STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 CRIS Number: 2003/004-582.03.02

1.2 Title: “Support for Industrial Infrastructure development.”

1.3 Sector: Economic and Social Cohesion

1.4 Location: Estonia

2. Objectives

2.1 Overall Objectives:
Balanced regional development of Estonia by enhanced competitiveness of Estonian enterprises.

2.2 Project Purpose:
Improvement of employment and business activities through improved business infrastructure in less developed regions.

2.3 Accession Partnership and NPAA priority
N/A

2.4 Contribution to National Development Plan-Single Programming Document 2003-2006¹ (Ch. 3.2.2. Business Development)
The competitiveness of economy can be raised with activities, aimed at achieving increased entrepreneurship. The objectives of Estonian enterprise policy are to facilitate the enterprising spirit, create new jobs and to improve the competitiveness of Estonian businesses. Business development activities under the priority of Competitiveness of Enterprises in SPD will be provided in compliance with the objectives determined in “Enterprising Estonia” the Estonian national policy aimed at supporting small and medium sized enterprises for 2001-2006. The document was adopted by the Government in January 2002 and determines the framework, objectives and support measures of the business development activities of the state until 2006. The principle of balanced regional development is followed in course of achieving the objectives.
Taking into account the main problems impeding the development of the SMEs, their potential in the creation of employment and reduction of regional differences, enterprise policy, included also in SPD are concentrated on the following high-priority activities:
- Establishing and developing modern infrastructure necessary for business development in less developed areas
- Improving the system of obtaining information for developing entrepreneurship
- Improving the conditions for access to capital for small and starting businesses
- Developing the infrastructure supporting the conformity assessment of products

Support for Industrial Infrastructure development is a support scheme under the sub-measure of “Establishing and developing modern infrastructure necessary for business development in

¹ The draft version of SPD as of 12.11.2002
The state helps to finance investments inevitable for infrastructures essential for launching entrepreneurship activities and establishment of industrial areas in the less developed regions. The institution responsible for implementation of these activities is the foundation Enterprise Estonia. In the preparation process of SPD, the main partners were consulted in the field of business development: SME Association, Chamber of Commerce, county governments and association of local authorities.

2.5 Cross Border Impact
N/A

3. Description

3.1 Background and justification:

Changes and transformation to market economy have caused unbalanced regional development in Estonia, which may be illustrated by uneven regional distribution of enterprises. Enterprises located in Harjumaa, Pärnumaa and Tartumaa account for almost 70% of the total stock of enterprises, and only 30% of enterprises are in other twelve counties. Concentration of enterprises in urban areas is noticeable: 55% are located in three larger cities, almost half of Estonian enterprises being in Tallinn. Large regional differences are also evident from the indicators of business activeness in Estonia, which is 23.6 businesses per a thousand inhabitants on an average, and e.g. in the Ida-Viru county 12.1, in Järvamaa 15.7, but in the Harju county along with Tallinn 33.3.

Low financial basis is the main impediment of the Estonian municipalities that hinders the promotion of local entrepreneurship. Therefore, the main aim of the industrial infrastructure grant scheme is to finance industrial infrastructure projects prepared by municipalities and public agencies and to support in that way development of regions. One possible way to promote the decrease of regional disparities is to support development of industrial areas in less developed regions.

Industrial parks have become a common method in Western and Eastern Europe to facilitate the development of new industrial activities or expanding existing industrial activities in areas of limited size. In the early stages of the development of industrial parks the main purpose was to provide the physical infrastructure to attract large-scale branch plants of already established firms. Today, increasingly attention is paid on industrial parks (or innovation centres and science parks) offering various services to work as incubators of new high-tech firms. Nevertheless, in economically less developed countries both traditional and contemporary industrial parks can be used as instruments for regional development (Jauhiainen 2002).

The feasibility study demonstrates the demand and importance of developing the industrial areas in Estonia. The most common is the need to develop and improve basic infrastructure (new buildings, renovation of existing buildings, energy, water, communication and telecommunication networks). A successful development of an industrial park leads into synergetic effects of an industrial district and contributes to innovation capacities and spill-over of technological improvement. Innovation and technological development are vital for local and regional economy. The project addresses the shortcomings through creating and improving

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2 See also the short summary of Feasibility study of Industrial Infrastructure development in Estonia, Annex 6
industrial development conditions in municipalities for firms, which then undertake to create new jobs and contribute thereby to economic growth in less developed regions of Estonia.

The national infrastructure support measure “Support for business infrastructure development” was introduced in October 2001 and is implemented by Enterprise Estonia. The aim of the national measure\(^4\) is to support private investments and creation of new jobs in less developed regions by improving business environment (infrastructure). This scheme also encourages private-public partnerships in developing of regional economy. The support measure has been well accepted both by the entrepreneurs and local governments. Since October 2001 the creation of more than 330 new jobs have been supported in framework of current measure\(^5\). The “Support for business infrastructure development” scheme proceeds from “National Policy for the Development of Small and Medium Sized Enterprises in Estonia in 2001–2006”. Large number of applications submitted to Enterprise Estonia (ERDA) nationally financed grant scheme illustrates that there is a high interest towards infrastructure development. –From the end of 2001 up to July 2002 more than 85 applications in total amount of 5 242 000 EUR have been received. 20 projects in total amount of 1 045 000 EUR have been financed. The eligibly criteria for the national scheme were approved on October 2001 but these were initially not successfully formulated –confusing to the applicants- and the majority of applications received by ERDA were therefore not considered as eligible for support. In the beginning of 2002 the application criteria were changed and the percentage of approved applications rose. During the first half of 2002 the financed projects covered almost 60 % of the total annual budget for infrastructure support scheme and there is a continuous increase in applications. The prognosis of creating new jobs amounts to 800, however, the estimation of investment success can be evaluated only at least after a year from the time finances have been allocated and the primary evaluation will be presented in the beginning of 2002.

