

Summary of the assessment of the Estonian recovery and resilience plan

Grants: EUR 969 300 000

41 measures: 16 reforms and 25 investments divided into 6 components

Number of milestones and targets: 124

Climate target: 41.5%

Digital target: 21.5%

1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	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. Three components in the Estonian plan directly contribute to the green transition (Pillar 1). Two components directly address the digital transformation (Pillar 2). Two components contribute directly towards smart, sustainable and inclusive growth (Pillar 3), with most components partially addressing the aforementioned pillars as well. All components directly or indirectly contribute towards social and territorial cohesion (Pillar 4). Two components support health, economic, social and institutional resilience (Pillar 5), while one component promotes policies for the next generation, children and youth (Pillar 6).	A
2.2	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.	A
2.3	The RRP is expected to have a high impact 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. 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. 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.	A

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2.4	Estonia has conducted an assessment for each measure indicating that the principle of “ do no significant harm ” is followed, with a more detailed assessment having been carried out for the construction of the Northern Estonia Medical Campus and the purchase of multi-purpose helicopters. Based on the information provided by the Estonian authorities, no measure included in the plan is expected to do significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852. Where needed, the requirements of the DNSH principle are specified in milestones or targets.	A
2.5	The contribution of Estonia's RRP to the green transition is built on three components: 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 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 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.	A
2.6	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. 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.	A

2.7	<p>The measures envisaged in the plan are expected to have lasting positive effects on the Estonian economy and boost its green and digital transition. Overall, the plan strengthens the growth potential of the economy and fosters job creation, innovation and competitiveness by addressing weaknesses such as weak productivity and energy efficiency, or skills mismatches. In particular, as a whole, fostering the twin transition in the business sector under Components 1 on the digital transformation of enterprises and Component 2 on accelerating the green transition in enterprises is expected to have a positive impact on growth potential, through improved efficiency and productivity. Under Component 1, the investments aiming at deploying digital solutions in the construction and road freight transport sectors can accelerate the digital transformation of these two sectors (which are currently lagging behind in terms of digitalisation). Measures to enhance energy efficiency under Component 4 are also expected to increase the growth potential. Overall, according to the economic model presented by Estonia, the plan is expected to have a positive long-term impact on GDP estimated at +0.8% compared to the baseline by 2026 (average GDP level effect over 2021-2026) and +0.36% by 2030 (average level effect over 2027-2030). The impact of reforms is not modelled. The estimates are roughly in line with the Commission's QUEST simulations. Overall, the estimated long-term impact of the plan in terms of GDP is plausible.</p>	A
2.8	<p>The arrangements proposed in the RRP, including the envisaged timetable, milestones and targets, and the related indicators are expected to ensure an effective monitoring and implementation of the plan. The State Shared Service Center and the Ministry of Finance are tasked with implementing and monitoring the plan overall, whereas line ministries and other bodies are responsible for the implementation of individual measures. The milestones and targets are realistic and relevant, and the distribution of milestones and targets across time is rather even, albeit with the biggest investment backloaded towards 2026. The control system and arrangements proposed in the RRP are based on the national processes and structures used for EU structural funds. The plan identifies actors and their roles and responsibilities for the performance of the internal control tasks. The control system and other relevant arrangements, including for the collection and making available of data on final recipients, are adequate. A dedicated IT tool is in place to meet the specific management and reporting requirements described in the plan. It should ensure the necessary audit trail, as well as the reporting on milestones and targets.</p>	A
2.9	<p>The cost breakdown is generally detailed and well-substantiated. For almost all cost estimates the assumptions used are well described and can be understood. The estimates are mainly based on comparisons with past investments of similar nature. Some of the cost estimates are rather high compared to past experience or comparable projects. The plan contains ten financial schemes which have been well-described and have been associated with milestones and targets. The tables proposed in the standard template were duly completed and presented. The cost estimates have been validated by an internal government body (Grant Management Unit of the Support Development Department of the State Shared Service Center).</p>	B

