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**REGIONAL DEVELOPMENT IN
ESTONIA -
Development Measure Impact Analysis
(DEMIA) on regional development
related to logistics and ICT**

Jaak Kliimask



Project part-financed by the European Union
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the BSR INTERREG III B Neighbourhood Programme

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Development Measure Impact Analysis (DEMIA) on
regional development related to logistics and ICT

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EXECUTIVE SUMMARY

The report summarizes the material considering the Development Measure Impact Analysis (DEMIA) on regional development related to logistics and ICT in Estonia. This study is a part of the LogOn Baltic project, approved within the Baltic Sea Region (BSR) INTERREG III B Neighbourhood Programme and sponsored by the European Regional Development Fund (ERDF).

Estonian regional development policy started in the beginning of 1990s and although the overall aim (balanced regional development) has remained the same the system itself has been changed several times. Current regional policy in Estonia is mainly part of European Union regional policy (Structural Funds). In general, Estonian regional policy is aimed at strengthening competitiveness in the regions and has project-based approach. The overall objective of the policy is to contribute to Estonia's general viable and balanced economic development through the elimination of bottlenecks in local infrastructures and enhancing local attractiveness. The policy has mainly focused on developing tourism in regions and localities. Projects considering logistics and ICT are not among the priorities of the policy and during the first Programming period (for Estonia) no projects of logistics and ICT have been financed from these sources. In regions some development agencies have joined with international projects and are planning some initiatives in this field. Nevertheless it is quite unsystematic and not outstanding part of regional development.

Regional development in Estonia is a field where quite big changes could happen in the next decade. Also, Estonia has big ambitions positioning itself as middleman between Finland and southern part of Europe and also as an important transit country between Russia and other countries. Also the need for more value adding to goods traded has been stressed, the latter needing also more extensive logistic efforts.

The public sector can influence those processes and is already intending to make several investments into all fields of transport. Those are national projects with contribution to regional development. But there are still too little efforts in field of logistics and also regional activities are limited. Regional institutions should take more

responsibility initiating or joining the projects in field of logistics and regional development policy should encourage those initiatives preparing supportive measures.

LÜHIKOKKUVÕTE

Käesolevas raportis on esitatud ülevaade projektist “Development Measure Impact Analysis (DEMIA)”, mis käsitleb regionaalarengut ja – poliitikat Eestis logistika ja ITK seisukohalt. Uuring on osa LogOn Baltic projektist, mida toetab Euroopa Regionaalarengu Fond (ERDF).

Regionaalpoliitika sai Eestis algus 1990ndate aastate algul ja kuigi üldine eesmärk on jäänud samaks (tasakaalustatud regionaalarengu tagamine) on selle poliitika iseloom mitmetel kordadel muutunud. Praegune regionaalpoliitika Eestis on osa Euroopa Liidu Tõukefondide vahendusel rahastatavatest projektidest. Põhiliselt on Eesti regionaalpoliitika suunatud regioonide konkurentsivõime tõstmisele, elimineerides pudelikaelad kohaliku infrastruktuuriga varustatuse osas ja tõstes piirkondade atraktiivsust. Regionaalarengut rahastatakse projektipõhiselt. Regionaalpoliitika on keskendunud peamiselt turismi arendamisele regioonides, vähesel määral ka alade ettevalmistamisele tööstuse jt majandussektorite poolt kasutamiseks. Logistika ja IKT alased projektid ei ole seni olnud esmasteks prioriteetideks ja (Eesti jaoks) esimesel EL Tõukefondide Programmiperioodil logistika ja IKT alaseid projekte regionaalpoliitika raames ei rahastatud. Mõnes regioonis on mõningad arenduskeskused ühinenud partneritena sellealaste rahvusvaheliste projektidega ja on viidanud arengukavades ja –strateegiates sellekohastele plaanidele. See on siiski olnud üsna ebasüsteemaatiline ja pigem regionaalse arenduspoliitika tagasihoidlikum osa.

Regionaalarengus võib Eestis eeldada järgneval kümnendil päris suuri muutusi. Ka on Eesti püstitanud ambitsioonikaid eesmärke nii Põhja ja Lõuna kui ka Ida ja Lääne vahelise (transiit-)kaubanduse osas. Ka on rõhutatud vajadust lisaväärtustada Eestit läbivaid kaupu, viimane eeldab kindlasti ka suuremaid logistika alaseid investeeringuid jt tegevusi.

Avalik sektor saab nendele eesmärkidele kaasa aidata ja kõikide transpordiliikide osas on kavandatud ka päris suuri investeeringuid. Need on riiklikud investeeringud, millel on muidugi ka regionaalne mõju. Kuid logistika alal on jõupingutused pigem tagasihoidlikud, samuti regionaalsete tegevuste osas. Regionaalsed arenduskeskused peaksidki rohkem sellekohaseid projekte algatama ja/või nendega

ühinema. Regionaalpoliitika peaks omakorda neid algatusi julgustama ja need katma vastavasisuliste meetmetega.

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1 INTRODUCTION

1.1 Project introduction – LogOn Baltic

The LogOn Baltic project was approved within the Baltic Sea Region (BSR) INTERREG III B Neighbourhood Programme, which is sponsored by the European Regional Development Fund (ERDF), as part of the Structural Funds, and co-financed by national project partners.

The purpose of LogOn Baltic is to present solutions to improve the interplay between logistics and Information and Communication Technologies (ICT) competence and spatial planning and strengthening Small and Medium-sized Enterprises (SMEs) competitiveness in the BSR. This is primarily done by the production and dissemination of information for regional development agencies on how to support enterprises in the participating regions in the field of ICT and logistics, thus improving regional development.

The following regions are participating in the project:

- South-West Finland
- Östergötland (Sweden)
- Denmark
- Southern Metropolitan Region of Hamburg (Germany)
- West-Mecklenburg (Germany)
- North-East Poland
- Lithuania
- Latvia
- Estonia
- St. Petersburg (Russia)

LogOn Baltic provides an overview of logistics efficiency and logistics information systems and their exploitation, in order to improve the interaction between SMEs and other public/private actors.

On the one hand, the empirical activities of LogOn Baltic compare the existing logistics services and infrastructure with the logistics needs in the participating regions, making it possible to develop perspectives and action plans for strengthening the logistics competence in the

regions. On the other hand it describes the existing ICT infrastructure and services, revealing up to what extent they meet with the companies' needs for further development. In this way, LogOn Baltic focuses on:

- a. identifying development agencies and evaluating their performance in each region
- b. evaluating the level of logistics and ICT efficiency
- c. suggesting concrete actions for regional and local public sector bodies

Data are gathered in each participating region using four tools, Development Measure Impact Analysis (DEMIA), Logistics survey, ICT survey and Expert Interviews; each of these is presented in a separate report. These results together with secondary data is presented in a regional report, that will describe the state of affairs in the region, with recommendations on what and how the region needs to develop. The regional reports are used as a basis for making an interregional comparison which is reported in an inter-regional report. All reports are available on the project homepage, www.logonbaltic.info.

1.2 Regional partner introduction

The LogOn Baltic regional partners in Estonia are Tallinn City Government, Tartu Science Park and Estonian Logistics Union.

