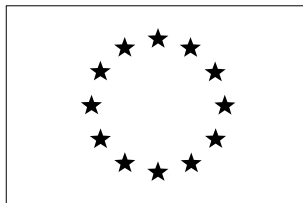


INTERREG IIIA Southern Finland – Estonia

Implementation Report 2005



Ref.: 2000 CB 16 0 PC 011

Commission decision C(2001)2809 / 26.11.2001 and C(2002)1703 / 26.7.2002 and
C(2004)4260 / 25.10.2004 and C(2005)5791 / 19.12.2005

Contents

1. Introduction and General Conditions for Implementing the Programme	3
2. Progress in the Implementation of Priorities and Measures	4
2.1 Joint Project Proposals, Steering Committee Decisions and Funding Commitments	4
2.2 Projects by Region, incl. Adjoining Regions under 20% Rule	7
2.3 Projects by Priority and with Regard to Horizontal Objectives	7
3. INTERREG Projects: Monitoring Indicators	9
3.1 General Indicators, Key Indicators and Impact on Employment	9
3.2 Priorities and Measures – Specific Indicators	12
3.2.1 Priority 1: Interaction and Networks	12
3.2.2 Priority 2: Employment and Competitiveness	13
3.2.3 Priority 3: Common Environment	16
4. Financial Implementation of the Assistance	18
4.1 Payments from the Commission	18
4.2 Payments to Final Beneficiaries	19
5. Ensuring the Quality and Effectiveness of Implementation	22
5.1 Financial Control	22
5.2 Information and Publicity Measures	22
5.3 Use of Technical Assistance	24
5.4 Monitoring Committee and Steering Committee Meetings, and Questions Related to Management	25
5.5 Compatibility with Community Policies	25

APPENDICES:

APPENDIX 1. INTERREG projects by cross-border co-operation classification

APPENDIX 2. List of Joint Projects Approved by the Steering Committee by 31.12.2005

APPENDIX 3. Statement of Expenditure by Priority and Measure 2005

APPENDIX 4. Technical Assistance (TA) expenditure in 2001-2005

1. Introduction and General Conditions for Implementing the Programme

The joint implementation of INTERREG IIIA programme in Southern Finland and Estonia got in full speed in 2005. In other words, the programme amendments as well as agreements for programme implementation were concluded and the joint projects started their work in both countries. Time for the adjustments in programme management was relatively short. Programme implementation in Southern Finland in Estonia (incl. the Lead Partner principle) has been learning-by-doing in many ways, but the programme implementing bodies – as well as the project partners – in both countries have approached this process with a positive attitude.

The mid-term evaluation report of INTERREG programme was updated in 2005. The report gave an extensive description about implementation of the INTERREG IIIA programme in Southern Finland and Estonia during 2000-2005, inclusive analyses of development in this co-operation programme from INTERREG/Phare co-operation to INTERREG IIIA programme implemented on both sides of the border. This annual report for the year 2005 concentrates mainly on the joint projects that are implemented on both sides of the border. Statistical data on the programme implementation include the projects financed during 2001-2004, but all detailed information about the projects financed in the beginning of the programme period – i.e. the Southern Finland Coastal Zone (2001-2004) and so called complementing call projects (2004) – is to be found in the mid-term evaluation update report, together with other descriptions.

Two changes took place in the programme framework during 2005. Firstly, the programme financial tables were adjusted in Commission decision in December 2005 i.e. the decommitment of financing from the COM 437/2002 special support for bordering regions. Secondly, a change that did not alter the financial tables of Commission decision, in June the Monitoring Committee approved changes in financial allocations between the programme Measures. All statistics in this report base on the financial allocations in 31.12.2005, thus, including these two changes.

INTERREG Monitoring Committee approved the report in its meeting 17.5.2006.

2. Progress in the Implementation of Priorities and Measures

2.1 Joint Project Proposals, Steering Committee Decisions and Funding Commitments

<u>Joint Calls for Proposals (2004-2005)</u>	
Calls for proposals:	10/2004, 03/2005 and 09/2005
No. of applications:	total 79 funding applications: 62 by Lead Partner in Finland and 17 by Lead Partner in Estonia
Funds applied for:	app. 19 M€ (ERDF), total costs 34 M€
Funds granted for projects:	30 projects app. 7.5 M€ (ERDF), total costs 13 M€
Project average size:	total costs 434,220 € (between 119,836 - 992,000 €)
SC decisions in INTERREG IIIA Southern Finland – Estonia:	
Steering Committee:	6 members from Finland (Regional Councils and regional representations of the State co-financing authorities) and 6 members from Estonia (Ministries and Association of Local Administrations)
Proposals for the SC:	After submission the project proposals are prepared for the SC meetings in a uniform manner and the Technical Secretariat (TS) co-ordinates this process. TS is responsible for receiving the applications and checking the documentation. Project proposals are evaluated in parallel in both countries: TS arranges preparation/co-ordination meetings together with the State co-financing authorities in Finland and the Ministry of Internal Affairs arranges meetings together with other Ministries in Estonia. Through this evaluation process comes also the position on State co-financing for projects in Finland and on the Ministry of Internal Affairs' support in Estonia. TS participates in project preparation and evaluation meetings in both countries, compiles of the information from both countries, checks the requirements for INTERREG funding and, prepares the proposals for SC with a uniform project proposal template.

In 2005 there were two deadlines for submitting the joint project proposals: 21 funding applications were handed in by the deadline in March and another 35 applications in September. Following the practice of the first call in the autumn 2004, again most of partnerships were co-ordinated by a Lead Partner in Finland. Measured in number, most applications were handed in for Measure 2.1 (training) and in Priority 3 (environment) and Measure 1.2 (co-operation / 3rd sector).

Most active project writers were the organisations of training, research and development. Even though the responsible partner on the other side of the border is not always a parallel organisation to the Lead partner in one country, the following

categorisation is illustrative for both the partners in Finland and Estonia: 50% of applicants are various types of training institutions, universities and R&D units, 25-30% NGOs, 15-20% local administrations and their units or co-operation bodies and, 10% regional or State administration organisations.

The total costs of the applications in 2005 were 23 M€ whereof ERDF amounted to 13 M€. Average size of a project proposal was app. 0.4 M€ (0.079 – 1.1 M€) and the project costs were divided on an average 36% for the expenditure of partner in Estonia and 64% for partner in Finland (varying from 87/13 to 11/89 for EST/FIN). In rough figures, this was the case also for the project proposals of the first call in 2004.

The INTERREG Steering Committee had three decision meetings in 2005, and one project decision was handled in written procedure. Altogether 30 project proposals were approved for financing in the INTERREG programme and 23 were rejected. Eighteen project proposals were withdrawn before SC decision-making. In December meeting the Steering Committee decided to leave eight project proposals for further development; these project proposals were decided to be handled as new funding applications in the meeting in March 2006.

Table 1. Joint project proposals (deadlines in 2004-2005) and SC decision-making.

	Proposals	Steering committee decisions:		
		Approval	Rejection	Total
Deadline 29.10.2004: SC 08.03.2005 (11.04.2005)	21	11	3	14
Deadline 15.03.2005: SC 15.06.2005	23	10	5	15
Deadline 15.09.2005: SC 15.12.2005	35	9	15	24
8 project proposals left for further development				
TOTAL*	79	30	23	53

*Difference between the number of project proposals submitted and the number of SC project decisions is due to cancellation of project proposals during preparation (18 project proposals in total).

By the end of June 2005 the decisions of the Steering Committee allocated in total ERDF 16.2 M€ thus 87.7 % of programme funding for the projects. A total of 14.2 M€ of national co-financing both from Finland and Estonia was channelled to projects from State resources as well as municipalities and other public sources. There is also private financing allocated to the projects mainly in Finland and, by the end of 2005 this amounts to some 2.5 M€ of project financing in total (see Table 2).

The ERDF funding for the joint projects is usually granted with one financial decision (grant offer letter) for the whole duration of the project. The few exceptions are discussed separately in the Steering Committee while deciding on the project financing. Out of the thirty joint projects, there were two projects like this. Compiling of all documentation for the financial decisions usually takes 1-2 months from the Steering Committee meeting. By the end of December 2005, ten projects of those approved in SC in June-December were waiting their ERDF decisions and, all paper work for these projects was concluded in January-February 2006.

Table 2. Commitment of funds for the INTERREG projects by Measures 31.12.2005.

	No. of proj.	Project Funding							Programme Financing	
		ERDF	State	Local	Other public	Eligible exp. total	Private funding	Funding total	ERDF 2001-06	Commitments 31.12.2005
1.1 Networks of Local and Regional Administration	25	2 506 684	1 083 076	1 173 477	298 019	5 061 256	100 204	5 161 460	3 131 919	80 %
1.2 Social interaction and contacts at the Local and regional Levels	16	1 400 598	920 867	444 901	103 106	2 869 472	263 307	3 132 779	2 034 067	69 %
Priority 1 Interaction and networks	41	3 907 282	2 003 943	1 618 378	401 125	7 930 728	363 511	8 294 239	5 165 986	
2.1 Expertise and know-how	20	2 622 783	1 652 149	449 621	236 706	4 961 259	458 646	5 419 905	2 551 048	100 %
2.2 Operative environment of Enterprises	18	1 154 492	711 258	102 197	119 067	2 087 014	254 187	2 341 201	1 691 392	68 %
2.3 Tourism	13	1 521 150	696 214	475 969	147 350	2 840 683	431 906	3 272 589	1 721 455	88 %
2.4. Transport, Communications and Development of Interlinked Services	10	1 517 230	535 470	285 898	247 542	2 586 140	105 333	2 691 473	1 541 392	98 %
Priority 2 Employment and Competitiveness	61	6 815 655	3 595 091	1 313 685	750 665	12 475 096	1 250 072	13 725 168	7 505 287	
3.1 Co-operation in environmental Protection and Monitoring	11	2 274 907	873 460	630 956	301 851	4 081 174	234 590	4 315 764	2 417 437	94 %
3.2 Co-operation in Improving the Environment	17	2 809 180	1 222 601	724 250	307 389	5 063 420	571 539	5 634 959	2 977 437	94 %
Priority 3 Common environment	28	5 084 087	2 096 061	1 355 206	609 240	9 144 594	806 129	9 950 723	5 394 874	
Priority 4 Special Support... (2002)	4	355 238	269 020	146 769		771 027	117 871	888 898	355 238	100 %
TOTAL ALL PRIORITIES	134	16 162 262	7 964 115	4 434 038	1 761 030	30 321 445	2 537 583	32 859 028	18 421 385	88 %

*The Steering Committee has approved a total of 136 projects to be funded from the programme; three projects have been cancelled and the data about them is not included in the statistics above, and one project has been carried out in two parts both in Measures 4.1 and 1.1.

