spot visits based on the issues arisen during monitoring of the progress reports of the projects or in self-evaluations made by the projects. Self-evaluation of the project is undertaken by means of monitoring of project performance by all project partners themselves as each project is requested to establish adequate decision making, steering and monitoring mechanisms (e.g. steering committees) whose task is to follow the project implementation, assess its performance and provide guidance on further actions.

*8.2.7 Indicative time-frame for Programme launch*

Within three months from approval of the Programme by the European Commission:

- the members of the JMC should be nominated by the participating countries, the first meeting of the JMC shall be carried out; the Rules of Procedure of the JMC shall be approved;

- the agreement between Latvia and Estonia should be concluded;

- the agreement between the Managing Authority and the Hosting Institutions of the Branch Offices should be concluded;

- the recruitment of the JTS staff should be finalised.

Within six months from approval of the Programme by the European Commission:

- the detailed procedures and documents necessary for the launch and completion of the first call for proposals should be developed and approved by the JMC and the first call for proposals should be launched. NB! The launch of the call however depends on the estimated date of signing of the Financing Agreement. The launch of the call for proposals is possible under the so-called "suspensive clause" after approval of the JMC;

- programme's first Annual Work Plan and Information Plan should be developed and approved.

Within two months after deadline for project submission:

- project assessment should be completed; JMC decision on projects to be financed should be made.

Within three months after the funding decisions are made by the JMC:

- grant contracts with beneficiaries should be signed.

By the end of the calendar year following the year of the Commission's decision on Programme approval:

- the Financing Agreement between the European Commission and the Government of Russian Federation should be signed releasing the Programme funds to projects;

- Audit Task Force should be established.

## 8.3 The audit and control system of the Programme

The required control and audit procedures according to ENPI regulatory framework are as follows:

• the verification of the project expenditure and the operational and financial verification of project reports in accordance with Article 15(2, h) of the Implementing Rules,

• sample checks of the projects selected by the JMA in accordance with Article 37 (2) of the Implementing Rules,

• internal audit of the internal circuits and correct application of the procedures within the JMA in accordance with Article 15 (2, d) of the Implementing Rules,

• annual ex-post external audit of JMA accounts in accordance with Article 14 (4) of the Implementing Rules.

### 8.3.1 The Verification of the project expenditure

The JMA shall put in place procedures to ensure that expenses declared under the Programme are genuine and legitimate and shall establish reliable computerised accounting, monitoring and financial information systems in accordance with Article 14 (7) of the Implementing Rules.

In accordance with Article 14 (8) of the Implementing Rules the JMA using appropriate verification procedures shall ensure that the funds paid under grant contracts are used only for the purposes for which they were granted.

In accordance with Article 15 (1) of the Implementing Rules the JMA shall be responsible for managing and implementing the Programme, including TA, in line with the principle of sound financial management and the principles of economy, efficiency and effectiveness, and shall carry out any controls necessary in accordance with the rules and procedures provided for by the relevant regulations.

In accordance with Article 39 of the Implementing Rules, the Member States and partner country Russia have agreed on a control system making it possible to verify the soundness of the expenditure declared for projects or parts of projects implemented on their territories, and the compliance of such expenditure and of related projects, or parts of those projects, with Community rules and their national rules. These verifications shall be carried out by external audit companies (hereinafter referred to as the "Auditors"). The short list of pre-selected Auditors shall be established by the Operational Section of the JMA. The list of Auditors for carrying out the project's expenditure verification is not obligatory. The Operational Section of the JMA shall develop detailed Terms of Reference for the Auditors (based on the template set in the Annex VII of the PRAG Rules), including guidelines regarding contents and scope of verifications.

The Auditors shall examine whether costs declared by the beneficiary and project partners are real, accurate and eligible in accordance with the grant contract and issue the expenditure verification report. 100% of project expenditure must be verified and the results of the verification should be reflected in the expenditure verification report.

