1. Basic Information

1.1 CRIS Number: 2003/004-582.03.01

1.2 Title: “Support for Tourism Development.”

1.3 Sector: Economic and Social Cohesion.

1.4 Location: Estonia

2. Objectives

2.1 Overall Objectives:
Sustainable growth of the tourism sector in Estonia.

2.2 Project Purpose:
Further development of tourism sector through testing and amplifying of tourism support measures.

2.3 Accession Partnership and NPAA priority
N/A

The current project is in line with Chapter 3.2.4, measure 8: Tourism development of the draft SPD 1.

The Estonian National Tourism Development Plan for years 2002-2005 establishes that the international competitiveness of Estonian tourism sector needs to be increased. The pre-requisites for achieving substantial progress in the field are the increased amount of investments in marketing, product development and information management combined with close co-operation between public and private sector.

Based on the National Tourism Development Plan and strategy on tourism in the SPD 2003-2006 the rationale of the Tourism Development measure is:
Promoting tourism provides new and alternative opportunities for the development of various Estonian regions. Tourism is an area that has been explicitly described in development strategy of each county and that is considered a good development opportunity by many local governments. Although tourism has rapidly developed in Estonia, several problems still exist hindering further realisation of Estonia’s potential in this economic sector.
Estonia’s tourism services are not diversified, most of the sector is concentrated in Tallinn, average length of visits is low and a large majority of visitors come only from one country – Finland. In addition, there is a serious lack of investments in tourism infrastructure outside of Tallinn. Estonia is situated away from major European tourism routes and our products are similar to those of other countries. Estonia is completely unknown in countries further away from Baltic and Nordic region and there is no clear-cut image connected with Estonia.

With the help of marketing activities, product development, investments in tourism infrastructure and diversification of destination markets, Estonia can significantly increase its competitiveness and revenues on world markets. The first task is to make people aware of Estonia as a destination country and provide good information to people interested in travelling to Estonia. After that, investments should be made into infrastructure and product development according to the cell-principle –

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1 SPD draft version of 12.11.2002.
government investments in important sights that have great importance over nearby areas are followed by enterprises that provide further services.

The supported activities under the Tourism Development measure of SPD, subject to current project are:

2.4.1 Product development grant scheme
Investments to create and improve accommodation facilities and services that will prolong the season; Investments into the development of tourism products in the areas and categories described in Estonian Tourism Development Plan 2002-2005.

2.4.2 Marketing grant scheme
Support for marketing activities for enterprises and regional authorities; Support for market research; Creation of high-quality promotion materials; Participation in international tourism fairs.

2.4.3 Marketing support for the Estonian Tourism Board
Promotion of Estonian tourism product on international arena; Development of tourism information system; Promotional travel packages to journalists and travel agents; Advertisement campaigns; Various information materials.

In the preparation process of SPD, the following partners were consulted in the field of tourism development: Estonian Adventure Tourism Association, Estonian Ecotourism Association, Estonian Marine Tourism Association, Estonian Association of Health Resorts and Rehabilitation Treatment, Union of Protected Areas of Estonia, Estonian Fund for Nature, county governments and association of local governments.

2.5 Cross Border Impact
N/A

3. Description

3.1 Background and justification:
The importance of tourism in the Estonian economy has continuously grown in recent years, accounting directly approximately 10% and taking into account its indirect effect approximately 15% of the GDP. The development of tourism sector enterprises is comparable to the changes taking place in the number of visitors and tourism service exports, being highly dependent on market forces. Enterprise Estonia ordered a survey in the framework of Brand Estonia project in 2002 (503 interviews among the residents of Finland, Sweden, Germany, Great Britain and St. Petersburg), which demonstrated that the respondents knew very little about Estonia and that the lack of information was singled out as the most important reason why they had not visited Estonia. 31% of the respondents knew only the name of Estonia, 56% said that they knew something but very little about Estonia and only 11% thought that they new Estonia as a tourist destination well or very well. 45% of the respondents who had not visited Estonia said that the reason for not visiting was lack of information. Among the reasons mentioned this was the most important one.
Although the importance of internal tourism is increasing, so far mainly foreign visitors are using the paid services provided by tourism sector.

The critical factors characteristic of the development of tourism in Estonia:
- distance from the central tourism packages of Europe;
many countries compete with similar tourism packages;
the competitive advantage of Estonia is its reputation as a country not yet discovered;
the poor availability of tourism information;
the packages provided by tourism sector lack diversity, being primarily focused on Tallinn;
the relative share of short visits is too big
the investments made in tourism infrastructure outside Tallinn are limited.

Expedient marketing, training, product development, market diversification and improvement in infrastructure are the measures that Estonia can implement to enhance its competitive advantages at the tourism market. Therefore, the provision of specific tourism infrastructure and marketing activities by the public sector is required to support and encourage investments by tourism enterprises. (See also Annex 7 - Problem Tree)
The national tourism policy and development activities are implemented by the Estonian Tourist Board (ETB), which is one of the agencies of Enterprise Estonia and belongs to the administrative sphere of the Ministry of Economic Affairs and Communications.

3.1.1 Tourism infrastructure development

Estonia’s tourism **product range** is quite narrow, most of the tourism activity is concentrated in Tallinn, average length of stay is exceptionally low and there is a heavy reliance on the Finnish market. Tourism infrastructure outside Tallinn is very limited, further constraining the capacity for more balanced development. Estonia is remote from the established European tourism routes and its main product, city tourism, operates in a highly competitive field. The country is relatively unknown in countries outside the Baltic and Nordic regions and it lacks a strong image in tourism terms. Therefore, every effort should be made to introduce and strengthen additional types of tourism that are suitable for this destination.

The current project must be seen as the second step of the overall national strategy towards tourism development, as it builds upon a pilot project financed under the Phare 2001 programme and is expected to pilot test the future tourism measure of the SPD.

**Phare 2001 infrastructure grant scheme**

In parallel with the programming of Phare 2003 the Ministry of Economic Affairs and Communications in co-operation with Enterprise Estonia has prepared the **Tourism Infrastructure Grant scheme**. The purpose of the scheme is to develop tourism through a measure, which supports investments into tourism infrastructure. The objective is to support the development of centres, which are important for regional development, the main sights and attraction centres, that would trigger business activities for the provision of additional services and increase the demand for existing services. In principle the creation of alternative employment is facilitated through the respective measure.

It will be launched in the autumn of 2002 and co-financed from Phare 2001 ESC and implemented in 3 target regions:

- North-East Estonia: Ida - Virumaa county
- South Estonia: Valga, Võru, Põlva, Tartu and Jõgeva counties
- West Estonia: Saare and Hiiumaa counties

Local governments and NPO are eligible as beneficiaries under the scheme.

**Justification of additional needs**

In order to estimate the potential, demand and priorities in the tourism sector and assess the financial and administrative capacity to carry out the projects by the potential applicants of the Phare tourism

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2 See also Ch 3.4.1.1 and Annex 4, Phare 2001 grant scheme documentation has been made available with presenting the project fiche.
grant schemes, the Estonian Tourist Board together with the Ministry of Economic Affairs and Communications has initiated two surveys:

In February 2002, the Estonian Tourist Board and the Ministry of Economic Affairs and Communications conducted a survey to estimate the readiness of the potential tourism projects for pilot Tourism Infrastructure Grant scheme implemented in 3 target regions and co-financed from Phare 2001 ESC. This resulted in the description of the potential project pipeline for the scheme. According to the results of the survey, there are at least 18 different potential tourism projects for scheme - two in Northern-Estonia, four in Western Estonia and 12 in Southern-Estonia. The total costs of the projects varied from 100 000 - 300 000 EUR and potential applicants considered the financial conditions of the EC grant and were ready to co-finance their projects min. 15% of the total eligible costs. The total of the budgeted projects (demand) amounts to 3 350 000 EUR, which exceeds that of 2 108 800 EUR, the total sum available for Phare 2001 infrastructure grant scheme.

In August 2002, the Estonian Tourist Board/Ministry of Economic Affairs and Communications together with Phare experts, in order to get more detailed information about the investment priorities in tourism and find out about the co-financing capacity of potential applicants and their partners carried out the investment intentions survey. The survey encompassed 247 municipalities, 15 tourism associations, active holiday and accommodation providers and transport companies. Public Authorities that responded indicated that they would invest 37 000 000 EUR in tourism between 2004-2006, if given additional support. The main targets of their investment plans were Historical & Cultural attractions (38%), Nature and Active tourism (32%) and Conference facilities (18%). The average size of project being contemplated was 1 000 000 EUR. If Public Authorities all over Estonia would respond at the same rate, the national planned investment figure would be approximately 175 000 000 EUR.

Phare 2003 infrastructure grant scheme.
Technical assistance has been asked under Phare 2001 for further development of the range of activities and coverage of the Tourism Infrastructure Grant Scheme. The aspects of EU Structural Funds (ERDF) will be taken into account when improving the scheme. In addition to the types of tourism product development encouraged under Phare 2001 grant scheme such as: Tourism products based on historical and cultural heritage; Nature and hobby tourism matching the characteristics of visiting centres of national parks and other suitable resources; Active holiday packages; Health and Leisure tourism, the Phare 2003 grant scheme will also include development of Conference tourism as an eligible activity. ‘Business tourism,’ which includes conference tourism, is a high yielding market segment and, considering its seasonal activity, very complementary to the classic summer period city tourism. Conference tourism, therefore contributes to the diversification and stabilisation of the industry.

After accession to the EU, Estonia will entirely be eligible for an Objective 1 support as NUTS II region. Based on SPD tourism development projects from the whole of Estonia will be considered in the following calls of the 2003 grant scheme. The second major amendment foreseen to the scheme is adding of the component for conference tourism development (SPD measure).

3.1.2 Tourism marketing development
Success in tourism requires an effective National Tourism Authority ensuring destination marketing, professional marketing by the members of the tourism industry, and a fully functioning system of public/private sector co-operation. In a mature tourist destination all of this tends to happen fairly automatically. In Estonia there are serious deficiencies, in that the marketing activity is heavily geared towards the travel trade, with a strong reliance on representation at tourism fairs and familiarisation activity and Estonian Tourist Board is under-funded to do any realistic destination marketing. Secondly, the tourism sector predominantly consists of small and medium-sized enterprises, which usually have limited resources for independent implementation of market research, gathering of statistical data on

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3 For detailed results of the survey, see Annex 5–Investment Intentions Survey report
tourism nor do they have an established track record of international marketing. And finally integrated public/private marketing is weakly developed.

In August 2002, the Estonian Tourist Board/Ministry of Economic Affairs and Communications together with Phare experts, in order to get more detailed information about the investment priorities in tourism marketing and find out about the co-financing capacity of potential applicants and their partners prepared the investment intentions survey. The survey encompassed 247 municipalities, 15 tourism associations, active holiday and accommodation providers and transport companies.

The respondents were willing to spend 4 400 000 EUR on tourism marketing between 2004-2006 if given additional support. The priorities indicated were Brochures (35%), Fairs (18%), Promotions (12%). For NPOs, the priorities were Advertising (36%), Fairs (18%) and Brochures (17%).

Therefore, with the purpose of encouraging effective international marketing by tourism enterprises and developing of integrated public and private sector marketing initiatives, the Tourism Marketing Grant Scheme has been designed. The scheme will support: development of attractiveness and image of Estonia focusing on its regions, increase in overnight visitors, extending of the tourism season and developing of product and niche markets.

Preparations for implementing the Tourism Marketing Grant Scheme are made in the framework of Phare 2001. Short-term technical assistance will conduct a feasibility study and design of this measure as a necessary input for further actions by December 2002. The technical assistance will also provide criteria for regional allocation of grants to ensure that the investments are carefully balanced between the regions of Estonia. The project also serves a very important role in a way of preparing needed institutions for managing EU SF support. By the decision taken by Estonian Government in April 2002 Enterprise Estonia will be Intermediate Body for ERDF.

3.1.3 Supporting activities

The proposed tourism development measures are bridging efforts for implementing the relevant measures co-financed by Structural Funds after accession to EU. In addition to remedying some of the shortcomings in the field of tourism product development and marketing, implementation of these schemes directly helps to prepare the relevant structures for implementing of these measures later on. In that framework a strategic basis will be created to implement the National Development plan/Single Programming Document 2003-2006.

Assistance to Enterprise Estonia for management of grant schemes

The mission of Enterprise Estonia is supporting of Estonian enterprises by applying of approved and effective public policy measures. The aim of the Phare Unit in Enterprise Estonia is to ensure the technical quality and management of the Phare grant schemes. This requires technical assistance and it has therefore been included as an activity in the current project.

Support to Estonian Tourist Board of Enterprise Estonia marketing activities

Estonian Tourist Board within Enterprise Estonia provides substantial, consultative and evaluation know-how in connection to the support measures. This essentially means that ETB both complements the administrative activities in implementing these grant schemes and takes a wider, not overlapping, perspective to the development in connection with these tourism marketing activities.

The Tourist Board has the following tasks: organisation of marketing activities, organisation of tourism product development activities, co-ordinates further training in the field of tourism and quality and co-ordination of market research in the field of tourism.

Estonian Tourist Board marketing activities in 2002: (480 000 EUR)

organising of tourism marketing activities of the state on international target markets (advertising in the media of foreign countries, tourism fairs, publications about Estonian tourism products, videos

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4 For detailed results of the survey, see Annex 5–Investment Intentions Survey report
5 See also Ch 3.4.1.2 and Annex 4
about Estonian tourism regions, presentations on tourism in foreign countries, familiarisation trips of foreign journalists, press conferences in foreign countries);
co-ordination of co-operation between the public, private and third sector in the implementation of the marketing strategy;
promoting of the development of domestic tourism and marketing co-ordination.

