

European Cohesion Policy in Estonia

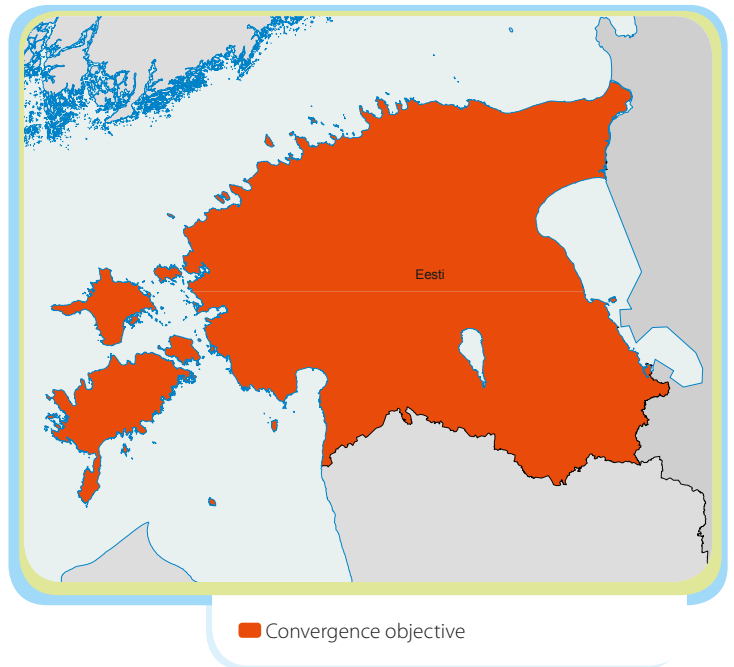
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The European Union (EU) comprises 27 Member States forming a community and single market of 493 million citizens. However, great economic and social disparities still remain among these countries and their 271 regions. European Cohesion Policy is at the centre of the effort to improve the competitive position of the Union as a whole, and its weakest regions in particular.

Through the European Regional Development Fund (ERDF) and the European Social Fund (ESF), otherwise known as the Structural Funds, as well as the Cohesion Fund, it invests in thousands of projects across all of Europe's regions to achieve its primary task: to promote economic and social cohesion by reducing these disparities between Member States and regions. With a budget of **€347 billion** for 2007–13, Cohesion Policy represents the single largest source of financial support at EU level for investment in growth and jobs, designed to enable *all regions* to compete effectively in the internal market.

However, as the challenges facing Europe's regions have changed over time, so too has the policy. Against a background of momentous change in the Union as a result of enlargement and of increasing globalisation, concerns about energy supplies, demographic decline, climate change and more recently, world recession, the policy has evolved, in step, as a key part of the response to meet these new realities.

Cohesion Policy 2007–13



IMPACT AND RESULTS OF COHESION POLICY IN ESTONIA

- In the period 2004–06, thanks to assistance from the Structural Funds, **5 600 new jobs** were created, as well as **650 new companies**.
- More than **1 650 small and medium-sized enterprises (SMEs)** received support.
- In the **environmental** sector, Structural Funds assisted the improvement of 126 municipal infrastructures, and 13 hectares of waste dumps were renovated.

- 85 km of road were renovated. A total of 39 Cohesion Fund projects were approved by the European Commission in the period 2000–06.
- By 2007, gross domestic product (GDP) per head in Estonia had risen to 68% of the EU-27 average, from 43% at the beginning of the programming period.

A SNAPSHOT OF ACHIEVEMENTS

- 5 600 new jobs and 650 new companies
- 85 km of road upgraded
- 13 hectares of waste dumps renovated as part of the effort to improve the environment



European Union
Cohesion Policy

EUROPEAN INVESTMENT IN ESTONIA – 2007–13

For the 2007–13 period, Estonia will almost double the amount of Structural Funds compared to the 2004–06 programming period. The main focus in 2007–13 is on **environmental and transport infrastructure** investments. However, the proportions set aside for Research & Development (R&D) and innovation investments and education and training have seen major increases in comparison to the previous programming period.

For the 2007–13 period, Estonia has been allocated **€3.4 billion** in total.

