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Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Estonia

{SWD(2021) 285 final}

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COUNCIL IMPLEMENTING DECISION

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Estonia. In 2019, the gross domestic product (GDP) per capita of Estonia was 67% of the Union average. According to the Commission's summer 2021 forecast, the real GDP of Estonia declined by 2,9% in 2020, but is expected to increase by 1,8% cumulatively in 2020 and 2021. Long standing aspects with an impact on medium-term economic performance include population ageing, regional and social disparities, relatively low resource productivity and high intensity of greenhouse gas emissions.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Estonia in the context of the European Semester. In particular, the Council recommended Estonia to improve the adequacy of the social safety net, including by broadening the coverage of unemployment benefits, and access to affordable and integrated social services, and to take measures to reduce the gender pay gap, including by improving wage transparency. It also recommended to improve the accessibility and resilience of the health system, including by addressing the shortages of health workers, strengthening primary care and ensuring the supply of critical medical products. Moreover, it recommended to address skills shortages and foster innovation by improving the capacity and labour market relevance of the education and training system. It was also recommended to Estonia to focus investments on the green and digital transition, in particular on digitalisation of companies, research and innovation, including supporting the innovation capacity of small and medium-sized enterprises, clean and efficient production and use of energy, resource efficiency and sustainable transport, contributing to a progressive decarbonisation of the economy. In addition, the Council recommended to ensure sufficient access to finance and to step up efforts to ensure the effective supervision and enforcement of the anti-money

[1] OJ L 57, 18.2.2021, p. 17.

laundering framework. Finally, to tackle the COVID-19 crisis, it was recommended to Estonia to take all necessary measures to effectively address the pandemic, sustain the economy and, when economic conditions allow, to pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Having assessed progress in the implementation of those country-specific recommendations at the time of submission of the recovery and resilience plan ('RRP'), the Commission finds that the recommendation on taking all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery has been fully implemented. Furthermore, it finds that substantial progress has been achieved with respect to the recommendations to focus investment on energy interconnections.

(3) The Council Recommendation on the economic policy of the euro area recommended to euro area Member States to take action, including through their RRPs, to, inter alia, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council Recommendation also recommended euro area Member States to strengthen national institutional frameworks, to ensure macro-financial stability, to complete the economic and monetary union and to strengthen the international role of the euro.

(4) On 18 June, Estonia submitted its national RRP to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. National ownership of the RRPs underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

(5) The RRPs should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the 'Facility') and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094[2] in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union's economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(6) The implementation of the Member States' RRPs will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spillovers from other Member States.

[2] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23).

Balanced response contributing to the six pillars

(7) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the RRP represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking the specific challenges faced by and the financial allocation for the Member State concerned into account.

(8) The RRP includes measures that contribute to all of the six pillars, with each of the six components of the RRP addressing one or more pillars. Such an approach contributes to ensuring that each pillar is comprehensively addressed in a coherent manner. The contribution to the first pillar, dedicated to the green transition, is set to be supported by measures incentivising the use of renewable energy, renovation of buildings to improve their energy efficiency, as well as better public transport connectivity and incentivising the uptake of green hydrogen and generally supporting the acceleration of the green transition in enterprises, including skills required for that transition. Investments and reforms geared towards the digitalisation of the public sector and businesses as well as the improvement of the level of digital skills are all expected to contribute to achieving the objective of the second pillar, which is dedicated to digital transformation.

(9) The RRP is expected to contribute to the improvement of macro-economic performance through the mitigation of the economic and social impact of the COVID-19 crisis, while promoting export competitiveness, innovation and entrepreneurship, through digital and green solutions, thus supporting smart, sustainable and inclusive growth as covered by the third pillar. The fourth pillar, on social and territorial cohesion, is addressed by making public services more accessible through digitalisation, by improving internet connectivity in particular in rural areas, thus aiming at reducing the digital divide, by improving transportation connectivity, as well as by the creation of sustainable jobs and skills in different parts of Estonia.