To amplify the effect of the tourism marketing grant scheme, assistance for Estonian Tourist Board marketing activities⁶ is foreseen in the framework of this project. The support is aimed at raising awareness on Estonia as a travel destination and makes tourism information about Estonia better available both within the country and abroad.

### 3.2. Linked activities:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Project</th>
<th>Budget (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tourism Development Program 1993-1995 ES-9301.02.01</td>
<td>Indicative Tourism Development Masterplan, European Market Demand and Strategy Study, Visitors Motivation and Expenditure Surveys, National Tourism Training Policy and Plan, Development of TIOs, Marketing Programme, Manpower Training (Project Completed)</td>
</tr>
<tr>
<td>2</td>
<td>Tourism Development Program 1996-1998 ES-9506.03.02</td>
<td>The tourism development program facilitated the formulation of Estonian tourism strategy. Advisory services to hotel enterprises, Institutional development, Manpower development/training, Product development (Project Completed)</td>
</tr>
<tr>
<td>3</td>
<td>Phare 1999 Project Preparation Facility ES9912</td>
<td>Phare 2000 and 2001 ESC projects are benefiting from the PPF facility. Projects will be complete by the end of 2002. The MoEAC has submitted 6 Technical Assistance projects that will be implemented. Projects mainly consist of short time expertise in the fields of tourism, SME development and R&amp;D. The Tourism infrastructure grant scheme will be designed with assistance of PPF.</td>
</tr>
<tr>
<td>4</td>
<td>Phare 2000 ESC projects Economic and human resources development project of Ida Viru ES0009-2</td>
<td>Phare ESC 2000 two underdeveloped regions (Ida-Viru and South-East Estonia) will be supported through different measures – business support strategy, innovation and incubation support network, tourism infrastructure development, human resource development during the years 2001-2003. The EE agencies in the regions of Ida-Viru and South-Estonia will be strengthened.</td>
</tr>
</tbody>
</table>

⁶See also Ch 3.4.1.3 and Ch 5.
<table>
<thead>
<tr>
<th></th>
<th>ES0009-3</th>
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</thead>
<tbody>
<tr>
<td>5</td>
<td>Phare 2001 ESC project by Ministry of Finance “Completing Preparations for the Management of EU and Structural Funds”</td>
<td>This project implemented by the Ministry of Finance has the objective of strengthening the administrative framework of the Estonian public sector for sound and efficient programming and the use of EU Structural Funds. Activities under this project are taking place on national administrative level (Approved by EC July 2001).</td>
</tr>
<tr>
<td>6</td>
<td>Phare 2001 ESC project – “Structures and Instruments for management of Business Support Measures”</td>
<td>This project has three components; strengthening Enterprise Estonia (business support foundation), financing Tourism infrastructure grant scheme and for preparation of a project pipeline for Industrial infrastructure grant scheme.</td>
</tr>
<tr>
<td>7</td>
<td>Phare CBC Small project Facility ES9911.02.01 ES0012</td>
<td>This facility has financed small sized local activities (surveys, strategies, plans, training, study-visits, tourism marketing, IT projects, etc.) that have cross-border effect. (On-going)</td>
</tr>
<tr>
<td>8</td>
<td>SAPARD, Measure no 3, development and diversification of economic activities in rural areas</td>
<td>Investment support for starting or expansion of rural tourism (for rural tourism entrepreneurs)</td>
</tr>
<tr>
<td>9</td>
<td>SPP++ Phare 2002</td>
<td>The project activities will start indicatively in September 2002. The project prepares Estonian administration for the SFs. It foresees also activities like training on project preparation and implementation, assists to establish project selection committees, assists to establish the necessary administration etc. All the activities will be horizontal and therefore different from the present project, as it is sector specific.</td>
</tr>
</tbody>
</table>

Linked activities undertaken by other parties:
Estonian National Regional Development Programs have since 1996 financed small sized local tourism development activities (surveys, strategies, plans, training, study-visits, tourism marketing, IT projects, etc)

3.3 Results

For the indicators please see ANNEX 1 – Logical Framework Matrix.
Tourism Infrastructure Grant Scheme amplified and 8-20 projects implemented (Activity 3.4.1.1)
Tourism Marketing Grant Scheme launched and 20-40 projects implemented. (Activity 3.4.1.2)
Technical assistance provided for management, development and evaluation of grant schemes. (Activity 3.4.2.1)
Marketing activities of Estonian Tourist Board amplified (Activity 3.4.2.2)

3.4 Activities
3.4.1 Grant schemes
3.4.1.1. Implementation of Tourism Infrastructure Grant Scheme (December 2003-March 2005, total cost 2 400 000 EUR) (Please see also ANNEX 4 – Overall description of the Grant Schemes)

PHARE Investment: Grants under the Tourism Infrastructure Grant Scheme
Projects funded by the Tourism Infrastructure Grant Scheme shall support the:
- Improvement and expansion of tourism infrastructure
- Diversification of tourism products and activities in the regions
- Innovative character of tourism products

The following themes are supported:
- Historical and/or cultural heritage
- Nature tourism
- Active holidays
- Conference tourism
- Health & Leisure

Eligible activities
- Construction or renovation of tourism objects
- Building hiking paths and nature routes and biking routes
- Installing tourism information signs and screens related to the tourism objects under construction
- Construction of accessibility to the objects constructed and development of appropriate environment around (paving, landscape architecture, green belt)
- Necessary equipment for improvement of the presentation of museums and visitors centres
- Modernisation of old and outdated equipment or purchase of new equipment and improvement of quality of conference facilities (construction and renovation)

Eligible beneficiaries:
Local governments
County governments
Local Government Associations;
Non-profit organisations

Size of the eligible projects:
Minimum grant contribution/grant agreement : 100 000 EUR
Maximum grant contribution/grant agreement : 300 000 EUR

Selection criteria:
Project proposals must reflect the specific objectives of the Grant Scheme and prove to be socio-economic viable such as:
Relevance and impact of the project to the regional development and tourism strategies
Correspondence of the project to the needs of target groups
Economic benefits for the region/municipality (i.e. job creation, enlarging
municipality’s revenue base, utilisation of local resources)
Effectiveness of funds utilisation
Sustainability of the project
Project management expertise and capacity

3.4.1.2. Implementation of Tourism Marketing Grant Scheme (December 2003-March 2005, total cost: 1 000 000 EUR) (Please see also ANNEX 4 – Overall description of the Grant Schemes)

PHARE Investment: Grants under the Tourism Marketing Grant Scheme
Projects funded by the Tourism Marketing Scheme shall support:
- Development of attractiveness and image of Estonia focusing on its regions
- Increase in overnight visitors
- Extending the Season
- Developing of Product and Niche Markets

Eligible activities:
- Joint Marketing Campaigns
- Co-operative marketing schemes
- Co-operative advertising Campaigns
- Direct Mail / Internet Marketing
- Public Relations
- Promotional Material
- Trade Promotions
- Consumer Promotions
- Marketing research

Selection criteria:
- International marketing
- New activities, or increased intensity of existing activity
- Use of “Welcome to Estonia” national branding
- Clearly defined target markets
- Featuring only product of approved, promotable standard
- Clear “Call to Action”, purchasing route
- Outputs clearly identified
- Consistency with the SPD
- Appropriate co-financing available
- Minimum investment levels achieved
- Professional and comprehensive marketing plan
- Project management expertise and capacity
- Technical assistance will be provided for designing and preparation of Tourism Marketing Grant scheme by December 2002 under ES01.07.01.

Eligible beneficiaries:
- Local governments;
- County governments,
- Non-profit organisations

Size of the eligible projects
- Minimum grant contribution /grant agreement: 20 000 EUR
- Maximum grant contribution per project/ grant agreement: 60 000 EUR

3.4.2 Supporting activities (December 2003-March 2005, total cost: 340 000 EUR)
3.4.2.1 TA: Assistance for management of grant schemes (in the form of several nationally financed service contracts 150 000 EUR allocated from the state budget for 2003):

- trainings, meetings and workshops for applicants of the grant schemes in preparing the applications and implementation of the project.
- necessary costs for the management of the schemes, including additional expertise if necessary for the evaluation of the infrastructure projects, audit costs, project and programme evaluation costs etc.
- guidance for beneficiaries on tender preparation and evaluation process according to PRAG, management of infrastructure projects, evaluation of the results and impact of the support measures.
- guidance for tenderers in preparing the offer documents

3.4.2.2 Support to Estonian Tourist Board of Enterprise Estonia marketing activities (January 2004-July 2004 in the form of Phare financed supply contracts 150 000 EUR and nationally co-financed service contracts 40 000 EUR). For detailed activities and budget breakdown please see Ch 5.

The survey ordered by Enterprise Estonia in February 2002 shows that there is lack of information available about Estonia as a travel destination and the available one is out-dated. Supporting the marketing activities focusing on regions or special interest products will increase the need on main target markets for promotional materials on Estonia as overall. Estonian Tourist Board of Enterprise Estonia has a sufficient budget to cover the minimum needs for printed materials on the promotional activities, however additional resources will have to be devoted to developing and publishing of promotion materials.

The support is foreseen to provide: the whole set of updated promotional materials in 4 different languages (English; German; Finnish; Swedish):

- general image brochures describing Estonia as a tourist destination;
- Handbook for professionals providing detailed contact information about Estonian tourism enterprises and organisations;
- Map of Estonia describing 5 sample tours for individual travellers;
- CD-ROM containing information and photos for professionals;
- posters;
- press kit;
- give-aways etc.

The costs in amount of 40 000 EUR for copywriting the texts, photomaterials and preparing the layouts are covered from Estonian Tourist Board of Enterprise Estonia budget. For budget breakdown see Ch 5. Materials will be distributed to customers free of charge at embassies, representational offices and marketing events to promote Estonia as a tourism destination.

Beneficiary of supporting activities will be Enterprise Estonia.

3.5 Lessons learned-

The main lessons learned from previous Economic and Social Cohesion type projects come from the Phare 2000 ESC projects ES0009-02 and ES0009-03 Phare 2001 ESC project ES 01.07.01. Estonian Regional Development project (ES-9609.01) and the Special Preparatory Programme for Structural Funds.

Estonian National Regional Development Programs have since 1996 financed small-size local tourism development activities (surveys, strategies, plans, training, study-visits, tourism marketing, IT projects, etc), but there are no national sector measures, which would enable to direct support more efficiently into tourism development. The Phare grant schemes (2001 and 2003 ESC) are the first attempt to support tourism sector development through direct investments in Estonia.
The findings of preparatory work for Phare 2001 Tourism Infrastructure Grant Scheme in February 2002 have been taken into account while designing the Phare 2003 project. The implementation of ESC 2000 projects has shown that there is need for guidance and training for the beneficiaries for efficient preparation of the tender documentation. As Estonian enterprises are lacking the knowledge and experience in participating on the public tenders launched by the EU requirements more guidance is needed for them too.

In order to ensure the smooth project implementation, trainings, workshops and information meetings about the preparation of project application and tender dossiers should be organised. EE and also Chamber of Commerce and Industry in Estonia started with the information seminars for entrepreneurs to inform them about the possibilities to participate on the EU tenders and the requirements set to the offers and documentations.

During the elaboration of guidelines for Phare 2001 Tourism Infrastructure Grant Scheme, the financing scheme of the projects, the control and reporting procedures and the division of functions and tasks between institutions involved in implementation of the grant scheme were clarified.

As to concrete measures, Foreign Funding Division has been established in the Economic Development department in the Ministry of Economic Affairs and Communications. Phare Unit has been created in Enterprise Estonia (EE) accordingly.

4. Institutional Framework

4.1 Implementation

The overall distribution of tasks for the implementation of Tourism Grant Scheme is regulated by the contract between the Ministry of Economics, CFCU (Central Finance and Contracting Unit) of the Ministry of Finance and Enterprise Estonia signed in 22 of May 2002.

CFCU as an Implementing Agency (IA) is responsible for contracting and for the payments of the project.

Ministry of Economic Affairs and Communications (MoEAC) is responsible for achievement of the project objectives and is therefore monitoring the project.

The MoEAC delegates the task of management of the project to the Enterprise Estonia (EE), who acts as the Technical Implementation Unit of the project. The Ministry of Economic Affairs and Communications ensures the capacity of the EE to carry out these functions.

Enterprise Estonia was founded by the Government in 2000, it consists of seven agencies: Regional Development Agency, Tourist Board, Technology Agency, Export Agency, Investment Agency, Ida-Viru Agency in Jõhvi and South-Estonian Agency in Tartu. Altogether there are above 110 employees, the number is constantly increasing. In March 2002 Phare Unit was established in Enterprise Estonia.

4.2 Beneficiaries

- The final beneficiaries of grant schemes are local authorities, county governments and non-profit organisations (NPO).

8For further details see Ch 6.1 and Annex 6
9Non-Profit Associations Act (1996) and Foundations Act (1995) include the concepts, principles for founding, running, controlling and terminating the activities of non-profit associations and foundations. These principles are present in the statutes of respective organisations as stipulated in the Estonian legislation. In the framework of this Phare project NPO is defined as an organisation, which is not profit-seeking according to its statute and in its activities.
Beneficiary of the supply component is Enterprise Estonia.