The Phare“ Support for Industrial Infrastructure Development” grant scheme will be launched additionally and independently from the existing nationally funded industrial infrastructure support. The difference between these support measures is as follows:

<table>
<thead>
<tr>
<th>Current support measure in Enterprise Estonia</th>
<th>Phare grant scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited in scope (average grant 51 282 EUR). Eligible costs: investments for building, renovating and reconstructing; buying and setting up new equipment and installation for infrastructure objects; connection fees connected to setting up and renovating infrastructure objects.</td>
<td>Broader in scope (grant max 300 000 EUR). Eligible costs for supporting complex investments: development of electricity reticulation systems; water supply and sewerage; communication systems; transportation links; gas pipes etc</td>
</tr>
<tr>
<td>Quicker investments: reactive</td>
<td>Grant allocation procedure longer: proactive</td>
</tr>
<tr>
<td>Private enterprises, sole proprietors registered in Estonia, eligible as beneficiaries</td>
<td>Private enterprises not eligible as beneficiaries, only municipalities and public agencies qualify.</td>
</tr>
<tr>
<td>Regionally dispersed, all regions except</td>
<td>The socio-economic potential of municipality</td>
</tr>
</tbody>
</table>

\(^4\) See Annex 5
\(^5\) Quarterly report of Enterprise Estonia 2002
The long-term goal of the **regional policy** of Estonia is to secure a stable high quality of life (safe and good living conditions, incomes, and opportunities for self-realisation) for the inhabitants of all regions. The short-term objective of the regional policy of Estonia is to balance the regional development of the whole country through strengthening and maximising the use of local preconditions for development, which will contribute to the general macroeconomic and social development of the state. The attainment of these objectives shall be evaluated on the basis of the two focal indicators: average income level, unemployment rate and municipal tax revenues. Additional indicators will be used according to the specificity of the particular regions.

The scheme follows the need and is targeted at creating both conditions for future investments and new jobs in less developed regions with significant industrial potential. Under the Phare scheme investments are directed to the development industrial areas - creation of new possible operation conditions for enterprises. The development of industrial areas gives the synergic effect - the development of the industrial area is organised through an integrated planning process to accommodate industrial activities that support each other. The project facilitates the establishment of clusters by creating favourable conditions. A cluster can be characterised as a complex of firms, which are situated in close vicinity to each other and are engaged in horizontal or vertical joint co-operation.

The eligible beneficiaries under this grant scheme will be public agencies and local governments.

The proposed Phare grant scheme is designed based on the experience of the respective nationally funded measure and implemented according to Phare rules. The scheme will contribute to the development of industrial areas and parks by promoting the following activities:

- development of electricity reticulation systems
- water supply and sewerage
- communication systems
- transportation links
- gas pipes etc

Regional impact of the Phare project is facilitated by targeting of assistance preferably to regions, outside the capital city. This principle is based on the findings of the feasibility study conducted, which clearly demonstrates the demand in regions. Tallinn is not excluded from the list of potential beneficiaries, however the possible total allocation for the projects from Tallinn is limited up to 25% of the total Phare grant.

**Project rationale**

The project serves an important role in preparing the Ministry of Economic Affairs and Communications and the Enterprise Estonia for managing support from EU Structural Funds. According to the decision taken by Estonian Government in April 2002 Ministry of Economic Affairs and Communications will be the Intermediate Body and Enterprise Estonia will be the Intermediate Agency for ERDF. In the preparation process of SPD, the main partners were consulted in the field of business development: SME Association, Chamber of Commerce, and county governments, which represent local authorities etc.

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In 2002 there are eight nationally financed business support measures implemented by Enterprise Estonia, Estonian Regional Development Agency (ERDA). The respective measures are targeted at:

- purposeful, flexible and co-ordinated use of public and other funds designated for regional development of the country and supporting systems for entrepreneurship proceeding from the national regional policy.
- ensuring annually stable operating of the supporting system for regional development programs and entrepreneurship.

There is currently a business support measure operating in Enterprise Estonia, Estonian Regional Development Agency (ERDA), which is targeted at supporting of infrastructure development projects initiated by local governments except in Tallinn, Tartu and Pärnu. Financing decisions for projects are adopted on different management levels depending on the size of allocation (varying from responsible project manager of a BDC or regional agency, ERDA Committee of SME Measures, ERDA Financial Committee to EE Supervisory Board). The regional agencies of EE monitor that the support issued is used according to the intended purpose.

### 3.2. Linked activities:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Project</th>
<th>Budget (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regional Development Project; 1. ES-9609.01.01 South-Eastern Estonian Logistics Centre (pilot) 2. ES-9606.01.02 Improve entrepreneurial spirit in Peipsi region (pilot) 3. ES9609.01.02 Tapa/Paldiski Re-conversion of Former Military Sites into Industrial Park (pilot)</td>
<td>The Phare regional development project has formulated an Estonian regional development strategy. The strategy identified the restructuring of rural and industrial/military areas and developing periphery are the priorities. Through the pilot project industrial park was established in Tapa. In Peipsiveere a Fish and Onion restaurant was established. (Project Completed)</td>
<td>58 000</td>
</tr>
<tr>
<td>2. SPP ES-9803.04.0002 SPP Pilot Project No. 2: Development of Regional Co-operation Network for Innovative Entrepreneurship;</td>
<td>Regional co-operation network for innovative entrepreneurship. Information and co-operation network the links will be made between the existing advanced R&amp;D potential of Tartu universities and innovative Science Park companies with the business and education community of Ida-Virumaa and South-East Estonia. Links will be established to support the development of high-tech-oriented entrepreneurship in these regions. This project will give input for Phare 2000 incubation and innovation network projects and Phare 2001 industrial infrastructure project. An assessment of the results of this project will be undertaken during the summer of 2001.</td>
<td>75 000</td>
</tr>
</tbody>
</table>
3. Phare 1999 Project Preparation Facility ES9912  | Phare 2000 and 2001 ESC projects are benefiting from the PPF facility. Projects will be completed 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&D. The Tourism infrastructure grant scheme will be designed with assistance of PPF. (On-going)