(10) The RRP includes measures aimed at strengthening the country's health and economic, social and institutional resilience, as described in the fifth pillar. In particular, the RRP focuses directly on improving the resilience and accessibility of the health care system, and it includes measures aimed at improving access to social services in Estonia. The sixth pillar, on policies for the next generation, is supported by measures aimed at helping young people entering the labour force, through a wage subsidy, training allowance, and structural changes in the education and training system to foster information and communication technology skills and increasing the participation and share of women in such trainings and the sector in general.

Addressing all or a significant subset of challenges identified in country-specific recommendations

(11) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Estonia, including fiscal aspects thereof, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester. The recommendations related to the immediate fiscal policy response to the pandemic can be considered to fall outside the scope of Estonia's RRP, notwithstanding the fact that Estonia has generally

responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the general escape clause of the Stability and Growth Pact.

(12) The RRP includes mutually reinforcing reforms and investments that contribute to addressing to varying degrees all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Estonia by the Council in the European Semester in 2019 and in 2020, notably those in the areas of green transition, such as energy and resource efficiency, digital transition, such as digital skills and the support to the digitalisation of companies, health care, such as the resilience and accessibility of the health care system, social inclusion, such as access to affordable and integrated social and health services, and anti-money laundering, such as strengthening the analytical capabilities within the anti-money laundering framework.

(13) The RRP includes measures supporting investments in the green and digital transitions of enterprises, thus contributing to addressing the related country-specific recommendations. Those include notably the development of innovative green technologies, such as green hydrogen, green and digital skills to address the skills shortages and financial support schemes to help Estonian companies, in particular small and medium-sized enterprises, to progress in their digital and green transformation and improve access to finance. The reforms and investments in the area of energy aim at incentivising the uptake of renewable energy, at improving the energy efficiency of buildings and at decarbonising the economy through targets and actions to phase out oil shale. Measures in the transport sector are expected to help reduce emissions and incentivise the uptake of sustainable modes of transport. The reforms include developing interconnected and shared mobility in the Tallinn capital region through a common public transport system and electrifying railways. The RRP is expected to contribute to the development of the cross-border Rail Baltic project, connecting the three Baltic capitals and countries with Poland and the rest of the Union, through investments into railways, tramline, bike- and walkways to stations and the Rail Baltic multimodal terminal.

(14) Reforms and investments in strengthening primary care, addressing health workforce shortages, modernising e-health governance and improving health infrastructure, including the construction of the Northern Estonia Medical Campus should increase the accessibility and resilience of the health care system. The access to social services is expected to be improved by measures on long-term care, including those modernising and simplifying the support system for children with higher care needs, and by the action plan on the integration of social and health care services. The measures on reducing the gender pay gap should contribute to social cohesion. The investment in supporting young people to gain work experience and improve their skills is expected to contribute to addressing skills shortages, as well as alleviating youth unemployment. The extension of the duration of the unemployment insurance benefit by 60 days in case of adverse labour market conditions contributes to some extent to strengthening the social safety net. The reforms and investments in the health, social and digital areas should also contribute to reducing regional disparities.

(15) Complementary to recent measures on anti-money laundering, the RRP includes a measure aiming at establishing a strategic analysis centre within the Financial Intelligence Unit to allow more operational identification of, response to and

prevention of money laundering risks, thus contributing to the reinforcement of the anti-money laundering framework.

(16) The RRP provides a basis for further reforms in the social and health area, to address health workforce shortages, improve the quality and access to long-term care for all people with care needs, broaden the coverage of the unemployment benefit and reduce the gender pay gap, in particular by increasing wage transparency. The measures included in the RRP to address the decarbonisation of the economy are mainly related to investments. In terms of reforms, the concrete actions to phase out oil shale are expected to be set out in the National Development Plan of the Energy Sector only at the end of 2025.

