Estonia

Brussels, 20 June 2014

Summary of the Partnership Agreement for Estonia, 2014-2020

General introduction with Aims and Objectives

The European Commission-Estonia Partnership Agreement for the use of European Structural and Investment Funds for 2014-2020 focuses on the key issues that help to guarantee sustainable economic, social and territorial development, human resources development, contribute to the shift towards a more knowledge-based economy and favourable living environment, including good connection options, clean nature and efficient use of resources. While fostering economic growth and employment, the Agreement aims to ensure the long-term sustainability of public finances considering the ageing population and diverse natural environment.

The overall objectives set in the Estonian Partnership Agreement are the following:
1. High quality and accessible education based on the needs of students and society;
2. A high employment rate and high-quality working life;
3. A knowledge-intensive and internationally competitive economy;
4. A clean and diverse natural environment and efficient use of resources; and
5. Sustainable connections and mobility options, satisfying the population's needs and supporting entrepreneurship.

A supporting objective is efficient public administration.

Development needs, challenges and growth potentials

1. Finding new sources of growth, making the economy more knowledge-intensive and increasing the impact of Estonian research

For increasing the productivity and create more value-added the Estonian enterprises need to find and benefit from new areas of growth, enhance the compatibility of the research, development and innovation system with the needs of the economy, move higher up in the value chains and make structural changes to the economy. Knowledge-based economy and finding new growth models also help to address the challenges of an ageing population and limited availability of natural resources.

2. Increasing the export capacity and growth potential of Estonian enterprises

The domestic market of Estonia is small and exports will remain important for economic development in the future. The current economy largely relies on the cost advantage that is not sustainable in the long-run. The export base remains quite narrow and expanding to and operating on foreign markets presupposes the availability of capital.

3. More efficient use of natural resources and less energy- and carbon-intensive economy

The scarcity of natural resource weakens the country's position in international competition, unless it is compensated by lower resource-intensity and improved efficiency. Factors requiring intervention are low resource-efficiency of the economy, high energy intensity and sustainability of the energy sector. It is also in the interests of Estonia to reduce the burden of pollution in the Baltic Sea and to contribute to regional cooperation to protect the marine environment of the Baltic Sea.

4. Improvement of sustainable options for the connection and movement of people and goods

The internationalisation of value chains and the increasing competition for human and financial capital require movement inside Estonia as well as to and from Estonia to be fast, affordable and convenient. In addition, better transport and communication connections are very important in ensuring the more even availability of services and employment opportunities and to achieve better cohesion between functional regions, thereby creating additional preconditions for more balanced territorial development.

5. Increase in employment, better social cohesion and adapting the education system to the needs of society

The decline in the working-age population (ageing, low birth rate and emigration) is the most significant demographic factor on the labour market of Estonia, and the diminishing proportion of children and young people in the population poses a considerable challenge. Skills mismatch, high unemployment of vulnerable groups and low-skilled people as well as varying capacity of local governments in providing public services are the main challenges to tackle. It is essential to deal with increased poverty risk and inequality, to reduce the care burden, to tap into the potential of the labour reserve of the inactive, to address long-term unemployment and youth unemployment via the Youth Guarantee.

6. Increase in healthy life years and development of a health system

Estonia has one of the most rapidly ageing populations in Europe (one-third of population being pensioners). The high loss of health of the population is one of the hindrances to a higher employment rate and social cohesion. Among the problems affecting the health and working capacity of people are unhealthy lifestyles and incompatibility of the hospital network and healthcare services with the health needs of the population.

7. Improving the efficiency of citizen-centred and coherent public governance

The fragmentation of public governance has been estimated as the biggest problem of Estonia’s administrative system. Factors requiring attention are shortcomings in the strategic planning system, low policy-making capacity and the expertise of the civil service. coordination of the provision of public services and guaranteeing equally high quality of especially local services delivery.

Selected Thematic Objectives

Based on the analysis of development needs, Estonia will focus on the following thematic objectives in financing funding priorities and achieving results:

1. Strengthening research, technological development and innovation

Attention will be paid to finding new sources of growth, to making the economy more knowledge-intensive, to increasing the impact of Estonian research, and to increasing the export capacity and growth potential of Estonian enterprises. The smart specialisation areas are ICT in all sectors, healthcare technologies and services, and more efficient use of resources. In addition, R&D-related activities will support the institutional reforms of universities and R&D institutions, high-level research, international cooperation, the mobility of students, university teachers and researchers. As for entrepreneurship, support will be given to the promotion of technological innovations to improve resource efficiency and increase the share of waste recycling in production. Increased cooperation is expected to result in more extensive application of R&D results in practice.