4.3 Owners of the assets
Owners of the assets after the end of project:
- The owners of the investments of the Tourism Infrastructure Grant Scheme will be local authorities, county governments and NPOs.
- The owners of grant contracts of the Tourism Marketing Grant Scheme will be local authorities and tourism NPOs.
- The owner of component 2.2 is Enterprise Estonia.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Phare Investment Support: grant contracts/ works and supply contracts</th>
<th>Phare Institution Building</th>
<th>Total Phare (I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Grant schemes</td>
<td>2 550 000</td>
<td>2 550 000</td>
<td>850 000</td>
<td>3 400 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Tourism Infrastructure Grant scheme</td>
<td>1 800 000/0</td>
<td>1 800 000</td>
<td>600 000</td>
<td>2 400 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Tourism Marketing Grant scheme</td>
<td>750 000/0</td>
<td>750 000</td>
<td>250 000</td>
<td>1 000 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Supporting activities</td>
<td>150 000</td>
<td>150 000</td>
<td>190 000</td>
<td>340 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Assistance for management of grant schemes. (service contracts)</td>
<td></td>
<td></td>
<td>150 000</td>
<td>150 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Support to Estonian Tourist Board marketing activities. (Phare supply and national service contracts)</td>
<td>150 000</td>
<td>150 000</td>
<td>40 000</td>
<td>190 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2 700 000</td>
<td>2 700 000</td>
<td>1 040 000</td>
<td>3 740 000</td>
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<td></td>
</tr>
</tbody>
</table>

The amounts for co-financing indicated in the table correspond to cash co-financing. The co-financing expenses will be monitored by the beneficiary and the NAO. For the earmarked co-finance, a clear and verifiable set of costs will be provided. The beneficiary will define which budget
lines are the source for co-finance. Flow and stock data on co-finance will be submitted quarterly for steering committees, twice a year to the Sector Monitoring Working Group.

The beneficiary, together with the NAO commits to sound financial management and financial control.

- Activities 1.1; 1.2 entails joint co-financing of grants under two schemes. Ministry of Economic Affairs and Communications provides at least 25% of financing to the grant contracts of the project from state budget of 2003 (850 000 EUR). For the nature of activities see chapter 3.4 and Annex 4. Beneficiaries will provide at least 15% of the total project cost, which will be used as a parallel co-financing and is not included in the above table.
- Activity 2.1 entails national financing for supporting the management of grant schemes (Please see 3.4.2.1, co-financing in the amount of 150 000 EUR from the state budget for 2003; all costs are calculated for three years).

**The national co-financing budget line for tourism projects is under art. 223.04.1 Enterprise Estonia in the 2003 state budget.**

Assistance for management of the grant schemes (2.1) includes the following activities financed from the co-financing budget only:

- Trainings, meetings and workshops for beneficiaries in project implementation (approx. 10 000 EUR)
- Evaluation of the results and impact of the support measure (approx. 10 000 EUR)
- Assistance for preparation of procurement documentation for selected projects (approx. 20 000 EUR)
- Audit, assessment and expertise costs, (approx. 50 000 EUR)
- Construction inspection costs etc. (approx. 30 000 EUR)
- Project management (transport, copies, site visits, publications about the best practices and Phare activities, translation etc) (approx. 30 000 EUR).

The budget breakdown is indicative and can be changed according to the circumstances appearing during the implementation of the schemes.

- Activity 2.2 entails Phare funding (150 000 EUR) for supply contract and national funding (40 000 EUR) for service contracts for developing of promotion materials.

Parallel co-financing is used, because the development of Tender Dossiers for producing these materials needs to be done prior to supply contract. Also to keep the design and layout costs low the usage of the national umbrella branding “Welcome to Estonia” design tools, the brand narratives for tourism hub and Estonian Tourist Boards photo bank is necessary.

**Support to Estonian Tourist Board marketing activities:**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Estonian Tourist Board of Enterprise Estonia</th>
<th>Phare funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. General image brochures describing Estonia as a tourist destination</td>
<td>Approx 18 000 EUR</td>
<td>Approx 60 000 EUR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approx 60 000 copies</td>
</tr>
<tr>
<td>1.2. Handbook for professionals providing detailed contact information about Estonian</td>
<td>Approx 9 000 EUR</td>
<td>Approx 25 000 EUR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approx 15 000 copies</td>
</tr>
<tr>
<td>Tourism Enterprises and Organisations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3. Map of Estonia describing 5 sample tours for individual travellers</td>
<td>Approx 3 000 EUR</td>
<td>Approx 15 000 EUR</td>
</tr>
<tr>
<td></td>
<td>Approx 40 000 copies</td>
<td></td>
</tr>
<tr>
<td>1.4. CD-ROM containing information and photos for professionals</td>
<td>Approx 3 000 EUR</td>
<td>Approx 15 000 EUR</td>
</tr>
<tr>
<td></td>
<td>Approx 3200 copies</td>
<td></td>
</tr>
<tr>
<td>1.5. Posters</td>
<td>Approx 2 000 EUR</td>
<td>Approx 10 000 EUR</td>
</tr>
<tr>
<td></td>
<td>Approx 10 000 copies</td>
<td></td>
</tr>
<tr>
<td>1.6. Press kit</td>
<td>Approx 1 500 EUR</td>
<td>Approx 8 000 EUR</td>
</tr>
<tr>
<td></td>
<td>Approx 5000 copies</td>
<td></td>
</tr>
<tr>
<td>1.7. Give-aways etc</td>
<td>Approx 3 500 EUR</td>
<td>Approx 17 000 EUR</td>
</tr>
<tr>
<td></td>
<td>Approx 2600 copies</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>40 000 EUR</td>
<td>150 000 EUR</td>
</tr>
</tbody>
</table>

### 6. Implementation Arrangements

The following implementing arrangements are indicative. An updated scheme reflecting new developments and decisions in the light of EDIS and Structural Funds preparations will be submitted to the ex-ante control of the EC delegation, together with the call for proposal documents, before the contracts are signed.

The implementing Agency is the CFCU of the Ministry of Finance, it will be responsible for tendering (primary Phare contracts), contracting and payments to the beneficiaries. According to implementation contract between Ministry of Finance, Ministry of Economic Affairs and Communications and Enterprise Estonia, the advisory and supervisory services for ensuring tendering and reporting are the responsibility of Enterprise Estonia. EE is responsible for tendering, contracting and payments from parallel co-financing provided by the MoEAC.

#### 6.1.1 Project selection, evaluation and control of the grant scheme applicants under Tourism Infrastructure development and Tourism Marketing grant schemes.

**Project selection**

The project selection will strictly follow the procedures described in PRAG section 6 “Grants”. The projects will be selected via local call for proposals. For the evaluation of the projects an Evaluation Committee will be established by MoEAC and approved by the Ministry of Finance and EC delegation in Estonia. After checking the eligibility and administrative, technical and financial compliance of the applications the evaluation committee will make a financing proposal to the PO who will in turn ask approval from PAO. PAO decision will be endorsed by the EC Delegation. The CFCU will contract the beneficiaries and make payments for implementing the project.

**Evaluation process**

The evaluation process starts with the receipt of the proposals by the Enterprise Estonia and ends with the approval by Delegation of the European Commission of PAO’s decision to award grants to the selected applicants.

All proposals will be opened in an opening session of the Evaluation Committee. The names of the applicants who submitted proposals within the stipulated deadline and those who submitted their applications after the stipulated deadline will be announced.

Each proposal will be evaluated by the members of the Evaluation Committee (at least 5), if assessors carry out the assessment, the recommendations must be presented to the Evaluation Committee in writing. The average of the grades obtained from the grids filled in by the evaluators will be calculated.
According to the results of the evaluation, the Evaluation Committee draws up its recommendations, prepares the Evaluation Report and submits it for approval to MoEAC/PO. The MoEAC/PO checks whether the procedure followed by the Evaluation Committee has been correct and submits the results to the Ministry of Finance for approval. The evaluation report will be approved by the Ministry of Finance (CFCU) who will submit the evaluation report together with the applications to the Delegation of the European Commission for endorsement.

**Preparation of the contracts**
In principle the Model of Standard Grant Contract will be provided as Annex to the Guidelines for applicants. The CFCU prepares the grant contracts and submits to the PAO for approval. After giving the approval to the grant contracts PAO/CFCU submits the contracts signed by him to the EC Delegation for endorsement. Following the endorsement of the contracts by ECD, the grant contracts will be signed by the beneficiaries. The CFCU provides the EE with information regarding the contract awards.

**Financial management of the grant schemes**
This part refers to the management of the grant scheme from the point of view of the Contracting Authority (CFCU) regarding the contractual aspects and from the point of view of the Technical Implementation Unit regarding the management aspects.

MoEAC is responsible for applying for the co-financing funds of the Grant Schemes from the state budget and transfers the funds to the EE according to the contract between MoEAC, CFCU and EE; EE transfers the co-financing funds to the account in National Fund in MoF opened for the project according to the request of transfer authorised by PO; There are separated accounts for the project in the National Fund; The beneficiary undertakes to co-finance the grant and should open a separate account for Phare funds; The beneficiary submits the request for payments to EE for approval; EE submits the requests for payments to PO for approval and PO sends it to PAO/CFCU for approval; CFCU applies for transferring the Phare and co-financing funds into sub-accounts of the project in the National Fund; Payments to the beneficiaries are made from the sub-accounts; In order to obtain the interim payments the beneficiary is obliged to present the report with actual expenditure and the activity plan for the following period together with the request for interim payment. The report should include the actual and planned expenditure from the additional financing undertaken by the beneficiary; In case of approval of the report and request for payment the CFCU transfers the interim payment into the beneficiary’s account. In case of approval of the final report by EE, PO, PAO/CFCU, the CFCU transfers the balance into the beneficiary’s account. CFCU provides the EE with the information regarding the balance of Phare and co-financing funds and regarding the payments made to the beneficiaries.

**Control and reporting**
The reporting process is carried out at different levels:
Each individual project has to provide regular quarterly financial and progress reports and submit them to EE, which is responsible for preparing a calendar and standard formats for reporting; EE compiles comprehensive quarterly progress reports and submits them to the Steering Committee for approval and to PAO for information.
**Project level control:**
Beneficiaries control their own project, their team and their sub-contractors
EE controls and monitors progress and planning of individual projects and of the Programme (on scheme and fiche level)
MoEAC/PO/Steering Committee control the whole project progress and planning and take all strategic decisions of the project;
The final report of each single project under the grant scheme is to be approved by the PAO/CFCU.

**6.1.2 Division of implementation functions between the participants**

**PAO/Central Financing and Contracting Unit**
The PAO shall be responsible for the operations of the Implementing Agency (CFCU) and in particular for the sound, administrative, financial and technical management of the project to be implemented by IA, including respect of tendering and contracting procedures and monitoring of project implementation.

**Responsibilities of PAO/CFCU:**
Approval of the Guidelines of the grant schemes prepared by MoEAC and EE and submission to the ECD for endorsement;
Approval of the composition of the Evaluation Committee and submission to the ECD for endorsement;
Observation of the evaluation procedures of the grant applications. Approval of the evaluation report and submission to the ECD for endorsement;
Preparation of the grant contracts and submission to the ECD for endorsement;
Launching Call for Proposals, information and publicity
Conclusion of the grant contracts with beneficiaries;
Control and approval of the requests of payments;
Making payments to the beneficiaries;
Approval and control of sub-tendering and sub-contracting and submission of documents to the ECD for information;
Approval of reports of the beneficiaries and submission to the ECD for information and comments.

**PAO:** Mr. Renaldo Mändmets  
**Title:** Deputy Secretary General  
**Institution:** Ministry of Finance  
**Address:** Suur-Ameerika 1; Tallinn 15006, Estonia  
**Phone:** +372 6113545  
**Fax:** +3726966810  
**E-mail:** renaldo.mandmets@fin.ee

**CFCU**  
**Acting Deputy Head:** Mr Hennart Arismaa  
**Institution:** Ministry of Finance / Foreign Financing Department  
**Address:** Suur-Ameerika 1, 15006 Tallinn, Estonia  
**Tel:** +372 6 113 012  
**Fax:** +372 6 966 811  
**E-mail:** hennart.arismaa@fin.ee

**The Ministry of Economic Affairs and Communications / Programme Officer (PO)**
The Ministry of Economic Affairs and Communications is responsible for steering and monitoring of the project and its sub-projects, maintaining regular contacts with PAO/CFCU. The Ministry is directly responsible for achieving the project purpose and contributing to the achievement of overall objectives.

The MoEAC has set up the **Steering Committee (SC)** with PO as a chairman. The Committee is an inter-institutional body that composed of the representatives of ECD, Ministry of Finance, Ministry of Economic Affairs and Communications, Ministry of Internal Affairs, Enterprise Estonia and social partners. The Steering Committee reviews, comments on and approves the reports and work plans of the project, discuss and authorise changes in project implementation plan and resource allocation.

For contracts 2.1 and 2.2 (Ch 5) the Steering Committee will receive regular information on the activities undertaken under national co-financing.

The Economic Development Department of the MoEAC is responsible for the project on working level.

The PO is responsible for:
- Ensuring the preparation of guidelines for applicants (the strategic objectives, eligibility and selection criteria)
- Selection of projects (namely the compliance with the eligibility and selection criteria)
- Monitoring of progress of the project (meeting the objectives of the project) and planning of corrective management actions in its capacity

**PO:** Mr. Raul Malmstein  
**Title:** Deputy Secretary General of Economic Development  
**Institution:** Ministry of Economic Affairs and Communications  
**Address:** Harju 11, Tallinn 15072, Estonia  
**Phone:** +3726256370  
**Fax:** +3726313660  
**E-mail:** raul.malmstein@mkm.ee

**Economic Development Department:** Mr Eero Pärgmäe  
**Title:** Head of Foreign Funding Division  
**Institution:** Ministry of Economic Affairs and Communications  
**Address:** Harju 11, Tallinn 15072, Estonia  
**Phone:** +372 6256 378  
**Fax:** +372 6313 660  
**E-mail:** eero.pargmae@mkm.ee

**Technical Implementation Unit (Enterprise Estonia)**

According to the contract between MoEAC, MoF and Enterprise Estonia, the Technical Implementation Unit of the Tourism Grant Schemes is Enterprise Estonia (EE).