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2.10	<p>Robust audit arrangements have been put in place. The role of audit authority is assigned to the Financial Control Department of the Ministry of Finance, which is also the responsible body for auditing structural funds. The State Shared Service Center assesses risks but can also order audit and carry out on-the-spot checks if necessary. Audits will be carried out on the basis of internationally accepted standards. The audit authority will prepare the audit strategy and will carry out regular audits of the management and control systems and sample testing. In particular, the audits of the management and control system will assess that the monitoring and implementation arrangements provide complete and reliable data on the indicators defined in the RRP and that the implementation system ensures that funds are managed in accordance with the rules and capable of preventing, detecting and correcting fraud, conflict of interests, corruption and double financing. Furthermore, to further verify the adequacy of the design of the management and control system for the funds of the RRF and to prevent the materialisation of risks, the audit authority plans to carry out a conformity assessment of the system before submitting the first payment application to the European Commission.</p>	A
2.11	<p>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 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, but the coherence and interlinkage between these measures could have been better ensured with broader reforms to improve the access to 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.</p>	B

2. Horizontal principles and additionality

Horizontal principle	Commission assessment
Complementarity with EU programmes 2021-2027	The measures in the plan are consistent with and complementary to other EU programmes in the period 2021-2027.
Principle of additionality	The measures in the plan respect the principles of additionality. The plan ensures the additionality of the support provided under the Recovery and Resilience Facility to the support provided under other Union funds and programmes and also ensures that they do not cover the same cost.
Recurring costs	Some of the investment projects are expected to create recurrent cost, due to the nature of the investment, but these cases are limited in number and duly justified and well explained.

3. Reply to the European Parliament's questions

Contribution to equality and gender equality: The plan describes existing national challenges mainly in terms of gender equality and needs of persons with disabilities. The plan states that all reforms and investments will take into account gender equality and ensure equal rights and opportunities to participate, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. In the preparation and implementation of interventions, the potential impact of activities on gender equality, inclusion and equal treatment, including accessibility, will be analysed and, where appropriate, measures will be implemented to reduce potential risks (including by reducing barriers preventing underrepresented groups from participating in activities or receiving the benefits generated). Each component contains a disclaimer that the reforms and investments shall be monitored to ensure gender equality and equal rights and opportunities for all to participate in the reforms and investments and to benefit from their results. Furthermore, the RRP states that the promotion of the rights of persons with disabilities, in accordance with the principles of the UN Convention on the Rights of Persons with Disabilities, is integrated into a number of development plans and strategies, the most important of which are the current Wellbeing Development Plan 2016-2023 and the future Wellbeing Development Plan 2023-2030.

Contribution to high-quality employment creation: The measures envisaged in the Estonian RRP are expected to have a sizeable impact on job creation. These include measures to promote a green and digital business sector through the development of green and digital skills and support to companies and sectors to adapt to and drive the digital transition, as well as green technology development programmes. Measures aimed at supporting youth employment and the uptake of skills should also contribute to job creation.

Contribution to the implementation of the European Pillar of Social Rights: The plan addresses some skills, youth unemployment and health related challenges relevant for the implementation of the European Pillar of Social Rights. To foster equal opportunities and access to the labour market, as well as dynamic labour markets and fair working conditions, reforms and investments are planned to support digital and green skills. Measures on green skills encourage the uptake of green technologies through knowledge transfer, modernisation of the content and organisation of proficiency training programmes in higher education and vocational education and training, and upskilling and reskilling. The measures on the smarter digital transformation of companies will be designed on the basis of future business perspectives in different sectors. The digital reform addresses key challenges identified for Estonia, namely to improve the provision of digital skills and to bring vocational and higher education better in line with labour market needs and increase the number of graduates with required qualifications. A measure encouraging the recruitment of young people with little work experience is also planned. To accommodate periods with high unemployment, Estonia is expected to reform its unemployment scheme by extending the period of coverage by 60 days. The plan also envisages an action plan on the provision of health and social care in an integrated way, supporting independent living of people with lower care needs, and improving the support system for children with higher care needs.

Addressing regional disparities: Several components of the plan are expected to address to a certain extent the disparities across regions in Estonia. The plan is expected to support the sustainable renovation of multi-dwellings and small residential buildings, with a higher level of support outside of large cities and in rural areas. This effort should contribute to boosting regional employment prospects in the construction sector. Measures aimed at increasing the production and use of renewable energy should entail a decentralisation of the energy supply and thus generate new employment opportunities throughout the country. The inclusion of high-capacity broadband investment should help to bridge the digital divide between rural and urban areas and ensure equal access to e-services for individuals and businesses. Moreover, in the transport component, Estonia is expected to increase the connectivity across regions, thus enabling greater access to education, employment and public

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services. Furthermore, through the digitalisation of the healthcare and the public sector, the plan is expected to improve the outreach of those services in rural areas.