Estonia has three programmes under the Convergence Objective¹. Of these, two receive funding from the European Regional Development Fund (ERDF) and the Cohesion Fund, with one receiving funding from the European Social Fund (ESF).

FUNDS FOR ESTONIA IN BILLION € 2007–13

| Objective | Fund | EU | National Public | Total |
|---|------|------------|-----------------|------------|
| Convergence | CF | 1.1 | 0.2 | 1.3 |
| | ERDF | 1.9 | 0.2 | 2.1 |
| | ESF | 0.4 | 0.05 | 0.5 |
| Total Convergence | | 3.4 | | |
| Total European Territorial Cooperation* | ERDF | 0.05 | - | 0.05 |
| TOTAL | | 3.4 | 0.45 | 3.9 |

Figures have been rounded up

* Each Territorial Cooperation programme includes a minimum of 15% co-financing from each participating Member State.

DELIVERING THE LISBON STRATEGY FOR GROWTH AND JOBS

The relaunch of the Union's Lisbon Strategy in 2005 aimed to bolster the competitive position of EU regions in the world economy by placing growth, jobs and competitiveness at the top of the Union's agenda. For the 2007–13 period, European Cohesion Policy has attached increasing importance to delivering the so-called 'Lisbon objectives'.

For the 2007–13 period, the aims and priorities of the Lisbon strategy have been taken into account in the planning of structural assistance in Estonia. Nevertheless, Estonia still needs high levels of **investments in environmental and transport infrastructure**.

MAIN PRIORITIES OF COHESION POLICY IN ESTONIA, 2007–13

For the period 2007–13, Cohesion Policy in Estonia focuses on four main areas:

- **environment**
- **transport infrastructure investments**
- **R&D and innovation**
- **training and education.**

Environment – improving the **environment and promoting sustainable growth** is the main strategic priority of Estonia. Investments worth more than €1 billion are planned to contribute to meeting the EU environmental requirements by 2010.

R&D and innovation – in the area of **R&D and innovation**, financing from the Structural Funds will be directed towards **information and communication technologies (ICT), biotechnologies, materials technologies, energy, health and welfare services and environmental protection**. Estonia will invest over €822 million in R&D and innovation. As a result, 25 000 square metres of R&D institutions and 12 000 square metres of higher education institutes will be built or upgraded and 800 new R&D jobs created.

Transport – Estonia will invest a fifth of its Community budget (€682 million) in **transport infrastructure** and improving **accessibility** by developing public transport and improving connectivity and safety. At least **four major rail and five road projects will be supported** and at least **three trans-European transport network (TEN-T) junctions** will be **reconstructed**. The investments will reduce travelling times and increase the use of public transport.

Training – as Estonia reorients its growing economy towards more high-technology and knowledge-based industries, the Structural Funds are being used to help the **workforce adapt to the new needs of businesses**. Accordingly, the budget for education and (vocational) training measures has substantially increased compared to the previous programming period.

THE ESSENTIALS 2007–13

- €1.2 billion to protect and improve the environment
- Over €822 million for R&D and innovation
- €682 million to improve transport infrastructure and accessibility in Estonia

In addition to the four main areas above, support for **entrepreneurship**, especially SMEs, will be allocated €194 million. The investments aim to increase the number of exporting companies by nearly 2 000. Estonia is looking into possibilities of cooperation with other Member States, particularly other Baltic countries, in the use of the new JEREMIE financial engineering facility².

In Estonia, the **ICT infrastructure** is already well developed, and therefore only €74 million will be allocated in this field. The aim is to increase the percentage of Internet users from 53% to 75% and the use of the Internet at home from 36% to 70% by 2013.

¹ The Convergence Objective concerns regions characterised by low levels of GDP and employment, where GDP per head is less than 75% of the EU average as it stood between 2000 and 2002. It applies to 99 regions representing 35% of the EU-27 population and aims to promote conditions conducive to growth and ones which lead to real-time convergence in the least-developed Member States and regions. It should be noted that the rural development and fisheries policy are separate and do not form part of this brochure.