4. Phare 2000 ESC projects Economic and human resources development project of Ida Viru ES0009-2 Economic and human resources development project of South-East Estonia ES0009-3  | 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 Ida-Viru and South-Estonia will be strengthened (Project on-going)  | 8 970 000

5. Phare 2001 ESC project – “Structures and Instruments for management of Business Support Measures”  | 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. The last mentioned component includes finances for study and training for preparation the proposals for current Phare 2003 ESC project grant scheme. By the beginning of 2003 there will be made the pilot investments to develop the industrial areas in Tapa and Vastseliina under scheme ES01.07.01.  | 4 140 000

6. Phare CBC Small project Facility ES9911.02.01 ES0012  | The program is directed to infrastructure development, Networking, establishment of new business contacts etc. CBC supports activities (surveys, strategies, plans, training, study-visits, tourism marketing, IT projects) with cross-border effect.  |  |

**Support programs for entrepreneurs in Enterprise Estonia (EUR) in 2002.**

| 1. | The development of human resources | 1 577 000 |
| 1.1 | Conversion training and further training | Job creation and rising the quality of labour force in the SMEs | 888 000 |
1.2 Support to advisory services  Increasing the competence of the managers and employees of the companies  383 000

1.3 Support for participation in local fairs  To support enterprises in marketing issues  306 000

2. Improved access to finance

2.1 Start-up aid  To increase motivation for starting a business, helping starting businesses to overcome financing difficulties and through that to create preconditions for the creation of economically strong small businesses.  613 000

2.2 Loan and leasing guarantee  Improving opportunity for access to capital  300 000

2.3 Support for development of infrastructure  Improving the infrastructure necessary for businesses  1 964 000

3. The development of the business support system  Transparent and efficient implementation of state support measures, taking into account regional differences  2 698 000

4. Improved access to business information  147 000

4.1 Development of Information portal for entrepreneurs  Improving the availability of business information and provision of advice to entrepreneurs.  147 000

3.3 Results

3.3.1 Industrial Infrastructure Grant scheme functioning and up to 10 projects within a grant scheme are implemented by the end of 2005. (Activity 3.4.1) Investments are made into development of electricity systems, water supply and sewerage, communication systems transport links or gas pipes. Up to 10 new enterprises or sole proprietors are established and at least 300 new jobs are created.

3.3.2 Beneficiaries assisted and the grant scheme managed, developed and evaluated by the end of 2005 (Activity 3.4.2)

3.4 Activities

3.4.1 Implementation of Industrial Infrastructure grant scheme (October 2003-March 2005, total cost 1 900 000 EUR) for supporting the following activities. Eligible activities:

- development of electricity reticulation systems
- water supply and sewerage
- communication systems
- transport links
- gas pipes.

The elaboration of the mentioned activities creates conditions for business development on local level.

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7 For indicators, see Annex 1
8 For project description, see Annex 4
Eligible beneficiaries:
Local government
County government
Non profit organisations
Local Government Associations;
Be registered in Estonia (applies to the NPO-s).

Eligible regions:
The feasibility study performed by Mr Jauhiainen suggests that the eligible applicants be situated on the functional urban region, as large administrative units (five regions or 15 counties in the Estonian case) are normally not the best way to measure development stage and economic and industrial potential for localities. For this purpose, the concept of functional urban regions suits better. In the spring 2002, there were defined criteria for the selection of the most important functional urban regions in Estonia. The functional urban region is consisted of: territory with urban centre; intensive relation between the urban centre and its immediate periphery (at least 25% of employed work in the center); at least 15,000 inhabitants in the urban area. Eligible areas must be defined before implementation of the project and reflected in the call for proposal.

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

Other eligibility criteria (financial, managerial, ownership etc.):
Provide evidence that additional financing (minimum 10% of total project cost) is available.
Be directly responsible for the preparation and management of the project, not acting as an intermediary.
Must provide evidence that ownership of projects results will correspond to Phare requirements.

Selection criteria (quality criteria):
Project proposals must reflect the specific objectives of the Grant Scheme and prove to be socio-economic viable.
Correspondence to the regional development strategies and enterprise policy
Correspondence of the project to the needs of target groups
Economic benefits for the region/municipality (job creation, enlarging municipality’s revenue base, utilisation of local resources)
Sustainability of the investment assured after completion of each individual project, as indicated in a sound feasibility study and revenue assessments that demonstrate sustainability.
The beneficiaries therefore assure the future maintenance and operating costs the industrial infrastructure development project.

9 Non-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.
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.

The feasibility study of the scheme\(^{10}\) confirms the productivity of foreseen investments into industrial infrastructure development.

### 3.4.2 Assistance for management of grant scheme (October 2003-March 2005, total cost: 100 000 EUR):

The budget has been foreseen for 3 years and covers the following activities:

- Trainings, meetings and workshops 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 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, expertise and construction inspection costs, (approx 40 000 EUR)
- Project management (transport, copies, site visits, publications about the best practices and Phare activities, translation etc) (approx 20 000 EUR).