Tallinn, the capital of Estonia, is located in Northern Europe on the Baltic Sea and is a well-known Hanseatic Town. Tallinn is the largest city in Estonia and has developed into a major economical, political, cultural and social centre and tourist attraction of the country.

Tallinn City Government is the local government's executive body that is in charge of city departments, institutions administered by departments, and responsible for implementing policies and programs. Tallinn City Government fulfils the assignments given to it by legislative drafting, economic activity, control and the involvement of the residents. One of the main aims of Tallinn City Government is to create economical environment to promote entrepreneurship, attract investments and modernise economical structure.

Tartu is the second largest city and the centre of Southern Estonia. **Tartu Science Park**, the oldest science park in the Baltic, supports business innovation activities in the region by networking with universities, public and private sector. The technology incubator offers a variety of services to start-up companies and the ICT Centre

organises seminars, courses and contests for students and mediates several national and international ICT activities. Tartu Science Park also offers help to foreign companies in extending business to Estonia.

Estonian Logistics Association acts as an association for organisations, foundations and people who are involved in logistics. Estonian Logistics Association honours the principles of competitiveness of companies, co-operation, competition, development, professional skills and appreciation of human labour and the main goal is to promote national and international competitiveness in the area of logistics.

1.3 DEMIA Introduction

One of the goals in the LogOn Baltic project is to describe the regional development system in the Baltic Sea Region (BSR). To reach this goal, a separate study called Development Measures Impact Analysis (DEMIA) will be carried out in all the partner regions in the project.

The main focus in this study is to describe the system, roles and practices of regional development in each region. The aim is to produce information to the regional development bodies in this area and BSR –wide. The selected case-studies in each region are summarized and analysed briefly. The main focus of this assessment is on learning; the usefulness of the measures is not under inspection here but rather their improvement and knowledge sharing potential.

The main focus in this study is on business and development of enterprises. Not on spatial planning as such but only when connected to companies. This means looking at development agencies and measures from this point of view. Furthermore the focus is on logistics and ICT. Information and communications technology (ICT) is studied only when connected to enterprises and preferably their logistics. The development actors will be listed but in the measures only the logistics and ICT-related measures are studied more carefully.

The regional development practices and circumstances in the BSR vary. Nonetheless, there will be a comparative study prepared on the findings of the other equivalent studies on regional development within LogOn Baltic providing useful information to the policy makers and regional development actors alike.

1.4 Region specific introduction

Estonia is the northernmost of the three Baltic States, and it is one of the countries forming the rapidly developing Northern Europe business area, which has a population of around 70 million. The country lies just south of Finland and across the Baltic Sea from Sweden.

The total area is 45,000 square kilometres, about the same as Denmark or the Netherlands. The population is about 1.5 million, one third of it in and around the capital, Tallinn.

There are 15 counties in Estonia:

1. Northern Estonia (Harju county);
2. North-East Estonia (Ida-Viru county);
3. Western Estonia (Hiiu county, Lääne county, Pärnu county, Saare county);
4. Central Estonia (Järva county, Lääne-Viru county, Rapla county);
5. Southern Estonia (Jõgeva county, Põlva county, Tartu county, Valga county, Viljandi county, Võru county).

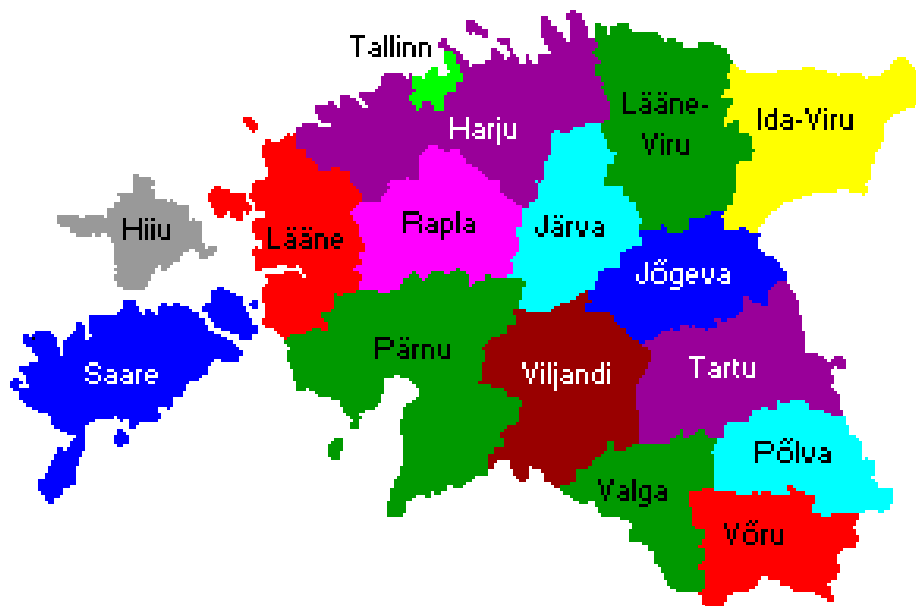


Figure 1 Estonian counties

These regions are (NUTS 3 level) statistical units, which are covered by neither administration nor development activities. At the same time they can be considered suitable territorial units for describing regional development in Estonia.

1.4.1 Northern Estonia

Northern Estonia is situated on the southern shore of the Gulf of Finland and covers the historic Harjumaa region, including the capital Tallinn. A significant role in the region's life is played by the capital, Tallinn. It is the centre of Estonian economic and cultural life. Tallinn is famous for the Old Town which has retained its mediaeval appearance: narrow streets, red-roofed houses, Gothic churches, the town wall and towers, and the Toompea Castle. Tallinn influences life in the region as a whole: entrepreneurship is livelier and the standard of living in Northern Estonia is higher than elsewhere in Estonia. The integration of Estonia into the North-European economic space makes it a gateway through which the movement of goods, investments, innovations and the majority of tourists can take place. Northern Estonian location between the developed European countries and north-west Russia as well as its good transport and communications network favour the rapid internationalisation of the region's development, both in terms of transit trade and its economy generally.

In addition, its research institutes and highly qualified work force continue to contribute to the region's economic development. Due to its diversified economy, the region has experienced no major recessions in restructuring its economy. Together, these factors give Northern Estonia more advantages over the other regions of Estonia in guaranteeing economic and social development. In the 1990s, Northern Estonia enjoyed the highest wages in the country, immigration of a young and educated work force from the other regions of Estonia and relatively low levels of unemployment. However, Northern Estonian economic potential is currently falling behind that of major centres in neighbouring countries such as Helsinki in Finland, Riga in Latvia, and St. Petersburg in Russia. If this is not compensated for by economic development and a rising standard of life, the region may easily lag behind in international competition. For many years, Northern Estonia has been the most attractive place for living, working and investing. In the 1990s, this dominance has become even more marked. Between 1950 and 1990, the population and the number of employees more than tripled. The region accounts for more than half of gross domestic product and exports, and more than three-quarters of foreign investment in Estonia.

