



WP1: Synthesis report

*Ex post evaluation of Cohesion Policy programmes
2007-2013, focusing on the European Regional
Development Fund (ERDF) and the Cohesion Fund (CF)*

Task 3 Country Report Estonia

September 2016



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EUROPEAN COMMISSION

Directorate-General for Regional and Urban Policy
Directorate B – Policy
Unit B.2 Evaluation and European Semester

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**WP1: Synthesis report
(contract number 2014CE16BAT016)**

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**Task 3 Country Report
Estonia**

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Luxembourg: Publications Office of the European Union, 2016

ISBN [number]

doi:[number]

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List of abbreviations

AIR	Annual Implementation Report		
ERDF	European Regional Development Fund		
ETC	European Territorial Cooperation		
EU	European Union		
GDP	Gross Domestic Product		
GDFCF	Gross Domestic Fixed Capital Formation		
MA	Managing Authority		
MC	Management Committee		
NSRF	National Strategic Reference Framework		
NUTS	Nomenclature of Territorial Units for Statistics		
OP	Operational Programme		
R&D	Research and Development		
RTD	Research and Technological Development		
SME	Small and Medium Enterprise		
TEN-T	trans-European	Transport	Network



List of programmes and link to beneficiaries of ERDF and Cohesion Fund support

CCI	Name of OP	Link beneficiaries	Number of projects
2007EE161PO001 / 2007EE161PO002	OP Development of Economic Environment / OP Development of Living Environment	http://www.strukturifondid.ee/mis-on-tehtud/	15 003

Note: The web links above are to websites of the respective Managing Authorities who, under the rules governing the 2007-2013 programmes were required to publish the names of the beneficiaries of the funding allocated. The number of projects supported has been estimated on the basis of the information published on the website at the time when the data were downloaded. In the meantime the data concerned may have been updated. It may also be that the data have been moved to another part of the website, in which case the link may not work. If this is the case, those who wish to locate the data concerned will need to go to main OP website, as indicated by the beginning part of the link and search from there.



Map 1 Estonia and NUTS 2 regions, GDP/head (PPS), 2014



Estonia: GDP/head (PPS) by NUTS-2 region, 2014

- Index, EU-27 = 100
- < 50
 - 50 - 75
 - 75 - 90
 - 90 - 100
 - 100 - 125
 - >= 125
- ∩ NUTS2 boundaries

Sources: Eurostat, DG REGIO



Preliminary note

The purpose of the country reports is to provide for each Member State a short guide to the findings of the ex post evaluation of Cohesion policy programmes 2007-2013 undertaken by DG Regional and Urban Policy and an overview of the context in which the programmes were carried out. It is based on information produced by Task 1 and Task 2 of WP1 and on the country specific findings from the various WPs that form the ex post evaluation. These are listed below with an indication in brackets of the case studies carried out in the Member State concerned.

WP0 – Data

WP1 – Synthesis

WP2 – SMEs, innovation and ICT

WP3 – Venture capital, loan funds

WP4 – Large enterprises

WP5 – Transport (case study Reconstruction of Uelemiste Junction in Tallin)

WP6 – Environment (case study Water Supply Systems in the Kohtla-Järve Area)

WP8 – Energy efficiency

WP9 - Culture and tourism

WP10 – Urban development and social infrastructure

WP11¹ – European Territorial Cooperation (case study Baltic Sea Region programme)

WP12 – Delivery system

WP13 – Geography of expenditure

WP14 – Impact modelling

¹ The findings from WP11 – European Territorial Cooperation are summarised in a separate report as part of Task 3 of WP1.



Executive summary

After the strong economic expansion between 2000-2007, Estonia was hit severely by the global economic recession, with GDP falling by 10% a year over the two years 2007-2009. From 2010 on, the economy began to recover, mainly driven by exports. However, the pace of growth declined after 2013 and in 2015 the rate was only around 1%. The crisis had a major effect on the labour market, the proportion of working-age population in employment falling by 7 percentage points between 2007 and 2009 and the unemployment rate increasing from under 5% to over 12%. The subsequent period of growth, however, led to the employment rate returning by 2015 to much the same level as before the recession hit and unemployment falling to just over 6% of the labour force.