In March 2002 a Phare Unit was established in EE with the objective to provide technical support to MoEAC in implementing the Economic and Social Cohesion (ESC) projects. By the beginning October 2002 there were 5+1 employees working in the Unit: Ms Kerstin Liiva – head of the unit, Ms Kadi Reintam – procurement specialist, Mr Alo Kaur – project manager (ES0009.02 and ES0009.03), Ms Krista Kampus – project manager (ES01.07.01 TGS under sub-project 2), Ms Ghita Pook – project manager (ESC01.07.01 except TGS under sub-project 2) and Ms Monika Orek – assistant.

**Responsibilities of Enterprise Estonia/ PO:**
- Preparation of the guidelines (namely the procedure and templates for proper application and implementation);
- Grant scheme management;
- Information and publicity about the Call for Proposals;
- Providing technical assistance for the potential project beneficiaries (incl. dissemination of information and project preparation support);
Preparation of the standard formats and calendar for reporting of beneficiaries;
Submitting the composition of the Evaluation Committee to the PAO for approval;
Organising the project Evaluation Committee meetings;
Examination of the Evaluation Report and submitting to the PAO for approval;
Correspondence to applicants (incl. rejection letters, letters to successful applicants etc.);
Advise the beneficiaries in sub-tendering procedures and documents within the grant contracts;
Follow up of the progress and planning of individual projects;
Conducting the general control of the implementation of the grant contracts, approval of single project reports;
Submitting request of payments of beneficiaries to PAO for approval;
Examination of the sub-tender documents of the grant contract, submission to the PAO for approval;
Regular reporting to PO and Steering Committee.

The overall responsible of the project: Mrs. Kerstin Liiva
Title: Head of Phare Unit
Institution: Enterprise Estonia
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 729
Fax: +372 6 279 427
E-mail: kerstin.liiva@eas.ee

Procurement Specialist: Ms Kadi Reintam
Institution: Enterprise Estonia
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 729
Fax: +372 6 279 427
E-mail: kadi.reintam@eas.ee

The project manager for the tourism infrastructure grant scheme: Mrs Krista Kampus
Title: Project manager
Institution: Enterprise Estonia, Phare Unit
Address: Roosikrantsi 11, 10119 Tallinn, Estonia
Tel: +372 6 279 400
Fax: +372 6 279 427
E-mail: krista.kampus@eas.ee

For the implementation of the tourism marketing grant scheme a project manager will be hired in the beginning of the year 2003.

The marketing activities of the EE Tourist Board (Activity 3.4.2.2) will be conducted by the marketing specialists of the ETB.

For further details concerning implementation, financing schemes and monitoring of the grant schemes, see Annex 4.

Beneficiaries:
The beneficiaries (local governments, county governments and NPOs) are responsible for the implementation of the single projects according to the conditions provided in the Grant Contract and its annexes.
The beneficiaries will present the CVs of key staff involved in the project and describe the methodology of project in the Application Form of the project. They also should present their
experience from previous projects. All these categories will be evaluated as indicators of capacity of applicants.

**Responsibilities of Beneficiaries:**
Implementation of the project according to the grant contract and its annexes;
Management of the grant funds allocated within the grant contract;
Preparing the sub-tender documents and evaluation of the offers;
Sub-contracting
Control of the sub-contractors;
Regular quarterly reporting to EE/PO (progress and financial report);
Submitting the invoices and request of payments to EE/PO for approval;
Responsibility for transparent accounting of the project;
Following the guidelines for publicity.

**Extended Decentralised Implementation System (EDIS)**
Under EDIS the functions and tasks of all relevant bodies involved remain similar to the DIS procedures described above. The primary difference will be in that the ex-ante control will not be carried out by the ECD but by the Foreign Financing Department of the Ministry of Finance. The division of tasks between CFCU and ECD may thereby by revised accordingly after CFCU has received the accreditation. All specific provisions for the implementation and control mechanisms will be ensured by the Ministry of Finance and elaborated by the summer of 2003.

6.2 Twinning
N/A

6.3 Non-standard aspects
No non-standard aspects are foreseen.

6.4 Contracts (involving Phare only)
- Tourism Infrastructure Grant scheme. Grant contracts. 1 800 000 EUR
- Tourism Marketing Grant scheme. Grant contracts. 750 000 EUR
- Support to Estonian Tourist Board marketing activities. Supply contracts 150 000 EUR

7. Implementation Schedule

7.1 Start of tendering/call for proposals: April 2003

7.2 Start of project activity: August 2003

7.3 Project Completion: March 2005

8. Equal Opportunity

- Equal opportunities for women, men and minorities will be ensured by the PAO during the implementation of the project.
- The Estonian laws and regulations concerning the equal opportunities for women, men and minorities will strictly be followed.
- During the implementation the project there will be no discrimination on the grounds of race, sex, sexual orientation, mother tongue, religion, political opinion, national or social
origin and birth. Equal opportunities for women, men and minorities will be ensured by the Steering Committee during the implementation of the project.

- Equal opportunity for men and women to participate in the project will be measured by records of the experts and consultants employed.

9. Environment

Prior to starting the project activities environmental impact assessment of each individual project, when necessary, will be ensured by the beneficiary, as stipulated in Estonian legislation:

- Environmental impact assessment as stipulated in Estonian legislation will be conducted prior to the start of each individual project if necessary and ensured by the beneficiary.
- Projects will be required to demonstrate environmental sustainability and to have regard to best practice in relation to environmental protection. Successful realisation of the strategy set out in the Tourism grant schemes is dependent on, and directly linked to, the delivery by relevant local and other authorities of the necessary infrastructure, facilities and controls.
- None of the components or activities will have an adverse effect on the environment.

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art 6. of the Habitat directive\textsuperscript{10} must be documented by filling in the Annex nature conservation (see Annex 6) for the corresponding project and the provisions must be compatible with the provisions of the Birds directive\textsuperscript{11}.

10. Rates of return

- Project selection criteria of Tourism Grant schemes ensure that only well prepared projects anticipating concrete results and impact will receive the funding, including increase of visitors and employment in relevant region. The grant schemes documentation will be provided by technical assistance and will be completed by the November 2002.
- It is foreseen that additionally to the grant application forms, the applications must include the supporting documents that includes the most recent annual report of the applicant, evidence confirming the technical preparedness of the project (feasibility study, technical design, building permit, land use permit, etc.), evidence of available additional financing, evidence of current ownership of the land and assets considered in the project, evidence of future ownership of desired project assets and Environmental Impact Assessment (as stipulated in Estonian legislation)

11. Investment criteria

11.1 Catalytic effect:

- Development of programme/project implementation structures is a key issue for absorption capacity of Structural Funds in the country.

11.2 Co-financing:

- Ministry of Economic Affairs and Communications provides at least 25 % joint co-financing to the grants from the state budget 2003.
- Ministry of Economic Affairs and Communications provides co-financing to management of the grant schemes in the amount of 150 000 EUR from the state budget for 2003.

\textsuperscript{11} Council Directve 79/409/EC on the conservation of wild birds.
- It is foreseen that the financial contribution of the applicant must be minimum 15 % in addition to the requested grant amount in the sub-project 1.

11.3 Additionality:

Estonia allocates national resources in the form of grants to different national business support measures, mainly to support the Regional policy, SME policy and R&D policy. Starting from the year 2002 also to the Tourism policy. Use of Phare resources will increase the impact of support measures. Phare assistance is essential for preparations for the management of Structural Funds support and similar measures will be co-financed from Structural Funds after the accession to the EU. Grants for development of cultural and nature tourism attractions (which are mainly owned by public sector) will facilitate tourism development activities in private sector as well. The Phare scheme is additional and does not replace any national or other source of funding.

According to the results of the Tourism Investments Intentions Survey, the respondents among Public Authorities, given the co-financing from the EU envisaged a capital investment of 37 000 000 EUR over the 2004-2006 period. The respondents, given co-financing from the EU envisaged a marketing expenditure of 4 400 000 EUR over the 2004-2006 period. This is a multiple of 3.1 times their actual spending levels over the past 3 years.

11.4 Project readiness and Size:

- Tourism Infrastructure Grant scheme is ready and will be launched in summer of 2002 under ES01.07.01.
- Technical assistance will be provided for designing and preparation of Tourism Marketing Grant scheme and further development of Tourism Infrastructure Grant Scheme by December 2002 under ES01.07.01.
- Research ordered by Enterprise Estonia in 2002 served as important information for designing of grant schemes.
- The total of all Phare financed investment components of the project is 2 700 000 EUR.

11.5 Sustainability:

The investment will be sustainable after the completion of the project. Beneficiaries will assure future maintenance and operating costs of the tourism projects.

Allocation of grants depends on the quality of application, which as an inherent part includes feasibility and revenue assessments and description of future use of these investments. The beneficiaries will therefore guarantee the sustainability of the projects. Enterprise Estonia will evaluate the projects after completion.

11.6 Compliance with state aids provisions:

State aid is regulated by Estonian Competition Law, which is harmonised and in compliance with European Union regulations. All state aid provisions deriving from the Estonian Competition Law will strictly be followed during the implementation of the project.

11.7 Contribution to National Development Plan

The Tourism Infrastructure Grant scheme and the Tourism Marketing Grant scheme correspond to Chapter 3.2.4 of SPD and contribute to the implementation of the SPD measure Tourism development

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12 See also Annex 5
12. Conditionality and sequencing

12.1 Conditionality
A project manager for implementing the Tourism Marketing Grant scheme must be recruited in Enterprise Estonia in the beginning of 2003. Prior to starting the project activities environmental impact assessment of each individual project, when necessary will be ensured by the beneficiary, as stipulated in Estonian legislation. Enterprise Estonia will ensure that the projects financed under the Grant Schemes do not receive other assistance from SAPARD Agency or Phare CBC. The designed scheme will be fully consistent with the content of the draft SPD its current version at the date of implementation of the project. Following the outcome of the “grant scheme assessment” undertaken by the EC delegation on the basis of Phare Programming Guide 2003, the launch of the Call for Proposal for contract 1 is conditional upon evidence that CFCU has strengthened its capacity and clearly outlined its procedures and systems in place for subcontracting.

12.2 Sequencing
- Grant scheme from ES01.07.01 implemented (joint grants from Phare 2001 and national co-financing) and technical assistance for elaboration of grant scheme, project preparation and training of beneficiaries requested (expertise from national co-financing) by December 2003.
- The implementing arrangements will be updated, reflecting new developments and decisions in the light of EDIS and Structural Funds preparations, and submitted to the ex-ante control of the EC delegation, together with the call for proposal documents, before the contracts are signed.
- Phare 2003 grant scheme launched,
- Projects prepared by beneficiaries
- Beneficiaries trained beneficiaries trained (expertise financed from national co-financing)
- Projects implemented (joint grants from Phare 2003 and national co-financing).

Annexes to Project Fiche
ANNEX 1 - Logical framework matrix
ANNEX 2 - Time implementation chart
ANNEX 3 - Contracting and disbursement schedule
ANNEX 4 – Overall description of the Grant Scheme
ANNEX 5 – Tourism Investment Intentions Survey
ANNEX 6 – Environment impact assessment and nature conservation annexes
ANNEX 7- Structure of Enterprise Estonia
ANNEX 8 – Problem tree
## ANNEX 1

### LOGFRAME PLANNING MATRIX FOR

<table>
<thead>
<tr>
<th>Project title: <strong>Tourism Grant schemes</strong></th>
<th>Programme name and number: Phare ESC 2003</th>
<th>Date of drafting: 21.08.2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracting period expires: 30 April 2005</td>
<td>Disbursement period expires: 30 April 2006</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
</table>
| Sustainable growth of the tourism sector in Estonia. | ▪ Export of Tourism services increased 7% by 2006 compared to 11.6 billion in 2001  
▪ The average length of stay in Estonia increased from ca 1.5 nights up to 2.2 nights by 2006  
▪ The share of tourists in the total number of visitors increased from 40% up to 45% by 2006 compared to 2001 | ▪ Regular Reports of Estonia issued by EC  
▪ Ex ante, interim and ex post evaluation by Estonian Ministries and EC Delegation  
▪ Regular reports of Estonian ministries to Phare Monitoring Committee  
▪ Regular statistics of Estonian CSO and Eurostat  
▪ Visitor surveys ordered by Tourist Board and Bank of Estonia |