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

### 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 (ES9803.04.01).
- 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 in 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.
- Estonian regional development strategy has to be considered while planning and programming sector or regional activities.
- Experience of national industrial infrastructure development scheme is duly considered while designing and implementing the Phare grant scheme.
- There are currently only a few functioning industrial parks in Estonia and there are plans to convert former mono-functional settlements into broader industrial areas and use business incubation centres as platforms for supporting industrial development. One industrial park can be located into a territory of one hectare (10,000 sq. m of

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which about 40-50% is office space). The planning of the site is about 1-1.5% of the total costs and marketing costs around 10% of the project. Therefore, the development of a small industrial park (around 4,000 sq. m.) is possible within the limits of 100 000 EUR in Estonia.

- 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 Industrial Infrastructure Grant Scheme will be regulated by the contract between the Ministry of Economics, CFCU (Central Finance and Contracting Unit) of the Ministry of Finance and Enterprise Estonia. According to the Phare 2003 contract

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.11

4.2 Beneficiaries

The beneficiaries of the Industrial Infrastructure Grant Scheme are local governments and public agencies12 related to development of entrepreneurship in Estonian regions.

4.3 Owners of the assets

The owners of the investments of the Industrial Infrastructure Grant Scheme will be local governments or public agencies.

Public-private partnership:
Applicants may act in consortium with a partner organization (public or private). Generally, public-private partnerships are encouraged to apply. The maximum number of partners is not limited.
Public-private partnerships will not interfere with PRAG procurement rules. The project applicant and every partner must sign a Partnership Statement that clearly defines the role and involvement of partners in implementing the proposed project, the conditions of co-operation, and the obligations of the partners during the co-operation.

11 For further details see Ch 6.1 and Annex 6
12 Public agency in this context means a local development institution: NPO, foundation or public bodies, excluding thereby all profit-seeking private and commercial bodies.
The applicant will be the lead organisation and, in case the award of the contract, the contracting party (the “Beneficiary”). Private enterprises cannot be the applicants or owners of project assets after completion. The application must contain a clear presentation of who exactly are the current owners of the assets considered in the project, and who they will be after project completion and within the next five years. In case of private entities the partners cannot be the owners of the assets considered in the project. For consideration of sustainability of the project objects, it is forbidden to privatise any object financed by the European Union within a period of five years after project completion.
5. Detailed Budget (EUR)

<table>
<thead>
<tr>
<th>Phare</th>
<th>Investment Support</th>
<th>IB</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Industrial infrastructure Grant scheme (grant contracts)</td>
<td>1 400 000</td>
<td></td>
<td>1 400 000</td>
<td>500 000</td>
<td></td>
<td>1 900 000</td>
</tr>
<tr>
<td>2. Assistance for management of grant scheme (service contracts)</td>
<td></td>
<td></td>
<td></td>
<td>100 000</td>
<td></td>
<td>100 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 400 000</td>
<td></td>
<td>1 400 000</td>
<td>600 000</td>
<td></td>
<td>2 000 000</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 beneficiaries 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.

1. Implementation of the grant scheme entails joint co-financing, whereby the Ministry of Economic Affairs and Communications provides at least 25 % of financing to the grants from State budgets. In 2003 (498 000 EUR) and in 2004 (102 000 EUR). The national co-financing budget line for industrial infrastructure projects is under art. 223.04.1 Enterprise Estonia in the 2003 state budget.

Beneficiaries (local governments and public agencies) will provide additional minimum of 10 % of the total grant cost, which will be used as a parallel co-financing and is not included in the above table.

2. 100 000 EUR of national co-financing will be used in the form of parallel co-financing to the project by the EE for management of the grant scheme. Detailed budget, see Ch 3.4.2.

The total funding from the State for industrial infrastructure development (national scheme and Phare 2003 scheme) in 2003 and 2004 increases in comparison with the respective allocations in 2002 (funding from the State for industrial infrastructure development via national measure in 2002 – 1 500 000 EUR; in 2003-1 600 000 EUR + 500 000 EUR for co-financing for Phare infrastructure development project).

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, 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 Evaluation, selection and control of the grant scheme applicants under the Industrial Infrastructure development grant scheme

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. Endorsement of the list of projects will be given by the EC Delegation. The CFCU will contract the beneficiaries and make payments for implementing the project.

Evaluation process
For the evaluation of the projects an Evaluation Committee will be established by MoEAC and approved by the Ministry of Finance and ECD.

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 for final approval from PAO. The CFCU will contract the beneficiaries and make payments for implementing the project.

The evaluation process starts with the receipt of the proposals by the Enterprise Estonia and ends with endorsement by ECD the 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, 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 list of projects to the ECD for endorsement.

Preparation of the contracts
In principle the Model of Standard Grant Contract is 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 ECD for endorsement. Following the endorsement of the contracts by ECD, the grant contracts will be signed with the beneficiaries. The CFCU provides the EE with information regarding the contract awards.

**Financing of the projects**

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 Industrial Infrastructure Grant Scheme 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 and ECD 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.

**The system of project level control:**

Beneficiaries control their own project, their team and their sub-contractors (enterprises tendering for the works and supply etc.);

EE controls and monitors progress and planning of individual projects;

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 Industrial infrastructure development grant scheme 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
- Launching Calls for Proposals, information and publicity.
- Approval of the evaluation report and submission to the ECD for endorsement;
- Preparation of the grant contracts and submission to the ECD for endorsement;
- 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 technical implementation, monitoring and steering of the project and its sub-projects, maintaining regular contacts with PAO/CFCU and providing logistical support for Steering Committee. 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, discusses and authorises changes in project implementation plan and resource allocation. For Contract 2, 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:** +372 6256 370  
**Fax:** +372 6313 660  
**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 Industrial Infrastructure Grant Scheme is Enterprise Estonia (EE). In March 2002 a specialised Phare Unit was established in EE with the objective to provide technical support to CFCU 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 (ES01.07.01 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

A **project manager** will be hired in Enterprise Estonia by March 2003. The tasks of the project manager will be related to the implementation of the current project.