Contribution to upward economic and social convergence: A broad set of growth-enhancing measures are expected to support structural transformation and permanently contribute to jobs and growth, thereby reducing economic disparities. Overall, the plan boosts the growth potential of the economy and fosters job creation, by addressing weaknesses such as the lack of productivity and energy efficiency, or skills mismatches. In particular, as a whole, measures under Component 1 (digital transformation of enterprises) and Component 2 (Accelerating the green transition in enterprises) are expected to have a positive impact on growth potential and the twin transition, through job creation and productivity growth. Under Component 1 (digital transformation of enterprises), the investments aiming at deploying digital solutions in the construction and road freight transport sectors could accelerate the digital transformation of these two sectors (which are currently lagging behind for what concerns digitalisation). The envisaged support for skills development and the redesign of curricula will also create the conditions for long-term changes that are not limited to the period of implementation of the RRF. For instance, reforms and accompanying investments on digital skills will have a direct and long-term contribution to digital transition in companies and contribute to growth and jobs. Concerning skills, some measures under Component 2 (Accelerating the green transition in enterprises) are also expected to develop skills needed to foster the green transition (e.g. the development of trainings to support faster uptake of green technologies), maintain existing and create new sustainable jobs, including in rural areas, and contribute to growth. Measures under Component 4 (Energy and energy efficiency) are also expected to enhance energy efficiency, contributing to increase growth potential.

Contribution to CSRs on anti-money laundering: The Estonian plan includes a measure to strengthen the anti-money laundering (AML) framework. Building on recently adopted changes to the AML framework, Estonia envisages to upgrade the strategic analysis capability in AML by establishing a Strategic Analysis Centre within the Financial Intelligence Unit to assess money laundering and terrorist financing risks more systematically and operationally and strengthen the prevention of money laundering.

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Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
Digital transformation of enterprises	○	●	●	○	○	○
Accelerating the green transition in enterprises	●	○	●		○	○
Digital State		●		○	●	
Energy and energy efficiency	●		○	○		
Sustainable transport	●		○	○		
Healthcare and social protection		○	○	●	●	●

Key: “●” investments and reforms of the component significantly contribute to the pillar; “○” the component partially contributes to the pillar

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Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Estonian RRP components¹

Country challenges (as identified in Section 2)	Associated CSR (2019-2020) and European Semester recommendations	Digital transformation of enterprises	Accelerating the green transition in enterprises	Digital State	Energy and energy efficiency	Sustainable transport	Health and social protection
Investment							
Focus investment on the green and digital transition, in particular on digitalisation of companies	2019.3.1., 2020.3.3.	●	●	●	●	●	○
Reducing energy intensity	2019.3.1., 2020.3.5.		○		○	●	
Resource efficiency	2019.3.1., 2020.3.6.		●		●		
Sustainable transport	2019.3.1., 2020.3.7.		○			●	
Research and innovation	2019.3.1., 2020.3.4.	●	○				
Energy infrastructure	2019.3.1., 2020.3.1.		○		●		
Support innovation capacity of small and medium-sized enterprises	2020.3.8.	●	●				
Reducing regional disparities	2019.3.1.			○	○	○	○
Financial sector							
Strengthening anti-money laundering framework	2019.1.2, 2020.4.			●			
Ensure sufficient access to finance	2020.3.9.		●				
Social							
Improving adequacy of social safety net including by broadening the coverage of the unemployment benefits	2019.2.2., 2020.2.						○
Improving access to affordable and integrated social services	2019.2.2.						○
Reducing the gender pay gap, including by improving wage transparency	2019.2.3.						○
Health							
Improve the accessibility and resilience of the health system, including by addressing the shortages of health workers, strengthening primary care	2020.1.2.						●
Education and skills							
Addressing skills shortages by improving the capacity and labour-market relevance of the education and training system	2019.2.1, 2020.3.3.	○	○				○

Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge

¹ The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Greece's RRP, notwithstanding the fact that Member State 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 provisions of the General Escape Clause.