2.2 Projects by Region, incl. Adjoining Regions under 20% Rule

On regional emphases, once again, the capital cities and surrounding regions are most active in project generation: Lead Partners from Uusimaa and Harju co-ordinate 12 out of the thirty joint projects. However, the third call for joint project proposals brought in a number of projects from Southwest Finland – these projects operate together with partners from various regions in Estonia. Whole programme region Southern Finland and Estonia is the target area in eight projects (with additional three projects covering one or two regions in Finland and whole Estonia), and nine projects concentrate on the Gulf of Finland area and/or the coastal areas and archipelago of the two countries.

There are three regions under the so-called 20% rule as adjoining regions to the programme region: Päijät-Häme and Kanta-Häme in Finland and Southern Estonia. Adjoining regions are involved in ten joint projects, and the ERDF allocation to these regions is estimated on the basis of project plans as 0.66 M€. This represents some 8.8% of all ERDF allocation for the 30 joint projects. Summing up these figures with the situation in the end of the year 2004, the ERDF allocation for adjoining regions in Finland and in Estonia totals to 2.52 M€. This represents some 15.6% of all ERDF co-financing for approved projects in the INTERREG IIIA programme.

Table 3. Adjoining regions and the 20% rule in INTERREG IIIA Southern Finland – Estonia (€by 31.12.2005, incl. Special Support COM 437)

	ERDF	Finland	Estonia
Programme financing total (ERDF)	19 962 778	14 795 370	5 167 408
Project financing total (ERDF excl. TA)	18 412 385	13 667 370	4 754 015
20% max.	3 684 277	2 733 474	950 803
2001-2004 approved projects (24/92) with adjoining regions in Finland and (6/12) with adjoining regions in Estonia		1 650 108	212 716
Joint projects (10/30)		257 447	401 891
Total (40/134 projects in total)	2 522 162	1 907 555	614 607

In the joint projects INTERREG IIIA Southern Finland – Estonia there are no partners from third countries involved in the activities as was the case for the Southern Finland Coastal Zone (SFCZ) projects in 2001-2004. This does not mean that there were no linked activities or contacts with the neighbouring regions and/or with the Baltic Sea partners, but that the joint project budgets have been built for Finnish-Estonian activities. Activities together with the third parties are realised with other means, e.g. a project on simulation model for risk management for hazards at sea is realised as Finnish-Estonian co-operation in INTERREG IIIA Southern Finland – Estonia programme and, parallel to this, as Finnish-Russian co-operation in INTERREG IIIA NPI Southeast Finland – Russia programme. If not as direct links, but other networks are also perceivable e.g. in tourism sector and training sector projects.

2.3 Projects by Priority and with Regard to Horizontal Objectives

As of 31.12.2005, the new joint projects approved in 2004 and 2005 have contributed that the funds in Priorities 2 (Employment and Competitiveness) and 3 (Environment) have been committed at high rate. The Priority 1 (Interaction and Networks) got better start in the beginning of the programme 2001-2004, but has not tempted as many new project activities during 2004-2005. There are several reasons for this. On one

hand, NGOs have been active in applying for funds, but the project proposals have not been viable either because of the eligibility of project partners, overoptimistic plans, lacking national co-financing or rather profound shortcomings in application documents. On the other hand, the projects by municipalities and bodies of local administration have found their place in other priorities/measures than in Priority 1. Thus, the local administrations participate in activities within a specific sector rather than networking and developing administrative or other structures as such.

Approved projects by Priority 31.12.2005

Priority 1:	41 projects utilising 76% of ERDF allocation
Priority 2:	61 projects utilising 91% of ERDF allocation
Priority 3:	28 projects utilising 94% of ERDF allocation
Priority 4:	4 projects (this Priority is closed)
Total:	134 projects utilising 88% of ERDF allocation

MC reallocated in June 2005 co-financing between measures in all three priorities, this did not affect the share of funds between the programme priorities.

- 300 000 € from 1.1 to 1.2
- 350 000 € from 2.3 to 2.1 and 150 000 € to 2.2
- 280 000 € from 3.1 to 3.2

By the end of 2005 there is still some 2.2 M€ ERDF co-financing available for joint projects, and first priority is given to the eight project proposals that SC decided to leave for further development in the beginning of 2006. At the same time SC decided also to open call for new project ideas – the aim is to collect project practitioners' and potential applicants' ideas for cross-border activities either during this ongoing Structural Funds period or for the forthcoming 2007-2013.

Horizontal objectives – joint projects (30):

information society projects	2 projects (ERDF 0.7 M€)
equal opportunities project	0 project
environmentally-positive projects	10 projects (ERDF 3.3 M€)

When assessing the themes of the joint projects in relation to the horizontal objectives of the cross-border co-operation, the situation is same as it was for the Southern Finland Coastal Zone (SFCZ) and complementing call projects in the beginning of the programme. The objectives set for environmentally positive projects are reached, but especially the theme of equal opportunities (here, understood as equal opportunities between the genders) is not a theme prioritised high in the project cycle, thus, while initiating and planning projects or while approving projects for funding. When summing up the figures from the very beginning of the programme, a total of nine projects are initiated under the themes of information society, representing some 1.1 M€ ERDF co-financing i.e. 6.8% of all ERDF granted for projects so far. Gender-related issues are handled in one project (networking as a resource in elderly care), but a number of SFCZ and complementing call projects contributed to other aspects of equal opportunities i.e. to inclusion of risk groups into society and, for example the themes of immigration, youth issues and drug-prevention are approached in the INTERREG projects. There are 35 environmentally positive projects and these represent some 5.9 M€ ERDF co-financing i.e. 36% of all ERDF granted for projects so far.

3. INTERREG Projects: Monitoring Indicators

The aim of the co-operation programme INTERREG IIIA is to ensure that cross-border regional co-operation supports balanced regional development by establishing viable contacts at different levels and within sectors of activities, which creates the prerequisites for employment and competitiveness and protects and improves the common environment.

The regional development exercise between Southern Finland and Estonia in 2000-2006 supports evolvement of this cross-border area from an external border of EU to border between two EU member States. This challenge means learning process for both project partners and joint programme management. Sphere of activities is wide including networks, themes of employment and competitiveness as well as environmental questions. All in all, the programme can be summarised to be functioning well, both for the part of the learning processes as well as for the content-wise targets: the financial resources, the projects as well as the joint Steering and Monitoring Committees all head for the universal objective set for this programme period and the cross-border co-operation between Southern Finland and Estonia.

3.1 General Indicators, Key Indicators and Impact on Employment

Most of the 30 joint projects approved for financing so far are in the beginning of their work, thus, at this point it is too early to give wider sum-up of the results from these projects. The fact that some themes have gathered a cluster of projects shows that some themes have a concrete niche for cross-border co-operation. This seems to be the case e.g. for marine risk management in the Gulf of Finland that is approached in altogether three projects (network and simulation model for hazard at sea, ecological values in case of protection activities, and preparedness of voluntary organisations). Training projects concentrate on themes combining the vocational training with the demand from working life, SME creation, businesses across the border as well as on the education sector as a wider entity – also this theme sounds very concrete in relation to the opening labour markets and increasing movement of people, goods, services and capital across the border. Museums and handicrafts, wooden boat tradition, fishery, agricultural research, forest sector, utilisation of raw materials in new ways as well as joining the forces for e.g. tourism promotion have convinced the partners and co-financiers that there are genuine value added attainable in working together: one improves one's own strength in sharing the know-how with another.

Programme key indicators include indicators illustrating the type and evolvement of CBC activities in this co-operation region: level of co-operation (though, all new projects are *joint* projects with activities in both countries), CBC contacts (activities based either on new or existing contacts and, actual cross-border structures) and specific target groups incl. participation of private enterprises.

The fact that in the INTERREG IIIA Southern Finland – Estonia programme the ERDF co-financing is allocated for public expenditure only, has affected possibilities of e.g. the third sector organisations (NGO) and private firms to directly participate in joint projects. However, both are mentioned in the target groups of several joint projects.

Sixteen Lead Partners of the thirty joint projects are representatives of education, research and development units. Seven Lead Partners are local administration and/or units of municipalities; four NGOs (MTÜ Euregio Helsinki-Tallinn, MTÜ GEOGuide Baltoscandia, SA Eestimaa Looduse Fond and Kiinteistöalan koulutussäätiö) and; three State/regional administration units (Regional Environmental Centre, Maritime Administration and, State Forest Management Centre). The same figures are illustrative for categorisation of Partners on the other side of the border in these projects. There are no private enterprises as Lead Partners or as main partners on the other side of the border in any of the joint projects.