Contribution to growth potential, job creation and economic, social and institutional resilience

(17) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the RRP is expected to have a high impact (Rating A) on strengthening the growth potential, job creation and economic, social and institutional resilience of Estonia, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

(18) Simulations by the Commission services show that the RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Estonia by between 0,9% and 1,3% by 2026, not including the possible positive impact of the structural reforms, which can be substantial.

(19) Reforms and investments in renewable energy, sustainable mobility and further digitalisation of public services are expected to bolster sustainable growth and employment over the medium to long term. Measures aimed at developing green technologies, promoting energy efficiency and decarbonisation of the industry, including uptake of emerging new technologies such as green hydrogen, should contribute to decarbonisation and thereby to the resilience of the economy.

(20) Measures supporting the green and digital transitions are expected to increase business innovation and research and development, thus providing opportunities for increased productivity, economic competitiveness and job creation, while contributing to achieving structural changes in the economy and laying the groundwork for increased resilience, in line with the updated European industrial strategy. The expected modernisation of the economic structure should be supported by measures promoting green and digital skills to improve the skills levels of the labour force and address Estonia’s long-standing challenge of skills mismatch. The RRP includes support to the construction of high capacity broadband networks, which is expected to contribute to bridging the digital divide between rural and urban areas. The investments incentivising sustainable modes of transport along with improved digital interconnections aim at fostering social and territorial cohesion.

(21) The RRP includes measures addressing relevant employment, social and health challenges and is expected to contribute to implementing the European Pillar of Social Rights. Measures to strengthen primary health care, increase the health workforce, improve health infrastructure and the e-health system aim at improving access to

health care, thereby helping to address the long-standing challenge of unmet medical needs. The measures addressing youth employment aim at supporting young people to gain work experience, improve their skills and enhance the growth potential of the country. As a result of the measures, the resilience of Estonia's social and health system is expected to improve.

Do no significant harm

(22) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives (Rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[3] (the principle of 'do no significant harm').

(23) The RRP includes a systematic assessment of each measure against the principle of 'do no significant harm' in accordance with the 'Do no significant harm' Technical Guidance of the European Commission (2021/C58/01). The information provided underpins the assessment that measures comply with the principle of 'do no significant harm', for instance by providing detailed explanations of how circular economy considerations should be taken into account for construction projects.

(24) For some measures where calls for projects or calls for expressions of interest are necessary to select specific projects in the future or measures providing for financial instruments, such as the Green Fund, the principle of 'do no significant harm' should be complied with by ensuring, in particular through appropriate milestones associated with those measures, that the terms of reference of the calls for projects or calls for expressions of interest prevent activities that could do significant harm to environmental objectives from being selected.

Contribution to the green transition including biodiversity

(25) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 41,5% of the RRP's total allocation calculated in accordance with the methodology set out in Annex VI to that Regulation. In accordance with Article 17 of that Regulation, the RRP is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(26) The contribution of Estonia's RRP to the green transition is built on three pillars: green transition in enterprises, sustainable energy and energy efficiency, and sustainable transport. Decarbonisation of the economy is a key challenge for Estonia and the RRP commits the country to a clear pathway with targets and actions for phasing out oil shale in the energy sector to be set in the National Development Plan for the Energy Sector. The RRP incentivises the uptake of renewable energy by removing administrative barriers, reinforcing the grid and facilitating connection to it, as well as piloting energy storage solutions. The RRP should also contribute to

[3] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

introducing green hydrogen technologies in the entire value chain from production to consumption. Increased sustainability in transport should be achieved through creating new connections between various modes of sustainable transport with a focus on rail and active modes of transport such as cycling. The green transition in the business sector should be supported through the development of green technologies, increased low-carbon and climate-neutral research and innovation capabilities and resource efficiency, supporting modernisation and changes in business models in manufacturing companies and improved skills related to the green transition. The RRP has a strong circular economy business angle. The RRP contains no measures having biodiversity as their objective. However, some of the measures for climate mitigation may also be beneficial to the preservation of biodiversity, as climate change is one of the main threats to biodiversity.