Until the 1990s, Tallinn was the most important industrial centre in the country. Industry, especially mechanical engineering, was mostly orientated towards the Soviet market in the east. Political and

economic changes in the early 1990s brought along very rapid structural changes in the economy as well. Economic links with the eastern market were abandoned and large-scale enterprises were privatised and reorganised. The number of industrial enterprises alone has grown from one hundred to more than one thousand in recent years. The most profitable agricultural enterprises were also situated in Northern Estonia. By the mid-1990s, the share of those employed in agriculture decreased to below 5%, most of these enterprises having reoriented towards small-scale industrial production, trade and warehousing.

By the mid-1990s, Northern Estonia had developed into a region characterised by a high share of services in terms of its economic structure. All branches of the economy, except for agriculture, are of national importance. In comparison with other regions in the country, tourism, business services, air and sea transport are of considerable significance in Northern Estonia. Differences in the standard of living as well as in the prices of goods and services between Estonia and Western Europe have favoured the development of so-called “shopping tourism” to Tallinn, mainly from Finland which is only 80 km away.

As the capital of Estonia, Tallinn is the main centre of all kinds of transport in Estonia, being the point of destination of air, sea, rail and road transport. From Tallinn, major rail lines as well as main roads radiate in all directions all over Estonia, as well as to Russia and Latvia. The total length of roads in Northern Estonia is 5 228 km, of which 29% are national roads. 20% of all roads are hard surface national roads. Estonia’s only international airport is located in Tallinn. Today Tallinn Airport maintains regular passenger air traffic with many countries. Tallinn is also a famous sea transport centre. There is regular passenger traffic between Tallinn and Helsinki, Stockholm, and Kiel. Goods are mainly transported through Muuga Harbour near Tallinn, which is also important as a transit point to and from Russia.

1.4.2 North-East Estonia

North-East Estonia covers the historic Virumaa region on the southern shores of the Gulf of Finland. North-East Estonian location tends to favour the development of transit and border trade. With the north-west Russian market around St. Petersburg sitting on its eastern border, and Finland lying close by, the development of trilateral economic links is important. Other positive factors relate to the main towns being situated

on the major transit routes, to the skilled workforce available and to the good infrastructure. Taken together, these factors encourage some foreign investment here.

A further advantage can be found in the picturesque coastline along the Gulf of Finland and on the banks of Lake Peipsi in the south-eastern corner, which are both valuable assets for the tourist industry.

There are, however, a number of important weaknesses. They include factors such as the difficulties in converting large-scale industry, the region's negative image (environmental damage, high unemployment, high proportion of non-Estonians), an insufficient support to entrepreneurs, as well as a lack of capital. The high number of non-nationals with no or limited qualifications is a further addition to this list. All this hinders the flow of further foreign investment to Virumaa, deters potential entrepreneurs and makes the development of new and modern business sectors more difficult. The situation is also problematic due to the rural nature of the western and southern parts of North-East Estonia. It is highly questionable whether the development of tourism and local resources-based small business will compensate for the loss of jobs in agriculture.

Rapid development of the economy in North-East Estonia began in the 1950s. Due to its economic structure the region can be considered as a classically "mature" industrial region, and is the only one of this kind in Estonia. The main industry is the power industry, with 95% of Estonia's energy being produced at the region's two largest oil shale-based thermal power plants. If mined less extensively, oil shale should suffice for hundreds of years. A great many of the country's large-scale industries (oil-shale chemical and textile industries) are also situated in North-East Estonia. Up to now the economic structure has caused many problems and the social consequences of economic reforms have been more serious than elsewhere in Estonia. Since the beginning of the 1990s alone, the total number of industrial workers has decreased by almost 50%. Privatisation and the restructuring of big inefficient enterprises proceeded relatively slowly. These measures have therefore had little impact on their competitiveness. The situation is particularly difficult in those heavy industries which were closely associated with the eastern market (machine-manufacturing, metal industries, and the chemical industry). Continuous restructuring of the region's economy may result in further losses of jobs in the oil-shale, chemical and mining industries. New enterprises have been mainly formed as a result of restructuring and to compensate for the deficit in the services sector, a hangover from the old socialist economy. Since

independence, Russian tourists, who previously holidayed here, have become rare.

Some enterprises have managed to adapt themselves to the new situation and orientate production away from the eastern market towards the western one. This has mainly been possible due to the presence of cheap labour and easily available land. At the same time, enterprises have been forced to alter production, moving from finished goods and intermediate products to manufacturing fittings for Western enterprises. These heavy industries are located mainly in the central and eastern parts of the region.

The western and southern parts of North-East Estonia are geared towards agriculture. In the region's western part, the transformation process was quite successful in the 1990s. The decrease in agricultural production has been compensated for by the development of small-scale industries and the services sector. North-East Estonia possesses one of Estonia's largest forests, which is an important source of raw materials for the industries in the region's rural areas.

Road and rail are the two principal means of transport in the region. Two major transit routes pass through North-East Estonia: the Tallinn - Narva - St. Petersburg highway and the Tallinn - Narva - St. Petersburg railway, which are essential both for trade and passenger transport between Estonia and Russia. Tapa junction plays a central part in Estonian rail transport. From Tapa, railways run to Tallinn, to Tartu in southern Estonia, and to Narva, from there on to St. Petersburg. The total length of roads in North-East Estonia is 5627 km. The share of hard surface roads, 36%, and the share of national roads, 37%, are both the highest in Estonia.

The Narva River flowing on the eastern border of North-East Estonia and connecting Lake Peipsi with the Gulf of Finland is navigable over a distance of 72 km but is not used for transport at the present time. Since 1994, the port of Kunda has been used for goods transport.

1.4.3 Western Estonia

Western Estonia has a diversified economy whose national importance has gradually increased since 1991. The absence of large-scale industry and the shortage of mineral resources meant that the region avoided the mass industrialisation of the 1970s and 1980s, allowing privatisation and restructuring to be quite painless under the present economic conditions. Only a few industrial enterprises have been

closed down, and there has been a ten-fold increase in the number of small enterprises which have started up during the transition period to a market economy.

The region's attractiveness as a tourist destination has contributed to the formation of new service enterprises with a rapid turnover and low capital investment. In the 1990s, no large factories were built and the share of foreign capital in new operating activities was at the same level as in the other regions of Estonia (excluding Northern Estonia). There are also rural areas where the primary sector is still dominant, and which have remained untouched by the dynamic economic development due to their unfavourable location.

The region benefits from the textile, wood-processing and food industries. Of the latter, the fish-processing industry is of national importance, and at the same time is the region's biggest industry. While in the primary sector agricultural production has decreased most, forestry and small-scale coastal fishing are growing.

In the early 1990s rapid restructuring of the regional economy took place, a process which was helped by close international contacts, a strong regional identity and a reasonable level of entrepreneurship within the local population. The picturesque scenery naturally lent itself to further development of the tourist industry. Other industries were started or modernised in the transformation process.

Western Estonian participation in international projects acted as a role model for the other Estonian regions. Furthermore, its potential and attractiveness to investors can only be enhanced as improvements are made to its infrastructure. Creation of the Via Baltica, which will pass through here, and the modernisation of the ports are two such projects which should assist economic progress.

However, due to the unevenness of economic developments and several structural obstacles, overall economic welfare in Western Estonia has not greatly improved. The location of some parts of the region on islands, its thinly populated areas and a poor transport network prevent the full exploitation of all the region's valuable resources. The lack of a qualified work force as well as insufficient capital makes the region unattractive for investment in new, innovative industries. The rapidly developing tourist industry is highly dependent on weather conditions and the tourist season is short.