In general terms, all thirty joint projects base in a way or another on existing contacts between the project partners. The joint project approach builds on mutual trust between the partners initiating the project. Realism of the project plan and viability of partnership are demonstrated with years-long experience and personal contacts between the partners. These are also visible characteristics of projects with a smooth start of actual project activities once the project has been approved for financing.

Together with other ERDF co-financed programmes, also INTERREG activities are measured by impact on employment, new enterprises and participants in training.

The role of cross-border projects in job-creation and creation of new firms has been discussed in mid-term evaluation update report and, the text is not repeated here for the joint projects. Activities that are expected to contribute to new jobs, sustained jobs and/or new firms are visible in joint projects connected with themes of businesses and business networks, subcontracting, vocational education and working life, but also in tourism and environmental sector. The figures indicated in sum-up of key indicators for 31.12.2005 (Table 4), do not include the objectives of joint projects, but the figures are from FIMOS monitoring system, and thus, representing the already on-going and concluded projects.

Joint training sessions and seminars are rather typical activities in cross-border projects. Themes for CBC training in the joint projects are e.g. health and sports sector in local administrations, vocational training together with direct work-life and business contacts, student entrepreneurship, business development, business incubators, tourism sector, real-estate sector and, preparedness for oil-hazards at sea. Again the figures indicated for key indicators in the Table 4 do not yet refer to joint projects, but to already realised activities in more mature projects.

Table 4. Programme key indicators 31.12.2005 (data collected from project applications, funding decisions and project monitoring questionnaires / FIMOS monitoring system).

PROGRAMME KEY INDICATORS	2001	2003	2006	31.12.2005
Degree of co-operation (share of community funding MEURO):				
- joint projects (planning and implementation)	0.8	3.6	7.8	12.2
- co-ordinated projects	1.1	2.9	5.6	3.4
- other projects	0.2	0.4	0.7	0.6
<i>Community funding total (MEURO)</i>	<i>(2.1)</i>	<i>(6.9)</i>	<i>(14.1)</i>	<i>(16.2)</i>
Coverage of projects and contacts in relation to planned target groups, (no. of projects) principle project applicant:				
- NGOs (3rd sector);	3	13	30	29
- education, research and development units;	10	34	84	60
- private enterprises	4	13	33	5
<i>No. of projects total</i>	<i>(25)</i>	<i>(90)</i>	<i>(220)</i>	<i>(134)</i>
Intensity of contacts (no. of projects):				
- no. of projects with new cross-border contacts	9	32	77	37
- no. of projects extending the scope of co-operation on the basis of already existing contacts	15	52	128	96
- no. of actual cross-border structures	1	6	15	1
<i>No. of projects total</i>	<i>(25)</i>	<i>(90)</i>	<i>(220)</i>	<i>(134)</i>
Effect on employment:				
- number of new jobs (men/women)	*	150 (72/78)	200 (92/108)	80 (44/36)
- number of jobs maintained (men/women)	*	200 (95/105)	700 (335/365)	463 (219/244)
Number of participants in cross-border training courses, exchange programmes and other similar arrangements	*	340	1050	559
<i>Persons having participated in training</i>				
Number of new enterprises	*	15	50	21
Number of companies that:				
- co-operate with funding from the programme (principle project applicants)	4	13	13	5
- benefited directly from funding from the programme (project participants)	*	38	100	987
Activities promoting the programme region				
- tourism (number of common promotion operations)	*	5	12	**4
- product "labelling" for the programme region (no. of common operations, also other than tourism)	*	2	5	2
Community policies:				
- number of projects with primary emphasis on equal opportunities	3	14	33	1
- number of projects with primary emphasis on environmental issues	8	33	77	35
Number of environmental programmes prepared with activities supported by the programme (e.g. tourism sector, SMEs, agriculture and local/regional administration)	*	10	35	10

Concerning year 2001, objective level is based on funding decisions (*not reasonable to give an indicative figure on the level of funding decisions 2001)

**activities promoting the programme region as a whole was one project (King's Road) for the period of SFCZ INTERREG IIIA implementation (2001-2004). From 2004 onwards the figure has been added with joint projects promoting the programme area as a tourism region (Yachting promoting archipelago, KUTUR promoting spa and cultural sites and Fort tourism promoting fortress sites).

Key indicator objectives given as number of projects is based on an estimation of the number of projects accepted in the SFCZ INTERREG IIIA / INTERREG IIIA Southern Finland – Estonia programme in each funding year:

Year	2001	2002	2003	2004	2005	2006	Total	31.12.2005
Projects:	25	30	35	42	43	45	220	136

3.2 Priorities and Measures – Specific Indicators

3.2.1 Priority 1: Interaction and Networks

The objective is to create and strengthen the co-operation contacts and networks on different levels and sectors of activity.

Long-term impact: ability to face present and future challenges in e.g. EU themes, increasing internationalisation, demands for information society and sustainable development

Indicators: increase in intensity of contacts (number/volume of projects with new or extended cross-border contacts and; actual cross-border structures); regional distribution of activities and; impact on employment and job creation, number of participants in training

Table 5. Implementation of the Priority 1 (31.12.2005)

	Total eligible cost (1=2+3)	ERDF (2)	National public (3=4+5)		Private (6)	Total (1+6)
			State (4)	Local (5)		
Priority 1	9 436 289	5 165 986	3 110 137	1 160 166	450 000	9 886 289
commitment 31.12.2005	7 930 728	3 907 282	2 003 943	2 019 503	363 511	8 294 239
Outpayment 31.12.2005	3 919 752	1 811 759	1 117 016	990 977	143 541	4 063 293

Commitment rate 76% ERDF (funds available for new projects ERDF 1 258 704 €)

Outpayments rate 35% ERDF

Measure 1.1 Networks of Local and Regional Administration

(25 projects, total costs 5.1 M€ / ERDF 2.5 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- co-operation between Finnish and Estonian municipalities/regions, e.g. Local agenda Lahti–Pärnu; twinning Uusimaa–Eesti; strategic planning training Karjaa–Baltics; immigrant language training Kouvola–Ida-Viru; schools and student welfare Vantaa–Ida-Viru; town twinning in e.g. culture and sports Turku–Tartu/Kuresaare/Viljandi. Typical activities are: meetings, seminars, excursions; civil servant exchange; strategy planning and training; exchange of ideas, learning from each others' methods etc.

Examples of activities/projects financed in Estonia (2001-2003 and 2004):

- Cultural Bridge town twinning Tartu-Turku
- Co-operation Lääne-Viru, Ida-Viru, Jõgeva and Finnish partners (3+3)
- Ankkuri/Majakas youth sector project, Hämeenlinna–Rapla/Lääne
- HUUTA drug prevention Helsinki-Tallinn
- Saame kokku twinning of municipalities, parishes and NGOs (Tartu-Turku)

Joint projects (2004 –):

- public transport systems in Tallinn and Helsinki metropolitan areas
- health and exercising, Healthy Cities Network activities in municipalities
- sustainable fishery Southwest Finland / Väinämeri

Remark for participation of local/regional administration: The number of local administrations involved as project partners (especially in Finland) has decreased in the joint projects compared with the situation in the beginning of the programme. Several projects are continuing activities/partnerships started previously, often stemming back to IIA programme, e.g. 3+3, Turku-Tartu, Helsinki-Tallinn and other twinning contacts. There is a slight contradict between the joint project approach favouring long-term partnerships and on the other hand, the idea of tempting new, innovative activities and partnerships in the programme. Sometimes the concrete results and benefits from CBC networks and learning from each others are not communicated clearly enough for wider audience – even if the project target groups and participants themselves felt positive about the project. Crystallising of concrete activities and concrete results is necessary. This would also help in collecting the local co-financing and

involving the partners in projects; analyses of target group's needs and commitment of participants (incl. local financing) need to be proven already at the stage of project planning.

Measure 1.2 Social Interaction and Contacts at the Local and Regional Levels

(16 projects, total costs 3.1 M€ / ERDF 1.4 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- Co-operation between NGOs in sector of culture (artist networks, choirs, theatres, art schools, music schools) and in social affairs (youth, children and family welfare, drug prevention, labour organisations)

Examples of activities/projects financed in Estonia (2001-2003 and 2004):

- Folk-Culture networks, Estonian National Folklore Council / Southwest Finland
- youth project Vihti-Tartu
- music schools co-operation,

Joint projects:

- wooden boat tradition in training institutions, museums etc.
- co-operation between regional museums in Southwest Finland and Estonia

Remark for participation of the third sector: The NGOs were very active in the beginning of the programme period. In joint project approach, the definition for eligibility of partners and co-financing rules some NGOs out from the co-operation programme 2004-2006. Even if there are new applications submitted in for the programme, there lacks evidence that partners could handle the financial and project management burden of the Lead Partner approach. The size of joint projects has also increased to an unrealistic scale for small organisations. The needs and prerequisites for NGO's participation in CBC activities require analysing for the forthcoming 2007-2013 so that the activities could be supported with purposeful means.

Specific indicators of the Priority 1:

There are a wide variety of sectors covered both in the local administration and in the third sector co-operation. Also the regional coverage of projects in Southern Finland and in Estonia is extensive.

3.2.2 Priority 2: Employment and Competitiveness

The objective is to strengthen the programme area as a market area and improve the preconditions for employment and competitiveness.