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| Further development of tourism sector through testing and amplifying of tourism support measures. | ▪ Adequate routines of grant scheme operation in place by April 2003  
▪ 30-50 projects prepared and funded under grant | ▪ Regular project reports issued by EE and presented to SC  
▪ Ex ante, interim and ex post evaluation by the | ▪ Fruitful co-operation of central and regional administration, partnership principle effective throughout the project |
<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
</table>
| ▪ Tourism Infrastructure Grant Scheme amplified and 8-20 projects implemented (activity 1.1)  
▪ Tourism Marketing Grant Scheme launched and 20-40 projects implemented (activity 1.2)  
▪ Technical assistance provided for management, development and evaluation of grant schemes (activity 2.1)  
▪ Marketing activities of Estonian Tourist Board amplified (activity 2.2) | ▪ 8-20 tourism infrastructure projects financed by March 2005  
▪ 20-40 tourism marketing projects financed by March 2005  
▪ Expertise given in the form of consultations, training and workshops for applicants from April 2003 to March 2005  
▪ Promotional materials produced by ETB increased 60% by 2006 compared to 2002  
▪ Marketing activities of Estonian Tourist Board amplified three times by 2005 compared to 2002 | ▪ Regular reports issued by project managers and presented to EE  
▪ Regular reports issued by EE and presented to SC  
▪ Monitoring reports issued by the MoEAC and presented to ESC Monitoring Subcommittee  
▪ Ex ante, interim and ex post evaluation by the MoEAC and EC Delegation | ▪ Fruitful co-operation of central and regional administration, partnership principle effective throughout the project cycle  
▪ Sufficient  
▪ Availability of good quality projects  
▪ Success of Phare 2001 ESC assistance, grant schemes ready; |

- Tourism infrastructure facilities created and upgraded by March 2005
- Number of visitors increased by 7-10% by 2006 compared to 3.23 million in 2001
- Increased effectiveness of the administrative, management and monitoring structures by 2004

MoEAC and EC Delegation in close co-operation with EE

Success of Phare 2001 ESC assistance, design of the Marketing grant scheme (operational manuals, guidelines for applicants and application forms) ready by 2003; Tourism Infrastructure Grant Scheme successfully tested.
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Cost (EUR)</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Grant schemes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Implementation of Tourism Infrastructure Grant Scheme</td>
<td>1.1 Investment (joint grants)</td>
<td>Phare 1.1</td>
<td>- Administrative capacity of EE ensured and a project manager for implementing the Tourism Marketing Grant scheme hired in the beginning of 2003.</td>
</tr>
<tr>
<td>1.2 Implementation of Tourism Marketing Grant Scheme</td>
<td>1.2 Investment (joint grants)</td>
<td>Phare 1.2</td>
<td></td>
</tr>
<tr>
<td>2. Supporting activities:</td>
<td>2.1 TA (national service contracts)</td>
<td>Phare 2.1</td>
<td>- Grant schemes ready</td>
</tr>
<tr>
<td>2.1 TA: assistance for management of grant schemes</td>
<td></td>
<td></td>
<td>- Interest of local and county governments and tourism NPOs for project activities and ability to co-operate</td>
</tr>
<tr>
<td>2.2 Support to Estonian Tourist Board marketing activities</td>
<td>2.2 Investment (Phare supply + national Service contracts) 1)</td>
<td></td>
<td>- Additional private investment attracted to the project activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estonia 1.1</td>
<td>Preconditions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>A project manager for implementing the Tourism Marketing Grant scheme must be recruited in Enterprise Estonia in the beginning of 2003.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estonia 1.2</td>
<td>Prior to starting the project activities environmental impact assessment of each individual project, when necessary will be ensured by the beneficiary, in line with EU Acquis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The designed scheme will be fully consistent with the content of the draft SPD its current version at the date of implementation of the project. The launch of the call for proposal for contract 1 is conditional upon evidence that recommendations for corrective actions arising from the “grant scheme assessment” undertaken under the responsibility of the EC delegation have been sufficiently addressed. The implementing arrangements might be revised in light of the assessment report.</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 2. TIME IMPLEMENTATION CHART  
Project N°: ES  
Project Title: Tourism Grant Schemes

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>J</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>1.1 Tourism Infrastructure Grant Scheme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment (grants)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Tourism Marketing Grant Scheme</td>
<td>T</td>
<td>T</td>
<td>T</td>
</tr>
<tr>
<td>Investment (grants)</td>
<td>T</td>
<td>T</td>
<td>T</td>
</tr>
<tr>
<td>2.2. Support to Estonian Tourist Board marketing activities. Investment (supply).</td>
<td>T</td>
<td>T</td>
<td>T</td>
</tr>
</tbody>
</table>

*Note: T = Treasury, C = Commercial, i = Invested*
ANNEX 3. CONTRACTING AND DISBURSEMENT SCHEDULE

Project N°: ES
Project Title: Tourism Grant schemes

CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>600 000</td>
<td>1 800 000</td>
<td>1 800 000</td>
<td>1 800 000</td>
</tr>
<tr>
<td>Q3</td>
<td>500 000</td>
<td>750 000</td>
<td>750 000</td>
<td>750 000</td>
</tr>
<tr>
<td>Q4</td>
<td>100 000</td>
<td>150 000</td>
<td>150 000</td>
<td>150 000</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>1 100 000</td>
<td>2 650 000</td>
<td>2 700 000</td>
<td>2 700 000</td>
</tr>
</tbody>
</table>

CUMULATIVE DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>600 000</td>
<td>600 000</td>
<td>600 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td>Q3</td>
<td>250 000</td>
<td>250 000</td>
<td>500 000</td>
<td>500 000</td>
</tr>
<tr>
<td>Q4</td>
<td>50 000</td>
<td>150 000</td>
<td>150 000</td>
<td>150 000</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>850 000</td>
<td>850 000</td>
<td>900 000</td>
<td>1 850 000</td>
</tr>
</tbody>
</table>
ANNEX 4 – Overall description of the Grant Schemes

Sub-project 1. Development of Tourism Infrastructure

Product development concentrates on the so-called “cluster” principle, or supporting the development of most attractive tourist sites and tourism centres important from the viewpoint of regional development, thus promoting the provision of new services by local enterprises and increasing the demand for existing services. Preference is given to product development projects partially financed by local authorities.

Priority tourism products:

In addition to related measures taken by Estonian enterprises, development of tourism directed towards the most demanding and wealthy customers requires cooperation between the state and local authorities in the fields of specific image creation and marketing. This means training to improve the quality of the tourism sector and the entire service sectors of the regions involved and participation in the activities of international conference organisations. In addition it means improved security, the extensive training of an additional labour force fluent in several foreign languages, and the development of other conference tourist-oriented services and leisure activities in the form of integrated services offered by different enterprises.

2. Nature tourism preference is given to projects from Lahemaa, Soomaa, Vilsandi, Karula.

Different nature routes for both usual tourists interested in nature and true ecology tourists are to be created and maintained in Estonian national parks, This plan will ensure the protection of rare plants and wildlife from mass tourism and create a possibility for selling high-calibre services based on quality and diversity of natural resources.

3. Active vacations

Routes are to be created for different varieties of trekking, including bicycle paths, with the co-operation programme Eurovelo. The routes are provided with informative signs. In vacation areas leisure activities are to be improved by establishing facilities devoted to different hobbies, theme parks, water parks, etc. Accommodation may or may not be included.

4. Tourism based on historical and cultural heritage

The most attractive tourist sites based on historic and cultural heritage, including those established in the recent past, are to be preserved in their entirety. Services at such sites will provide introductions to the most important periods of Estonian history to foreign tourists, allowing them to participate in traditional activities of different ages.
Sub-Project 1: Tourism Infrastructure Grant Scheme

<table>
<thead>
<tr>
<th>Programme</th>
<th>Phare 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Programme</td>
<td>Phare Economic and Social Cohesion</td>
</tr>
<tr>
<td>SPD Measure</td>
<td>Tourism Development</td>
</tr>
<tr>
<td>Sub-project</td>
<td>Tourism Infrastructure development</td>
</tr>
<tr>
<td>Duration</td>
<td>03.2003 to 03.2005</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
<tr>
<td>PO</td>
<td>Deputy Secretary General of Ministry of Economy</td>
</tr>
<tr>
<td>Final Beneficiaries</td>
<td>Local and county governments and NPOs</td>
</tr>
<tr>
<td>Nature of Aid/Grant</td>
<td>Project-related Grant</td>
</tr>
<tr>
<td>Grant Rate</td>
<td>Phare – 75 % maximum</td>
</tr>
<tr>
<td></td>
<td>Public sector – 25% minimum</td>
</tr>
<tr>
<td></td>
<td>Local authorities, county governments, NPOs – 15%</td>
</tr>
<tr>
<td>Project Selection</td>
<td>Projects will be selected through a competitive process following publication of the Tourism Infrastructure Grant Scheme Guidelines, which will incorporate a public call for proposals.</td>
</tr>
</tbody>
</table>

1. Description of Grant scheme:

The general objectives of Tourism Infrastructure Grant Scheme are:

- To contribute to diversified and competitive tourism development
- To create and test decentralised structures and co-financing mechanism for future management of structural funds

1.1 Eligible area:

The whole Estonia is eligible under the grant scheme.

1.2 Projects funded by the Tourism Infrastructure Grant Scheme shall support:

- improvement and expansion of tourism infrastructure
- diversification of tourism products and activities in the regions
- innovative character of tourism products

1.3 Eligible applicants are:

Municipalities and county governments
Local Government Associations;
Non-profit organisations

1.4 Applicants must comply with the following conditions (applies to NPO-s):

Be registered in Estonia.
Be directly responsible for the preparation and management of the project, not acting as an intermediary.

13 Will be prepared with the technical assistance from ES01.07.01 and made available with presenting the project fiche
Have stable and sufficient sources of finance to ensure the continuity of their organisation throughout the project and, if necessary, to play a part in financing it. Be experienced and able to demonstrate their capacity to manage activity corresponding with the size of the project for which a grant is requested. Provide evidence that additional financing (minimum 15% of total project cost) is available. Must provide evidence that ownership of projects results will correspond to Phare requirements.

2. Eligible projects

2.1 Size of project
There is no restriction concerning the total project cost. However, the grant amount requested must respect the financial conditions mentioned in Art 2.6.

2.2 Duration of project
The duration of a project should be up to 12 months. In exceptional circumstances the duration may be up to 18 months if a full justification for an extended project period is given in the project application.

2.3 Eligible sectors and themes
   Historical and/or cultural heritage:
   Historic and architectural heritage (manors, fortifications, etc) developed as all-inclusive tourism destinations.
   Cultural attractions
   Museum upgrading and exhibitions
   Nature tourism:
   National parks and visitor centres
   Interactive exhibits at visitor centres (enhancing presentation)
   Nature routes & study paths
   Active holidays:
   Centres for active tourism
   Biking routes and networks
   Adventure tourism
   Conference tourism
   Building and upgrading of conference facilities
   Health and Leisure activities

2.3.1 Eligible activities
Construction or renovation of tourism objects
Building hiking paths and nature routes and biking routes
Installing tourism information signs and screens related to the tourism objects under construction
Construction of accessibility to the objects constructed and development of appropriate environment around (paving, landscape architecture, green belt)
Necessary equipment for improvement of the presentation of museums and visitors centres
Necessary equipment for improvement of conference facilities

2.4 Selection criteria
Project proposals must reflect the specific objectives of the Grant Scheme and prove to be socio-economic viable such as:

Relevance and impact of the project to the regional development and tourism strategies
Correspondence of the project to the needs of target groups
Economic benefits for the region/municipality (i.e. job creation, enlarging municipality’s revenue base, utilisation of local resources)
Effectiveness of funds utilisation
Sustainability of the project
Project management expertise and capacity

**2.5 Amount available and financial conditions**
The global grant amount available under the present Call for Proposals is composed of EC grant and grant co-financing from the budget of the Ministry of Economic Affairs and Communications.
The financial limits and conditions for the Grant Scheme are as follows:
Minimum grant contribution /grant agreement : 100 000 EUR
Maximum grant contribution per project/ grant agreement : 300 000 EUR

It is foreseen that the applicant’s financial contribution must be minimum 15 % in addition to the requested grant amount. Only costs incurred after the Call for Proposals are eligible. In kind contribution from beneficiaries is not eligible.

**2.6 Partnership:**
Applicants are encouraged to act in consortium with a partner organisation (public or private). Generally, public-private partnerships are encouraged to apply. However, private enterprises cannot be applicants or owners of project assets after completion.
**Sub-project 2 Tourism Marketing Grant Scheme**

The main objectives of the marketing activities are: to encourage effective international marketing by tourism enterprises and to develop integrated public and private sector marketing initiatives.

The **priority themes that need to be developed are the followings:**

Development of attractiveness and image of Estonia focusing on its regions
Increase in overnight visitors
Extending the Season: support will be available for marketing projects that will extend the season.
Developing of Product and Niche Markets: product suppliers will be encouraged to participate in the trade and consumer promotions, brochure production and to identify target and niche markets for their products.

**Sub-Project 2: Tourism Marketing Grant Scheme**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Phare 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Programme</td>
<td>Phare Economic and Social Cohesion</td>
</tr>
<tr>
<td>SPD Measure</td>
<td>Tourism Development</td>
</tr>
<tr>
<td>Sub-Project</td>
<td>Tourism Marketing Grant scheme</td>
</tr>
<tr>
<td>Duration</td>
<td>03.2003 to 03. 2005</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>CFCU</td>
</tr>
<tr>
<td>PO</td>
<td>Deputy Secretary General of Ministry of Economy</td>
</tr>
<tr>
<td>Final Beneficiaries</td>
<td>Tourism NPOs, local and county governments</td>
</tr>
<tr>
<td>Nature of Aid/Grant</td>
<td>Project-related Grant</td>
</tr>
<tr>
<td>Grant Rate</td>
<td>Phare – 75 % maximum</td>
</tr>
<tr>
<td></td>
<td>Public sector – 25% minimum</td>
</tr>
<tr>
<td></td>
<td>Tourism NPOs, local authorities – 15%</td>
</tr>
<tr>
<td>Project Selection</td>
<td>Projects will be selected through a competitive process following publication of the <em>Tourism Marketing Grant Scheme Guidelines</em> that will incorporate a public call for proposals to be submitted to Enterprise Estonia.</td>
</tr>
</tbody>
</table>

1. **Description of Grant Scheme:** The detailed design of Marketing Grant Scheme will be designed under technical assistance from Phare ESC 2001. The general objectives foreseen are:

- To increase the direct demand for Estonian tourism products
- To create and test decentralised structures and co-financing mechanism for future management of structural funds

1.1 **Eligible area:**

The whole Estonia is eligible under the grant scheme.