Despite the deep recession, the public sector balance, which was in surplus in 2007, moved into only a relatively small deficit in 2009 and tight fiscal policies together with economic growth led to the balance moving into surplus again in 2011 and the budget remaining in broad balance up to 2015. Although public investment was reduced after the recession, it remained at around 5% of GDP from 2011 on, higher than in most EU12 countries.

Over the 2007-2013 period, regional disparities continued to be marked between the capital city and the rest of the country, with economic development remaining largely concentrated in Tallinn.

The support from the ERDF and Cohesion Fund over the period amounted to just over EUR 3 billion, which represented 2.6% of GDP and 39% of government capital expenditure. Accordingly, EU funding was a major source of finance for development spending. The rate of implementing programmes, as reflected in payments from the Commission in relation to the funding available, was relatively stable over the period. By the end of 2015, payments amounted to 95% of the funding available, implying that all the funding had been spent by then as required by the regulations.

Funding was mainly used to expand and improve environmental and transport infrastructure, as well as education, health and other social infrastructure, though a significant amount also went on support of RTD and innovation. Despite the economic and financial crisis, no significant changes were made to the distribution of funding between policy areas over the period. Overall, the measures co-financed led directly to the creation of nearly 11 000 jobs, partly through support to 2 000 RTD projects. The investment in transport led to the construction of 70 km of new roads and the upgrading of 205 km of existing ones, while investment in environmental infrastructures resulted in an additional 13 695 people being connected to clean drinking water supply and 15 804 more people to wastewater treatment facilities.

The investment supported by Cohesion and rural development policies is estimated to have increased GDP in Estonia in 2015 by 4% over what it would be in the absence of the policy. It is further estimated that GDP in 2023 will be only just under 4% higher as a result of the investment concerned.



1. The policy context and background

1.1. Macroeconomic situation

During the 2000-2007 period, Estonia experienced one of the fastest economic growth rates in the EU, averaging just under 8% a year (Table 1). The global economic and financial crisis, which hit the construction industry in particular, caused a sharp contraction in GDP, reducing it by nearly 15% in 2009 alone and by an average of 10% a year over the 2007-2009 period. Recovery, however, occurred quickly, growth averaging rate 5% a year between 2009 and 2011, mainly driven up by exports. Nonetheless, from 2013 the pace of growth declined, falling to only around 1% in 2015 as export demand slowed.

Table 1 GDP growth, employment and unemployment, Estonia and the EU, 2000- 2015

	2000-07	2007-09	2009-11	2011-13	2013-2014	2014-15
GDP growth			(Annual average % pa)			
Estonia	7.6	-10.2	5.0	3.4	2.9	0.9
EU average	2.3	-2.0	1.9	-0.1	1.4	1.9
	2000	2007	2009	2011	2013	2015
Employment rate (% 20-64)						
Estonia	67.5	76.9	70.0	70.6	73.3	76.5
EU average	66.5	69.8	68.9	68.6	68.4	70.1
Unemployment rate (% lab force)						
Estonia	13.4	4.6	13.5	12.3	8.6	6.2
EU average	9.2	7.1	8.9	9.6	10.8	9.3

Source: Eurostat, National accounts and Labour Force Survey

The economic contraction had a severe effect on employment, the proportion of those aged 20-64 in work declining by 7 percentage points over the 2007-2009 period and unemployment increasing from below 5% of the labour force to over 12%. Growth of GDP from 2010 on led to the employment rate rising by 2015 to much the same level as before the crisis struck and unemployment coming down to just over 6% of the labour force.