Long-term impact: strengthening the Baltic Sea economic region (a balanced regional development, good employment conditions, competitiveness of the region)

Indicators: number (and volume) of projects where firms participate in cross-border co-operation; regional distribution of activities and; impact on employment and job creation, number of participants in training

Table 6. Implementation of the Priority 2 (31.12.2005)

	Total eligible cost (1=2+3)	ERDF (2)	National public (3=4+5)		Private (6)	Total (1+6)
			State (4)	Local (5)		
Priority 2	13 701 497	7 505 287	4 546 815	1 649 395	1 550 000	15 251 497
commitment 31.12.2005	12 518 007	6 815 655	3 595 091	2 064 350	1 250 072	13 725 168
Outpayment 31.12.2005	4 940 328	2 433 960	1 856 520	649 848	867 654	5 807 982

Commitment rate 91 % ERDF (funds available for new projects ERDF 689 632 €)

Outpayments rate 31% ERDF

Measure 2.1 Expertise and Know-how

(20 projects, total costs 5.4 M€ / ERDF 2.6 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- co-operation between vocational training units: seminars, training, exchanging ideas and know-how; testing e-learning methods for media education and for training of trainers; vocational networks together with SMEs incl. contacts to Russia; science centres co-operation Vantaa-Tallinn-Tartu; utilising each others expertise e.g. in know-how of traditional building methods Saaremaa-Kotka/Hamina; data gathering and distribution on e.g. Northern Dimension expertise; co-operation of agricultural universities; Helsinki-Tallinn Science twin city e.g. brokerage events and joint resources for high-tech businesses; rheumatology expertise networks Pääjät-Häme – Northern Estonia

Examples of activities/projects financed in Estonia (2001-2003 and 2004):

- 3+3 vocational education co-operation Lääne-Viru, Ida-Viru, Jõgeva & Finnish partners
- immigration policy and training Vantaa/Tallinn

Joint projects:

- co-operation of vocational education institutions and working life
- co-operation of education institutions and sub-contracting SMEs
- student entrepreneurship
- agricultural research and testing (cold cowsheds)
- new EU education policy in Finland and Estonia
- information professionals of polytechnic and university libraries Turku/Tallinn

Remarks for participation of the education and training sector: this measure has been very popular throughout the programme period 2001-2006. Some of the projects base on existing structures / contacts dating back to previous IIA programme, e.g. 3+3 and several other vocational education twinning. Some activities show only modest attempt to develop the activities from excursions and joint meetings/seminars towards investigating possibilities for actual joint activities or e.g. utilisation of joint resources. Sometimes also the more or less same activity could have been financed from EU programmes for education and training, if only there were other international partners involved in the activities. Strengths of this sector are that there are many good project writers and experienced co-ordinators. Usually the organisations are also big enough that the Lead Partner's financial burden can be handled.

Measure 2.2 Operative Environment of Enterprises

(18 projects, total costs 2.3 M€ / ERDF 1.2 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- Business incubators Lahti-Narva and Helsinki-Tallinn; surveys on business environment and possibilities (several on East Estonia both from Kymenlaakso and SW Finland); co-operation of SME organisations (Uusimaa-Estonia; SW Finland - Estonia; metal sector firms; wooden products sector firms; tourism etc.). Typical activities B-to-B meetings, excursions, trade fairs and training for SMEs, surveys and feasibility studies

Examples of activities/projects financed in Estonia (2001-2003 and 2004):

- several Phare projects in SME networking: Business Opportunities Development III (Tartu city administration); IT business incubators Tallinn-Helsinki (Tallinn Technical University); INNOCLUS I-II for Metal-Machine-Apparatus cluster (Tallinn City Enterprise Board); Women Skills, Women Entrepreneurs (SME Network System NGO); wooden product sector businesses FIN EST Wood Network (Järva county government)
- Pärnu County Design & Interior Network co-operation Lahti-Pärnu

Joint projects (2004 –):

- business networks in co-operation of business development agencies Uusimaa/Ida-Viru
- co-operation of business incubators Helsinki-Tallinn

Remarks for the business sector activities: problems of finding suitable national co-financing schemes for participation of the private sector in CBC projects were apparent already in the previous IIA programme and, now in 2004-2006 the businesses are not eligible INTERREG project partners in Estonia. CBC financing programme is not a tool for SMEs, unless it is specifically designed as a tool for financing private businesses. So far typical activities e.g. contacting businesses with potential counterparts on the other side of the border have been exercised both in INTERREG IIA, IIIA and in Phare projects. Some of the projects repeat

same structure and activities from one project to another. However, basing on monitoring data from project co-ordinators themselves there have been many firms participating in the activities. Project practitioners see very optimistic about the long-term importance of these events and contacts, especially for the sector of small and medium-sized enterprises.

Measure 2.3 Tourism

(13 projects, total costs 3.3 M€ / ERDF 1.5 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- Tourism development, new products and promotion of existing services and products (SPA cities Naantali-West Estonia; cultural themes Mäntsälä/Pornainen-Lahemaa; common history Porkkala-Paldisk or pre-historical sites Mynämäki, Mietoinen and Paikuse; Baltic Sea coastal traditions; environmental programmes in tourism sector. Typical activities: training and networking of tourism services providers; joint brochures; testing new products/services; trade fairs; media visibility etc.

Examples of activities/projects financed in Estonia (2001-2003 and 2004):

- Järva/Harju Manor House Tourism and King's Road in Southern Finland
- Virtual Experience tourism promotion via means on internet (e.g Saaremaa)

Joint projects (2004 –):

- yachting tourism in the archipelago
- spa and culture tourism
- developing tourism companies by design of tourism
- tourism in the themes of fortresses Kotka-Hamina and East part of Ida-Viru

Remarks for the business sector activities: For previous INTERREG IIA programme the tourism projects were evaluated very concrete and providing potential for especially rural and coastal livelihood. 2001-2005 this measure has not been very attractive for new project applicants. A number of projects base on experiences / contacts from previous IIA programme. It is not always apparent that the co-operation specifically with the Estonian partners is providing value added for the activities and development of the sector in Finland. Among the SFCZ projects in the beginning of the programme, there were some examples where the INTERREG project activities were more or less all activity of the co-operative responsible for the project and, this was not without problems, when e.g. personnel changes during the project duration left the organisation struggling with requirements of reporting.

Measure 2.4 Transport, Communications and Development of Interlinked Services

(9 projects, total costs 2.3 M€ / ERDF 1.2 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- Themes of maritime administration: maritime vessel traffic, risk management and simulation models for hazards in the Gulf of Finland and co-operation of voluntary lifeboat organisations. Themes of information society: survey on possibilities of joint resources in telemedicine Helsinki-Tallinn and surrounding regions; wireless services in the tourism sector.

Joint projects (2004 –):

- web-based database for follow-up of energy and water consumption
- marine risk management network in the Gulf of Finland (project with linkage to another INTERREG IIIA project in South-East Finland / Russia)
- marine safety in the coast of Southern Finland and Pärnu
- ICT training co-operation and qualifications/certificates in Uusimaa, Southwest Finland and Estonia

Remarks for the transports and communication sector activities: Maritime transport is natural, concrete and almost inevitable theme for co-operation in this cross-border area. It has been more difficult to define common themes for the information society projects, especially bearing in mind a realistic financial scale of activities. In order to continue with the theme "information society" in CBC activities, the targets and possible activities should be defined more in detail. For forthcoming 2007-2013 co-operation, also the possibilities and scale of investments in infrastructure could be investigated; in 2001-2006 these were excluded from financed activities.

Specific indicators of the Priority 2:

Even though the employment factor is not seen a major indicator for cross-border activities, the projects themselves tend to set rather high targets for both job creation and establishment of new firms as a result from the CBC activities. Priority 2 is the programme priority where expectations for impact on employment are at highest. According to the FIMOS monitoring data up until 31.12.2005, the projects themselves have set a target for 343 new jobs, 746 sustained jobs and 93 new enterprises (realisation according to the monitoring data was: 80 new jobs, 463 jobs sustained and 21 new firms). Even if the private firms are not project Lead Partners or Project Partners, they are a target group for several projects: according to the FIMOS monitoring data by the end of the year 2005, altogether 38 projects had involved almost thousand mainly small and medium-sized firms in their activities (possible overlaps have not been checked from the data). Monitoring the concrete results of these contacts and activities would require a longer time perspective – thus, a follow-up study targeted for the projects' target groups and participants a few years after the conclusion of the project.

3.2.3 Priority 3: Common Environment

The objective of this priority is to protect and improve upon the common environment: to secure the ecological bases of the programme area and to preserve its valuable cultural environment.

Long-term impact will be securing a sound living and operating environment.

Indicators: number of environment and nature protection projects and projects supporting the realisation of the Natura network; regional distribution of activities and; impact on employment and job creation, number of participants in training.

Table 7. Implementation of the Priority 3 (31.12.2005)

	Total eligible cost (1=2+3)	ERDF (2)	National public (3=4+5)		Private (6)	Total (1+6)
			State (4)	Local (5)		
Priority 3	9 825 165	5 394 874	3 348 917	1 081 374	1 200 000	11 025 165
commitment 31.12.2005	9 144 594	5 084 087	2 096 061	1 964 446	806 129	9 950 723
Outpayment 31.12.2005	2 697 362	1 329 763	848 831	518 768	341 387	3 038 749

Commitment rate 94 % ERDF (funds available for new projects ERDF 310 787 €)

Outpayments rate 25 % ERDF

Measure 3.1 Co-operation in Environmental Protection and Monitoring

(11 projects, total costs 4.3 M€ / ERDF 2.3 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- raising the environmental awareness (target groups e.g. school children, boat travellers in harbours of Helsinki and Tallinn and local inhabitants); developing methods and plans for nature protection areas Lahti-Hämeenlinna and Baltic counterparts; developing tourism in nature protection areas Archipelago and West Estonia. Typical activities: information materials, internet pages, exhibitions for public, training sessions, studies and surveys etc.