**Beneficiaries**
The beneficiaries (local governments and public agencies) 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:**
Proper 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 reports);
Submitting the invoices and request of payments to EE/PO for approval;
Responsibility for transparent accounting of the project;
Following the guidelines for publicity.

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

**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 be 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.

6.4 Twinning

N/A

6.5 Non-standard aspects

No non-standard aspects are foreseen.

6.6 Contracts

Grant contracts – **1 900 000 EUR** (see also Annex 1 and Annex 4)

7. Implementation Schedule

7.1 Start of tendering/call for proposals: March 2003

7.2 Start of project activity: October 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 recording 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:

If a project is likely to affect sites of nature conservation importance, an appropriate assessment according to Art 6. of the Habitat directive\(^\text{13}\) 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\(^\text{14}\).

10. Rates of return

Estonian national Industrial Infrastructure support scheme has been very successful since its launch in 2001. By July 2002, more than 85 applications amounting to 5 242 000 EUR had been received and 20 projects in total of 1 045 000 EUR were financed.

This shows high need for such investments. Project selection criteria will ensure that only projects with a very good business plan receive funding and provide high rates of return. The feasibility study\textsuperscript{15} confirms the productivity of foreseen investments into industrial infrastructure development.

11. Investment criteria

11.1 Catalytic effect:

- Development of programme/project implementation structures is a key issue for increasing the absorption capacity of Structural Funds in the country.
- The amplifying effect of Phare on national business support measures multiply the development effects in priority areas.
- Regionalisation of business support measures provides an input to balanced regional development in the country.

11.2 Co-financing:
The state provides at least 25\% of financing to the projects. It is foreseen that the financial contribution of the applicant (local governments and public agencies) must be minimum 10\% in addition to the requested grant amount.

11.3 Additionality:

- Estonia allocates its own 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. 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.
- The Phare Support for Industrial Infrastructure development scheme will be launched as an additional independent business development measure to the nationally financed Support for business infrastructure development scheme (see also Ch 3.1 and Annex 5). The national scheme continues in 2003 in total of 1 590 000 EUR and in 2004 in a similar volume. The capacity of the current scheme however is limited and the provision of assistance significantly below demand (as stipulated also in the feasibility study). The existing scheme is designed for funding projects with a different rationale and purpose and the Phare scheme is additional and does not thereby replace any national or other source of funding.
- The total funding from the State for industrial infrastructure development (national scheme and Phare 2003 scheme) in 2003 and 2004 increases comparison with the respective allocations in 2002.

11.4 Project readiness and Size:
Before starting the investment components all necessary technical studies shall be completed by the beneficiaries.

The feasibility study\textsuperscript{16} confirms the productivity of foreseen investments into industrial infrastructure development.


infrastructure development.
The total of all Phare financed investment components of the project is **1 400 000 EUR**.

11.5 **Sustainability:**
- The investments will be sustainable after completion of each individual project, since the criteria and procedures of the Phare grant scheme require beneficiaries to prepare sound feasibility studies and revenue assessments that demonstrate sustainability. The beneficiaries therefore assure the future maintenance and operating costs of each industrial infrastructure development project.
- The beneficiaries will guarantee the sustainability of the projects. Enterprise Estonia will evaluate the projects after completion. Enterprise Estonia will be strengthened by the project and this allows better to ensure the monitoring and promotion of sustainability of actions.
- None of the components or activities will have an adverse effect on the environment.

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 Support for Industrial Infrastructure development grant scheme corresponds to Chapter 3.2.2 of SPD and contributes to implementing of the sub-measure “Establishing and developing modern infrastructure necessary for business development in less developed areas” under the measure of Business development, under the priority of Competitiveness of Enterprises in SPD.

12. **Conditionality and sequencing**

12.1 **Conditionality:**

Technical Assistance for designing of the grant scheme from ES01.07.01 will prepare the detailed design of Industrial Infrastructure Grant Scheme before the start of the project.

A project manager for implementing the grant scheme must be recruited in Enterprise Estonia by March 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.

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 is conditional upon evidence that CFCU has strengthened its capacity and clearly outlined its procedures and systems in place for subcontracting.

12.2 **Sequencing:**
- Project preparation will be financed from the budget of the project ES01.07.01 as the current project is phase two (phase one is Phare 2001) in multi-annual programming of support to structures and instruments for implementation of business support measures.
- 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 in the first half of 2003
- Beneficiaries trained, tender dossiers prepared by the beneficiaries with the assistance of short-term expertise in the framework of the TA contract ES01.07.01
- Implementation of projects from October 2003.