Table 2 Government budget balance, accumulated debt and investment, Estonia and the EU, 2000-2015

	2000	2007	2009	2011	2013	2015
Public sector balance			(% GDP)			
Estonia	-0.1	2.7	-2.2	1.2	-0.2	0.4
EU average	0.0	-0.9	-6.7	-4.5	-3.3	-2.4
Public sector debt						
Estonia	5.1	3.7	7.0	5.9	9.9	9.7
EU average	60.6	57.9	73.1	81.1	85.5	85.2
General Govt investment						
Estonia	4.4	6.0	6.2	4.9	5.5	5.3
EU average	2.9	3.2	3.7	3.3	3.0	2.9

Source: Eurostat Government financial accounts

The crisis led to a sharp deterioration in public finances, with a surplus of almost 3% of GDP in 2007 turning into a deficit of just over 2% in 2009 (Table 2). From then on, the adoption of tight fiscal policies together with growth resulted in the public sector financial balance budget being brought back to surplus in 2011 and the budget being in broad balance throughout the rest of the period up to 2015. Although public investment was cut back as part of the fiscal consolidation measures, from 2011 on, it remained at around 5% of GDP or just over, in part because of the relatively large amount of funding from the ERDF and Cohesion Fund. This was a larger share than in most EU12 countries.

1.2. Regional Disparities

Estonia is a single NUTS 2 region country with a population of just over 1.3 million and GDP per head which in 2007 at the start of the programming period was 68% of the EU average (see Country folder for Estonia). Although this declined to 62% of the average



in 2009 as a result of the deep recession, by 2014, it had increased to 76% of the average, reflecting the extent of recovery from the recession.

Regional disparities, nevertheless, remain significant, particularly between Tallinn, where nearly a third of the population live, and the rest of the country which has a low level of urbanisation (i.e. few towns or cities capable of acting as centres of economic growth). Economic development is, therefore, concentrated in the capital and to a much lesser extent in Tartu county with the second largest city, while many other parts of the country are rural and lack basic infrastructure.

This has led to outward migration from these areas, in particular of young people, both to the capital and, more especially, to other countries in the EU. This is particularly the case in the North-East part of the country, in Ida-Viru County which has experienced marked economic decline and a high rate of unemployment.

2. Main features of Cohesion Policy implementation

2.1. Nature and scale of Cohesion Policy in the country

The NSRF for 2007-2013 was focussed on five thematic priorities and one horizontal priority: (1) Education and active population; (2) Increase of research and development capability and innovative spirit and productivity of enterprises; (3) Better connection opportunities; (4) Reduction of the environmental load; and, (5) Integral and balanced development of regions. The horizontal priority related to the improvement of administrative capacity.

Over the 2007-2013 period, the allocation of ERDF and Cohesion Fund amounted to just over EUR 3 billion, amounting to 2.6% of GDP and 39% of the government capital expenditure and being equivalent to EUR 323 per head a year, more than 50% higher than the average of Convergence regions in EU12 countries (Table 3).

Table 3 ERDF, Cohesion Fund and national co-financing for the 2007-2013 period in Estonia, initial (2007) and last (April 2016)

	2007				2016			
	EU funding	National public funding	National private funding	Total	EU funding	National public funding	National private funding	Total
EUR million								
Convergence	3 011.9	391.1	208.5	3 611.6	3 011.9	391.1	243.9	3 647.0
<i>Change, 2007-2014</i>								
Convergence	-	-	35.4	35.4	-	-	35.4	35.4
% GDP	2.63	0.34	0.18	3.16	2.63	0.34	0.21	3.19
% Govt. capital expend	39.4	5.1	2.7	47.2	39.4	5.1	3.2	47.7
Per head (EUR) pa	322.7	41.9	22.3	387.0	322.7	41.9	26.1	390.8
EU12								
% GDP	2.15	0.43	0.06	2.63	2.17	0.36	0.08	2.61
% Govt. capital expend	38.3	7.6	1.0	46.9	38.7	6.4	1.4	46.5
Per head (EUR) pa in Convergence	212.4	42.1	5.6	260.2	214.6	35.5	7.8	258.0

Note: EU funding relates to decided amounts as agreed in 2007 and as at 14 April 2016. The figures for % GDP and % Govt. capital expenditure relate to funding for the period as % of GDP and General Government capital expenditure aggregated over the years 2007-2013. Govt. capital expend is the sum of General Government gross fixed capital formation and capital transfers. The EU12 figures are the total for the EU12 countries for comparison.