The shortage of jobs, particularly on the islands and in outlying areas, causes high levels of unemployment. The younger people therefore tend to move away to larger towns and settlements in Estonia. Fishing, an important industry for the region, is still orientated

towards the eastern market and is dependent on economic developments in Russia and the Ukraine.

Increasing transport needs have seen the port of Pärnu become an important gateway for exporting local raw materials such as timber and peat. The development of business services has been insignificant; and those operating are of regional importance only. Tourism and its supporting activities continue to have a greater economic impact in the region, with tourists from other countries, especially from Northern Europe, becoming the target group. In coastal areas many yachting harbours and better accommodation facilities have sprung up. In the larger towns the amount of accommodation has improved and the islands have seen farms converting to agro-tourism. The mud-bath resorts in Haapsalu and Pärnu are famous, as are the breeding areas for birds on the coast, which have also favoured the development of nature tourism.

With its coastal location and numerous islands, Western Estonia relies on all forms of transport to meet its various needs. The major road crossing the region is the Tallinn – Pärnu - Riga highway, and in addition there are roads connecting Tallinn with Estonia's two biggest islands, Saaremaa and Hiiumaa. The total length of roads is 11 379 km, one third of them being national roads. 23% of the roads have a hard surface.

There are local airports at Kuressaare on Saaremaa Island and at Kärdla on Hiiumaa Island. Regular passenger air traffic takes place between Tallinn and Kuressaare. Vehicles from the mainland to the biggest islands are carried by ferry several times a day. The causeway between the islands of Muhu and Saaremaa allows traffic to move easily between the two. There is also sea traffic between Saaremaa and Hiiumaa.

Rail transport is not so important here, and only the Tallinn-Haapsalu and the Tallinn-Pärnu-Mõisaküla lines pass through the region.

Several ports dot the coast but they are mainly of local importance only. Pärnu harbour and Lehtma harbour in Hiiumaa have international sea transport as well. Passenger turnover has dropped markedly since its 1994 level of 13 600, and in 1998, only 48 passengers were embarked and 1 305 disembarked, reflecting difficulties in berthing large vessels. The transport of goods by sea is of increasing importance, and in 1998, 825 000 tons of goods were loaded and 40 000 unloaded in Western Estonia, representing substantial increases since 1993.

1.4.4 Central Estonia

Central Estonian region is situated in Central Estonia. The dominance of the agricultural sector in Central Estonia is both its strength and its weakness. On the one hand, the land is very fertile and farms are large-scale, making them more competitive than in other regions. Although Estonia's agricultural production is declining overall, Central Estonia has managed to retain its share. On the other hand, inefficient large-scale production has continued. As agriculture nowadays has the lowest profitability of all economic sectors, average income in the region is the lowest in the country.

Another strength of the region relates to its central location in the country, which gives other regions easy access to its goods and services. Further valuable resources are the availability of cheap labour, and a safe living environment. Current developments in communications enable the most northerly parts of the region to become the hinterland of the capital, Tallinn, which enhances the attractiveness of the region as a place of residence and investment.

With its dependence on agriculture, any further decrease in the share of primary sector activities in the economic structure may lead to higher unemployment, unless this is off-set by the growth of new economic branches. The region lacks large towns and scientific research institutes, therefore the development of the services sector and the distribution of new technological innovation in Central Estonia has been modest. The trend for young people to move to the larger towns, along with the lack of available capital, has made it difficult for enterprises to attract qualified staff. This lop-sided economic structure, combined with the absence of an industrial tradition, has been accompanied by a low level of entrepreneurship.

Central Estonian economy is heavily skewed towards agriculture, a sector whose share in Estonia's economy has decreased considerably since 1991. Few new activities and enterprises have emerged since 1992 and the region has not been attractive to foreign capital investment. The region lacks important mineral resources and large-scale industry. Wood-processing and other small-scale industries are also present. In the course of economic reforms numerous small metal shops and construction enterprises were formed on the basis of former collective farms but they have had a negligible impact on the economic structure.

The dominant economic sector in the region is agriculture and the associated food industry. While large-scale agricultural enterprises

have mainly survived, the number of small farms formed has been low. Due to the nature of Estonia's agricultural reforms, restructuring processes have been slow and limited in scope, ownership has remained wide-spread, and it is difficult to get capital for investment in agricultural projects. The Estonian market is small and the Russian market unstable but entering the Western European one requires exhaustive modernisation of enterprises. Many of these enterprises have plunged into great difficulties, and as a result, a rapid increase in unemployment could be imminent.

Southern Estonia is situated in southern Estonia, and is characterised by its border location with Latvia and Russia. The region is also situated further away from the capital, Tallinn, than the other Estonian regions.

The university town of Tartu, Estonia's second largest economic and cultural centre, is situated in the northern part of Southern Estonia. Tartu has a highly qualified work force, scientific research institutes, business services, a well-developed physical infrastructure, as well as numerous industrial enterprises which have been modernised successfully. At the same time, Tartu is Estonia's foremost medical centre. Taken together, these factors will favour first and foremost the development of new innovative branches in industry and services. External borders with Latvia and Russia in the south also offer potential for the development of transit and border trade. The Tallinn-Tartu highway, which will shortly be upgraded, will also contribute to the growth of the region's importance. Picturesque landscapes and unspoilt natural beauty are valuable resources for the development of many kinds of tourism throughout the region. However, the region is hampered by some negative features, particularly in its southern part. Out-of-date farming methods, the lowest incomes in Estonia, an ageing population and high levels of unemployment are some of the factors which can be cited. In several rural areas, the population has been economically marginalised to such an extent that people live on a combination of state benefits and bartering of produce for what they need.

1.4.5 Southern Estonia

Southern Estonian economy, based primarily on industry and agriculture, has been losing its share of Estonia's economic life in recent years. In particular, its three southerly counties have aroused

considerable concern in Estonia. Until the 1990s, several big machine-building factories were located in the towns of Tartu and Võru. Of the remaining industrial enterprises, the most important are those engaged in food, timber, building materials and clothing manufacture. Estonia's most important dairy industry is located in Põlva. During the period of transition to a market economy, these enterprises have swung production away from the Estonian market to become major exporting companies.

Despite these moves, since 1991 industry's share of employment has decreased in all sectors. New and knowledge intensive industries which have started up in recent years are those related to laser manufacturing and biotechnology, although for the moment they are still small-scale. The region, however, lacks definite specialisation in particular industrial sectors. If anything, the situation is worst in the agricultural sector, where the number of employees has decreased threefold, as have sown areas and livestock numbers. A number of large-scale farms have closed down, primarily in the southern part of the region, where the hilly landscape prevents competitive large-scale production. A number of small farms and some enterprises producing organic foodstuffs have emerged, but they make only a minor contribution to the region's economy.