(27) The RRP supports Estonia's decarbonisation and energy transition objectives, as set out in the National Energy and Climate Plan for 2030, as well as for 2050. The measures in the RRP should support reaching a share of 42% of renewables in gross final consumption of energy, Estonia's EU target for 2030. Investments into the electricity grid and electricity storage should help Estonia reach this target. In addition, Estonia's RRP supports at least medium-depth building renovations, representing primary energy savings of at least 30%, which should contribute to Estonia's 2030 energy efficiency targets and the Long-Term Renovation Strategy. The measures on sustainable transport should support the reduction of pollution from passenger car fleets, thus improve air quality, and incentivise the uptake of sustainable modes of transport, such as rail transport.

Contribution to the digital transition

(28) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 21,5% of the RRP's total allocation calculated in accordance with the methodology set out in Annex VII to that Regulation.

(29) The contribution of the RRP to the digital transition focuses mainly on two priorities: the digital transformation of enterprises and the further modernisation of public services. In order to help companies from all sectors, small and medium-sized enterprises in particular, to seize the opportunities offered by digital technologies, the RRP includes the creation of an investment scheme that should provide financial support to companies on different aspects of the digital transformation, from research and development and the development of strategies to the take-up of technologies. This investment is complemented by two measures aiming at addressing the digital transformation of two specific sectors, construction and road freight transport, where the potential of digital technologies has remained insufficiently exploited so far. Moreover, the RRP addresses the key issue of digital skills, through awareness-raising for managers of small- and medium sized enterprises and support for the upskilling and retraining of information and communication technology specialists.

(30) Building on Estonia's position as a frontrunner in the digitalisation of public services, the RRP includes a series of measures aiming at giving new impetus to the digital transformation of the administration. The proposed reforms and investments include the migration of part of the government's information systems to a secure cloud, the

development of new digital solutions ensuring a simplified and more efficient delivery of public services to both citizens and businesses, as well as a reorganisation of the management of information systems and data held by public institutions. An investment supporting the deployment of very high capacity broadband networks in areas of market failure is also expected to reduce the digital divide and ensure that all citizens can take advantage of the envisaged advancements in the delivery of digital public services in Estonia.

Lasting impact

(31) In accordance with Article 19(3) point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP is expected to have a lasting impact on Estonia to a large extent (Rating A).

(32) Structural changes are expected from the implementation of the envisaged reforms. In particular, reforms aiming at fostering the green and digital transitions are expected to have a positive impact on growth potential and economic transformation, through improved efficiency, job creation and productivity growth. The RRP includes reforms aimed at promoting energy efficiency and reducing regulatory barriers for investment in renewables, which are expected to improve market functioning enough to unlock private investments in that area. The reforms focusing on digital public services are expected to contribute to improving the efficiency of public administration further and benefit both citizens and businesses. Reforms aimed at fostering digital skills development are expected to have a lasting impact on the reduction of the skills shortage faced by Estonian companies. Additional measures to reduce the gender pay gap are expected to improve gender equality and economic growth.

(33) Measures related to health are also expected to bring positive structural change in policies or institutions. In particular, the health reforms are expected to improve the accessibility and quality of health care services and reduce regional disparities in service provision, contributing to better health outcomes.

(34) Structural changes are also expected from the implementation of the envisaged investments mainly through their expected positive impact on competitiveness. The investments aiming at deploying digital solutions in the construction and road freight transport sectors are expected to have a lasting impact. The investment in the deployment of very high capacity broadband networks in market failure areas should help reducing the digital divide between urban and rural areas. Investments in transport infrastructure, such as railway, tramline, train station and cycling paths, are also expected to have lasting impact on mobility by facilitating transfers between different modes of sustainable transport.

(35) The lasting impact of the RRP can also be enhanced through synergies between the RRP and other programmes, including those financed by the cohesion policy funds, in particular by addressing in a substantive manner the deeply rooted territorial challenges and promoting a balanced development.

Monitoring and implementation

(36) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the RRP are adequate (Rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.