2. Enhancing access to, and use and quality of, information and communication technology (ICT products, services and applications)

Support will be given to the construction of the basic new-generation broadband network in market-failure areas, development of basic e-service infrastructure and activities for the public and private sectors, with EAFRD funding, support in the form of targeted investments will be provided to create access to the basic broadband network. The focus will be on finding new sources of growth, to make the economy more knowledge-intensive and to increase the impact of Estonian research by developing basic infrastructure.

3. Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)

The planned investments aim to improve the export capacity and growth potential of Estonian enterprises. Investments are also planned to create a competitive business environment. Within EAFRD, investment to support agriculture and food processing industry and to young farmers are planned. Within EMFF, measures are planned to add value to fishery products and develop new ones, to introduce new technologies with a view to reduce resource intensity and production costs, to enhance diversification of activities of people working in the fisheries sector and joint activities to improve the market power of enterprises engaged in the production of fisheries products.

4. Supporting the shift towards a low-carbon economy in all sectors

Investments in improvement of resource efficiency, reduction of energy intensity and promotion of sustainable energy production are planned to achieve more efficient use of natural resources and a less energy- and carbon-intensive economy. Development of environmentally friendly public transport and mobility environment in urban areas will also be supported.

5. Promoting climate change adaptation, risk prevention and management

Investments for achieving a clean and diverse natural environment and more efficient use of natural resources will be done on prevention of climate change risks and preservation of the clean natural and living environment. The proposed interventions will contribute to reduction in the adverse environmental impact of human activities.

6. Protecting the environment and promoting resource efficiency

Investments in water protection and nature conservation will be funded to improve resource efficiency and to reduce negative environmental impact of human activity. In particular, investments in access to quality drinking water and wastewater collection and treatment in agglomerations with over 2000 inhabitants will be supported.

7. Promoting sustainable transport and removing bottlenecks in key network infrastructures

Investments will focus on improving the overall quality and safety of the road network, of maritime transport, and on reducing environmental risks and increasing safety in airports. In cooperation with neighbouring countries and with support from the Connecting Europe Facility the construction of the Rail Baltic fast rail link will be launched. Environmentally friendly urban mobility environment that integrates different modes of mobility will also be supported.

8. Promoting employment & supporting labour mobility

The reform of the working ability assessment and benefit scheme will be carried out with the ESF support. A comprehensive system will be established to halt the increase and then bring the number of people claiming incapacity for work down assisting at the same time to find suitable jobs, offering continuing education, retraining and rehabilitation services. Piloting new labour market measures will facilitate the return of risk groups to the labour market.

Interventions will also support special target groups of lower employability as young people, older people and the long term unemployed.

To alleviate significant regional challenges, such as the low employment rate of the working-age population living outside the urban areas of Tartu and Tallinn and the poor contribution of regions to economic growth, support will be given to tap into region-specific resources and knowhow, which should create the preconditions needed to generate jobs.

9. Promoting social inclusion & combating poverty

Interventions have been designed to increase the quality and availability of welfare and social services such as affordable childcare options and affordable services for caring for elderly and disabled people. This will contribute to higher level of social inclusion and more active participation of people in the labour market. Specific measures are planned for problematic target groups and to prevent social exclusion of young people, forming a part of the Youth Guarantee

The proposed activities will support the process of deinstitutionalisation and to reform of the medical care and accessibility of the health services.

10. Investing in education, skills and life-long learning

To reduce early school leaving rates, career and support services will be developed and lower secondary level schools will be separated from upper secondary level schools. In addition to investments in the school network, the provision of quality education will be supported by enhancing the skills and competences of teachers, principals and youth workers and by developing study materials. Modernising of teacher training competence centres will be one of the activities foreseen. Improved quality of studies, rearrangement of the school network and better availability of career services will increase the attendance in vocational training.

11. Enhancing institutional capacity and ensuring efficient public administration

The interventions are intended to achieve the coordinated delivery of both national and local public services, making maximum use of the opportunities offered by information and communication technologies (incl. e-services).The investments are planned to contribute to development through smart development of public services in order to support inclusive growth, and also to the objective of combating poverty and social exclusion. The broad use of task forces will improve overall cooperation and coordination in strategic policy making.