**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 Industrial Infrastructure Grant Scheme
ANNEX 5- Description of the Support for the Development of Business Infrastructure measure.
ANNEX 6 – Short version of the feasibility study
**ANNEX : ENVIRONMENTAL IMPACT ASSESSMENT AND NATURE CONSERVATION**
ANNEX 8 - Structure of Enterprise Estonia
ANNEX 9 - Problem tree
<table>
<thead>
<tr>
<th>ANNEX 1</th>
<th>Programme name and number: Phare ESC 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOG-FRAME PLANNING MATRIX FOR:</td>
<td>Contracting period expires: 30 April 2005</td>
</tr>
<tr>
<td>Industrial Infrastructure Grant Scheme</td>
<td>Disbursement period expires: 30 April 2006</td>
</tr>
<tr>
<td>Total budget 2 000 000 EUR</td>
<td>Phare budget 1 400 000 EUR</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced regional development of Estonia and increased competitiveness of Estonian enterprises.</td>
<td>▪ Growth in number of enterprises and sole proprietors, up to 10 new. ▪ Growth of employment, at least 300 new jobs in less developed regions in by 2006</td>
<td>▪ Regular Reports of Estonia issued by EC ▪ Ex ante, ex nunc 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</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement of employment and business activities through improved business infrastructure in less developed regions.</td>
<td>3 000 000 EUR of new investments by private companies attracted to less developed regions.</td>
<td>▪ Regular project reports issued by EE and presented to SC ▪ Ex ante, ex nunc and ex post evaluation by the MoEAC and EC</td>
<td>▪ Fruitful co-operation of central and regional administration, partnership principle effective throughout the project cycle ▪ Additional private</td>
</tr>
<tr>
<td>Results</td>
<td>Objectively verifiable indicators</td>
<td>Sources of Verification</td>
<td>Assumptions</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------</td>
<td>-------------------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| 1. Industrial Infrastructure Grant scheme functioning and projects implemented. (Activity 3.4.1)  
2. Beneficiaries assisted and the grant scheme managed, developed and evaluated. (Activity 3.4.2) | 10 Industrial infrastructure projects implemented by the end 2005. | ▪ 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, ex itinere and ex post evaluation by the MoEAC and EC Delegation | ▪ Fruitful co-operation of central, regional and local administration  
▪ Additional local and private co-financing available  
▪ Sufficient demand for the grant schemes’ funds based on the needs assessment reports  
▪ Good capability on the part of the grant scheme applicants to prepare quality proposals |
<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Cost (EUR)</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Implementation of Industrial Infrastructure grant scheme.</td>
<td>1. Investment (grant contracts)</td>
<td>Phare</td>
<td>National</td>
</tr>
<tr>
<td>2. Assistance for management of grant scheme</td>
<td>2. TA (service contracts)</td>
<td>1 400 000</td>
<td>500 000 100 000</td>
</tr>
</tbody>
</table>

- Implementation of national support measures successful.
- Design of Industrial Infrastructure Support Grant Scheme from ES.01.07.01 and preparation of the projects for financing.
- Administrative capacity of EE ensured.
- Interest of beneficiaries for project activities and ability to co-operate

**Preconditions**

Technical Assistance for designing of the grant scheme from ES01.07.01 will prepare the detailed design of Industrial Infrastructure Grant Scheme before the start of the project. A project manager for implementing the grant scheme recruited in Enterprise Estonia by March 2003. 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 (annex 7).
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 is conditional upon evidence that recommendations for corrective actions arising from the EC Delegation’s “grant scheme assessment” have been sufficiently addressed. The implementing arrangements might be revised in light of the assessment report.
ANNEX 2. TIME IMPLEMENTATION CHART
Project N°: ES
Project Title: Industrial Infrastructure Grant scheme

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Infrastructure Grant scheme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>T T T T T T C C</td>
<td>T T T T T T I I</td>
<td>T T T T T T I I I I</td>
</tr>
</tbody>
</table>
ANNEX 3. CONTRACTING AND DISBURSEMENT SCHEDULE
Project N°: ES
Project Title: Industrial Infrastructure Grant scheme

CUMULATIVE CONTRACTING SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Investment* (MEUR)</td>
<td>0.5</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>0.5</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

*There will be 10 works contracts signed with beneficiaries.

CUMULATIVE DISBURSEMENT SCHEDULE

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>TOTAL (MEUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Q1</td>
</tr>
<tr>
<td>Investment* (MEUR)</td>
<td>0.5</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>TOTAL (INV+IB)</td>
<td>0.5</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
</tr>
</tbody>
</table>

* There will be 10 works contracts signed with beneficiaries.
Description of Grant scheme:
The general objectives of Industrial Infrastructure Grant scheme are support upgrading and establishing of industrial infrastructure

1. Projects funded by the Industrial Infrastructure Grant Scheme shall support the:
   - development of electricity reticulation systems
   - water supply and sewerage
   - communication systems
   - transportation links
   - gas pipes etc

2. 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 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
   - The state provides at least 25 % of financing to the projects.
   - The beneficiaries provide at least 10 % of financing additionally to the projects.
   - Only costs incurred after the Call for Proposals are eligible.
   - In kind contribution from beneficiaries is not eligible.

3. Eligible applicants are:
   - Local governments
   - Public agencies

4. Eligibility criteria:
   Be registered in Estonia (applies to the NPO-s).
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 10% of total project cost) is available.
Must provide evidence that ownership of projects results will correspond to Phare requirements.

5. Eligible area:
Projects from regions (urban areas), outside Tallinn are preferred under the grant scheme, whereby at least 75% of the total Phare grant should be invested outside Tallinn.

6. Partnership:
Applicants may act in consortium with a partner organization (public or private). Generally, public-private partnerships are encouraged to apply. The maximum number of partners is not limited.
Public-private partnerships will not interfere with PRAG procurement rules.
The project applicant and every partner must sign a Partnership Statement that clearly defines the role and involvement of partners in implementing the proposed project, the conditions of co-operation, and the obligations of the partners during the co-operation.
The applicant will be the lead organisation and, in case the award of the contract, the contracting party (the “Beneficiary”). Private enterprises cannot be the applicants or owners of project assets after completion.
The application must contain a clear presentation of who exactly are the current owners of the assets considered in the project, and who they will be after project completion and within the next five years. In case of private entities the partners cannot be the owners of the assets considered in the project.
For consideration of sustainability of the project objects, it is forbidden to privatise any object financed by the European Union within a period of five years after project completion.
Annex 5: Description of the Enterprise Estonia Support for the Development of Business Infrastructure measure

The objective of the national infrastructure support scheme is to balance the national regional development through supporting the development of infrastructure necessary for entrepreneurial activities. Another objective or expectation for the infrastructure measure is the creation of closer public-private partnerships.