1.2. **Projects funded by the Tourism Marketing Scheme shall support:**

Development of attractiveness and image of Estonia focusing on its regions
Increase in overnight visitors
Extending the Season
Developing of Product and Niche Markets

1.3 Beneficiaries:
Municipalities
Local Government Associations;
Non-profit organisations

1.4 Applicants must comply with the following conditions (applies to NPO-s):

Be registered in Estonia.
Be directly responsible for the preparation and management of the project, not acting as an intermediary.
Have stable and sufficient sources of finance to ensure the continuity of their organisation throughout the project and, if necessary, to play a part in financing it.
Be experienced and able to demonstrate their capacity to manage activity corresponding with the size of the project for which a grant is requested.
Provide evidence that additional financing (minimum 15% of total project cost) is available.
Must provide evidence that ownership of projects results will correspond to Phare requirements.

2. Eligible projects

2.1 Size of project
There is no restriction concerning the total project cost. However, the grant amount requested must respect the financial conditions mentioned in the Art 2.6.

2.2 Duration of the project:
The duration of a project should be up to 12 months.

2.3 Eligible activities:
  - Joint Marketing Campaigns
  - Co-operative marketing schemes
  - Co-operative advertising Campaigns
  - Direct Mail / Internet Marketing
  - Public Relations
  - Promotional Material
  - Trade Promotions
  - Consumer Promotions
  - Marketing research

2.4 Selection criteria:

International marketing
New activities, or increased intensity of existing activity
Use of “Welcome to Estonia” national branding
Clearly defined target markets
Featuring only product of approved, promotable standard
Clear “Call to Action”, purchasing route
Outputs clearly identified
Consistency with the SPD
Appropriate co-financing available
Minimum investment levels achieved
Professional and comprehensive marketing plan
Project management expertise and capacity

2.5 Amount available and financial conditions
The global grant amount available under the present Call for Proposals is composed of EC grant and grant co-financing from the budget of the Ministry of Economic Affairs and Communications.

The financial limits and conditions for the Tourism Marketing Grant Scheme are as follows:

- Minimum grant contribution /grant agreement: 20 000 EUR
- Maximum grant contribution per project/ grant agreement: 60 000 EUR
- Minimum contribution of beneficiaries/ applicants: 15% of total project cost

Only costs incurred after the Call for Proposals are eligible. In kind contribution from beneficiaries is not eligible.

2.6 Partnership:
Applicants are encouraged to act in consortium with a partner organisation (public or private). Generally, public-private partnerships are encouraged to apply. However, private enterprises cannot be applicants or owners of project assets after completion.
Annex 5: Tourism Investment Intentions Survey

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1: Background</td>
<td>1</td>
</tr>
<tr>
<td>C2   Public Authorities</td>
<td>1</td>
</tr>
<tr>
<td>C.3  Accommodation</td>
<td>2</td>
</tr>
<tr>
<td>C4   Transport</td>
<td>4</td>
</tr>
<tr>
<td>C5   Others.</td>
<td>4</td>
</tr>
<tr>
<td>C6   Overall National Picture</td>
<td>6</td>
</tr>
<tr>
<td>C7   Summing Up</td>
<td>8</td>
</tr>
<tr>
<td>Annex ‘A’ Introduction letter for survey</td>
<td>11</td>
</tr>
<tr>
<td>Annex ‘B’ Survey Questionnaire</td>
<td>12</td>
</tr>
<tr>
<td>Annex ‘C’ Mailing List</td>
<td>13</td>
</tr>
</tbody>
</table>
C1: Background
During the inception phase of the project it was decided to carry out a sample survey of the investment intentions of a range of potential beneficiaries from the tourism support measure. Annex ‘C’ shows the mailing list used. In the case of sectors with a large number of very small enterprises e.g. B&B/family accommodation, it was decided to survey only those with an already known track record in marketing and development. In all some 600 survey forms were issued. A total of 87 forms were completed and returned – a response rate of 15%, which was considered very satisfactory. Annex ‘A’ shows the introductory letter used and Annex ‘B’ shows the survey questionnaire.

C2 Public Authorities
A total of 37 Public Authorities responded.

Table C2.1 Expenditure over last 3 years (EEK)

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>91.9m.</td>
<td>6.5m.</td>
</tr>
<tr>
<td>Average per Authority</td>
<td>2.5m.</td>
<td>176,000</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>37.5m.</td>
<td>3.0m.</td>
</tr>
</tbody>
</table>

This table shows that the average expenditure claimed is higher than might have been expected, under both headings, and that there are some quite strong players. Some 75% of the capital investment was in Historical & Cultural attractions and nature and activities. Some of the large urban areas invested in conference facilities also. On the marketing side 31% of the expenditure went into brochures and 21% each into promotions and participation at fairs. Advertising and publicity accounted for 15% and 9% was spent on TICs.

Table C2.2 Intentions over 2004-2006 (EEK)

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>586m.</td>
<td>13.3m.</td>
</tr>
<tr>
<td>Average per Authority</td>
<td>15.8m.</td>
<td>360,000</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>231m.</td>
<td>6m.</td>
</tr>
</tbody>
</table>

The encouraging message here is that the authorities are clearly prepared to stretch themselves to avail of the ERDF incentives, particularly on the capital side. Clearly there will be no problem in demonstrating additonality. The table also demonstrates that the average size of project being contemplated is significant, and again, there are a number of very significant investments planned. The main targets on the capital side were Historical & Cultural attractions (38%), Nature and Active tourism (32%), Conference facilities (18%) and Transport (8%). On the marketing side the priorities were Brochures (35%), Fairs (18%), Promotions (12%). Some 15% of the marketing budgets were destined for TICs and Signposting, which might not be regarded as marketing in the strictest sense.

Table C2.3 Sources of funding future expenditure

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Resources</td>
<td>20%</td>
<td>29%</td>
</tr>
<tr>
<td>Borrowing</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>ERDF</td>
<td>64%</td>
<td>58%</td>
</tr>
</tbody>
</table>

This table demonstrates a fair degree of realism in the responses. Respondents, at least on the capital side, acknowledge that they cannot rely on securing maximum grant percentages. Even on the marketing side the ERDF expectations are distorted by just one large respondent being over-optimistic. They also acknowledge that the direct resources available to them will not expand dramatically, and they are prepared to go out and borrow judiciously for their investment.
Table C2.4  Estimation of National equivalents (€)

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure over last 3 years</td>
<td>27m.</td>
<td>1.8m.</td>
</tr>
<tr>
<td>Intentions over 2004-2006</td>
<td>175m.</td>
<td>3.7m.</td>
</tr>
</tbody>
</table>

This table has been compiled in €, as opposed to the EEK in which the responses reported upon above were collected. To compile this table, we have used population of the responding Authorities as a basis for estimating what the responses received might mean if extrapolated nationally. To improve accuracy, we have extracted the responses of the largest cities and used the actual figures in their cases. The results indicate that the demand for the tourism support measures, and indeed for the grant schemes under Phare 2001 and 2003, will far exceed the most optimistic estimates of amounts likely to be available. Clearly, respondents are adopting a bullish, overambitious approach, and furthermore many of their plans might not fit in with selection criteria, but no matter how strongly this is discounted we are still left with a very respectable investment projection.

C.3 Accommodation
A total of 30 Accommodation providers responded. We divided the responses into 3 categories:
Hotels, Motels and Guesthouses
Holiday Homes and Camping
B &B and Farmhouse accommodation

Table C3.1  Expenditure over last 3 years  (EEK)

(a) CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Hotels</th>
<th>Rented B &amp; B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>40.6m.</td>
<td>2.2m.</td>
</tr>
<tr>
<td>Average per Enterprise</td>
<td>3.1m.</td>
<td>372,000</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>15m.</td>
<td>1.0m.</td>
</tr>
</tbody>
</table>

Only 17% of the capital investment went into provision of new accommodation, whereas 80% went into renewal of existing stock. Consequently the average investment per premises is modest. A separate survey, covering an additional 17 hotels in the conference business found that they had invested a total of 21m. EEK in conference facilities in the past 3 years, although one hotel accounted for 90% of this.

(b) MARKETING

<table>
<thead>
<tr>
<th></th>
<th>Hotels</th>
<th>Rented B &amp; B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7.1m.</td>
<td>156,000</td>
</tr>
<tr>
<td>Average per Enterprise</td>
<td>546,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>3.7m.</td>
<td>50,000</td>
</tr>
</tbody>
</table>

This table shows that marketing is afforded a considerable priority by those who responded. Promotions accounted for 81% of the activity, followed by Publicity (9%) and Brochures (7%).

Table C3.2  Intentions over 2004-2006  (EEK)

(a) CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Hotels</th>
<th>Rented B &amp; B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>183m.</td>
<td>14.3m.</td>
</tr>
<tr>
<td>Average per Enterprise</td>
<td>14.1m.</td>
<td>725,000</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>65m.</td>
<td>1.0m.</td>
</tr>
</tbody>
</table>

In contrast to the past 3 years, hotels are now planning to put 66% of their investment in new accommodation and only 24% in renewal. By contrast, the Holiday homes earmark 44% of their investment for renewal and 32% for nature and activity amenities. Similarly, B & Bs are planning 41% of their investment in nature and activity amenities and 29% in renewal of accommodation. In the separate conference survey, 17 other hotels were planning an investment of 21m. EEK in conference facilities.
(b) MARKETING

<table>
<thead>
<tr>
<th></th>
<th>Hotels</th>
<th>Rented B &amp; B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>12.7m.</td>
<td>347,000.</td>
</tr>
<tr>
<td>Average per Enterprise</td>
<td>979,00058,000</td>
<td>175,000.</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>8.0m.</td>
<td>240,000.</td>
</tr>
<tr>
<td></td>
<td>1.9m.</td>
<td></td>
</tr>
</tbody>
</table>

The pattern of spend is similar to that for the past 3 years – promotions (79%), brochures (10%) and advertising (9%). This table shows that the accommodation sector could be persuaded to double its marketing investment levels, given the right support.

Table C3.3  Sources of funding future expenditure (EEK)

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Resources</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>Borrowing</td>
<td>37%</td>
<td>13%</td>
</tr>
<tr>
<td>ERDF</td>
<td>33%</td>
<td>61%</td>
</tr>
</tbody>
</table>

As with the Public Authorities, this table demonstrates a degree of realism in the responses. Respondents acknowledge that certain of their investment in new accommodation will not attract grant support. They also acknowledge that the direct resources available to them will not expand dramatically, and they are prepared to out and borrow for their investment. Prudently, they are planning only modest borrowing for marketing expenditure.

Table C3.4  Estimation of National equivalents (€)

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure over last 3 years</td>
<td>47m.</td>
<td>7.7m.</td>
</tr>
<tr>
<td>Intentions over 2004-2006</td>
<td>201m.</td>
<td>14.6m.</td>
</tr>
</tbody>
</table>

To compile this table, we have used the number of rooms in the responding Enterprises as a basis for estimating what these responses might mean if extrapolated nationally. To improve accuracy, we have carried out this calculation separately for each of the 3 categories. There is a high consistency between the responses from the Public Authorities and the Accommodation sectors. Both are demonstrating a very high demand for ERDF support and a very strong absorption capacity.

C4  Transport

In this category responses were received from Estonian Air (which operates 46% of the flights from Tallinn), one bus line and two railway companies. In all, they invested only 167m. EEK in the last 3 years. Their responses in relation to future capital investment are rather academic, as support for this would be outside the scope of the tourism measure. It was notable however, that only the railways had any investment plans of any consequence, even with grant support being made available.

On the marketing front the respondents claimed expenditure of some 62m. EEK over the last 3 years. They planned marketing expenditure of 27.5m. EEK over the 2004-2006 period, with an expectation of 40% of it coming from ERDF. The distribution of their planned expenditure was: Advertising 28%; Brochures 25%; Publicity 19%; Signposting 16% and Promotions 13%.

It is difficult to draw any conclusions for these results as to what the likely overall response might be from the transport sector to any marketing support scheme. The rail sector is fully covered and the coach transport sector would not normally be classed as a major potential marketing partner. The non-national air carriers could be enticed into joint marketing, not to anything like the same intensity as Estonian Air. On the other hand, the sea carriers, which were not covered at all in the responses, could also be significant marketing partners. On balance, one could probably double the anticipated marketing responses of the respondents to get an estimate for the transport sector overall. That would give a total marketing investment projection for the transport sector of €3.5m. over 2004-2006. (using passenger traffic volume as factor gives a prediction of €2.1m.)
C5  Others.
A total of 16 other responses were received, 5 of them from NGOs and 11 from a mixed range of enterprises such as sports and activity centres, hiking, canoeing and tennis. One of them, a water leisure centre accounted for 85% of all investment, thus rendering composite tables somewhat misleading. In total however, the respondents in this category accounted for 108m. EEK in capital investment and 7.5m. in marketing over that last 3 years. Of their marketing expenditure, Brochures accounted for 40%, Fairs 21% and Promotions 17%. The separate conference survey mentioned earlier indicated that an investment of 1.3m. EEK was made in conference facilities by 5 non-hotel enterprises that responded.