Main expected results, actions, impacts

ESI funds are one-off leverage to achieve significant changes in Estonia. Their use should bring about a shift in development, increasing the efficiency, effectiveness or quality of target achievement in an area, sector or industry, and leading to positive long-term impact (e.g. initiation and implementation of structural reforms and key projects).

- Estonia aims to increase R&D investments to 3% of GDP (2.19% in 2012). The proposed interventions should result in the increased local socio-economic impact of the RD&I system and increased value-added of growth-sector enterprises via smart specialisation and sectorial applied research.

- The 2020 target for Estonia is to increase productivity per employee to 73% of the EU average by 2015 and to 80% by 2020 (from 68% in 2011). One of the main objectives is also to increase the share of Estonian exports in world trade to 0.11% by 2020.
- Estonia has set a target of achieving a 76% employment rate in the 20-64 age group by 2020. In 2014, the employment rate is expected to increase by a further 0.4-1.3%; thereafter, the number of people in employment is expected to stop growing due to demographic developments and start declining after 2017.
- Estonia aims to reduce share of young adults in the 18–24 age group with basic education or less and of those who are not continuing their education to below 9.5%.
- As a result of interventions a fast broadband connection should be available and more widely used across Estonia and a joint service space of the public and private sectors will be developed and introduced to support the development and use of new e-solutions.
- As a result of interventions the status of protected species and habitats will improve, which will directly contribute to the preservation of biodiversity and the functioning of green infrastructure.

Programmes architecture

Cohesion policy will be delivered by one multi-fund operational programme for ERDF, CF and ESF, so two less compared to 2007-13 period. In addition there is 1 Rural Development Programme (financed by EAFRD) and 1 Fisheries programme (financed by EMFF).

Details on allocations to operational programmes are presented in table below

Budget

In 2014-2020 Estonia is allocated around €3.58 billion for Cohesion Policy (ERDF, ESF, Cohesion Fund). Additional €725.8 million will be devoted to development of the agricultural sector and rural areas from the European Agricultural Fund for Rural Development (EAFRD). The allocation for European Maritime and Fisheries Fund (EMFF) amounts to some €100.9 million. Details on the allocation are given in a table below.

Concentration of funds on limited number of priorities is one of the main principles of the reformed cohesion policy. As regards the investments into individual thematic objectives, the situation is as follows (includes investments from the four Funds listed above):

Research & innovation	0.67bn	Transport	0.48bn
ICT	0.08bn	Employment	0.46bn
SME	0.65bn	Social inclusion	0.47bn
Low carbon economy	0.31bn	Education	0.42bn
Climate change	0.17bn	Public administration	0.12bn
Environment	0.38bn	Technical assistance	0.14bn

The share of ESF in the allocation of ESI Funds amounts to 23.8% or €0.59 billion and is above the required minimum share of 18.0%. More than 20% of the allocation will make a contribution to climate change mitigation and adoption measures.

Table: Indicative financial allocations by thematic objectives and funds

Thematic Objective	ERDF	ESF	CF	EAFRD	EMFF	TOTAL
1. Strengthening research, technological development and innovation	642 313 830	0	0	23 528 000	0	665 841 830
2. Enhancing access to, and use and quality of, information and communication technology	84 574 468	0	0	0	0	84 574 468
3. Enhancing the competitiveness of small and medium-sized enterprises, the agricultural sector (for the EAFRD) and the fisheries and aquaculture sector (for the EMFF)	301 329 787	0	0	264 975 450	81 606 6 41	647 911 878
4. Supporting the shift towards a low-carbon economy in all sectors	48 936 170	0	247 117 021	16 140 000	0	312 193 191
5. Promoting climate change adaptation, risk prevention and management	0	0	56 259 0 43	116 885 000	0	173 144 043
6. Protecting the environment and promoting resource efficiency	0	0	254 292 553	116 885 000	13 305 5 52	384 483 105
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures	0	0	475 904 255	0	0	475 904 255
8. Promoting employment and supporting labour	166 305 585	228 122 335	0	67 710 000	0	462 137 920

mobility						
9. Promoting social inclusion and combating poverty	254 458 777	133 753 104	0	81 000 000	0	469 211 881
10. Investing in education, skills and lifelong learning	217 897 992	194 889 771	0	10 680 000	0	423 467 763
11. Enhancing institutional capacity and efficient public administration	89 132 979	30 211 800	0	0	0	119 344 779
Technical assistance	69 311 805	0	39 749 010	28 083 108	6 058 225	143 202 148
TOTAL	1 874 261 393	586 977 010	1 073 321 882	725 886 558	100 970 418	**4 361 417 261**