² JEREMIE (Joint European Resources for Micro to Medium Enterprises) enables the managing authorities of Structural Funds programmes to promote increased access to finance for the development of micro, small and medium-sized enterprises in their region or regions.

● BUILDING BRIDGES BETWEEN NEIGHBOURS

In Europe today, economic success is often dependent on a region's capacity to develop networks with other regions. Cooperation and sharing experience between regions can be a key trigger in stimulating a dynamic, forward-looking regional development process. The EU has an important role to play in brokering and supporting such partnerships, both between regions within the Union, and with neighbouring regions outside. Thousands of projects developed over many years under the



Sweden is one of Estonia's partners in cross-border cooperation

INTERREG initiative have demonstrated the benefits for regions of working in partnership, sharing ideas and charting new and innovative ways of harnessing European investment.

The **European Territorial Cooperation Objective** is financed through the ERDF for the period 2007–13 and supports cross-border, transnational and interregional cooperation programmes to encourage regions and cities across the EU and further afield to work together and learn from each other.

Estonia takes part in **seven territorial cooperation programmes** (ERDF contribution €52 million):

- two cross-border cooperation programmes: Estonia – Latvia and Central Baltic (with Finland, Latvia and Sweden);
- the transnational 'Baltic Sea region' programme involving nine EU Member States plus Russia and Belarus;
- Estonia takes part in all four interregional cooperation programmes (total budget for all the 27 EU Member States: €443 million)³: INTERACT II, URBACT II, ESPON and INTERREG IVC.

³ INTERREG IVC promotes exchange of experience and good practices among the regions, URBACT – thematic city networks, INTERACT – support for cooperation programme management organisation, ESPON – an observation network for spatial planning.

● THE EU ON CALL

The **European Union Solidarity Fund** was created after the floods which hit Central Europe in summer 2002. It grants emergency aid to Member States and acceding countries in the event of a major natural disaster.

In 2005, Estonia suffered €48 million in damage from a major storm and received €1 million in aid from the Solidarity Fund.

Estonia

€3.4 billion
for 2007–13

Boosting
growth, jobs and
competitiveness



Regional Policy on the ground

IMPROVING THE ENVIRONMENTAL SITUATION OF THE INDUSTRIAL REGION OF NARVA TOWN AND THE NARVA RESERVOIR

A major environmental project ended the negative environmental impact caused by the abandoned Ash Field No 2 of the Balti Power Plant in Narva (Ida-Viru county). The recultivated ash field area is 318 hectares and the ash field sedimentation pond recultivated as wetland is approximately 47 hectares. Thanks to EU support, the Balti Power Plant is now compliant with Estonian and European environmental legislation on waste management and recultivation of abandoned industrial waste depositories. Water quality in the Narva Reservoir is once again considered to be good.

Thanks to the closure of Ash Field No 2 and the use of the best applicable treatment technology, the environmental damage caused by the outflow of alkaline water into the water bodies on the Estonian-Russian border and the Baltic Sea has now been minimised.

The European Union made a financial contribution of €5 million, out of a total cost of €7 million.

Website: www.powerplant.ee/uf_project.php



Cleaning up industry to protect the environment

TALLINN AIRPORT: DEVELOPMENT OF THE PASSENGER TERMINAL

The passenger terminal of Tallinn Airport was completed in August 2008. During the construction works, the terminal building was extended and modernised northbound and southbound. The renewed terminal has nine passenger bridges.

The new passenger terminal has improved the operating security of Tallinn Airport and reinforced its role as one of the transport nodes in the Baltic States. Tallinn Airport now complies with the requirements for countries acceding to the Schengen agreement and is able to service the airport's increasing number of passengers.

The European Union made a financial contribution of €24 million out of a total cost of nearly €34 million.

Website: www.tallinn-airport.ee/eng/aboutcompany/photos/?galleryID=3491



More information

EU Regional Policy

http://ec.europa.eu/regional_policy/

Cohesion Policy in Estonia

http://ec.europa.eu/regional_policy/atlas2007/estonia/index_en.htm

National website

<http://www.strukturifondid.ee/>

European Social Fund

<http://ec.europa.eu/social/>