The verified reports and the payment requests shall be submitted to the JTS by project beneficiaries. Once the verified reports are approved by the JTS and the JMA, the payment request shall be considered for further transactions from the Programme.

Costs for the verification of the expenditure shall be covered from the project budget.

*8.3.2 Sample checks of the projects*

In accordance with Article 37 (1) of the Implementing Rules from the end of the first year of the Programme, the Internal Audit Section of the JMA should ensure each year drawing up of an audit plan for the projects that it finances in order to carry out the sample checks of the projects.

The independent external auditing body shall be sub–contracted by the Internal Audit Section of the JMA to draw up this audit plan and carry out sample checks of the projects. The Internal Audit Section of the JMA shall supervise the performance of the external auditing body.

In accordance with Article 37 (2) of the Implementing Rules the controls referred to in paragraph above shall be conducted by examining the documents and conducting on-the-spot checks of a sample of projects selected by the JMA in consultation with the Audit Task Force based on a random statistical sampling method taking account of internationally recognized audit standards, in particular having regard to risk factors related to the projects' value, type of projects, type of beneficiary or other relevant elements. The sample shall be sufficiently representative to ensure a satisfactory level of confidence in relation to the direct controls carried out by the JMA on the existence, accuracy and eligibility of expenditure claimed by the projects. The sample checks should cover projects representing as a minimum 5% of EU funding granted to projects.

A separate **Audit Task Force** shall be established. It shall be responsible for approval of audit methodology, review of the audit results and making proposals for the necessary actions related to the recoveries, based on audit results. This Audit Task Force should consist of the representatives of the national responsible bodies of the Member States and Russia. The EC representative will be invited to all the meetings of the Audit Task Force, will be informed of all its activities and will have the same status as its members. The costs related to the coordination of the activities of the Audit Task Force, as well as costs of its meetings shall be covered from the Programme's TA budget.

In accordance with Articles 28, 29 and 30 (1) of the Implementing Rules annually the Internal Audit Section of the JMA shall draw up a report on the previous year's implementation of the audit plan for the projects and submit it to the Audit Task Force, the Head of the JMA, JMC and EC as an annex to the Annual Report. The report shall describe in detail the methodology used for selecting a representative sample of projects, as well as controls carried out, recommendations made and conclusions drawn in relation to the financial management of the projects concerned.

*8.3.3 Internal audit of the JMA*

In accordance with Articles 15 (2, d) and 29 of the Implementing Rules the Internal Audit Section of the JMA shall each year implement an audit programme to check the internal circuits and ensure procedures have been correctly applied within the JMA. These checks should also cover the JTS.

The Internal Audit Section shall draw up an annual report and send it to the JMC and the EC as an Annex of the Annual Report of the Programme implementation referred to in Article 28 of the Implementing Rules.

*8.3.4 Annual ex-post external audit of JMA*

In accordance with Article 31(1) of the Implementing Rules independently of the external audits of the JMA undertaken by the administration of the country in which the JMA is established, the JMA (its Financial Management Section) shall through an open tender sub-contract an independent auditor who is a member of an internationally recognised supervisory body for statutory auditing to carry out each year an ex-post verification of the revenue and expenditure presented by the JMA in its annual financial report, in accordance with the standards and ethics of the International Federation of Accountants (IFAC).

In accordance with Article 31 (2) of the Implementing Rules the scope of the external audit shall cover the direct expenditure on TA and project management (payments to projects) of the JMA. The external audit report shall certify the statement of revenue and expenditure presented by the JMA in its annual financial report, and in particular it shall certify that stated expenditure has actually been incurred and is accurate and eligible.

In accordance with Article 31 (3) of the Implementing Rules the JMA shall send the external audit report to the EC and to the JMC as an Annex to the Annual Report referred to in Article 28 of the Implementing Rules.