Table C5.1  Intentions over 2004-2006 (EEK)

(a) CAPITAL

<table>
<thead>
<tr>
<th></th>
<th>Enterprises</th>
<th>NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>72m.</td>
<td>31m.</td>
</tr>
<tr>
<td>Average per Respondent</td>
<td>6.6m.</td>
<td>6.2m.</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>42m.</td>
<td>19m.</td>
</tr>
</tbody>
</table>

The enterprises, not surprisingly were planning 48% of their investment in the activity/nature category. They also had other targets however such as accommodation (22%) conference facilities (17%) and transport (13%). The separate conference survey indicated that an investment of 1.1m. EEK was planned in conference facilities by the 5 non-hotel enterprises that responded. The NGO priorities were Historical/Cultural (48%) Nature/activity (22%) and Conference facilities (27%).

(b) MARKETING

<table>
<thead>
<tr>
<th></th>
<th>Enterprises</th>
<th>NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>801,000</td>
<td>11.7m.</td>
</tr>
<tr>
<td>Average per Respondent</td>
<td>73,000</td>
<td>2.3m.</td>
</tr>
<tr>
<td>Highest individual expenditure</td>
<td>300,000</td>
<td>4m.</td>
</tr>
</tbody>
</table>

The main targets for the enterprises were Promotions (57%) and Advertising (30%). For NGOs, the priorities were Advertising (36%), Fairs (18%) and Brochures (17%).

Table C5.2  Sources of funding future expenditure (EEK)

<table>
<thead>
<tr>
<th></th>
<th>Enterprises</th>
<th>NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital</td>
<td>Marketing</td>
</tr>
<tr>
<td>Own Resources</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td>Borrowing</td>
<td>31%</td>
<td>6%</td>
</tr>
<tr>
<td>ERDF</td>
<td>46%</td>
<td>63%</td>
</tr>
</tbody>
</table>

The respondents in this category were not stretching themselves like the other respondents and there would seem to be no danger they could not reach co-financing targets. Careful conditions would have to be laid down to ensure additionality in any marketing support.

Table C5.3  Estimation of National equivalents (£)

It is very hard to find any reliable basis in which to estimate the national implications of the results in these categories. For want of something better we have compared the number of respondents to what we deem to the approximate total number in each category nationally, and that give us the results presented in the table below. Obviously they must be treated with a great degree of caution.
Enterprises

<table>
<thead>
<tr>
<th>Expenditure over last 3 years</th>
<th>Capital</th>
<th>Marketing</th>
<th>NGOs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>58m.</td>
<td>655,000</td>
<td>3m.</td>
</tr>
<tr>
<td></td>
<td>42m.</td>
<td>466,000</td>
<td>10m.</td>
</tr>
</tbody>
</table>

C6 Overall National Picture

The outputs of the survey as described above can be summarised in the following tables.

(a) CAPITAL

C6.1 Capital Expenditure over last 3 years

<table>
<thead>
<tr>
<th>Respondents (EEKm.) Imputed National Equivalent (€m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Authorities</td>
</tr>
<tr>
<td>Accommodation</td>
</tr>
<tr>
<td>Sports and Activities</td>
</tr>
<tr>
<td>NGOs</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

In addition, Transport operators told us they invested EEK167m. and EEK 22m. was put into conference facilities. If we include these, we find that our respondents reported a total investment of EEK 412m. (€26m.). We have calculated that this could represent a total national investment of €135m. in these sectors over the last 3 years.

C6.2 Planned Capital Expenditure 2004-2006

<table>
<thead>
<tr>
<th>Respondents (EEKm.) Imputed National Equivalent (€m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Authorities</td>
</tr>
<tr>
<td>Accommodation</td>
</tr>
<tr>
<td>Sports and Activities</td>
</tr>
<tr>
<td>NGOs</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

If we include the EEK 22 million investment planned in conference facilities we find a total planned investment of EEK894m. (€57m.) by our respondents in these sectors. We have calculated that this could represent a total planned capital investment of €428m.in these sectors over 2004-2006.

(a) MARKETING

C6.3 Marketing Expenditure over last 3 years

<table>
<thead>
<tr>
<th>Respondents (EEKm.) Imputed National Equivalent (€m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Authorities</td>
</tr>
<tr>
<td>Accommodation</td>
</tr>
<tr>
<td>Sports and Activities</td>
</tr>
<tr>
<td>NGOs</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>
Our respondents reported a total investment of EEK 21.8m. (€1.4m.). We have calculated that this could represent a total national spend of €12.2m.in these sectors over the last 3 years.

C6.4 Planned Marketing Expenditure 2004-2006

<table>
<thead>
<tr>
<th>Respondents (EEKm.)</th>
<th>Imputed National Equivalent (€m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Authorities</td>
<td>13.3</td>
</tr>
<tr>
<td></td>
<td>3.7</td>
</tr>
<tr>
<td>Accommodation</td>
<td>14.9</td>
</tr>
<tr>
<td></td>
<td>14.6</td>
</tr>
<tr>
<td>Sports and Activities</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>NGOs</td>
<td>11.7</td>
</tr>
<tr>
<td></td>
<td>3.9</td>
</tr>
<tr>
<td>Transport</td>
<td>27.5</td>
</tr>
<tr>
<td></td>
<td>3.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>68.2</td>
</tr>
<tr>
<td></td>
<td>26.2</td>
</tr>
</tbody>
</table>

We find a total planned investment of EEK68.2m. (€4.4m.) by our respondents in these sectors. We have calculated that this could represent a total planned marketing investment of €26.2m.in these sectors over 2004-2006.

C7 Summing Up

C7.1 CAPITAL INVESTMENT

C7.1.1 Public Authorities:
Thirty-seven authorities responded, and indicated they would invest €37m. in tourism over the 2004-2006 period, if given ERDF support. The main targets of their investment plans were Historical & Cultural attractions (38%), Nature and Active tourism (32%) and Conference facilities (18%).
The average size of project being contemplated was €1m. The investment level of the respondents over the past 3 years was €5.9m., so it is clear that additionality would be very strong.
If Public Authorities generally all over Estonia responded at the same rate we come up with a national planned investment figure of €175m. It can be assumed that this figure is overstated however, as we would expect those with investment plans to be the most likely to respond to the survey.

C7.1.2 Accommodation
A total of 30 Accommodation providers responded. They proposed to invest €12.9m. with ERDF support. The main targets of their investment plans were New Accommodation (55%), Accommodation Renewal (22%), Conference Facilities (11%) and Nature & Activity holiday facilities (7%). The investment level of the respondents over the past 3 years was €2.9m
If accommodation generally all over Estonia responded at the same rate, we come up with a national planned investment figure of €201m. However more than half this investment would be targeted at the provision of new accommodation, where it is clear that a scheme of general ERDF support would not be practical.

C7.1.3 Others
The remaining 20 respondents ranged over NGOs, Transport Operators, Sporting and Activity Holiday enterprises and organisations. Their total investment plans amounted to €6.7m, or €31.5m. if the Transport sector is included. Of the €6.7m., the main investment targets were Nature & Activity facilities (39%), Conference facilities (21%), Accommodation (15%) and Historical & Cultural attractions (13%)
We have estimated that if all players in these categories all over Estonia acted in a similar way this could equate to a total investment of €52m.
C7.1.4 Summary
Overall the respondents envisaged a capital investment of €56.6 over the 2004-2006 period. This is a multiple of 3.6 times their actual investment levels over the past 3 years. Respondents generally, were quite realistic in accepting that their own resources to fund investment would not grow dramatically from their current levels, but they were prepared to borrow to make up the balance of their co-funding obligations.
Based on the plans of the sample which responded, we estimate that to expand their result nationally would indicate a total investment potential of over €400million. While this has to be overstated, as those with investment plans would be much more likely to respond, it still gives assurance that the results from the survey are very much minimum figures and that there are many more significant potential projects still out there.

C7.2 MARKETING

C7.2.1 Budgets
The overall marketing budgets envisaged by the respondents are shown in the left-hand column below. The right-hand column shows our calculation of what this might mean nationally if the tourism sector as a whole behaved in the same way.

Planned Marketing Expenditure 2004-2006 (€m.)

<table>
<thead>
<tr>
<th></th>
<th>Respondents</th>
<th>Imputed National Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Authorities</td>
<td>0.85</td>
<td>3.7</td>
</tr>
<tr>
<td>Accommodation</td>
<td>0.95</td>
<td>14.6</td>
</tr>
<tr>
<td>Sports and Activities</td>
<td>0.05</td>
<td>0.5</td>
</tr>
<tr>
<td>NGOs</td>
<td>0.75</td>
<td>3.9</td>
</tr>
<tr>
<td>Transport</td>
<td>1.76</td>
<td>3.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4.36</td>
<td>26.2</td>
</tr>
</tbody>
</table>

The respondents spent a total of €1.4m. on marketing in the last 3 years, so significant additionality is involved.

C7.2.2 Marketing Mix

The following table summarises the marketing activities prioritised by each sector.

<table>
<thead>
<tr>
<th></th>
<th>Public.</th>
<th>Accomm.</th>
<th>Trans.</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brochures</td>
<td>0.30</td>
<td>0.07</td>
<td>0.41</td>
<td>0.13</td>
<td>0.91</td>
</tr>
<tr>
<td>Fairs</td>
<td>0.15</td>
<td>0.02</td>
<td>0.14</td>
<td>0.03</td>
<td>0.31</td>
</tr>
<tr>
<td>Advertising</td>
<td>0.05</td>
<td>0.07</td>
<td>0.51</td>
<td>0.27</td>
<td>0.90</td>
</tr>
<tr>
<td>Publicity</td>
<td>0.04</td>
<td>0.79</td>
<td>0.21</td>
<td>0.08</td>
<td>1.16</td>
</tr>
<tr>
<td>Promotions</td>
<td>0.10</td>
<td>0.07</td>
<td>0.21</td>
<td>0.08</td>
<td>1.16</td>
</tr>
<tr>
<td>Research</td>
<td>0.04</td>
<td>0.06</td>
<td>0.21</td>
<td>0.08</td>
<td>1.16</td>
</tr>
<tr>
<td>TICs</td>
<td>0.07</td>
<td>0.27</td>
<td>0.21</td>
<td>0.08</td>
<td>1.16</td>
</tr>
</tbody>
</table>

The big demand was for promotions, brochures, advertising and publicity, reflecting a desire to reach the consumer directly. The priorities by sector were:

- Public Authorities: Brochures
- Accommodation: Promotions
- Transport: Advertising
C7.2.3 Activity Levels

The anticipated spend by individual small operators, even over the 3 years, was quite low, averaging from €4,000 to €11,000, depending on the sector.

Hotels, on the other hand were talking about budgets averaging €62,000

NGOs were aspiring to budgets averaging €143,000, reflecting their wider coverage.

In the case of public authorities however, the average spend envisaged was €23,000.

C7.2.4 Summary

Overall the respondents envisaged a marketing expenditure of €4.4 over the 2004-2006 period. This is a multiple of 3.1 times their actual spending levels over the past 3 years.

Respondents generally, were quite realistic in accepting that their own resources to fund investment would not grow dramatically from their current levels, and they understood that heavy borrowing for marketing purposes was not an option.

Based on the plans of the sample which responded, we estimate that to expand their result nationally would indicate a total marketing potential of over €26million. While this has to be overstated, as those with marketing plans would be much more likely to respond, it still gives assurance that the results from the survey are very much minimum figures and this compensates for the fact that some respondents were overoptimistic about the levels of ERDF support which might be expected.

Annex ‘A’ Introduction letter for survey

Survey of Tourism Investment Intentions

We are now preparing the way for the use of the European Regional Development Fund (ERDF) to drive forward the growth of the Estonian tourism industry, following EU accession in 2004.

We expect that the strategic goals of this programme will include diversification into new market segments, increasing the length of stay, increasing expenditure levels, improving the seasonal pattern of business and spreading the development of tourism as widely as possible around the country.

To achieve these goals, and in this way to maximise the positive impact on the economy of Estonia, we intend to design a comprehensive investment support measure under the ERDF. We envisage that this measure will support investment both in strategic marketing and product development and that it will be available to support investment projects from both the Public Sector and the Private Sector.

A project is currently underway to examine the feasibility of a range of investment support measures. Themes being considered include Conference facilities; Health and relaxation Tourism; Activity Holidays (Cycling, Horse-riding, fishing; adventure sports, water sports etc.); Nature Tourism/Ecotourism; Caravan & Camping; Heritage and Culture-based Touring; Marine Tourism; Product Quality improvement; Tourist Information; Touring Route development. The list us still open and innovation is being encouraged.

A key consideration in this approach will be the co-financing ability of project proposers. In some existing EU member states it has proved possible to offer investment support up to 75% for Public Sector/NGO investment in tourism infrastructure and up to 50% for Private Sector projects. Priority has been given
However to large projects, which would make a real difference to the achievement of the strategic goals. This means that serious co-financing challenges have to be faced by investors. Even in the case of strategic marketing programmes, where the costs may be lower, many stakeholders are challenged to finance additional initiatives from marketing budget which may already be under pressure. In order to assess the co-financing capacity in Estonia, we are asking for your cooperation by participating in this Survey of Investment Decisions.

I would ask you to help us by completing the attached questionnaire and returning it to us not later than 30 August. In order to ensure the widest possible coverage we would also encourage you to feel free to make copies of the survey documentation and pass it on to any other person or organisation which you feel may be a prospective investor in tourism marketing and development.

I would like to thank you in advance for your co-operation and to assure that I will be please to offer any clarification you require. Needless to say, individual responses will be treated in the strictest confidence.