In the 10 months from October 2001 up to July 2002, 1 057 000 EUR was spent. 62 applications were received, with 21 of them were appraised positively. This means that the average per approved application was 51 282 EUR. Some regions (Saaremaa, Laane-Virumaa) so far received in excess of 192 000 EUR, while other regions did not benefit at all from this instrument thus far (Jõgevamaa, Põlvamaa, Võrumaa). About two-thirds of the applications were from local governments, with the remaining one third from companies. In terms of activities supported, 70% of the grants were for road construction, with the remainder for electricity, waste-water facilities, etc. (all outside the premises of companies). Due to high interest about the scheme and the applications have exceeded the available funds the budget of scheme for 2002 was increased by 640 000 EUR (in August 2002). Decision process takes 2-3 months. After making the decision, the Agency informs the applicants within 10 days.

<table>
<thead>
<tr>
<th>INFRASTRUCTURE SUPPORT</th>
<th>2001 (October - December)</th>
<th>2002 (up to July)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Amount</td>
<td>No</td>
</tr>
<tr>
<td>By county</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harjumaa</td>
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<td>34654</td>
</tr>
<tr>
<td>incl. Tallinn</td>
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<td></td>
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<tr>
<td>Hiiumaa</td>
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<tr>
<td>Ida-Virumaa</td>
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<tr>
<td>Jõgevamaa</td>
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<tr>
<td>Järvaamaa</td>
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<tr>
<td>Läänemaa</td>
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<tr>
<td>Lääne-Virumaa</td>
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<td>216792</td>
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<tr>
<td>Põlvamaa</td>
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<td></td>
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<tr>
<td>Pärnumaa</td>
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<tr>
<td>Raplamaa</td>
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<td>89232</td>
</tr>
<tr>
<td>Saaremaa</td>
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<td>192510</td>
</tr>
<tr>
<td>Tartumaa</td>
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<td>59362</td>
</tr>
<tr>
<td>Valgamaa</td>
<td>1</td>
<td>17578</td>
</tr>
<tr>
<td>Viljandimaa</td>
<td>1</td>
<td>123703</td>
</tr>
<tr>
<td>Võrumaa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia total</td>
<td>4</td>
<td>31045</td>
</tr>
</tbody>
</table>

In 2001 21 applications were submitted, 7 proceeded by the end of 2001 and 4 financed. Applications have improved over time. In the beginning most of the applications were rejected because of technical reasons while now this is rarely cited as a reason for rejection.

In 2002:
Approx 6% applications are sent back and asked for correction.
Approx 3.7% of applications did not meet the requirements.
Approx. 39% did not get financing.
Approx. 33.3% were financed.
53% of total applicants are local municipalities.
70% of all infrastructure support measure funds are allocated for road construction.
In total, entrepreneurs have undertaken to create **1572 new jobs**.

**Types of projects financed:**

- Infrastructure development for the establishment of industrial park in Paldiski military space;
- Renovation of electrical system of production facilities;
- Construction of water and sewage system;
- Reconstruction of water and sewage pipes in Ahula enterprise area;
- Reconstruction of Albu enterprise area sewage system;
- Järvamaa industrial park and Mäo industrial village;
- Building of dust-free coverage to Saare road;
- Extension of industrial street in Kadrina;
- Power Sub-station for Pillow factory;
- Renovation of Kunda river bridge;
- Bulging of pavement and water pipes to Vändra;
- Road reconstruction of Kohila Factory bridge and Härjaoja road;
- Extension of Kastani street;
- Development of infrastructure in Märjamaa industrial area;
- Reconstruction of Mullutu road;
- Development of business infrastructure in Kuressaare I, II;
- Reconstruction of roads in Reola industrial village;
- Milk circle;
- Reconstruction of water system in Sangaste.
ANNEX 6

The share of industry in Estonian GDP is 23% and 26% in total employment with significant regional differences. Estonian industrial productivity is below 40% of the EU average due to large amount of traditional labour-intensive and/or low-technology industries (food products and beverages, textile wood, paper and paper products, furniture). Estonia follows the industrial development of the OECD countries with certain time gap. The share of employed in industry decreases, the share of labour intensive industrial production decreases (incl. manufacture of textile and wearing apparel). The impact of R&D and high-technology in industry increases and the share of manufacture of machinery increases (incl. metal products and equipment).

Estonia’s policy towards industry is by and large in conformity with the principles of EC industrial policy, i.e. market-based, stable and predictable. However, there is need for a comprehensive industrial policy and better definition and implementation of specific measures taking into account the needs of the business community.

Generally, regional development in Estonia is polarised. Unequal industrial development (e.g. concentration of investments and development in Tallinn metropolitan region, serious industrial decline in the north-east Estonia and some mono-functional industrial settlements, lack of appropriate regional industrial infrastructure) requires attention. The sufficiency of general financial resources for the implementation of industrial policy documents and plans and the specific implementation resources for Enterprise Estonia is of concern.

Functional urban regions are best sites for industrial development due to concentration of human (labour force) and physical (infrastructure) resources. In the spring 2002, there were defined criteria for the selection of the most important functional urban regions in Estonia. The functional urban region is consisted of:
territory with urban centre;
intensive relation between the urban centre and its immediate periphery (at least 25% of employed work in the center);
at least 15,000 inhabitants in the urban area.
Large administrative units (five regions or 15 counties in the Estonian case) are normally not the best way to measure development stage and economic and industrial potential for localities. For this purpose, The concept of functional urban regions suits better. There were 12 Estonian urban regions meeting these criteria. In total, these areas are consisted of 12 towns as centres for functional urban regions and as their hinterland there are 70 municipalities of which are 9 towns and 61 rural municipalities. The amount of local authorities in these urban regions is 82 that is one third of the total amount of Estonian municipalities. In these functional urban regions live about one million inhabitants (988,606 people), about 70% on total Estonian population. Functional urban regions also offer possibilities to convert former and abandoned industrial sites into new use, expand existing industrial parks and, if necessary, develop new industrial areas.
Another possibility is to analyse the regional distribution of industrial activities in Estonia is to look at the dynamics of small (under 50 employed), medium-sized (50-249 employed) and large (250 or more employed) industrial enterprises, their value added and turnover and their role in total employment of the regions. Due to problems in statistics, the most reliable regional level is still to study them at the level of counties. It is obvious that the distribution of industrial activities within counties is spatially uneven. Often the most significant production is concentrated in large towns and in some particular cases in mono-functional settlements.