*8.3.5 The Control of the European Commission*

In accordance with Article 38 of the Implementing Rules the EC, OLAF, the European Court of Auditors and any external auditor authorised by these institutions may verify, by examining the documents or conducting on-the-spot checks, the use of Community funds by the JMA and the various beneficiaries and project partners.

These checks may take the form of a full audit on the basis of the supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Programme (including, for the JMA, all documents related to the selection procedures and to contracts) and of the project.

**8.4. The Financial Management of the Programme**

*8.4.1. Indicative Financing Plan*

**Table 1: Indicative Financial table of the Programme**

| | A | B | C | D |
|---|---|---|---|---|
| | INDICATIVE PROVISIONAL COMMITMENTS BY THE EC | CO-FINANCING | PROGRAMME'S PROVISIONAL COMMITMENTS - EC FUNDING- | PROGRAMME'S INDICATIVE PROVISIONAL PAYMENTS -EC FUNDING- |
| **2008** | | | | |
| **Projects** | | 0 | 0 | 0 |

| | | | | |
|---|---|---|---|---|
| **TA** | | n/a | 0 | 0 |
| **TOTAL 2008** | **6 567 387** | **0** | **0** | **0** |
| | | **2009** | | |
| **Projects** | | 429 973 | 10 749 314 | 4 299 726 |
| **TA** | | 570 439 | 828 850 | 828 850 |
| **TOTAL 2009** | **7 179 359** | **1 000 412** | **11 578 164** | **5 128 576** |
| | | **2010** | | |
| **Projects** | | 1 053 433 | 12 899 177 | 10 534 328 |
| **TA** | | 438 101 | 597 481 | 597 481 |
| **TOTAL 2010** | **7 322 946** | **1 491 534** | **13 496 658** | **11 131 809** |
| | | **2011** | | |
| **Projects** | | 1 182 425 | 10 749 314 | 11 824 245 |
| **TA** | | 469 006 | 644 782 | 644 782 |
| **TOTAL 2011** | **9 392 240\*\*** | **1 651 431** | **11 394 096** | **12 469 027** |
| | | **2012** | | |
| **Projects** | | 1 010 436 | 8 599 451 | 10 104 355 |
| **TA** | | 526 377 | 761 548 | 761 548 |
| **TOTAL 2012** | **9 541 628\*\*** | **1 536 813** | **9 360 999** | **10 865 903** |
| | | **2013** | | |
| **Projects** | | 537 466 | 0 | 5 374 657 |
| **TA** | | 589 789 | 823 662 | 823 662 |
| **TOTAL 2013** | **7 771 169\*\*** | **1 127 255** | **823 662** | **6 198 319** |
| | | **2014** | | |
| **Projects** | | 85 995 | 0 | 859 945 |
| **TA** | | 512 490 | 735 049 | 735 049 |
| **TOTAL 2014** | **n/a** | **598 485** | **735 049** | **1 594 994** |
| | | **2015** | | |
| **Projects** | | 0 | 0 | 0 |
| **TA** | | 472 715 | 386 101 | 386 101 |
| **TOTAL 2015** | **n/a** | **472 715** | **386 101** | **386 101** |
| | | **2016** | | |
| **Projects** | | 0 | 0 | 0 |
| **TA** | | n/a | n/a | |
| **TOTAL 2016** | **n/a** | **0** | **0** | **0** |
| | **X** | **X** | **X** | |
| **TOTAL 2008-2016** | **47 774 729** | **7 878 643** | **47 774 729** | **47 774 729** |
| | | | | |
| **TOTAL COFINANCING RATE** | | | | |

\*\* Subject to a mid-term review of the programme

**Table 2: Indicative financing plan of the ENPI CBC programme giving for the whole programming period, the indicative amount of funding by priority**