The town of Tartu has developed into an important educational, scientific and cultural centre for the country. Free economic zones for the development of industry and warehousing have been established in the towns of Võru and Valga to make use of existing transport routes and hopefully invigorate their economies. All-year-round services for the tourist industry have become an important branch of the economy. The town of Otepää was already in the 1970s and 1980s used as a sports centre by champions from the former Soviet Union, while throughout the region varying forms of adult education, workshops, seminars are now offered. The number of farms accommodating and catering for tourists in Southern Estonia has rapidly grown. The region's international links, however, are not yet well established and the services offered are mostly of internal importance.

The main means of transport in Southern Estonia are road and rail. The military and civil airports near Tartu exploited during Soviet times are not in regular use today. The region has no access to the sea. Rivers in Southern Estonia are navigable over a distance of 140 km, although at present the region does not exploit its inland waterways for transportation purposes.

There is a dense railway network in the region. From Tartu, the railway runs in three directions, with regular passenger services to Tallinn in Northern Estonia, to Põlva in the southern part of the region, as well as to the border town of Valga, and from there on to Võru. Apart from the line from Narva which connects Estonia with Russia, another important main line crosses the regions southern part, running southwest to Riga from Valga and east to Pskov and on to Moscow.

2 METHODOLOGY

The approach of this study is very pragmatic; the methods serve this purpose more than any academic traditions. The way this study is conducted is qualitative in nature and even through some traditionally quantitative methods are used in a small scale, the study can be seen as qualitative, descriptive research.

The development agencies are involved in the research in two phases. First they provide and check the information on their own organisation and activities. Secondly many of the development actors took part in the workshop and interviews conducted on development measures and the development atmosphere in this area. Companies were involved in filling in a short questionnaire and a few interviews on the measures and development activities.

The template used for describing and evaluating the development measures is a tool called the Logical Framework. This Framework provides a basis for subsequent monitoring and evaluation and has been used to assess development activities worldwide, such as the Interreg II C program. Another tool used for the research is the European Commission Impact Assessment Guideline.

The Logical Framework Approach is best used in addition to other methods and more specific questions based on the evaluation criteria. The criteria for evaluating Development Measures in this study are: Relevance, Impact, Effectiveness, Efficiency and Sustainability. All the tools used in this study are presented in more detail in the Appendix 1.

3 REGIONAL DEVELOPMENT IN COUNTRY: ESTONIA

Estonian regional policy started in the beginning of 1990s and although the overall aim (balanced regional development) has remained the same the system itself has been changed several times. Current regional policy in Estonia could be taken as an institutional synonym of European Union regional policy carried out in Estonia (European Union Structural Funds, in Estonia Measure 4.6.2., “Regional Competitiveness Improvement Programme”) and has mainly focused on developing tourism in regions and localities. Projects considering logistics and ICT are not among the priorities of the policy and during the first Programming period (for Estonia) no projects of logistics and ICT have been financed from these sources. In regions some development agencies have joined with international projects and are planning some initiatives in this field. Nevertheless it is quite unsystematic and not outstanding part of regional development.

In general, Estonian regional policy is aimed at strengthening competitiveness in the regions and has project-based approach. The overall objective of the policy is to contribute to Estonia’s general viable and balanced economic development through the elimination of bottlenecks in local infrastructures and enhancing local attractiveness. The specific objectives of the measure are:

1. Providing employment opportunities and raising the quality of life of local population (jointly with other measures);
2. Eliminating local bottlenecks that hinder the maximum use of local development potential;
3. Developing specific competitive advantages of the regions.

The rationale of Estonian regional policy is based on assumption that the conditions of regional technical and social infrastructures are one of the main factors shaping the quality of life, and it has a significant influence over the choice of where one will live and work. In this regard, the key factors are good transportation between the working and living places, as well as the availability of several public services (e.g. educational, employment-related and various technical services). Insufficient investments carried out during the Soviet period have

caused a situation in which the majority of the infrastructure that shapes the physical living environment in Estonia does not meet contemporary needs. In addition, settlement and economic activities are concentrated in bigger areas and the number of inhabitants in smaller regions is decreasing. Proceeding from the fact that economy is clustered around town centres, the infrastructure at the points of concentration should be extended and adapted to modern conditions, while at the same time being made more available and cost-effective in sparsely populated areas. The national investment policies towards local public infrastructure together with the above-mentioned factors have created the situation where there are local bottlenecks concerning different type of infrastructure in various localities. Today the viability of different regions depends upon their capacity to define and develop their own specific features that could be of value in regional competition. This increases the attractiveness and competitiveness of the region for the local population, visitors and investors. Specific resources could be natural resources, natural landscapes, heritage of cultural figures related to the region. Each region has also specific problems of its own that are related to regional and historical features and that can be solved by relying upon local activities and resources of local importance.

Estonian regional policy will aim at the provision of prerequisites necessary for sustainable economic development and for increased employment by making use of the specific potentials of the region. The implementation of the measure aims at developing of distinctive and viable cultural, business and tourism environment in regions through diversified integrated activities. The achievement of the objectives listed above assumes relying upon local initiative and involvement, expedient long-term development and planning efforts that should help to maintain sustainability after the end of this programming period (sources: Estonian National Development plan; Regional Development Strategy of Estonia 2005-2015).

The sectors to be supported complementarily with other measures of Structural Funds will be: (a) education and social infrastructure for employment, (b) local tourism and recreation, (c) local transport infrastructure and (d) municipal technical infrastructure.

The investments will be supported by the measure if they have a significant economic and/or social impact and, in addition, if:

1. they are identified as bottlenecks in an updated and comprehensive local development plan, and/or;

2. they follow, to maximum possible, integrated approach (to avoid scattered and isolated projects), and/or;
3. they evidently contribute to socio-economic development (mainly by demonstrating the relationship with or link to other measures/operations or programmes), and/or;
4. they have wider regional impact (joint projects of municipalities or benefit for many municipalities). The measure will be implemented by two separate support schemes. The first scheme will support the following sectors: education and social infrastructure for employment, local transport infrastructure and municipal technical infrastructure. The second scheme will support local tourism and recreation and preparing the re-use of old military and industrial estates and sites.

4 REGIONAL DEVELOPMENT IN REGION: ESTONIA

4.1 General

The general administration of regional policy is carried out by the Estonian Government.

The Ministry of Internal Affairs is responsible for the arrangement of affairs related to regional development. Other ministries are responsible for impacts of the activities on regional development under their jurisdiction. The Ministry of Internal Affairs co-ordinates the regional policy of Estonia as a whole, giving recommendations and expressing its positions. The direction of regional development is arranged by the Ministry of Internal Affairs in co-operation with other ministries. Among other things, the fulfilment of the following tasks is the responsibility of the Ministry of Internal Affairs:

- Monitoring and analysis of regional development;
- Design of regional policy in co-operation with other ministries;
- Preparation of draft legislative acts concerning regional policy and obtaining approval on them;
- Co-ordination of the co-operation between ministries for the purposes of regional policy;
- General monitoring and evaluation of regional policy;
- Informing the Government of Estonia on regional development of the country.

For the fulfilment of these tasks, the creation of a second permanent ministerial post in the Ministry of Internal Affairs is considered. Also the rationality of amalgamation of issues concerning regional policy and regional planning under the jurisdiction of one ministry is analysed. Until the reorganisation of relevant government institutions the post of the minister without portfolio responsible for regional affairs is necessary.