Source: DG Regional and Urban Policy, Inforegio database and Eurostat, national accounts and Government statistics

ERDF and Cohesion Fund resources were shared, almost equally, between two national programmes: the 'Development of Economic Environment' OP", aimed at strengthening the business sector, supporting R&D and innovation and improving the transport network, and the 'Development of Living Environment' OP for the construction and upgrading of environmental and social infrastructure.



2.2. Division of funding between policy areas and changes over the period

Nearly half of the ERDF and the Cohesion Fund available was allocated to the Environment (25.5%) and Transport (23%)². Support for the former was mainly focussed on improving water supply and wastewater treatment facilities, while investments in transport went to strengthening road and rail links (Table 4). A significant amount of funding was also allocated to Culture and social infrastructure (predominantly the latter) as well as Innovation and RTD (around 20% for each).

Table 4 Division of financial resources in Estonia for 2007-2013 by category, initial (2007) and last (April 2016) and shift between categories

Category	EUR million					% Total	
	2007	2016	Added	Deducted	Net shift	2007	2016
1.Innovation & RTD	578.9	604.4	25.6	-	25.6	19.2	20.1
2.Entrepreneurship	15.1	15.1	-	-	-	0.5	0.5
3.Other investment in enterprise	62.6	85.8	23.3	-	23.3	2.1	2.8
4.ICT for citizens & business	74.8	74.8	-	-	-	2.5	2.5
5.Environment	781.3	767.7	6.4	-20.0	-13.6	25.9	25.5
6.Energy	73.6	28.8	-	-44.8	-44.8	2.4	1.0
7.Broadband	-	-	-	-	-	-	-
8.Road	280.8	290.4	9.6	-	9.6	9.3	9.6
9.Rail	185.3	185.3	-	-	-	6.2	6.2
10.Other transport	216.1	216.1	-	-	-	7.2	7.2
11.Human capital	-	-	-	-	-	-	-
12.Labour market	-	-	-	-	-	-	-
13.Culture & social infrastructure	587.1	587.1	-	-	-	19.5	19.5
14.Social Inclusion	-	-	-	-	-	-	-
15.Territorial Dimension	95.0	95.0	-	-	-	3.2	3.2
16.Capacity Building	-	-	-	-	-	-	-
17.Technical Assistance	61.3	61.3	-	-	-	2.0	2.0
Total	3 011.9	3 011.9	64.8	-64.8	-	100.0	100.0

Note: 'Added' is the sum of additions made to resources in OPs where there was a net increase in the funding going to the category. 'Deducted' is the sum of deductions made to resources in OPs where there was a net reduction in funding. 'Social inclusion' includes measures to assist disadvantaged groups and migrants. 'Territorial dimension' includes support for urban and rural regeneration and tourist services and measures to compensate for climate conditions. Source: DG Regional and Urban Policy, Inforegio database.

Source: DG Regional and Urban Policy, Inforegio database, April 2016

In the course of the programming period, there were only small shifts of funding between policy areas. There was a reduction in funding going to Energy mainly due to additional national funding from CO2 quota sales becoming available. There was also a small reduction in the funding for environmental infrastructure because of financial sustainability reasons and problems encountered in public procurement, in particular as regards waste management and wastewater projects. At the same time, funding was increased for R&D and innovation as well as for other investment in enterprises in the form of Financial Instruments (FIs).