Examples of activities/projects financed in Estonia (2001-2003 and 2004):

- building capacity for agri-environmental measures, Centre for Ecological Engineering
- Creation of Alatskivi Nature Centre and training of teachers

Joint projects (2004 –):

- environmental project of 3 Finnish and 3 Estonian regions
- ecological values in planning activities in the case of oil hazards at the sea

- development of geological data for education and tourism
- inventory and protection of cultural heritage in forestry in Harjumaa, Raplamaa, Läänemaa and Uusimaa

Measure 3.2 Co-operation on Improving the Environment

(17 projects, total costs 5.6 M€ / ERDF 2.8 M€)

Examples of activities/projects financed in Southern Finland (2001-2004):

- developing water sewage plans and systems in municipalities; developing waste management in boat harbours; testing antinutrient techniques for agriculture in river basins Southwest Finland – West Estonia; surveys and testing soil improvement methods Lahti-Uusimaa and South Estonia; networking businesses in environment sector; consulting in environmental plans for SMEs; activities targeted for schools and local inhabitants; etc.

Examples of activities/projects financed in Estonia:

- water supply, restoration of surface waters and environmental education in Jõgeva, Ida-Viru, Lääne-Viru and Finnish partners (3+3)
- methods of improving contaminated soil: Estonian Agricultural University
- networking of the environmental sector businesses Estonia and Southern Finland
- theatre for youth in themes of environment (various schools in both countries)

Joint projects (2004 –):

- recycling of plastic waste
- co-operation of recycling centres
- strategy for utilisation of common reed in the coastal areas
- preparedness of voluntary organisations for oil hazards in the Gulf of Finland.
- Finnish-Estonian development and training project in real estate sector

Remarks for the environment sector activities: Approximately one third of the whole programme financing is now allocated for environmentally positive activities (understood widely, thus, themes of sustainable development). These projects are financed also in other programme measures than Priority 3. The two measures within the Priority 3 are overlapping and the division of projects in one or another measure is somewhat artificial. Some of the activities and partnerships continue from one project to another, and these CBC projects would benefit from analyses of work carried out so far before continuing a – in many cases, very similar – follow-up activity. Projects in the environment sector are concrete, and also the realisation rate of planned activities has been high. Especially in the beginning of the programme (SFCZ) the logic of realising some of the project activities in cross-border projects was not always apparent. This was especially the case for projects that applied for Phare CBC funds for activities in Estonia but failed; what was then left of the original project plan, were actually rather local oriented activities on the Finnish side only. However, environment is also the sector, where activities on either side of the Gulf of Finland are finally found affecting the whole maritime environment as well as the state of environment in the Baltic Sea region in general. For future CBC activities defining a few but very concrete co-operation themes would help to target the resources for joint activities – this might also help focusing the activities into value added attainable from CBC in the environmental sector. What comes to the forthcoming 2007-2013 co-operation in the environmental sector, also the possibilities and scale of investments in infrastructure could be investigated; in 2001-2006 only some pilot-type activities including small investments were financed.

Specific indicators of the Priority 3:

Questions relating water protection are handled, quite naturally, in several projects in this maritime border. The regional coverage of projects in Southern Finland and in Estonia is extensive. There have been three environmental protection projects and one of them with regard to the Natura areas. Most of the environmental CBC projects include quite extensive information activities, thus, aiming at influencing also the awareness of the public and attitudes towards the environment.

*NOTE: Priority 4 (COM 437/2002) was closed in 2004 – the above tables do not include this data, even if the financial data for these four projects in total is handled in FIMOS monitoring system under the “normal” programme priorities 1 and 2.

4. Financial Implementation of the Assistance

Funding Commitments / Project funding ERDF 31.12.2005:	
ERDF Funds 2001-2006 (incl. COM 437):	18,421,385 €
Projects approved by the SC:	16,162,262 €
Project funding granted by the Managing Authority:	13,461,777 €
Project funding paid out for projects:	5,826,767 €
N+2 Rule in 2005: Reference year for the Commission financial commitments: 2003	
ERDF Funds 2001-2003*	7,235,238 €
Payments on Account and payment claims to the Commission by 31.12.2005*	7,417,096 €
N+2 target in 2006 (reference year 2004)	4,073,720 €

*incl. advance payments (total 1,018,570 €) and the payment claim dated 13.12.2005

4.1 Payments from the Commission

By the end of December 2005, a total of 6,469,072.46 € of payment on account was obtained from the Commission. The N+2 target was reached in November and the third payment claim in 2005 was submitted in Commission in mid-December. For exact figures and state-of-the-play by Measures see table 9.

Table 8. Payments from the Commission.

SFCZ INTERREG IIIA / INTERREG IIIA Southern Finland – Estonia

Payment applications			Commission allocations		
No	Date	€	Date	€	Balance
Payment on Account			11.1.2002	987 000.00	
Payment on Account			27.11.2002	31 570.00	
1	20.12.2002	234 024.74	5.3.2003	226 700.36	7 324.38
2	4.4.2003	241 145.23	20.5.2003	237 079.03	4 066.20
3	19.6.2003	467 986.00	30.7.2003	467 986.00	0.00
4	27.10.2003	416 952.00	26.11.2003	416 952.47	0.00
5	23.1.2004	521 247.82	12.3.2004	521 247.82	0.00
6	28.6.2004	788 118.25	9.9.2004	788 118.25	0.00
7	29.10.2004	548 782.09	28.12.2004	548 782.09	0.00
8	21.12.2004	865 859.45	18.2.2005	865 859.45	
9	3.8.2005	724 417.94	23.9.2005	724 417.94	
10	10.10.2005	653 359.05	28.10.2005	653 359.05	
11	13.12.2005	948 024.31			
Total		6 409 917.35		6 469 072.46	11 390.58

There is a separate bank account opened for the programme financing. The ERDF allocations from the Commission come to this bank account as well as the national co-financing allocations from the Finnish Ministry of Interior. The Ministry allocation is paid for the Regional Council as an advance payment normally 1-2 times a year – these payments follow the utilisation of the annual State budget allocations under the heading of Ministry of Interior budget line. The State budget allocations, in turn, are indicated programme-wise in Finland March each year for the following budget year. Since the ERDF allocation and the Ministry allocation are on the same bank account, the outpayments for the projects can continue even if the ERDF balance on the account was temporarily negative due to the time lag between the payment claim from the Regional Council and the actual payment from the Commission. By 31.12.2005 there has accumulated an interest of 30 173 € for the ERDF funds, on this INTERREG programme bank account during 2001-2005. The interest earned on the ERDF and Ministry allocations has been used for the project outpayments in the same manner as the allocations themselves.

There is a separate bank account for the Technical Assistance allocations (50/50 of ERDF / the Finnish and from 2004 onwards also the Estonian national co-financing shares). The interest for this bank account during 2001-2005 has been 8 754 € (whereof ERDF 4986 €) and it is utilised for the Technical Assistance expenditure.

4.2 Payments to Final Beneficiaries

Project outpayments in the end of 2005 amount to some 5.8 M€ ERDF (total eligible costs app 12.1 M €). This equals to 31.6% of all programme ERDF financing for the Structural Funds period 2000-2006. By the end of the year 2005, some 71% of all ERDF co-financing committed to the Southern Finland Coastal Zone projects (SFCZ 2001-2004) was paid out to the project beneficiaries in Finland. Also payments for the beneficiaries in Estonia started in 2005: some 31% of the co-financing for the twelve complementing call (2004) projects were paid out. The first payments to the joint projects started in 2005 (this refers to two joint projects in total).

Outpayments for Projects by Priority 31.12.2005

Priority 1:	35 projects amounting to 35 % of ERDF total allocation
Priority 2:	46 projects amounting to 31 % of ERDF total allocation
Priority 3:	19 projects amounting to 25 % of ERDF total allocation
Priority 4:	4 projects – the special support priority is closed
Total:	104 projects amounting to 32 % of ERDF total allocation

Table 9. shows a summary of payments actually carried out by the Paying Authority by the end of 2005 (ref.: payment claim dated 13.12.2005), and these figures include also the Technical Assistance Priority.

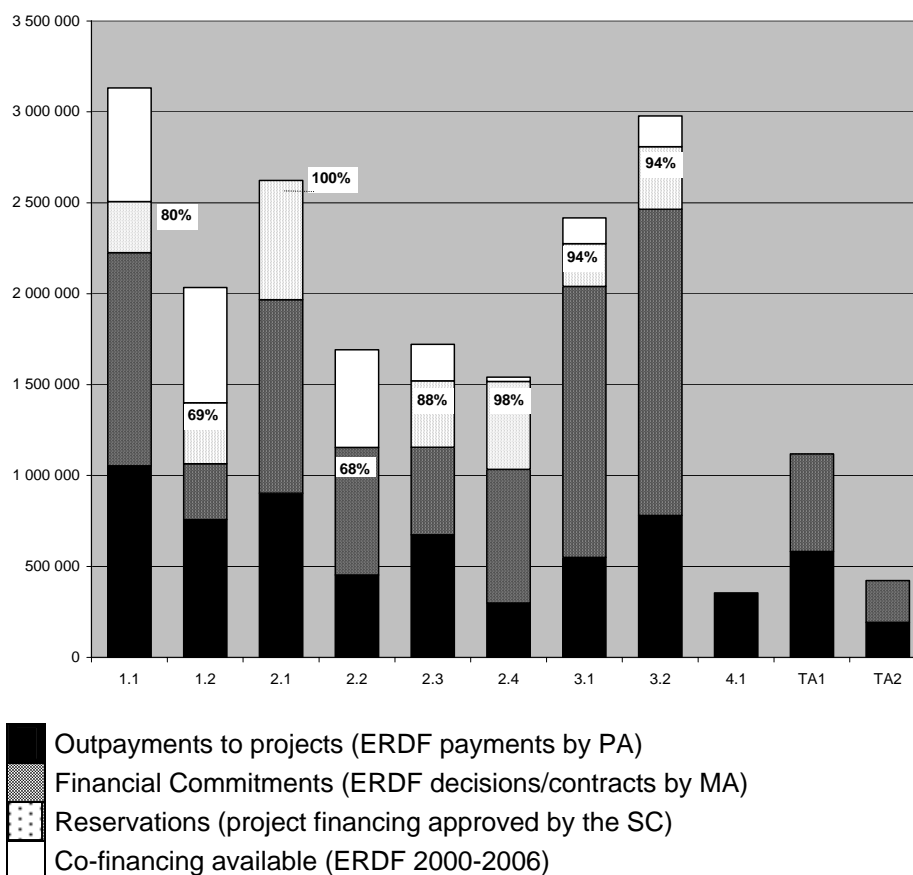


Figure 1. Programme ERDF financing by Measures 31.12.2005.