The development Enterprise Estonia acts as an agency, a fund manager for a majority of instruments of national regional policy.

Enterprise Estonia was founded in 2000 by the Ministry of Economic Affairs with the aim of promoting the competitiveness of the Estonian entrepreneurial environment and Estonian businesses, thereby increasing prosperity. Enterprise Estonia is the institution responsible for the national support system for entrepreneurship in Estonia, providing financing products, advice, partnership opportunities and training for entrepreneurs, research and development institutions and the public and third sectors.

Enterprise Estonia actively operates in the following areas: the enhancement of the competitiveness of Estonian enterprises in foreign markets, the inclusion of foreign direct investments, inbound and domestic tourism, the elaboration of technological and innovative products and services, the development of Estonian enterprises and the entrepreneurial environment and the enhancement of general entrepreneurial awareness. Enterprise Estonia is one of the institutions responsible for the implementation of EU structural funds in Estonia, as well as being the primary provider of support and development programmes targeted towards entrepreneurs.

The development activities of the counties are organised by the county governor through the county government. The development activities of the counties constitute an important part of the competence of the county governor, which consists of taking care of the integrated and balanced development of the county.

The county government organises the design and implementation of the development strategy and master plan of the county in co-operation with ministries, local governments of the county, representatives of the employers and employees of the county, representatives of the non-governmental sector of the county and other interested partners. Whereas the role of the county governor primarily consists in:

- Co-ordinates the co-operation of the local agencies of ministries and other institutions of state executive power with local governments in the county;
- Makes proposals to the Estonian Government and ministries for the organisation of the work of the local agencies of government institutions and other state agencies located in the county;
- Directs and co-ordinates the activities of the government institutions administered by the county government;
- Possesses, disposes of and uses state property within the limits of its competence according to the laws;
- Fulfils other duties put on him by law or the Government's decree.

Local governments participate as main partners in the development activities of counties, fulfilling the following tasks:

- Definition of local development problems and priorities in their own development strategy and master plan;
- Initiation and implementation of development projects. Actually majority of Estonian regional development projects are carried out by municipalities. This makes a problem of initiating bigger transportation etc projects.

Ministries and other government institutions participate within the limits of their competence in the design and implementation of the development strategies and master plans of counties.

On the national level the development activities of the counties are co-ordinated by the Estonian Government.

4.2 Regional Development organisations

In order to stimulate local initiative and administrative capacity, regional development agencies have been established in all 15 counties. The general aim of the agencies is to initiate and implement development projects and to distribute the respective knowledge.

County Development Centres are organisations that provide free consultation services for potential, start-up and active enterprises, local governments and non-profit organisations. The Development Centres are located in all 15 counties in Estonia (source: <http://www.eas.ee>).

The Development Centres provide:

Information with regard to:

- Programmes and services provided by Enterprise Estonia (including Programmes co-financed by EU Structural Funds)
- Other project-financing institutions in Estonia (including Programmes co-financed by EU Structural Funds)
- Interreg III programmes
- Consultants and their services.

Consultation services to potential and start-up companies with regard to:

- How to start business in Estonia
- Business plan
- Taxes and regulations

- Finding co-operation partners
- Marketing, sales and management in small enterprises.

Consultation services to companies with regard to:

- Linking the development plans of enterprises to national business support programmes
- Finding partners suitable for implementing the development plans of enterprises.

Consultation services to local governments:

- Preparing of the local development plans
- Preparing of the project proposal, project reporting and related issues
- Finding suitable financing source for project implementation.

Consultation services to non-profit organisations:

- The establishment and registration of a non-profit organisation
- The drafting of a strategy and action plan for a non-profit organisation or foundation
- Financing the activities of a non-profit organisation
- Finding partners for co-operation
- Preparing of the project proposal, project reporting and related issues.

The development centres have similar organisation and aims in all Estonian counties (15 counties). This is some difference in size of employees (it varies from 3 to 7) and projects undertaken. The number of projects is very limited. The description of the following organisation is just an example of typical county's development centre.

Table 1 Description of a regional development organization: VILJANDI ARENDUSKESKUS (VILJANDI DEVELOPMENT CENTRE)

| Attributes | |
|--------------------------------|--|
| Background of the organization | Development centre Viljandimaa Arenduskeskus started in 1993 and is aimed at supporting local business, municipalities and non-governmental organisations. |
| Size of the Organization | 3 persons |
| Location | Viljandi |
| Overall goal / Mission | Main objective is to create an environment that promotes dynamic enterprise activities in the Viljandi region |
| Funding | There are 3 sources of funding: 1) Enterprise Estonian Enterprise Agency (under framework of regional policy support); 2) Municipalities (not obliged); 3) Economic activity. |
| Target audience | Municipalities, non-governmental organizations and companies in Viljandi County |
| Main outputs | Consultancy of development projects and business plans |
| Logistics/ICT projects | non |
| Marketing channels | http://www.viljandimaa.ee/arenduskeskus/ |
| Other, specify: | |

Source: <http://www.viljandimaa.ee/arenduskeskus>

5 DEVELOPMENT MEASURES

The regional policy measure will support following operations (source: <http://www.eas.ee>):

- Local tourism and recreation:
 - Development of tourism- related and leisure opportunities:
 - Development of visit ports and landing places, creation of necessary incidental services;
 - Diversification of opportunities for active leisure (hiking routes, active leisure facilities, visiting centres, procurement of specific equipment);
 - Developing and fixing up of small-scale infrastructure for leisure performance (encampments, pavilions, “paargu’s” summer kitchens), swings etc.);
 - Development of support infrastructure for leisure and tourism objects (parking places, access roads, paths, sanitary and waste management facilities, information boards and signs);
 - Exposing culturally and naturally valuable sites
 - Protection and exposing culturally valuable objects, sites and settlements, increasing the milieu value of landscapes and nature objects;
 - Renovation of historical buildings and objects, conservation of historical ruins and their re-utilisation within modern functions;
 - Ensuring observability and access to objects;
 - Exposure of architectural, historical, cultural and nature values, creation of visitors’ programmes;
 - Opening of sights and reconstruction of historical outlook of landscapes in tourist sites;
 - Construction of observation towers and platforms;
 - Demolition of neglected and hazardous objects destructing the milieu of the tourist site;
 - Reconditioning of green areas;
 - Reconstruction of historical moulding/figuration elements
- Initiating region-specific regular events:
 - Initiating of events based on historical background
 - Activities developing local specific character
- Increasing the attractiveness of regional business environment:

- Demolition works, environmental clean-up and planning for rehabilitation and re-utilisation of old military and industrial estates and sites. Projects under sector local tourism and recreation can additionally include supporting activities, such as:
 - Development of regional co-operation networks;
 - Development of public-private partnership/co-operation;
 - Marketing of the region etc.

The following activities are ineligible:

- Maintenance and repairs of maintenance character;
- Investments into local streets and roads, except those mentioned under local tourism and recreation;
- Local infrastructure related to social services for elderly and health care;
- Purchase of public transport vehicles.