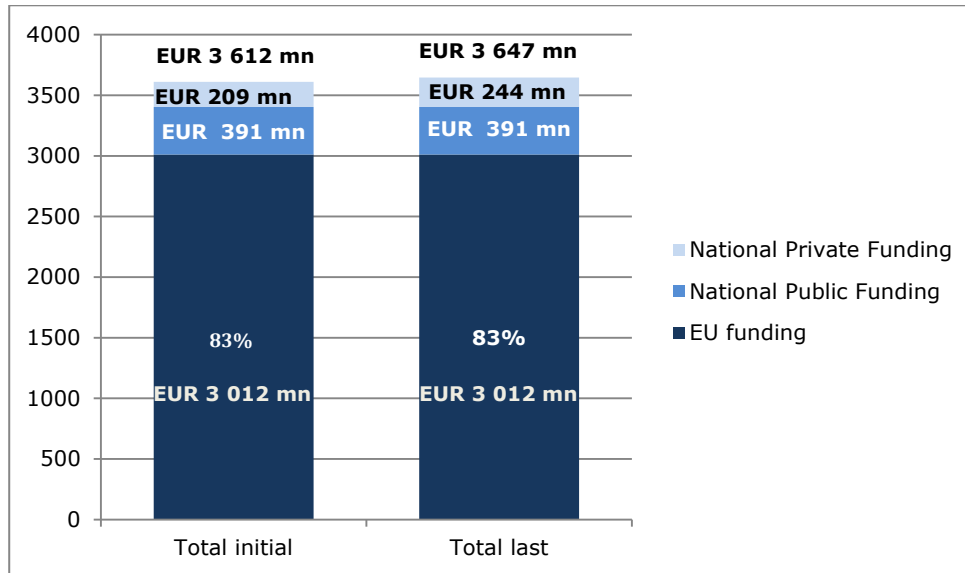
² The 17 categories shown in the table are aggregations of the more detailed 87 categories into which expenditure was divided in the period for reporting purposes.



2.3. Policy implementation

During the programming period the average EU co-financing rate and the amount received from the EU remained unchanged, while the amount of national funding increased slightly because of a small rise in funding from the private sector (Figure 1).

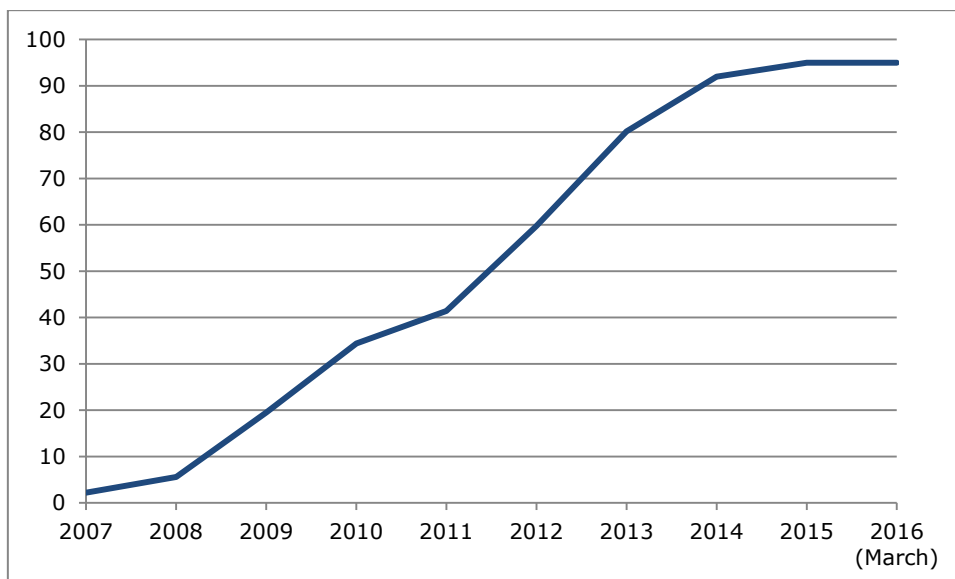
Figure 1 Total funding going to expenditure on Cohesion policy programmes for the 2007-2013 period, initial planned amount and final amount (EUR mn)



Source: DG Regional Policy financial data, 14 April 2016

Apart from an initial delay, the rate of implementation of programmes, as reflected in payments from the Commission relative to the overall amount of funding available, was relatively constant over the period. By the end of 2015, payments amounted to 95% of the available funding, the maximum possible given that 5% of funding is held back until all the expenditure is approved (Figure 2). This, therefore, implies that all the funding was spent by this time in accordance with the regulations.