(37) The RRP presents an administrative organisation for its implementation in line with the process established in the context of the management of structural funds. The RRP provides an overview of the envisaged monitoring and reporting arrangements and identifies actors and their roles and responsibilities. The State Shared Service Center serves as the managing and coordinating body. Together with the Ministry of Finance, they are the central services responsible for coordination, monitoring and evaluation whereas line ministries are tasked with the implementation and monitoring of reforms and investments in their respective field.

(38) The milestones and targets that accompany reform and investment measures included in the RRP are clear and realistic and the proposed indicators for those milestones and targets are relevant, acceptable and robust. Measures included in the RRP are supported by milestones and targets spread throughout the implementation period, although the implementation of a number of projects, including the biggest investment, are only planned for 2026. Milestones and targets are also relevant for measures already completed which are eligible according to Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of those milestones and targets over time is required to justify a disbursement request.

(39) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with Article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument established by Regulation (EU) 2021/240 of the European Parliament and of the Council[4] to assist Member States in the implementation of their RRP.

Costing

(40) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(41) Estonia has provided individual cost estimates for all investments included in the RRP. The cost estimates have been validated by the Grant Management Unit of the Support Development Department of the State Shared Service Center, which is an internal government body. The cost breakdown is generally detailed and well-substantiated. The financial schemes included in the RRP are considered proportionate to the size of the corresponding sectors in Estonia, and their costs are deemed reasonable and plausible. For the other measures, comparisons with past investments of a similar nature are provided. The assessment of the cost estimates and inherent supporting documents show that most of the costs are well justified and reasonable. The amounts proposed for financing were deemed appropriate, but sometimes rather high compared to past experience or comparable projects. For this reason, the justifications provided are considered plausible only to a medium extent. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

[4] Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

Protection of the financial interests of the Union

(42) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council[5].

(43) The control system and arrangements proposed in the RRP of Estonia are based on robust processes and structures used in the existing national framework for the implementation of structural funds. Actors and their roles and responsibilities for the performance of the internal control tasks are clearly described in the RRP. The control system and other relevant arrangements, including for the collection and making available of all standardised categories of data set out in Article 22(2) point (d) of Regulation (EU) 2021/241, are adequate with respect to preventing, detecting and correcting corruption, fraud, conflict of interest when using the funds and to avoid double funding under Regulation (EU) 2021/241 and other Union programmes.

(44) The RRP envisages that the existing integrated information system, namely the Structural Funds Operating System, should be used by all institutions involved in the implementation of the RRP and that all the projects under the RRP should be recorded in that information system. Information related to each project, such as the applicant's data, general project data, objective, budget, sources of financing, intermediate and final milestones and targets, information on implementation, payments, non-compliance procedures, should be stored in the Structural Funds Operating System. It should also record all the audits of projects and of management and control systems and support the necessary audit trail and reporting under Regulation (EU) 2021/241 of the different measures, milestones and targets.

(45) The administrative capacity of the central services charged with implementation and coordination of the RRP, namely the Ministry of Finance and the State Shared Service Center, and of the involved sectoral ministries is adequate to conduct their foreseen roles and tasks. A milestone should be included with regards to the enactment, before the first payment request, of the regulation setting out the legal mandate of the different bodies involved in the implementation of Regulation (EU) 2021/241.

Coherence of the RRP

(46) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a medium extent (Rating B) measures for the implementation of reforms and public investment projects that represent coherent actions.

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[5] Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433 I, 22.12.2020, p. 1).

(47) The RRP displays coherence within each component and shows thematic interlinkages and synergies between the different components, in particular those related to digital transformation and green transition. However, in some areas, coherence is not fully achieved. While the RRP includes substantial investments to foster the green and digital transition and support economic growth, more reforms to strengthen the social safety net, notably broadening the coverage of unemployment insurance benefits, could contribute to cushion possible adverse effects on certain groups. The significant investments in health infrastructure could have been accompanied by measures leading to a greater increase in the health workforce to alleviate shortages. Long-term care is envisaged to be addressed with several measures, but the coherence and interlinkage between these measures could have been better ensured with broader reforms to improve the access and quality of long-term care. The measures included in the RRP to address the decarbonisation of the economy are mainly related to investments, while concrete actions to phase out oil shale are expected to be set out in the National Development Plan of the Energy Sector only at the end of 2025 and broader reforms, such green taxation, are not envisaged. Overall, the RRP is stronger on investment than on reforms.