*Priorities by source of funding (in euros):*

| | Community Funding (a) * | Co-financing (b) | Co-financing rate (in %) (c ) ** | Total Funding (e) = (a)+(b) |
|---|---|---|---|---|
| **Priority 1 Socio-economic development** | 17 198 902.44 | 1 719 890.24 | 10% | 18 918 792.68 |
| **Priority 2 Common challenges** | 17 198 902.44 | 1 719 890.24 | 10% | 18 918 792.68 |
| **Priority 3 Promotion of people to people cooperation** | 8 599 451.22 | 859 945.12 | 10% | 9 459 396.34 |
| **Technical Assistance** | 4 777 472.90 | 3 800 252.89 (Including JMA in-kind contribution 221 337.20) | 80% | 8 577 725.79 |
| **Total** | 47 774 729.00 | 8 099 978.50 (Including JMA in-kind contribution 221 337.20) | 17% | 55 874 707.50 |

\* In accordance with the Strategy Paper.
\*\* Co-financing rate shall be calculated on the basis of the Community contribution to the joint operational programme, minus the amount of technical assistance financed from the Community contribution (see: Art. 20.1 of the Regulation n° 951/2007).

The total indicative eligible budget of the Programme is 55 874 707 EUR, of which 47 774 729 EUR is Community funding (in accordance with the Strategy Paper), 4 299 725 EUR is national public co-financing from the beneficiaries and project partners for the projects (in accordance with Article 20 of the Implementing Rules). 42 997 256 EUR of total Community funding will be allocated to the Priorities I-III. The total public financing is allocated among priorities in following way: 40% will be allocated to Priority I, 40% to Priority II and 20% to Priority III.

Participating countries may contribute additional national funds into the programme. If the additional funds will be contributed into the programme, the additional resources should be also allocated to the TA budget to ensure the appropriate administrative capacity for managing of these funds

The total amount allocated for the Technical assistance is 8 577 725 EUR, which includes 4 777 472 EUR of Community funding. Participating countries will ensure co-financing for the TA 3 578 915 EUR. Contributions in-kind from the JMA is 221 337 EUR (see Table 2).

The Community financing rate of ENPI funds for Priorities I - III shall be up to 90% of eligible expenditure**.** In case of private enterprises, the Community financing rate may be up to 50% of eligible expenditure.

The ENPI funding to the Programme under ENPI regulatory framework shall be paid to the following single account:

| Single account holder: | .... |
|---|---|
| Account with the Treasury of the Republic of Latvia: | .... .... |
| Code: | |

This account shall operate under double signature of the authorising and accounting officers of the JMA Financial Management Section.

In accordance with Article 21 (2) of the Implementing Rules, in case the account opened by the Treasury of the Republic of Latvia generates interest, the interest generated by the pre-financing payments shall be assigned to the Programme and declared to the EC in the final report.

*8.4.2. Technical Assistance Budget*

As soon as the Programme is adopted by the EC, the TA budget may be used to launch the Programme in conformity with Art.9 of the Implementing Rules.

The TA budget will, within the annual limits established in the financial table, be approved by the JMC at its first meeting. It will then be adopted regularly, on a yearly basis, at subsequent meetings of the JMC.

An estimated TA budget for the whole period of implementation can be seen below:

**Table 3: An estimated Technical assistance budget for the whole period of Programme's implementation:**

| Technical Assistance Budget Position | Planned budget 2009-2015 (in EUR) | Percent of the overall TA budget (%) | |
|---|---|---|---|
| | | Amount of Community contribution allocated to TA (57% of overall TA budget) | Co-financing of TA by participating Countries (43% of overall TA budget) |
| **TOTAL (in EUR)** | **8 356 388.59** | **4 777 472.90** | **3 578 915.69** |
| Staff costs, related staff and administrative costs for 12 members of the staff in JTS | 4 861 929.21 | 58.18 % | |
| Programme's information and visibility activities | 225 047.82 | 2.69 % | |
| Organisation of JMC meetings (organising of two JMC meetings a year, travel and accommodation costs for the JMC members) | 244 260.25 | 2.92% | |
| Project's evaluation costs (costs of external assessors' involvement in project | 250 000.00 | 2.99% | |