Figure 2 Time profile of payments from the ERDF and Cohesion Fund to Estonia for the 2007-2013 period (% of total funding available)



Source: DG Regional Policy financial data, end-March 2016



3. The outcome of Cohesion Policy programmes – main findings from the ex post evaluation

The main findings summarised here come from the evaluations carried out under the Work Packages (WPs) of the ex-post evaluation exercise. These covered in detail the following policy areas:

- Support to SMEs – increasing research and innovation in SMEs and SME development (WP2);
- Financial instruments for enterprises (WP3);
- Support to large enterprises (WP4);
- Transport (WP5);
- Environment (WP6);
- Energy efficiency in public and residential buildings (WP8);
- Culture and tourism (WP9);
- Urban development and social infrastructure (WP10);
- European Territorial Cooperation (WP11);
- Delivery system (WP12);
- Geography of expenditure (WP13);
- The impact of cohesion policy 2007-2013: model simulations with Quest III and Rhomolo (WP14).

All of these are relevant for Estonia except the evaluation of large enterprises (WP4) which focused only on those countries which allocated significant amounts of funding to large enterprises, which was not the case for Estonia, and WP12 which did not cover Estonia among the countries examined. The evaluation of ETC (WP11), it should be noted, is the subject of a separate report, while the estimates produced by WP13 on the allocation of funding and of expenditure between regions are not considered here³.

3.1. Enterprise support and innovation (WP2, WP3 and WP4)

During the 2007-2013 period the total ERDF funding allocated to enterprise support and innovation amounted to EUR 705 million, or just under a quarter (23%) of the overall amount of funding (ERDF plus Cohesion Fund) available for Estonia. The majority of these funds (86%) was set aside for RTD and innovation.

Up to the end of 2014, 2 000 RTD projects had been carried out with ERDF support and an estimated 10 908 jobs had been created directly as a result of the support.

SME support, R&D and innovation (WP2)

According to the Innovation Union Scoreboard 2016, Estonia is among the best performing countries among the group of 'moderate innovators'⁴. Innovation performance improved over the first part of the programming period but dropped off over the later years. R&D expenditure, therefore, increased from 1.1% of GDP in 2006 to 2.2% in 2012 but fell to 1.7% 2013. Similarly the business expenditure on R&D tripled relative to GDP between 2006 and 2011 but declined in both 2012 and 2013 (0.83% of GDP). On the other hand, the number of SMEs in medium-high and high

³ They are available at: http://ec.europa.eu/regional_policy/en/policy/evaluations/ec/2007-2013/#1.

⁴ Moderate innovators includes Member States where the innovation performance is below that of the EU average at relative performance rates between 50% and 90% of the EU average, see http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en.



tech sectors (e.g. chemicals, pharmaceuticals, computer and electronic products) increased between 2008 and 2013.

ERDF co-financing was concentrated on a mix of policy instruments (7 in total) aimed at stimulating higher R&D investment in firms and increasing business productivity. The measures were mainly directed towards individual SMEs (1 800 beneficiaries of which 70% were micro-enterprises) and the most common form of support were non-repayable grants.

Financial Instruments for enterprises (WP3)

FIs financed by the ERDF were first introduced in Estonia in the 2007-2013 programming period. A total of EUR 107 million was allocated to FIs for enterprises, 5% of the overall EU funding going to Estonia. Most of the funding for FIs came from the ERDF, only 20% being co-financed by national government and no funding at all coming from the private sector. By the end of 2014, all of the funding allocated had been paid into FIs and almost all of it (91%) had reached final recipients⁵.

FIs were primarily set up in response to market failure, in particular, to compensate for the limited availability of finance to SMEs which lacked collateral, their own sources of funding or a suitable financial record, an availability which became even more limited after the onset of the economic crisis.

Overall, the ERDF provided support for 6 funds set up as independent legal entities, i.e. without establishing a holding fund, and managed by the publicly-owned *Foundation CredEx*. One of the funds was set up to provide loans for energy efficiency measures for housing while the remaining ones were for supporting businesses. Support predominantly took the form of loans (EUR 57.78 million being extended to final recipients by the end of 2014) while guarantees and mixed products were used to a lesser extent (EUR 21.26 million and EUR 12.78 million, respectively, taken up by final beneficiaries).