Projects concluded by 31.12.2005:

No. of projects closed:	45 projects
Implementation rate ERDF, average:	89 %
(lowest – highest implementation rate):	(13-100%)
ERDF funds for reallocation (total):	327 098 €

By the end of 2005, altogether 45 projects were closed, and another around thirty projects were coming to their final stage by 31.12.2005. The overall implementation rate of ERDF assistance in these 45 concluded projects was 89%. This is somewhat higher average than was the case for projects concluded by the end of the year 2004 (28 projects at that time, 83%). The share of ERDF allocation that was not paid out for projects according to the financial commitments becomes automatically available for reallocation for new projects. Total amount of these funds since the beginning of the programme is 327 098 €.

Table 9. Payments actually carried out by the Paying Authority by Priority and Measure up until 31.12.2005 (basing on payment claim dated 13.12.2005).

Outpayments categorized in Programme Priorities and Measures				
CIP INTERREG IIIA Southern Finland – Estonia (SFCZ INTERREG IIIA)				
2005				
	Eligible costs total	Outpayment of eligible costs total	(%)	Fields of assistance*
Priority 1	9 436 289	3 665 269	%38.84	
Measure 1.1	6 278 199	2 167 300	34.52	21 (50%), 22 (50%)
Measure 1.2	3 158 090	1 497 969	47.43	21 (50%), 22 (50%)
Priority 2	13 701 497	4 680 402	34.16	
Measure 2.1	4 023 152	1 859 463	46.22	23 (100%)
Measure 2.2	2 807 190	857 624	30.55	163 (25%), 164 (25%), 167 (25%), 24 (25%)
Measure 2.3	4 063 967	1 386 199	34.11	172 (33%), 173 (33%), 174 (33%)
Measure 2.4	2 807 188	577 117	20.56	315 (25%), 316 (25%), 323 (25%), 324 (25%)
Priority 3	9 825 165	2 616 765	26.63	
Measure 3.1	4 912 583	1 140 658	23.22	353 (50%), 343 (50%)
Measure 3.2	4 912 582	1 476 107	30.05	341 (25%), 343 (25%), 344 (25%), 345 (25%)
Priority 4	771 028	771 028	closed	
Measure 4.1	771 028	771 028	closed	The activities implemented with the special support cover the same main fields of assistance as the other Measures.
Priority 5	3 082 786	1 550 026	50.28	
Measure 5.1	2 236 786	1 166 380	52.15	411 (100%)
Measure 5.2	846 000	383 646	45.35	412 (33%), 413 (33%), 415 (33%)
TOTAL	33 816 855	13 283 490	39.28	

*Note: the budgeted shares for each field of intervention at the Measure level are hypothetical rather than guiding figures. The programme monitoring system FIMOS 2000 allows a more detailed use of categorisation presented in the Commission Regulation (EC) No. 438/2001 Annex IV.

For figures separating the outpayments of eligible costs in the year 2005 and the cumulative figures for the years 2001-2005, please, see the Appendix 3.

5. Ensuring the Quality and Effectiveness of Implementation

5.1 Financial Control

In 2005 one project was audited basing on risk analyses. The report did not find cause for specific remarks on implementation or accounts of the project. The total costs of the projects which were checked amounted to 723 630 € ERDF, thus representing some 10.8% of all ERDF outpayments for projects by the Paying Authority. First financing decisions for the joint projects took place in the beginning of the year after concluding agreements between Finland and Estonia. Audits in Estonia will begin for the joint projects in 2006 when a sufficient volume of outpayments to joint projects has been reached.

Latest update of the Article 5 description of management and control systems has been delivered to Commission in March 2005.

Finnish ministry of interior carried out 17-19.8.2005 a system check for the programme at the Regional Council of Southwest Finland. Audit report concludes that Management Authority tasks have been implemented duely and the programme secretariat is well-informed in its tasks both in Finland and in Estonia. The report raises a few remarks, the most essential of them being that the technical assistance should be audited and that the model of project contract between the Lead Partner and partner should be added with remark that the project audits cover also the partner's bookkeeping. Suggested measures have been carried out.

Verification of products and services on spot is specifically followed-up. Verification takes place on the spot at least once during the project implementation and, when necessary, also before the project final outpayment.

In November 2005 a first level controller was hired in Tallinn with TA.

5.2 Information and Publicity Measures

Information and publicity in 2005

- two calls for proposals deadlines
- support for joint project approach: Project Training; project preparation assistance
- one CBC seminar for SC and MC members
- two negotiation and information days for the State co-financing authorities in Finland
- all programme materials available at www.interreg-finest.net

There were two deadlines for project proposals in 2005, and the both dates were announced in January 2005 with official announcements in newspapers: eight newspapers in Southern Finland and ten in Estonia. The Technical Secretariat arranged three information events for the deadline of 15.3. and, there were app. 130 participants in the events (25.1. Helsinki; 26.1. Tallinn and 27.1. Paide).

In order to improve the quality of project proposals the INTERREG Monitoring Committee (MC) decided to allocate TA resources for supporting the joint project approach. Two new activities were launched under the Technical Assistance

Measure for information and publicity: project training and project preparation assistance.

Total budget for the project training was max. 100 000 € and after call for tenders in December 2004 – January 2005, a consortium of BDA Estonia Oü and Vaasa University / Levon Institute was selected for carrying out the activities.

Project training was arranged during 2005 at three stages: INTERREG programme basics in April/May; project planning and INTERREG funding application in June/August and; project management and implementation in August/September. The timetable was synchronised with programme implementation so that the training activities in May-August were part of the information and advice for project applicants for the deadline in the autumn 2005 and the training sessions in August-September were part of the project launching activities for those joint projects approved for financing in March/June. All in all, there were 356 participants in the 14 training sessions (in total 12 training days in Estonia and 11 in Finland). Experiences of utilising an external expert organisation for INTERREG project training were both positive and negative. Participants were satisfied with the practical orientation of the trainings and trainers' own experiences utilised as examples in the sessions. On the other hand, it became clear that the advice for fulfilling the requirements of e.g. technical and documentation details for INTERREG applications and reports should remain at the Technical Secretariat and the programme authorities of the two countries – particularly, when the practises and approaches are under development, as was the case for the joint programme implementation in Finland and Estonia.

Compared between the result of the March and September deadlines for new project applications, the project training in May-August did not result radical changes or a considerable improvement in project applications *in general*, but it did improve quality of *individual* applications. The project management and implementation training sessions in August-September have been followed up with project-level meetings between the project partners and the Technical Secretariat at the stage when the Lead Partner is compiling of the first payment application and attached reports.

Programme materials were updated during 2005, and now the largest effort was put in the guidance material for INTERREG project payment applications and reports. Material was finalised in the autumn 2005 in Finnish and Estonian and it will be updated and further developed by the Managing and Paying Authority and the Technical Secretariat throughout the programme implementation. All programme materials are available in the programme web page, which is updated both in Finnish and Estonian. Shorter language versions are available also in English and Swedish.

The Technical Secretariat arranged together with the Managing and Paying Authority two training and negotiation days for the co-financing authorities in Finland i.e. representatives of total of eight ministries and their regional offices and departments. There were some 75 participants in the sessions of 2.3. and 26.10.2005. The feedback from this kind of proactive information exchange has been positive. INTERREG IIIA Southern Finland – Estonia programme did not arrange similar information measures in Estonia, but contacts and information measures were co-ordinated by the Ministry of Internal Affairs. Negotiations between the Managing and Paying Authority (Regional Council of Southwest Finland) and the Ministry of Internal Affairs in Estonia have been arranged on as needed bases.

Also other activities related to information and publicity measures were planned for the year 2005. Namely, publicizing of the results from update of the mid-term evaluation and utilising the materials in discussions about the future of the CBC

between Southern Finland and Estonia. At large, these activities were postponed for the year 2006. One CBC seminar targeted for the Monitoring and Steering Committee members was arranged in Helsinki in June 2005. Preparation of the wider publicizing campaign begun in November/December 2005 and, the INTERREG conference was decided to be arranged in May 2006. Preparations for the conference are co-ordinated by the Technical Secretariat and there are both Finnish and Estonian authorities in the planning team of the event and related information measures.