In addition, the following activities are ineligible under sector local tourism and recreation:

- Investments into infrastructure in private ownership (except hiking routes, observation towers and opening of sites in case of which contractual relations with the private land owner securing public use of the facility will be established at least for 5 years);
- Regular events already initiated and any other repeating activities (except first time arrangement of future regular events and activities);
- Construction or renovation of administrative premises of protected areas if foreseen for administrative purposes;
- Development of accommodation and catering.

There are some regional development projects initiated by the regions. For example, the Project "Via Hanseatica – Spatial Development Zone in Estonia and Europe" (The VHB ZONE Project) is one of them, a project part-financed by European (European Regional Development Fund) within INTERREG III B NP programme covering the three Baltic States of Lithuania, Latvia and Estonia. But the project was launched in 2001 to address tourism development in all administrative districts surrounding the E77 – A3 road spanning from Panemune in South-West Lithuania to Narva in North-East Estonia (688km).

Originally Via Hanseatica is the name of the road that links Lübeck in North-Germany to St-Petersburg in Russia. Today, the programme has reached a maturity level that calls for the design of a comprehensive marketing plan and the definition of a precise agenda of actions to promote the Via Hanseatica Development Zone as a key tourism destination. Today the project concentrates on tourism development in the designated rural areas of Eastern Estonia, Central Latvia and Western Lithuania. But as to the general focus of regional development the project has concentrated mainly on tourism. Possible positive impact to logistics could additionally happen but need initiatives.

Also initiatives concerning development of the IT-sector have been raised by county governments and municipalities, but those have been rather small-scale. Nevertheless some bigger efforts in this field have intended to start during recent years.

5.1 The eCounty project

The eCounty project derives from the unsatisfying socioeconomic situation in large parts of the central and southern part of Estonia. Long-term de-population processes have gradually decreased accessibility of services and have lead to both lowering quality of life and attractiveness for both inhabitants and business. The eCounty project therefore focuses on finding new ways to develop the IT sector, especially electronic services (e-services) in those regions for compensating unsatisfactory accessibility of services resulting from low population density, peripheral location etc. Also, the needs of starting the project derive from some more reasons:

1. development of IT sector in Estonia has become less systematic and slower;
2. low level of e-services outside bigger centres;
3. low development potential of IT and e-services in many Estonian regions;
4. low effectiveness of previous regional projects related to development of IT;
5. missing support and coordination of IT-sector by the state.

The aim of the project is to produce a general framework of cooperation, a partnership model between different actors of the field and an action plan for implementation. The project is started as a pilot project and in future it could be the bases for an Estonian IT-centre.

The project will generate knowledge of general interest about ways and means of developing and benefiting e-services.

eCounty is a project organisation of 4 Estonian counties (Järva, Jõgeva, Valga, and Viljandi) for coordinating development of information society on county (regional) level. Local municipalities, their organisations and NGO-s are also engaged into the project. eCounty is intended to act as a pilot project and other subjects can join with the project later. eCounty will disseminate the results and know-how of the project to other (Estonian) counties and municipalities.

The project is divided into four sub-projects:

1. elaboration of information system of local councils (more local politicians to be involved in local development and planning);
2. training local officials and politicians (more local officials and politicians using new possibilities of e-services);
3. developing e-services in housing and construction (disseminating better information about suppliers, prices, conditions etc. in spheres of building and construction);
4. developing universal administrative system of web-pages (helping both regional and local authorities to prepare informative, rational and attractive web-pages).

The project involves 5 partners from Estonia. The eCounty project was started in 2006 and has reached to the stage of preparing concrete projects for applying for finances from the European Union Structural Funds.

5.2 Potential project impact in Estonian regions

The following partners from Estonia took part in eCounty: Viljandi County Government, Jõgeva County Government, Järva County Government, Valga County Government and an enterprise AS Andmevara. The four counties with possible longer experience will have socio-economic benefits as a result of the project and therefore the results will be analysed from those counties' perspective.

If the project will be successfully implemented, the improved communication possibilities will have direct effect on inhabitants' quality of life, providing more services in sparsely populated areas. Also, the results of the project are expected to have indirect effect on regions' business climate, making the enterprises less depending on physical distances. Therefore more advanced economic growth is

expected. The project would also create additional opportunities for businesses to provide services both to inhabitants and local/regional institutions.

As part of the project, other Estonian counties could join the project and have the possibility to learn of each others experiences. In the future, all Estonian counties and municipalities could benefit from the results of the project and possible new partnerships could be established.

Table 2 Logical framework for eCounty project

| | Attribute | Indicators | Information sources | External factors |
|---------------------------|---|--|--|--|
| Overall objective | To enhance the prospects for the regions and municipalities concerned to benefit from the possibilities of IT-sector, especially providing IT-services | Economic indicators | National and regional statistics | EU/National policies approved the development of the regions and IT-sector |
| Purpose | A general framework of cooperation; a partnership model between different actors of the field; and an action plan for implementation. | Stakeholders and institutions actively participating in implementation of the project | Participants in project events | Support from EU and national institutions and stakeholders |
| Output (Results) | improving use of e-services by business - preparing further investment projects and applications from EU Structural Funds development of e-services strategic focus, an activity plan and a eCounty partnership | Seminars on the role of eCounty project in providing e-services; Seminars contributing the project results to national IT-strategy. Report on using e-services for business purposes | Progress reports; Final reports of the sub-projects; Stakeholders' websites; Project website. | Project partners and responsible organisations are engaged and participating actively. |
| Inputs/ Activities | - sub-project 1: elaboration of information system of local councils; - sub-project 2: training local officials and politicians; - sub-project 3: developing E-services in housing and construction; - sub-project 4: developing universal administrative system of web-pages. | Lead partner of the project is rotating among 4 partners (county governments). All 5 partners in the project are responsible for the implementation of the project and sub-projects. Project is managed by Steering Committee (4 members – County Governors) and Project Group (8 persons, 2 from each county) and project manager. | Contracts, timesheets and invoices. Project reports. Information on the webpage. Publications in mass media. Total budget for first sub-project is ca 170 000 euros; financing of other sub-projects has not contracted yet. | Commitment of participating Organisations and institutions |

Sources:

Jõgeva Development Centre. <http://www.jogevaek.ee>Järva Development Centre. <http://www.jarva.ee/jak>Võru Development Centre. <http://www.vaa.ee/go.php>

6 CONCLUSIONS

Estonian regional development policy has financed several projects all over Estonia. Current regional policy in Estonia is mainly part of European Union regional policy (Structural Funds). In general, Estonian regional policy is aimed at strengthening competitiveness in the regions and has project-based approach. The policy has mainly focused on developing tourism in regions and localities. Projects considering logistics and ICT are not among the priorities of the policy and during the first Programming period (for Estonia) no projects of logistics and ICT have been financed from these sources. In regions some development agencies have joined with international projects and are planning some initiatives in this field. Nevertheless it is quite unsystematic and not an outstanding part of regional development.

There are also two main possible developments which would have influence on logistic decisions in Estonia. For first, changes in the urban system could lead to new balance between regional and county centres. While the strategies of Estonian regional development policy have preferred the development of county centres, both actual public and private investment decisions – and economic growth, respectively, have favoured regional centres. This could affect companies and also public institutions to concentrate their activities. For second, joining with euro-zone will make Riga (in Latvia) a more important business and transport centre compared to Tallinn (Estonia). So, gradually the logistic activities will possibly move to the south.