| | | |
|---|---|---|
| assessment) | | |
| Programme management database | 284 260.25 | 3.4% |
| Sample checks of the projects | 450 000.00 | 5.39% |
| Staff costs, office and equipment costs of 5 members of the JMA staff | 1 490 848.51 | 17.84% |
| Programme evaluations | 100 000.00 | 1.2% |
| Auditing costs provided by the JMA (Verification of JTS expenditure; Internal Audit costs of the JMA; Annual External audit of the JMA; Elaboration of the Audit Guidelines; Costs for audit task force meetings; Costs for elaboration of the Audit Programme) | 450 042.55 | 5.39% |
| **TOTAL** | **8 356 388.59** | **100%** |

*The allocations of the technical assistance budget are solely indicative. Any modification of the above table during implementation will not be subject to a modification of the programme.*

### 8.4.3. The Procedures of financial flows of the Programme

The Financial Management Section of the JMA is responsible for receiving payments from the EC and for making payments to the beneficiaries, contractors and the Hosting Institution of the JTS. Each beneficiary is responsible for allocating the funding received from the JMA to the project partners of its project.

Within the Financial Management Section of the JMA, the control and payments flow is set up as follows:

1. Authorising officers verify the pre-financing / reimbursement requests on the basis of the reports required in the contract and issue the Check List and the Payment Authorising Note for the respective requests. On a sample basis, according to their risk assessment, they may also request the projects to submit all or part of the supporting documents (copies or original) in order to verify the information included in the reports.

2. In accordance with the approved request for payment Check list Authorising officer prepares Currency payment order for submission to the Treasury of the Republic of Latvia and reserves a number in the account system of Ministry of Regional Development and Local Governments of the Republic of Latvia.

3. The Head of Financial Management Section approves the Payment Authorising Note and Currency payment order issued by the Authorising Officers and sends it to the Accounting Unit.

4. The Accounting Unit, through his Accounting Officer is issuing the payment orders and is making the payment to the Beneficiary.

5. After the payment is made, the Accounting Unit, through his Accounting Officer is recording in the accounting system the payments made, based on the statement of accounts.

6. Accounting Officer informs the Financial Management Section about the payment, indicating payment date and number in accordance with the account statement of the Treasury of the Republic of Latvia.

7. Authorising officer enters information regarding payment to the Project Beneficiary in the Programme data base.

To be entitled to claim payments from the JMA, each beneficiary shall be obliged to regularly present progress reports to the JTS. These reports shall be accompanied with the auditor's statement and the payment claim for any following payments from the Programme funds. This obligation will be stipulated in the grant contract. Details on the reporting procedure and payment flows will be defined in the Guidelines to Applicants and grant contract.

The reports shall be submitted to the JTS and checked by respective Project and Financial Managers. Upon their endorsement by the JTS Project and Financial Managers the report shall be forwarded to the Operational Section of the JMA which shall perform verification that the necessary earlier audit and control procedures have been properly followed and endorse the report for further review by the Financial Section of the JMA for final verifications and endorsement and execution of payment.

For the management of the TA share of the JTS a separate agreement will be concluded between the JMA and the Hosting Institution. The agreement will lay down provisions for payments, reports and controls of TA expenditure.

*8.4.4. Recoveries*

In accordance with Article 27 (1) of the Implementing Rules the Financial Management Section of the JMA shall be responsible for the recovery of any unjustified or ineligible expenditure and for the reimbursement to the EC of its share or amounts recovered, in proportion to its contribution to the Programme.

Where ineligible expenditure already covered by a payment is identified on receipt of the final report for a contract or following a control or an audit, the Financial Management Section of the JMA shall make recovery orders to the beneficiaries concerned.

In accordance with Article 27 (2) of the Implementing Rules where the recovery relates to a claim against a beneficiary or a project partner established in a Member State and the JMA is unable to recover the debt within one year of issuing the recovery order, the Member State in which the beneficiary or the partner is established shall pay the amount owing to the JMA and claim it back from the beneficiary or the project partner.