Equality

(48) The RRP contains measures that are expected to help Estonia to address the challenges posed by gender equality and equal opportunities for all, such as those that directly and indirectly aim to reduce the gender pay gap and address the needs of persons with disabilities such as facilitating the accessibility of the living environment. The measure on digital skills should contribute to increasing the number of women in information and communication technology and thus addressing gender segregation in the labour market. The investment to support youth employment should help young people to get in employment and thus contributing to their social inclusion. Reforms and investments included in the RRP should reduce existing social, economic and territorial disparities. The RRP refers to legislative and policy initiatives that are expected to complement the reforms and investments included in the RRP.

Security self-assessment

(49) A security self-assessment has not been provided as it has not been considered appropriate by Estonia, in accordance with Article 18(4), point (g), of Regulation (EU) 2021/241.

Cross-border and multi-country projects

(50) The RRP includes the construction of the Rail Baltic Tallinn terminal, the starting point of Rail Baltic, a cross-border project connecting the three Baltic capitals and countries with Poland and the rest of the Union. Cooperation with Finland is planned in the context of the implementation of the measure aiming at developing a virtual assistant to access digital public services.

Consultation process

(51) During the preparation of the RRP, Estonia carried out a consultation process involving key stakeholders and the general public. Two rounds of stakeholder seminars were organised during the preparation of the RRP in December 2020 and in April 2021. The seminars were targeted thematically to various groups of stakeholders, namely local and regional authorities, social partners, civil society

organisations, youth organisations and other relevant stakeholders. A public consultation of the full draft RRP took place in May 2021.

(52) Estonia plans to take into account the input collected from stakeholders during the consultation process when implementing the measures included in the RRP. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the RRP.

Positive assessment

(53) Following the positive assessment of the Commission concerning the Estonian RRP with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the RRP, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the RRP in the form of non-repayable financial support.

Financial contribution

(54) The estimated total cost of the RRP of Estonia is EUR 982 490 000. As the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the RRP is higher than the maximum financial contribution available for Estonia, the financial contribution allocated for Estonia's RRP should be equal to the total amount of the financial contribution available for Estonia.

(55) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Estonia is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Estonia not exceeding the maximum financial contribution referred to in Article 11(1), point (a), of that Regulation should be made available now for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.

(56) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[6]. The support should be paid in instalments once Estonia has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP.

(57) Estonia has requested pre-financing of 13% of the financial contribution. That amount should be made available to Estonia subject to the entry into force of and in accordance with the agreement provided for in Article 23(1) of Regulation (EU) 2021/241(the 'financing agreement').

(58) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility or to

[6] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the RRP

The assessment of the RRP of Estonia on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2
Financial contribution

1. The Union shall make available to Estonia a financial contribution in the form of non-repayable support amounting to EUR 969 299 213.[7] An amount of EUR 759 545 893 shall be available to be legally committed by 31 December 2022. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Estonia that is equal to or more than EUR 969 299 213, a further amount of EUR 209 753 320 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Estonia that is less than EUR 969 299 213, the difference between the updated maximum financial contribution and the amount of EUR 759 545 893 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU) 2021/241 from 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Estonia in instalments in accordance with the Annex to this Decision. An amount of EUR 126 008 898 shall be made available as a pre-financing payment, equal to 13% of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force of, and in accordance with the financing agreement. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Estonia has

[7] This amount corresponds to the financial allocation after deduction of Estonia's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation.

satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Estonia shall complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

Article 3
Addressee

This Decision is addressed to the Republic of Estonia.

Done at Brussels,

For the Council
The President