Also, Estonia has big ambitions positioning itself as middleman between Finland and southern part of Europe and also as an important transit country between Russia and other countries. Also the need for more value adding to goods traded has been stressed, the latter needing also more extensive logistic efforts.

The public sector can influence those processes and is already intending to make several investments into all fields of transport. Those are national projects with contribution to regional development. But there are still too little efforts in the field of logistics and also regional activities are limited. Regional institutions should take more responsibility initiating or joining the projects in the field of logistics and

regional development policy should encourage those initiatives preparing supportive measures.

7 REFERENCES

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Regional Development Strategy of Estonia 2005-2015, Tallinn, Ministry of Internal Affairs of the Republic of Estonia.

Jõgeva Development Centre. <http://www.jogevaek.ee>

Järva Development Centre. <http://www.jarva.ee/jak>.

Viljandi Development Centre. <http://www.viljandimaa.ee/arenduskeskus>.

Võru Development Centre. <http://www.vaa.ee/go.php>

APPENDIXES

APPENDIX 1: LOGICAL FRAMEWORK AND ANALYSIS

It is important to keep the Logical Framework concise: It should not normally take up more than two sides of paper. The Logical Framework should also be treated as a free-standing document thence it should be comprehensible to reading it for the first time. It must be kept under regular review and amended whenever the measure changes its direction.

Summary of the contents of a Logical Framework are found in the following table.

| Attribute | Indicators | Information sources | External factors |
|--------------------|---|---|--|
| Overall objective | What are the quantitative ways of measuring, or qualitative ways of judging, whether these broad objectives are being achieved? (estimated time) | Cost-effective methods and sources to quantify or assess indicators | What external factors are necessary for sustaining objectives in the long run? |
| Purpose | What are the quantitative measures or qualitative evidence by which achievement and distribution of impacts and benefits can be judged (estimated time) | Cost-effective methods and sources to quantify or assess indicators | Purpose to overall objective: What conditions external to the project are necessary if achievements of the project's purpose is to contribute to reaching the overall objective? |
| Output (Results) | What kind and quantity of deliverables and by when will they be produced? (quantity, quality, time) | Cost-effective methods and sources to quantify or assess indicators | Delivery to Purpose: What are the factors not within the control of the project which, if not present, are liable to restrict progress from deliverables to achievements of the purpose? |
| Inputs/ Activities | This may include a summary of the budget, number of personnel, separate actions that are carried out etc.. | Costs | Activity to deliverables 1) What external factors must be realised to obtain planned deliverables on schedule? 2) What kind of decisions or actions outside the control of the project are necessary for inception of the project? |

- The **overall objective** of the measure describes the developmental benefits that the target group(s) can look forward to gaining from the measure. It seeks to answer the question:

what kind of change is looked for with the development measure?

- The **purpose** of a development measure means the changes in behaviour, structures of capacity of the target group(s) that directly result from development activity. It describes the meaning of the measure.
- The **outputs** describe the goods and services, i.e. the direct deliverables contributed on the side of the development measure. This field shall express the nature, scope and intensity of the support or the solution offered by the development measure.
- The **Inputs/Activities** are tasks or efforts carried out by the measure in order to achieve and obtain the outputs. On the other hand this describes the actions that are carried out through the measure and on the other hand the resources that are used in those actions.

The LF method is best used in addition to other methods and more specific questions based on the evaluation criteria. The criteria for evaluating the Development Efforts in this study comprise of five elements:

1. Relevance
2. Impact
3. Effectiveness
4. Efficiency
5. Sustainability

These aspects reflect the research questions presented in the beginning of this document and describe the interdependency and causality between the different aspects of the Logical Framework.

Possible questions used in the evaluation are presented in the Question Bank below. These questions can be modified and used in the surveys or be used as a frame for the focus groups.

Question bank for assessing the development measures:

| Criteria | Questions |
|-----------------------|--|
| Relevancy | <p><i>Main question:</i></p> <p>Are the purpose and the overall objectives in line with the needs of the beneficiaries and the development policy?</p> <p>Are the main objectives derived from the real needs of the beneficiaries?</p> <p>Are the needs of the beneficiaries clear to the development agency?</p> <p>Does the measure address the goals/ focus stated in an overall development policy?</p> <p>How high is the awareness of the project in the target group?</p> <p>How relevant is the topic of the activity for the target group?</p> |
| Impact | <p><i>Main question:</i></p> <p>What happens as a consequence of achieving the purpose?</p> <p>Are all the impacts desirable are there any unintended impacts?</p> <p>Economic impact on the region; how high is the positive impact economic growth in the region?</p> <p>Employment and labour market: impact on facilitating job creation?</p> <p>How about creating demand for labour?</p> <p>Social impact of the activity in the region? How well it affects the social well-being of the people?</p> <p>Does the measure have any ecological impacts on the region?</p> <p>How well does the activity make the public better informed about an issue affecting the industry or the region?</p> |
| Effectiveness | <p><i>Main question:</i></p> <p>How well does achieving the outputs help in achieving the purpose?</p> <p>Is the project plan logical; is it in overall possible to achieve the purpose with achieving the outputs?</p> <p>How well does the activity affect the regions integration into BSR?</p> <p>How well does the activity produce a product/ service that marketable outside the region?</p> <p>How well it adds value on local products/ services?</p> |
| Efficiency | <p><i>Main question:</i></p> <p>Has transforming the inputs into the outputs been cost-efficient?</p> <p>Would there be a better way of achieving the outputs of the measure?</p> <p>Is it possible to achieve the output/ purpose/ overall objective with the inputs?</p> <p>How well was the project aware of / prepared for barriers and obstacles?</p> <p>How is the measure planned and how is that plan monitored?</p> |
| Sustainability | <p><i>Main question:</i></p> <p>How sustainable are the achieved outputs, overall objectives and the purpose of the development measure after external assistance ceases to exist?</p> <p>What is the level of Public-Private Partnerships as a way of ensuring follow-up?</p> <p>How does it make the region more equipped to face future need/ challenges of globalization?</p> <p>How about concrete and continuous tools/services created?</p> <p>How well will the activity benefit the future generations in some way?</p> <p>How certainly will the activity be beneficial in 5 or 10 years time for the region?</p> <p>How well is the follow-up of the project arranged?</p> |

The European Commission (EC) Impact assessment guideline that introduces three levels of objectives that are very useful for defining the overall objective and purpose of the development effort. Furthermore, impacts should be categorized into three: economical, environmental and social impacts, when possible. This classification is also used in the EC Impact Assessment Guideline.

The analysis should obey regional circumstances and take into consideration the local conditions of each of the regions. The analysis should concentrate on the policy and thus intended objectives of any development effort and analyze the efforts against the regionally set goals.

LogOn Baltic Publications (as of 3.3.2008)LogOn Baltic Master reports

- 1:2007 Developing Regions through Spatial Planning and Logistics & ICT competence -Final report
Wolfgang Kersten, Mareike Böger, Meike Schröder and Carolin Singer
- 2:2007 Analytical framework for the LogOn Baltic Project
Eric Kron, Gunnar Prause and Anatoli Beifert
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