5.3 Use of Technical Assistance

INTERREG IIIA Southern Finland – Estonia Technical Assistance 2001-2006:

TA1 Programme Management, Implementation, Monitoring and Control: 2.237 M€
TA2 Other Expenditures under Technical Assistance: 0.846 M€

Main activities under the Technical Assistance in 2005 were concluding amendment of programme and thereafter, implementing the programme in full in both countries; update of the mid-term evaluation report and; special allocation supporting the preparation of joint activities (i.e. project preparation assistance for project applicants and TA2 Training for project partners). Altogether three Steering Committee (SC) meetings and one Monitoring Committee (MC) meeting, inclusive CBC seminar for SC and MC members, were arranged. The support and follow-up of ongoing INTERREG projects was strengthened in the end of 2005 by hiring one full-time employee for the cost eligibility check at the Ministry of Internal Affairs in Estonia.

The total sum of the TA expenditure in 2005 was 538 809.91 € i.e. 71% of the TA budgeted. There are several reasons for this outcome: personnel costs were lower due to the changes in Technical Secretariat personnel in the spring 2005 (new personnel was hired not before August 2005) and due to the fact that the reserve within personnel costs was not utilised until from November/December 2005 onwards for the cost eligibility check at the Mol/Estonia. Also under the TA1 budget, the second-level audits (5% check) of final beneficiaries in Estonia will start not before 2006. For the TA2 allocation major “savings” was made due to the approach that main part of the update of mid-term evaluation was carried out internally at the Technical Secretariat, and no external expertise costs realised except for the traineeship in January-September. Neither was the update report finalised for publication or other form of distribution for a wider audience, but instead made available at the programme web page. There was no specific CBC seminar arranged for the wider interest groups in 2005, but instead the INTERREG conference and related information campaigns will be realised in 2006. Following the fact that no major reports or new information material were printed out and no major interest group seminars were arranged, there were no translation/interpretation costs to the extent that was budgeted; external expertise was mainly utilised for the Estonian version of the guidebook for project payments and reports.

Special support for joint project approach was carried out under the TA2 heading for publicity and information measures: the project training cost 99 069.26€ (incl. VAT) and the project preparation assistance was utilised to 17% of the total allocation 50 000 €. Project training was concluded in the autumn 2005. Project preparation assistance was available both for the deadline in the spring and in the autumn and a total of 25 applications were submitted in. Twelve grants were approved for 50% of travel, meeting and translation costs at maximum 1000 € per project application, and the outpayments of the grants totalled to 8 384 €. The Steering Committee extended the

possibility for project preparation assistance in December 2005 for the eight projects left for further development.

The surplus from TA budget 2005 will be utilised in securing programme implementation to the closing of the programme by 2008 (TA1) and in securing a wide visibility of the programme and its results at the INTERREG conference and activities related to it in the spring 2006 (TA2). The available resources will also be utilised for concluding the programme results in a manner that they best contribute for the preparation of the forthcoming Structural Funds period (e.g. external expertise and analyses within the TA2).

Table 11. Use of Technical Assistance in 2005 (see also Appendix 4).

INTERREG IIIA Southern Finland – Estonia Technical Assistance	Figures 2005 (realised)	Total 2001- 2005 (realised)	TA Budget 2001-2008	Util.rate %
5.1 Programme Management (5%)	374 646	1 214 649	2 236 786	54 %
Personnel (411)	301 059	937 379		
Other management expenditure (411) (incl. project monitoring, audits and system audits, programme management related meetings, arrangements and travel; accommodation/premises, rents, mail, phone/fax etc.)	73 587	277 270		
5.2 Other Technical Assistance (3%)	164 164	453 041	846 000	54 %
Information / publicity (415)	148 586	350 683		
Reports, analyses, assessment, evaluation etc. (413)				
External expertise (413)				
Programme mid-term and final evaluation (412)				
Acquisition and maintenance of computer-assisted systems (413)	15 578	102 358		
Technical Assistance Total	538 810	1 667 690	3 082 786	

5.4 Monitoring Committee and Steering Committee Meetings, and Questions Related to Management

There were three Steering Committee meetings in 2005 (8.3. in Espoo, 15.6. in Helsinki and 15.12. in Tallinn). In addition to this one project matter was handled in written procedure (11.4.2005). Working languages of the SC are Finnish and Estonian, all meeting materials are distributed in two languages and there is simultaneous interpretation in the meetings. Major Steering Committee decision matters in 2005 were the joint project decisions, as well as the project preparation timetables for each decision round (calls for proposals).

There was one Monitoring Committee meeting in 2005 (16.6. in Helsinki). The MC handled the state-of-the-play of the programme in June 2005, inclusive the change of financial allocations between measures. The mid-term evaluation update report was approved in written procedure in the autumn. Working language of the MC is English.

5.5 Compatibility with Community Policies

Procurement rules, the equal opportunities and environmental impact are written into the programme, and they are taken into account in the various processes. Provisions have also been made within the Technical Assistance budget for utilising external

expertise if necessary. E.g. the evaluation of environmental impact has been carried out as part of programme decision making: the applicant assesses the environmental impact using a separate EIA form that is appended to the INTERREG application form and, the environmental authorities are involved in national project preparation in Finland and in Estonia as well as they are members in the SC.

APPENDIX 1. INTERREG projects by cross-border cooperation classification

<u>Classification by co-operation</u>									
	Project proposals			Approved projects (objective)			Approved projects: realisation		
	A	B	C	A	B	C	A	B	C
2001	56	38	3	24	12				
2002	114	46	16	55	5	6	10	50	6
2003	139	59	20	72	10	9	24	42	6
2004	174	59	20	84	13	7	49	43	12
2005	232	59	20	114	13	7	79	43	12
2006	*			*			*		
2007				*			*		
2008							*		

*from 2004 onwards all projects approved for financing in the INTERREG IIIA Southern-Finland – Estonia programme are joint projects

A = The project is implemented on both sides of the border (and has a link to a PHARE CBC or other internationally funded project in Estonia) – more details, see Annual report 2004/MTEu

B = Projects planned jointly as a result of cross-border co-operation, but implemented only on one side of the border.

C = Projects planned and implemented in Finland; however creating considerable cross-border impact.

APPENDIX 2. List of Joint Projects Approved by the Steering Committee by 31.12.2005

INTERREG IIIA SOUTHERN FINLAND – ESTONIA
Joint Projects**1. INTERACTION AND NETWORKS****Measure 1.1 Networks of Local and Regional Administration**

The aim is to widen the local and regional administration cross-border networks across the Gulf of Finland, and thus, develop linkages and co-operation structures that assist cross-border integration.

1. PILET Piireülevat ühistranspordivõrgustik ja piletiüsteem (public transport systems in capital areas, 2005-2006): MTÜ Helsinki-Tallinn Euregio / YTV (Helsinki Metropolitan Area Council)
2. Terveysliikunnasta hyvinvointia yhteistyössä yli rajojen (cross-border co-operation in health and sports South-West Finland, Uusimaa, Itä-Uusimaa and Estonia, 2005-2007): University of Turku, Centre for Extension Studies / MTÜ Eesti Tervislike Linnade Võrgustik (Estonia Healthy Cities Network)
3. Vakka-Suomen ja Väinänmeren kestävä kalatalouden tavoiteohjelmat (sustainable fishery, 2006-2007): University of Turku, Centre for Maritime Studies / Estonian Maritime Academy

Measure 1.2 Social Interaction and Contacts at the Local and Regional Levels

The aim is to deepen the linkages between the Southern Finland Coastal Zone and Estonia, and to increase the third sector involvement in cross-border co-operation, especially in the operations of mutual interest.

4. Suomi-Viro puuveneperinteen elvyttäminen II (reviving wooden boat tradition in SF and Estonia, 2005-2007) Ab Svenska Folkhögskolan, SFV Kuggomskolan / Aibolands museum, Haapsalu
5. HIT History in Town (co-operation between regional museums in Southwest Finland and Estonia, 2006-2007): Turku Provincial Museum / Tartu Linnamuuseum (City Museum)

2. EMPLOYMENT AND COMPETITIVENESS**Measure 2.1 Expertise and Know-how**

The aim is to increase the know-how and expertise in the programme area, to find new common strength areas and fields of expertise, as well as to support the balanced development of the labour market.

6. VetWork (vocational education and working life; learning-by-doing networks Kymenlaakso, Päijät-Häme, Itä-Uusimaa, Lääne-Virumaa and Ida-Virumaa, 2005-2007): Porvoo International Services / Narva Kutseõppekeskus
7. Ecostall (Functionality and ecological features of cold cowsheds in Southern Finland and Estonia, 2005-2007): Agrifood Research MTT Vihti / Eesti Põllumajandusülikool (Estonia Agricultural University)
8. EDUDEV (co-operation between education institutions and enterprises for improving the subcontracting and business co-operation Southern Finland and Estonia, 2006-2007): Edupoli Porvoo/ Tallinna Tehnikakõrgkool (Tallinn College of Engineering)
9. From SEM to SME (Student Entrepreneurship Model leading to Small and Medium-Sized Enterprises South-West Finland and Tallinn, 2005-2007): Turku Polytechnic / Tallinn University of Technology (Tallinna Tehnikaülikool)
10. Suomalainen ja virolainen koulutus ja EU:n uusi koulutuspolitiikka (new EU education policy in Finland and Estonia, 2006-2007): University of Turku/ University of Tallinn
11. CIP WorkLab (Connecting Information Professionals of polytechnic and university libraries Turku and Tallinn, 2006-2007): Turku Polytechnic /University of Tallinn

Measure 2.2 Operating Environment of Enterprises

The aim is to promote co-operation between enterprises in the Southern Finland Coastal Zone and Estonia and to encourage the establishment of firms in the programme area, as well as to improve the possibilities of firms to expand their markets and activities to a wider area. The business environment boosts entrepreneurship and engenders new cross-border enterprises and joint ventures.