Annex ‘B’ Survey Questionnaire

**Survey of Tourism Investment Intentions**

Name of Respondent:
Address:
Contact Details:

1. **Please indicate your current activity level in tourism:**

Total Capital investment in the last 3 years: EEK
Brief description:

Total Marketing Expenditure in the last 3 years: EEK
Brief description:

2. **Please indicate any tourism initiatives which you might consider between now and 2006, if an investment support grant were available.**

   a) **Product Investment**

   Brief Description:

   Amount of your own investment EEK
   Other sources of financing (borrowing, partners, etc) EEK
   ERDF Grant Support Required EEK
   Total Cost of Project: EEK

   b) **New Marketing Initiatives**

   Brief Description:

   Amount of your own investment EEK
   Other sources of financing (borrowing, partners, etc) EEK
   ERDF Grant Support Required EEK
   Total Cost of Initiative: EEK

Thank you for your help. Your response will be treated in the strictest confidence.
Annex ‘C’ Mailing List

3 County Governments
Local Governments
Accommodation Providers
Travel Agents
Incoming Tour Operators
Air and Sea Carriers
Coach Operators
Car Hire
Public Transport operators
Foreign Tour Operators who feature Estonia
NGOs representing local and regional areas of Estonia
Representative bodies for any product sectors
e.g. Estonian Adventure Tourism Association, Estonian Ecotourism Association, Estonian Marine Tourism Association, Estonian Association of Health Resorts and Rehabilitation Treatment, Union of Protected Areas of Estonia, Estonian Fund for Nature, Väikesadamate Liit, Eesti Maaturism MTÜ,
Cruise Lines
Historical and Cultural Interests
State Bodies responsible for Heritage attractions (Museums, Castles, Ancient Monuments etc), National parks and Nature Reserves, Forests, and any other well-known sights.
Activity Tourism operators (Boating, Canoeing, Cycling, Diving, Golf, Fishing, Horse riding, Sailing, Skiing etc.)
Annex 6: ENVIRONMENTAL IMPACT ASSESSMENT AND NATURE CONSERVATION

ENVIRONMENTAL IMPACT ASSESSMENT
(Please complete this section for each project in case of grouped applications)

1. Development consent

Has development consent\(^1\) already been given to this project?

Yes [ ] No [ 

If yes, on which date |___|___|___|

If no, when was the formal request for the development consent introduced |___|___|___| and by which date is the final decision expected? |___|___|___|

Specify the competent authority or authorities, which has given or will give the development consent

…………………………………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………………………………

Is the above authority considered to be the competent authority responsible for performing the duties of Directive 85/337/EEC as amended by 97/11/EEC on Environmental Impact Assessment?

Yes [ ] No [ 

- If no, please specify for this project who is designated as competent authority for the purposes of the EIA Directive:

…………………………………………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………………………………………


2.1. Is the project a class of development covered by:

Annex I of Directive 85/337/EEC, as amended by Directive 91/11/EC [ ] (go to question 2.2)
Annex II of Directive 85/337/EEC, as amended by Directive 91/11/EC [ ] (go to question 2.4)

\(^1\) i.e. decision of the competent authority or authorities which entitle the developer to proceed with the project

2.2. Has an EIA already been carried out?

Yes □ No □

If yes, has the EIA been carried out before development consent has been given?

Yes □ No □

On which date has it been finalised |___|___|___|

If no, provide an estimation of the date when the procedure will be finalised |___|___|___|

2.3. When covered by Annex I of the EIA Directive a similar procedure as the one described in the EIA directive will need to be applied and the following documents included

Necessary documents are:

a) the **non-technical summary of the Environmental Impact Study** carried out for the project. A non-technical summary shall include at least:

- a description of the project comprising information on the site, design and size of the project,
- a description of the measures envisaged in order to avoid, reduce and, if possible, remedy significant adverse effects,
- the data required to identify and assess the main (direct and indirect effects) which the project is likely to have on the environment on the following factors: human beings, fauna and flora (including those environmentally sensitive areas which might fall in future under the protection of the Birds (79/409/EEC) and Habitats (92/43/EEC) Directives);
- soil, water, air, climate and the landscape;
- material assets and the cultural heritage;
- the interaction between the factors mentioned in the first, second and third indents and any further information which might derive from any of the obligations deriving from Annex IV of the EIA Directive.

b) the results of **consultations with the competent environmental authorities**; indicating in what way the concerns of the designated consultees have been taken into account.

c) the results of **consultations with the public** concerned. The information provided should cover the following:

- the concerned public which has been consulted,

---

16 A guidance document describing the minimum criteria to ensure that a similar procedure has been applied can be found on [http://www.inforegio.cec.eu.int](http://www.inforegio.cec.eu.int)
the places where the information has been consulted,
the time which has been given to the public in order to express its opinion,
the way in which the public has been informed (for example, by bill-posting within a certain
radius, publication in local newspapers, organisations of exhibitions with plans, drawings,
tables, graphs, models, etc.),
the manner in which the public has been consulted (for example, by written submissions, by
public enquiry, etc.)
the way in which the concerns of the public have been taken into account.

d) in case a project is likely to have significant effects on the environment in another state the results
of the transboundary consultation with those states effected by the project needs to be
provided demonstrating that the procedure of article 7 of the EIA Directive. In addition,
information indicating in what way the concerns of the designated consultees and concerned
public have been taken into account will also need to be provided.

e) Evidence that the decision to grant or refuse development consent has been made available to
the public by the competent authority, including the

the content of the decision and conditions attached thereto,
the main reasons and considerations on which the decision has been based,
- a description, where necessary, of the main measures to avoid, reduce and, if
possible, offset the major adverse effects.

Note: In relation to b), c) and d) these may be represented in the form of a statement, conclusion or
certification by the competent environmental authorities describing and testifying that all
obligation as described in the intends above have been followed.
2.4. When covered by Annex II of the EIA Directive has an Environmental Impact Assessment been carried out for this project?

Yes ☐ No ☐

If yes include the necessary documents (see question 2.3.).

If no explain the reasons\(^\text{17}\) and give the thresholds, criteria or case by case examination carried out to reach the conclusion that the project has no significant environmental effects:

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
........................................................................................................................................

Use more space if necessary

Have the results of the determination whether a project listed in Annex II of the Directive requires a formal EIA or not (made by the competent authority) made available to the public?

Yes ☐ No ☐

If yes, on which date |___|___|___|

\(^\text{17}\) The decision needs to be based on the procedure described in article 4.2, 4.3 and 4.4 and the screening criteria of Annex III of Council Directive 97/11/EC amending Directive 85/337/EEC.
1. Assessment of effects on sites of nature conservation importance.

1.1. Is the project likely to affect sites of nature conservation importance (i.e. potential Natura 2000 sites)?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

- If yes - please go to question 1.2.
- If no - please fill out Annex I (Declaration by the authority responsible for sites of nature conservation importance = potential future Natura 2000 sites)

1.2 In this case an appropriate assessment according to art. 6(3) of the directive 92/43/EEC ("Habitats Directive") is obligatory.

1.2.1 Have this appropriate assessment been carried out?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

This appropriate assessment can take the form of an EIA according to Directive 85/337/EEC as amended by 97/11/EC. If this is not the case, please describe briefly the procedure carried out and include a non-technical summary of the impact study.

……………………………………………………………………………………………………………………………
……………………………………………………………………………………………………………………………
……………………………………………………………………………………………………………………………

1.2.2 Based on the results of the above appropriate assessment, will the project have a significant negative impact on a site of nature conservation importance?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

- If yes, please fill out Annex II (Information to the Commission according to Article 6(4) of the Habitats Directive. This Annex has to be signed by the authority responsible for sites of nature conservation importance = potential future Natura 2000 sites)

- If no, please fill out Annex I (Declaration by the authority responsible for sites of nature conservation importance = potential future Natura 2000 sites)

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18 For the purpose of the Pre-Accession instruments a site of nature conservation importance (= potential future Natura 2000 site) in candidate countries is a site falling under one or more of the following categories:
sites which have been identified by the competent national authorities as sites to be proposed for the Natura 2000 network as laid down in the Birds Directive (79/409/EEC) and Habitats Directive (92/43/EEC)
sites listed in the latest inventory of Important Bird Areas (IBA 2000) for candidate countries or (if available) equivalent more detailed scientific inventories endorsed by national authorities
wetlands of international importance designated under the Ramsar Convention or qualifying for such protection
areas to which the Bern convention on the conservation of European Wildlife and Natural Habitats (Art. 4) applies, in particular sites meeting the criteria of the Emerald network
areas protected under national nature conservation legislation
ANNEX I - Declaration by the authority responsible for sites of nature conservation importance (= potential future Natura 2000 sites) *(EQUIVALENT TO Annex I(a) of the Cohesion Fund form)*

Responsible authority……………………………………………………………………………………………………

Having examined\(^{19}\) the project application ........................................................

(title)...................................................................................................................................................

which is to be located at ..................................................................................................................

we declare that (tick the appropriate box):

- [ ] The project is not likely to have significant effects on a site of nature conservation importance on the following grounds:

  .............................................................................................................................

  .............................................................................................................................

Therefore an appropriate assessment required by Article 6 (3) was not deemed necessary.

- [ ] Following an appropriate assessment, according to Art. 6(3) of Directive 92/43/EEC, the project will not have significant negative effects on a site of nature conservation importance.

A map at scale of 1:100,000 (or the nearest possible scale) is attached, indicating the location of the project as well as the site of nature conservation importance concerned, if any.

Signed: ..............................

(Authority responsible for monitoring sites of nature conservation importance)

Official Seal:

\(^{19}\) taking into account the requirements of Art. 6(3) of Directive 92/43/EEC
ANNEX II - Information to the European Commission according to Article 6(4) of the Habitats Directive (92/43/EEC) for Candidate Countries

Candidate Country: Date:

Competent national authority:

Address:

Contact person:

Tel., fax, e-mail:
Name of the site affected:

This site is (please tick):

- a site identified by the national competent authority as qualifying under Art. 4(1) and (2) of the Birds directive (79/409/EEC)
- a site identified by the national competent authority as qualifying under Art. 4 (1) of the Habitats directive (92/43/EEC)
- a site listed in the latest inventory on Important Bird Areas (IBA 2000) or (if available) in an equivalent more detailed scientific inventories endorsed by national authorities
- a wetland of international importance designated under the Ramsar Convention or qualifying for such protection
- a site to which the Bern convention on the conservation of European Wildlife and Natural Habitats (Art. 4) applies, in particular a site meeting the criteria of the Emerald network
- areas protected under national nature conservation legislation

Summary of the project having an effect on the site: 
Summary of the assessment of the negative effects on the site:

N.B.: this summary should focus on the adverse effect expected on the conservation value of the site, include the appropriate maps and describe the already decided mitigation measures.
3. ALTERNATIVE SOLUTIONS

Summary of alternative solutions studied by the candidate country:

Reasons why the competent national authorities have concluded that there is absence of alternative solutions
Reason to nevertheless carry out this plan or project:

☐ Imperative reasons of overriding public interest, including those of a social or economic nature (in the absence of priority habitat/species)

☐ human health

☐ public safety

☐ beneficial consequences of primary importance for the environment

☐ other imperative reasons of overriding public interest

Short description of the reason:
5. COMPENSATION MEASURES

Foreseen compensatory measures and timetable:
Annex 7
Structure of Enterprise Estonia

Council

Board

Phare Unit

Trade Promotion Agency
  - Advisory Chamber

Technology Agency
  - Advisory Chamber

Tourist Board
  - Advisory Chamber

Investment Agency
  - Advisory Chamber

Regional-Development Agency
  - Advisory Chamber

EE Ida-Viru Agency
  - Advisory Chamber

EE South-Estonian Agency
  - Advisory Chamber
ANNEX 8

Problem tree for the priority of
“Competitiveness of Enterprises“

Low income levels, regional and social disparities, insufficient long-term economic competitiveness

Low level of economic competitiveness

Marketing problems of products, especially in export markets

Low share of enterprises with R&I capacity in economy

Small number of entrepreneurs and slow pace of development of enterprises

Business development regionally unbalanced

Science and research institutions concentrate on basic research with limited interest in applied sciences and cooperation with enterprises

Infrastructures for knowledge and technology transfer not developed

Shortage of capital for technological development and innovation

Low quality management and innovation related awareness among entrepreneurs

Lack of qualified managers, engineers and skilled labour on the labour market

Under-developed infrastructure for quality management

Low level of trust and awareness of Estonian products and services in foreign markets

Limited access to capital markets for start-up businesses

Low business related experience and inadequate availability of information, red tape

Labour skills do not meet the needs of enterprises

Modern business development infrastructure is regionally unbalanced

The potential of human, environmental and cultural resources is not used in many regions

Low level of economic activity

Limited access to capital markets for start-up businesses

Low share of enterprises with R&I capacity in economy

Marketing problems of products, especially in export markets

Low level of economic competitiveness

Science and research institutions concentrate on basic research with limited interest in applied sciences and cooperation with enterprises

Infrastructures for knowledge and technology transfer not developed

Shortage of capital for technological development and innovation

Low quality management and innovation related awareness among entrepreneurs

Lack of qualified managers, engineers and skilled labour on the labour market

Under-developed infrastructure for quality management

Low level of trust and awareness of Estonian products and services in foreign markets

Limited access to capital markets for start-up businesses

Low business related experience and inadequate availability of information, red tape

Labour skills do not meet the needs of enterprises

Modern business development infrastructure is regionally unbalanced

The potential of human, environmental and cultural resources is not used in many regions