3.2. Transport (WP5)

EUR 692 million was allocated to Transport over the period, 23% of the total funding available. Of this, over 40% was invested in roads, while the rest was divided between rail (just over a quarter) and other transport (just over 30%), including regional ports, airports and waterways. The main objectives were to provide the capital Tallinn with an efficient public transport system, by improving the ring road (see Box), contribute to the completion of the TEN-T by improving links with other EU countries and strengthen internal connections between regions, especially between the centres of economic activity and the less developed parts. The funding provided amounted to over 40% of the total investment in transport in the country over the period, 33% of all investment in roads and 67% of all investment in rail.

⁵ Fourth Progress Report in financing and implementing financial engineering instruments, DG REGIO, September 2015.



The construction of Ülemiste Junction case study⁶

The project involved the upgrading of one of the most important and complex transport hubs in Tallinn, which also forms the main junction between the three TEN-T routes going through Estonia. The project was part of the Tallinn City Development Plan as well as the national plan for transport in Estonia.

The project was split into three sections, with 78% of the first part being co-financed by the EU⁷. The construction of the first section started in 2009 and finished in October 2013, one month ahead of schedule. The next two sections have been put on hold. The cost of the project was lower than initially planned (EUR 74.5 million instead of EUR 80.8 million). No significant delays were encountered during implementation and management of the construction was efficient and flexible, enabling quick decisions to be made when needed and providing additional funding when required. The stakeholders interviewed considered the project successful in terms of reducing journey times across the city, including from Tallinn airport to the city centre. An analysis of traffic data carried out after the project was completed indicates that traffic volumes on parallel routes were reduced by 6% while the traffic on the road itself increased by 6-10%. Despite this, traffic growth was lower than previously forecast because of the slow growth of the economy. In fact, the overall traffic across Tallinn declined slightly between 2012 and 2013. Since no tolls are proposed, Tallinn Municipality will be responsible for future maintenance of the project.

3.3. Environmental infrastructure (WP6)

Over the 2007-2013 period, EUR 768 million, or 25.5% of the total, went to support of the Environment. The bulk of this, was allocated to investment in water supply and wastewater facilities (EUR 471 million), while around 12% (EUR 90 million) went to waste management. The overall objective was to help comply with EU Directives in these areas.

In 2007 Estonia had the second lowest proportion of population connected to drinking water supply (74%) in the EU and it also ranked low for water quality. The modernisation of water supply networks (pipelines and treatment plants) and treatment facilities was one of the main aims of the Development of Living Environment OP (See Box). At the same time, investment in wastewater management was focussed on the construction and improvement of sewerage systems and wastewater treatment plants. In the case of waste management, the main aims were to close hazardous waste sites, create new landfills compliant with environmental standards and rehabilitate old landfills.

Over the 2007-2013 period, resources from the ERDF and Cohesion Fund were used as the main source of financing for investment in water supply and treatment plants and wastewater collection and treatment facilities. Up to the end of 2014, the investment co-financed had resulted in an additional 13 695 people being connected to clean drinking water supply and 15 804 people being connected to new or improved wastewater treatment facilities (Table 5). In addition, over the period, 39 municipal landfills and 11 industrial waste sites were closed, while several micro-biological treatment plants had been constructed.

⁶ The full case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp5_task3_en.pdf.

⁷ In detail, the first stage involved the construction of a tunnel connecting Peterburi Road and Järvevana Road, the second one the construction of Laagna Road connection, while the last one was related to the construction of viaducts over the railway, which are underway.



Renovation of water supply systems in the Kohtla-Järve Area case study⁸

The project involved laying new pipelines and constructing water treatment plants and other infrastructure. The objective was to increase the quality of water for more than 50 000 people to reduce water losses and to comply with the EU Drinking Water Directive 98/83/EC. Total investment amounted to EUR 45.9 million. The project started in May 2009 and was extended until November 2015. During the work, savings enabled the total costs to be reduced (by EUR 1.2 million) and the scope of the project to be expanded. The investment cost was shared between the Cohesion Fund (67%) and national co-financing (21% from the municipalities involved and 12% from the beneficiary's own funds⁹).

The main outputs were the renovation of 104 km of water pipelines (14 km were still under construction when the evaluation was made), the construction of two water treatment plants and 4 water reservoirs. After the project was completed, drinking water complied with EU standards and the supply of water more stable.