12. FinEst Business Network (business development, business advice and business networks Uusimaa and Ida-Viru, 2005-2007): Lohjan Yrityspalvelukeskus Oy (Business Development Agency) / Ida-Virumaa Ettevõtluskeskus
13. Cross-border small business environment (business incubators Helsinki-Tallinn and other regions, 2005-2007): Helsinki School of Economics and Business Administration, Small Business Centre / Tallinn Technology Park Development Foundation

Measure 2.3 Tourism

The aim is to develop an array of high-quality and multilingual tourism services on both sides of the Gulf of Finland. The development of tourism and related jobs in the rural, coastal and archipelago areas takes into consideration the capacity of nature in these sensitive areas.

14. Yachting in Archipelago (SW Finland and Estonia for target groups in St. Petersburg, Sweden and Germany, 2005-2007): Turku Touring / Läänemaa Arenduskeskus
15. KUTUR (spa-, culture- and tourism project promoting North Estonia and South Finland, 2005-2006): Pärnu town / Regional Council of Itä-Uusimaa

16. DIT – Design in Tourism (Building Credible Service and developing tourism companies by connecting their business to social, historical and cultural environment in Päijät-Häme and Estonia, 2006-2007): Lahti Polytechnic / Tartu University
17. Fort tourism (building up an attractive tourism in the themes of fortresses Kotka-Hamina and East part of Ida-Viru, 2006-2007): Kotka Hamina Region of Finland Ltd, / Vaivara vv

Measure 2.4 Transport, Communications and Development of Interlinked Services

The aim is to ensure that the transport and communication links between the Southern Finland Coastal Zone and Estonia promote a holistic development of the programme area: traffic is safe and border-crossings smooth; information technology links support the emergence of the information society.

18. e4 Portaali (web-database for follow-up of energy and water consumption in municipal buildings Southern Finland and Estonia, 2005-2007): technical research centre VTT Building and Transport / Tallinn University of Technology TTÜ
19. Summeri II (simulation models for training hazards in the Gulf of Finland, incl. networks with Russia, 2005-2007): Kotka Polytechnic, Maritime Studies / Eesti Mereakadeemia
20. *Etelä-Suomen rannikon ja Pärnun välisen meriväylän turvallisuuden parantaminen (improving safety in the marine route between the coast of Southern Finland and Pärnu) Project cancelled. Lead partner Finnish Maritime Administration and partner across the border Estonian Maritime Administration.*
21. ICT Cert (ICT training co-operation and qualifications/certificates in Uusimaa, Southwest Finland and Estonia, 2005-2007): Adulta Oy vocational training centre Järvenpää/ Estonian Infotechnology Fund (Eesti Infotehnoloogia Sihtasutus)

3. COMMON ENVIRONMENT

Measure 3.1 Co-operation in Environmental Protection and Monitoring

The aim is to affect the state of the environment in the Gulf of Finland and the future of the common environment.

Safeguarding the valuable natural and cultural environment of the programme area creates the basis for achieving the other long-term objectives of the joint programme.

22. 3+3 Yhteinen ympäristö (common environment project on e.g. sustainable recreation use of nature areas Itä-Uusimaa, Kymenlaakso, Päijät-Häme, Ida-Virumaa, Lääne-Virumaa, Jõgevamaa, 2005-2007): Regional Council of Itä-Uusimaa / Jõgevamaa ovl
23. OILECO – Luonnontaloudellisten arvojen merkitys öljyvahinkojen torjunnassa ja haittojen minimoinnissa Suomenlahdella (ecological values in planning activities and minimizing the effects of sea hazards for the coastal areas, 2005-2007): Helsinki University Palmenia, Kotka / University of Tartu, Maritime systems
24. Geoturismi arendamine Eestis ja Soomes: õppides tundma maa minevikku (geological data for education and tourism in Southern Finland and Estonia, 2005-2007): MTÜ GEOGuide Baltoscandia, Tallinn / University of Turku, Department of Geology
25. Metsandusliku pärandkultuuri kaitse ja rakendamine (inventory and protection of cultural heritage in forestry in Harjumaa, Raplamaa, Läänemaa and Uusimaa, 2005-2007): Estonia State Forest Management Centre / Forestry Development Centre Tapio

Measure 3.2 Co-operation in Improving the Environment

The aim is to ensure the citizens and enterprises in the programme area a clean, healthy and pleasant environment for living and operating. Cross-border co-operation increases environmental know-how and creates growth potential for the enterprises in this field.

26. RePlast FinEst -kehittämishanke – Muovin(+SER) uusiokäyttö (developing the recycling of plastic waste in Sfinland and EST, 2005-2007); Helsinki University Palmenia Lahti / TTÜ, MATTECH Center (Materialitööstustehnoloogiate Siirdekeskus)
27. Uusi Elämä - Uus Elu (Waste prevention, consumer education and recycling in Uusimaa, SW Finland, Tallinna, Harjumaa, Tartu and Ida-Virumaa, 2005-2007): Pääkaupunkiseudun Kierrätyskeskus Oy (Recycling Centre) / MTÜ Taaskasutus
28. Ruovikkostrategia Suomessa ja Virossa (strategy for utilisation of reed in Southern Finland and Estonia coastal areas, 2005-2007): South-West Finland Environment Centre / Tallinn University of Technology
29. Ölitörje-alase valmisoleku suurendamine Soome lahe ääres (voluntary organisations and preparedness for oil hazards in the Gulf of Finland, 2005-2006): SA Eestimaa Looduse Fond / WWF Finland
30. Kiinteistöalan suomalais-virolainen kehitys- ja koulutushanke (Finnish-Estonian development and training project in real estate sector, 2005-2007): Real Estate Training Fund Kiinteistöalan koulutussäätiö, hki / TTÜ, Ehitustootluse instituut

NOTE: a more detailed list of projects incl. SFCZ projects (2001-2004) and the complementing call projects (2004) is available at www.interreg-finest.net

APPENDIX 3. Statement of Expenditure by Priority and Measure 2005

Statement of Expenditure by Priority and Measure								
Commission index number:		2000 CB 16 0 PC 011						
Name:		C(2004) 4260 INTERREG IIIA Southern Finland – Estonia [C(2005)5791 / 19.12.2005]						
Date:		13.12.2005						
Priority/Measure	Total actually paid and certified eligible expenditure (euro)							
	2005				Total			
	Public		Private	Expenditure	Public		Private	Expenditure
	Community	Other public			Community	Other public		
Priority 1								
Measure 1.1	598 532.18	604 475.41		1 203 007.59	1 023 405.36	1 143 894.47	2 167 299.83	
Measure 1.2	240 966.61	325 766.05		566 732.66	657 496.54	840 472.14	1 497 968.68	
Priority 2								
Measure 2.1	274 231.28	285 154.04		559 385.32	900 432.62	959 030.54	1 859 463.16	
Measure 2.2	106 525.24	81 553.76		188 079.00	437 277.15	420 346.40	857 623.55	
Measure 2.3	248 934.19	277 576.89		526 511.08	661 512.91	724 685.75	1 386 198.66	
Measure 2.4	109 252.76	81 525.91		190 778.67	299 039.62	278 077.19	577 116.81	
Priority 3								
Measure 3.1	132 559.60	150 589.99		283 149.59	539 859.31	600 798.42	1 140 657.73	
Measure 3.2	355 596.48	330 603.32		686 199.80	749 251.88	726 855.39	1 476 107.27	
Priority 4								
Measure 4.1				0.00	355 238.18	415 789.92	771 028.10	
Priority 5								
Technical Assistance 5.1	194 698.85	194 698.89		389 397.74	583 190.10	583 190.16	1 166 380.26	
Technical Assistance 5.2	64 594.05	64 594.10		129 188.15	191 823.10	191 823.16	383 646.26	
Total								
ERDF Total	2 325 891.24	2 396 538.36	0.00	4 722 429.60	6 398 526.77	6 884 963.54	13 283 490.31	

APPENDIX 4. Technical Assistance (TA) expenditure in 2001-2005

	realised 2005	budgeted* 2005		total 2001-05	TA budget 2001-08	2001-05 %
TA1 Programme Management*	374 646	464 688		1 214 649	2 236 786	54 %
Personnel	301 059	384 774		937 379		
Other programme management related	73 587	79 914		277 270		
Audits, monitoring	5 691	17 000		27 731		
Meetings, travels (incl. e.g. interpretation, external expertise)	30 663	26 000		103 418		
Supplies, rents, mail, tele...	37 233	36 914		146 121		
TA2 Other Technical Assistance	164 164	298 123		453 041	846 000	54 %
Information and publicity	148 586	232 123		350 683		
Official announcements	13 984	15 000		66 199		
Information/training events incl. TA training 2005	120 459	155 000		133 492		
Seminars for interest groups	5 139	25 000		15 289		
Materials, publications, media contacts, other external expertise	4 668	22 123		86 871		
Translation/language checks	4 336	15 000		39 761		
Monitoring	0	0		687		
Project preparation assistance (2005 -)				8 384		
Other than info/publicity-related	15 578	66 000		102 357		
Reports, analyses (external)	6 203	5 000		9 278		
External expertise (e.g. EIA)	1 215	32 500		17 262		
Mid-term and final evaluations	0	20 000		32 787		
Computer-assisted systems (e.g. firmos, extranet)	8 160	8 500		43 030		
Technical Assistance in Total	538 810	762 811		1 667 690		
Income*				4 597		
Technical Assistance Eligible Expenditure in Total	538 810	762 811		1 663 093	3 082 786	54 %

*compensation of utilising TS personnel's expertise e.g. in 2003-2004 in SPP twinning project (expert days were realised as without-pay leave, thus no expenses for TA). This sum is reduced from the eligible TA cost