In accordance with Article 27 (3) of the Implementing Rules where the recovery relates to a claim against a beneficiary or a project partner established in Russia and the JMA is unable to recover the debt within one year of the issuing of the recovery order, the JMA shall refer the case to the EC, which, on the basis of a complete file, shall take over the task of recovering the amounts owed.

In accordance with Article 27 (6) when the debt has not been recovered or a complete file, as referred in Article 4 of the Implementing Rules, has not been transferred to the Member State or the EC, due to the negligence of the JMA, the JMA shall remain responsible for the recovery after the one year period has elapsed and the amounts due shall be declared ineligible for Community financing.

## 8.5 Reporting

In accordance with Article 28 (1) of the Implementing Rules each year, by 30 June at the latest, the JMA shall submit to the EC an Annual Report, approved by the JMC and certified by the audit report referred to in Article 31 of the Implementing Rules on implementation of the Programme from 1 January to 31 December of the previous year. The first Annual Report shall be submitted by 30 June of 2009 at the latest.

In accordance with Article 28 (2) of the Implementing Rules the Annual Report shall contain:

- the technical part describing the progress achieved in implementing the Programme and its priorities, the detailed list of the signed contracts as well as possible difficulties encountered, the TA activities carried out during the previous year, the measures undertaken to monitor, evaluate and audit projects, their results and actions undertaken to remedy to the problems identified, the information and communication activities, the programme of activities to be implemented the following year,

- the financial part for each priority containing the information about amount allocated to the JMA by EC as the Community contribution and the participating countries as co-financing, as well as any other possible revenue for the Programme, the payments made and amounts recovered by the JMA for TA and for the projects, as well as the report reconciling these with the account for the Programme, the amount of eligible expenditure incurred by the projects as presented by the beneficiaries in their reports and payment requests, the provisional budget of the JMA for the following year,

- a declaration signed by the representative of the JMA assuring that the management and control systems set up by the Programme in the course of the previous year continue to comply with the model approved by the EC and that they have operated in such a way as to warrant a reasonable degree of confidence in the correctness of the financial report and in the legality and regularity of the transactions to which it relates.

In accordance with Article 32 of the Implementing Rules the Final Report on implementation of the Programme shall contain mutatis mutandis the same elements as Annual Reports, including their Annexes, for the entire duration of the Programme. It shall be submitted by 30 June 2016 at the latest.

## 8.6 Programme evaluation

In accordance with Article 6 of the Implementing Rules a mid-term evaluation of the Programme shall be carried out as part of the programme review in accordance with the Strategy Paper. This evaluation shall be carried out by the EC and its results, which shall be communicated to the JMC and JMA, may lead to adjustments in the Programme.

In addition to the mid-term evaluation, an evaluation of the Programme or a part thereof may be carried out at any moment by the EC.

In the year following the end of the implementation phase of the projects financed by the Programme an ex post evaluation of the Programme shall be carried out by the EC.

The JMC may decide to carry out further evaluations of the Programme at any of its stages.

The aim of monitoring and evaluation shall be to improve the quality, effectiveness and consistency of implementation. The findings of evaluations shall be taken into account in future programming or Programme adjustment exercises.

## 8.7 Use of language

On the Programme level the English language shall be used. Project proposals should be submitted in English, Contracts shall be concluded in English, all official documentation and communication related to Programme implementation should be in English.

On the Programme level, costs related to interpretation and translation should be budgeted in the TA budget. On project level, interpretation and translation costs may be included in project budget.

## 8.8 Information and visibility

The JMA is responsible for Programme's information and visibility activities carried out with a view to ensure the widest possible participation by public and private organizations. In accordance with Article 11 of the Implementing Rules the JTS will be the main responsible for implementing the measures for awareness rising of the Programme.