3.4. Energy efficiency in public and residential buildings (WP8)

Over the 2007-2013 period, the funding allocated to energy efficiency, co-generation and management was very small, amounting to only 1% of the total available. The funding going to energy efficiency in buildings, the focus of the WP8 evaluation was part of this and so even smaller. Loans as well as grants were used though to a minor extent, though the 'Renovation Loans for apartment and buildings' scheme provided support for the modernisation of residential buildings in the form of loans.

3.5. Culture and tourism (WP9)

The recent growth of tourism in Estonia has been a significant factor in generating economic growth. Arts and entertainment, in particular, have become important in attracting visitors. Culture and tourism, however, were not considered as priorities for funding over the programming period. Nevertheless, some 5% of funding, just under EUR 150 million was allocated to the two policy areas. Most of the funding (78%) went to tourism to improve tourist services. Support took the form exclusively of non-repayable grants.

3.6. Urban development and social infrastructure (WP10)

A relative large share of funding, almost 20% of the funding available, amounting to EUR 566 million, was allocated to investment in urban development and social infrastructure. Virtually all of this was set aside for extending and improving education, healthcare and other social infrastructure. Funding was managed by the 'Development of the Living environment' OP (with a budget of EUR 1.5 billion) which mostly co-financed projects carried out in cities, though projects to provide childcare services were mainly undertaken in rural areas.

3.7. ETC (WP11)

Estonia was involved in two Interreg programmes financed under the Cross-border Cooperation strand of the ETC Objective, which were respectively with Latvia, Finland and Sweden, and the Baltic Sea Region programme (which involved 8 EU countries). The ETC-funded programme are the subject of a separate report.

3.8. Impact on GDP (WP14)

Investment supported by Cohesion and rural development policies in the 2007-2013 period amounted to an annual average of just over 2% of GDP. The investment concerned is estimated to have increased GDP in 2015, at the end of the programming

⁸ The full case study report can be consulted here:

http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp6_case_study.pdf.

⁹ Both the investment costs from the municipalities and the beneficiary were funded through the Estonian Environmental Investment Centre with funds from the European Investment Bank distributed to local projects through loans.



period, by just over 4% above the level it would have been in the absence of the funding provided¹⁰. It is further estimated that in 2023, 8 years after the funding came to an end, GDP will be almost 4% higher as a result of the investment.

3.9. Overview of achievements

Table 5 summarises the data reported by MAs on core indicators showing the outcome of the programmes co-financed over the period by the ERDF and Cohesion Fund in Estonia. It shows that, in addition to the outcomes reported above under the different WPs, support for investment in renewable energy added 19 Megawatts to the overall capacity to produce electricity from renewables.

It should be emphasised that since not all MAs report all of the core indicators, and in some cases, only a minority, the figures tend to understate achievements, perhaps substantially. The data reported relate to the situation at the end of 2014, one year before the official end of the period in terms of the expenditure which could be financed, so that they also understate achievements over the programming period because of this.

Table 5 Values of core indicators for ERDF co-financed programmes in Estonia for 2007-2013 period, as at end-2014

Core Indicator Code	Core indicator name	Value up to end-2014
1	Number of FTE jobs created	10 908
4	Number of RTD projects	2 000
14	Km of new roads	70
16	km of reconstructed roads	205
24	Additional capacity of renewable energy production (MW)	19
25	Additional population served by water projects (no.)	13 695
26	Additional population served by waste water projects (no.)	15 804

Note: The figures in the table are those reported by MAs in Annual Implementation Reports. Core indicators for which no data were reported by the Member State are not included.

Source: Annual Implementation Reports, 2014 and DG Regional Policy post-processing of these, August 2016

¹⁰ Estimates by the Quest model, a new-Keynesian dynamic general equilibrium model in kind widely used in economic policy research, developed by DG Economic and Financial Affairs to assess the effects of policies. See The impact of Cohesion Policy 2007-2013: model simulations with Quest III, WP14a, final report, http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2013/wp14a_final_report_en.pdf.