The structure of industrial production is diversified in Estonia in terms of quantity and quality of production as well as in employment. An overwhelming role in industrial production, as in all national economy, is played by the city of Tallinn and to a lesser extent by the county around Tallinn, Harjumaa. In absolute terms, the annual industrial turnover in Harjumaa (with Tallinn) is annually 1,247 million euro. This is more than the rest of Estonian counties together (excluding Ida-Virumaa county). The total amount of the six less significant counties in industrial turnover (Valga, Põlva, Saare, Lääne, Jõgeva, Hiiumaa) is annually around 200 million euros, i.e. one-sixth of Harjumaa. Harjumaa with Tallinn produces almost two-fifths of Estonian industrial turnover (37.9%). The second most important industrial area is Ida-Virumaa county with one-fifth the industrial turnover divided equally between the town of Narva (9.0%) and the rest of the county (9.1%). These two counties with their capital cities produce 56% of total industrial output in Estonia (Table 10). The share of Tartu county (incl. the capital Tartu) is 5.7% and Lääne-Viru county 5.0%.

The development of modern industrial parks in Estonia is relatively recent phenomenon - industrial parks have become important element for future industrial development in Estonia. It is an evidence of more concrete initiatives towards comprehensive Estonian industrial policy, especially to support local level initiatives. There are many aspects to take into account when developing industrial parks in Estonia. In some cases there is needed the privatisation of land and infrastructure for enterprises. More common is the need to develop and improve basic infrastructure (new buildings, renovation of existing buildings, energy, water, communication and telecommunication networks). More complicated, but necessary tasks are dealing with the management capacities and marketing of industrial parks as well as enhancement of human resources in industrial parks in general. Overall, the development potential of industrial parks and estates should be analysed in the context of the economic overhead capital (roads, railways, port facilities, power lines, service facilities) and social overhead capital (schools, universities, hospitals, libraries) of given locality.

A SWOT-analysis was conducted and indicated major gaps, needs and recommendations for industrial infrastructure. Furthermore, a brief and intensive case study was conducted over the most advanced industrial park of Estonia, the Tapa Industrial Park. Unfortunately, due to the lack of systematic financial or material overview of industrial infrastructure by local or regional authorities - not to mention detailed cost-benefit analysis of the investment needs for industrial infrastructure, only a rough picture of the current situation can be given. According to the estimation of regional areas in Estonia more than one industrial parks should be established to Ida-Virumaa, Viljandimaa, Lääne-Virumaa and Võrumaa.

The ex-ante feasibility of the Support for Industrial Infrastructure Development was conducted over 11 different aspects of the proposed support scheme. As the evaluating tool there was used simplified cost-benefit analysis for judging the advantages of the intervention from the point of the view of the groups concerned. Attention was paid also on the monetary value attributed to all the
positive and negative consequences of the intervention. Eight criteria were approved without consideration and three with consideration.

Supporting industrial infrastructure and the creation of interactive and innovative industrial parks can make a difference in regional development. The synergetic effects of location are important in technological spill-over and innovation. The development of such synergetic industrial parks is mostly at initial stage in Estonia. These should be located in functional urban regions or very close to them to guarantee the availability of skilled labour and development potential. Some industrial parks will be for low-tech and labour-intensive industries, however, high-tech and capital-intensive activities have better long-term perspective. The funding provided by improvement of basic industrial infrastructure is crucial in the initial phase of development, especially in countries experience rapid transformation such as Estonia. However, very soon the role of human resources will be more important for successful development.
Environmental Impact Assessment

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

1. Development consent

Has development consent\(^{17}\) 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  

..........................................................................................................................................................................................  
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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:  

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\(^{17}\) i.e. decision of the competent authority or authorities which entitle the developer to proceed with the project
2. Application of Directive on Environmental Impact Assessment (EIA)\textsuperscript{18}

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

- Not covered by Directive 85/337/EEC, as amended by Directive 91/11/EC (only the section on nature conservation needs to be completed)

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\textsuperscript{19} 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,


\textsuperscript{19} A guidance document describing the minimum criteria to ensure that a similar procedure has been applied can be found on http://www.inferegio.cec.eu.int
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,
- 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\textsuperscript{20} 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 [___|___|___]

\textsuperscript{20} 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)?

Yes [ ] No [ ]

- 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?

Yes [ ] No [ ]

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.

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

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…

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?

21 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
- 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)
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\(^{22}\) 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:

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\(^{22}\) 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

<table>
<thead>
<tr>
<th>Candidate Country:</th>
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<th>Competent national authority:</th>
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<th>Address:</th>
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<table>
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<th>Contact person:</th>
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<tr>
<th>Tel., fax, e-mail:</th>
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</table>
### 1. PROJECT

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:
2. NEGATIVE EFFECTS

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 9
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

Low share of enterprises with R&D capacity in economy

Marketing problems of products, especially in export markets

Small number of entrepreneurs and slow pace of development of enterprises

Business development regionally unbalanced

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

Infrastructural 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 enterprisers

Modern business development infrastructure is regionally unbalance

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