The Programme will follow the visibility guidelines applicable to EC external actions as published on the EuropeAid Co-Operation Office Internet site (address: http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_m anual_en.pdf).

The main aim of the information and visibility actions shall be to ensure transparent use of EU funds, increase awareness about the Programme, EU role, funding opportunities and supported projects, as well as promote cross-border cooperation and its results.

The main principle to be observed when carrying out information and visibility actions with regards to promoting Programme's results – the projects are Programme's best ambassadors. Therefore one of the main tasks of the information and visibility strategy is to ensure that adequate information and visibility actions are carried out on project level.

The main target groups of the information and visibility strategy are:

• potential beneficiaries (national, regional and local authorities, NGOs, educational institutions, private bodies located in Programme territory, etc.);

• beneficiaries (project Lead Partners and partners);

• bodies involved in Programme implementation and decision-making – Programme stakeholders;

• wider public (targeted via media).

The information and visibility strategy shall consist of the following elements:

- ensuring adequate information about the funding possibilities;

- ensuring quality guidance to beneficiaries during project implementation;

- ensuring adequate information about the Programme's progress, outputs and results.

The following tools shall be used:

- programme website: main communication tool containing full scope of information about the available funding and conditions for receiving the funding, about calls for proposals, selected projects and their outputs and results, as well as providing practical guidance to potential beneficiaries and beneficiaries as regards application and project implementation;

- contacts database shall be established with contact details of potential beneficiaries, beneficiaries, Programme stakeholders, media, etc.

- programme's corporate design (logo, fonts, letterheads, business cards, presentation templates, web design etc.) shall be applied to ensure Programme's unique identity and recognition;

- targeted information events: during the application phase wide information events throughout the Programme territory shall be carried out. Upon approaching the deadline for submission of applications, a targeted event aimed at potential Lead applicants shall be organised. In course of Programme implementation targeted quality workshops aimed at beneficiaries shall be carried out. Depending on availability of TA budget launching and closing conferences can be organised;

- documents and publications: programme documents and relevant legal framework shall be made available on Programme's website. Publications with general information about the Programme and its funding opportunities shall be issued in all national languages. At later stage, publications about Programme results shall be made available. Regular Newsletters shall be issued;

- direct mailing using the contacts database;

- partner search facilities: a separate section on the website shall offer possibilities for displaying project ideas and description of desired partners; also, targeted partner search events will be organised;

- individual advice and consultations: continuously and upon request during the project's implementation;

- presentations from events will be made available on website;

- press Releases shall be issued aligned with important milestones in Programme implementation – i.e. launch and closing of calls for proposals, decisions made on projects to be supported, main information events, publication of Programme results, etc.

- direct advertising in media – i.e. to promote launch of the calls for proposals or Programme events etc.

- promotion materials: souvenirs, stationery and representation materials with Programme logo;

- participation in external events and joint events with other Programmes operating in the same geographical territory;

- multipliers: JMC members and National Sub-Committee members, other similar Programmes, European Commission as well as projects shall be encouraged to spread the information about the Programme and its achievements;

- internal communication measures ensuring adequate exchange of information between the bodies and institutions involved in Programme implementation (including controls and verifications) and decision-making.

An annual plan for information and visibility actions shall be elaborated by the JMA and approved by the JMC. Information and publicity measures shall be financed from Programme's TA budget.

An appropriate chapter on information and visibility will be included in the Annual Report.

Evaluation of the effectiveness of the information and visibility actions shall be carried out at regular intervals with the help of targeted questionnaires. The following indicators shall be used for measuring its success:

- number of website visitors;

- number of addresses in the contacts database;

- number of events carried out;

- number of people attending the events;

- number of newsletter downloads;

- number of printed publications distributed;

- number of project ideas submitted to the website;

- number of project applications submitted in each call;

- number of approved projects;

- number of articles in printed media, number of coverage in electronic media.

## 9. LIST OF ACRONYMS, ABBREVIATIONS AND COMMON TECHNICAL TERMS

| | |
|---|---|
| Baltic 21 | An Agenda 21 for the Baltic Sea Region is a regional multi-stakeholder process for sustainable development initiated in 1996 by the Prime Ministers from the eleven member states of the Council of the Baltic Sea States |
| CBC | Cross-Border Cooperation |
| EC | European Communities |
| ENPI | European Neighbourhood and Partnership Instrument |
| ENPI Regulation | Regulation of the European Parliament and of the Council No. 1638/2006 of October 24, 2006 laying down general provisions establishing European Neighbourhood and Partnership Instrument |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| EU | European Union |
| EU TEN-T | European Union Trans-European Network for Transport |
| Eurostat | Statistical Office of the European Communities |
| GDP | Gross Domestic Product |
| ICT | Information and Communication Technologies |
| INTERREG III | Community initiative which aims to stimulate interregional cooperation in the EU between 2000-2006. It is financed under the European Regional Development Fund. |
| Implementing Rules | Commission Regulation (EC) No. 951/2007 of 9 August, 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing European Neighbourhood and Partnership Instrument |
| IT | Information Technologies |
| JTF | Joint Task Force of the Estonia-Latvia-Russia Cross-border Co-operation Programme Within European Neighbourhood and Partnership Instrument 2007-2013 |
| JTS | Joint Technical Secretariat of the Estonia-Latvia-Russia Cross-border Co-operation Programme Within European Neighbourhood and Partnership Instrument 2007-2013 |
| JMA | Joint Managing Authority of the Estonia-Latvia-Russia Cross-border Co-operation Programme Within European Neighbourhood and Partnership Instrument 2007-2013 |
| JMC | Joint Monitoring Committee of the Estonia-Latvia-Russia Cross-border Co-operation Programme Within European Neighbourhood and Partnership Instrument 2007-2013 |
| LSO | Local Support Office (Tacis LSO) |
| MS | Member State |
| Natura 2000 | An ecological network in the territory of the European Union |
| NGO | Non Governmental Organisation |
| NSC | National Sub-committee |
| NUTS III area | Group of territorial units according to the classification of Nomenclature of Territorial Units for Statistics, introduced by the Statistical Office of the European Communities (Eurostat) |
| OLAF | European Anti-fraud Office |

| | |
|---|---|
| Phare | Phare programme is one of the three pre-accession instruments financed by the European Union to assist the applicant countries of Central and Eastern Europe in their preparations for joining the European Union |
| PRAG Rules | The Practical Guide to Contract Procedures for the EC External Actions 2006 |
| R&D | Research and Development |
| SEA | Strategic Environmental Assessment |
| SMEs | Small and Medium-sized Enterprises |
| Strategy Paper | European Neighbourhood & Partnership Instrument Cross-Border Cooperation Strategy Paper 2007-2013 |
| SWOT-analysis | Analysis of strengths, weaknesses, opportunities, threats |
| TA | Technical Assistance for programme implementation |
| Tacis | EU initiative to provide grant-financed technical assistance to support the process of transition to market economies and democratic societies in the Newly Independent States |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |
| VASAB 2010 | Vision and Strategies Around the Baltic Sea (Intergovernmental multilateral co-operation of 11 countries of the Baltic Sea Region in spatial planning and development) |
| Wi Fi | A wireless-technology brand which promotes standards with the aim of improving the interoperability of wireless local area network products |

**Annexes:**

1) Strategic Environmental Assessment of the Estonia-Latvia-Russia Cross-Border Cooperation Programme within European Neighbourhood and Partnership Instrument 2007-2013; Environment Report;

2) Non-technical Summary of the Strategic Environmental Assessment of the Estonia-Latvia-Russia Cross-Border Cooperation Programme within European Neighbourhood and Partnership Instrument 2007-2013;

3) The Statement foreseen by Article 9(1)(b) of the Directive 2001/42/EC