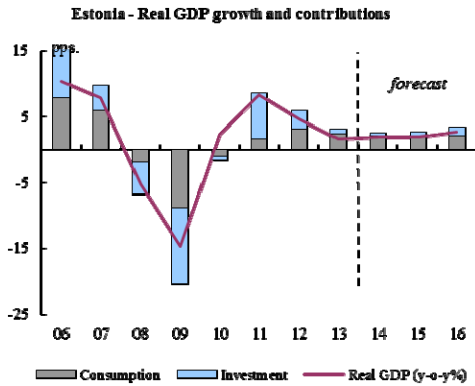


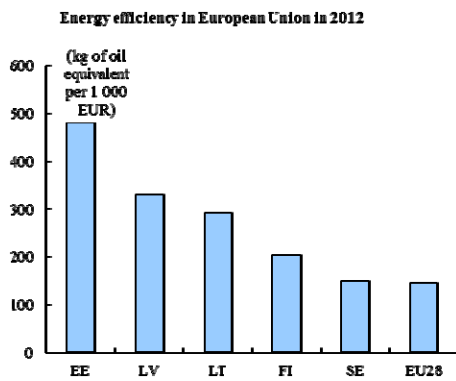
INVESTMENT IN ESTONIA

What is the situation in Estonia?



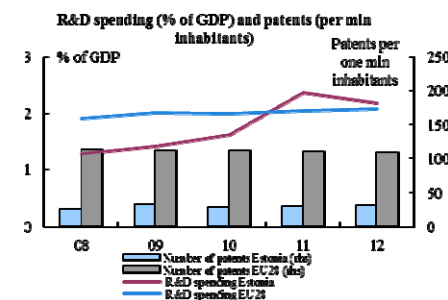
Estonia's investment recovered relatively quickly after the crisis in 2011-2012 as the economy generally improved, but growth has recently slowed markedly. The share of investment rose to above 30% before the real estate boom. It has now stabilised to around 27%. This is still relatively high compared to the rest of the EU. However, capital stock per worker and investment in technological development is still low and this affects productivity. Because of excess capacity and uncertainties surrounding the outlook for exports, corporate investment is focussing mainly on increasing efficiency. Public investment peaked in 2012 and supported the recovery through major environmental and transport investment projects and the frontloading of EU-funded investment projects from the previous 2007-2013 financing period. Investment growth is forecast to increase from around 2% in 2014-2015 to 5% in 2016 as external demand gradually recovers and payments under the EU's programmes resume.

What is the main challenge?



One of the Estonia's main challenges relate to the energy sector. Investment is needed to modernise the oil shale industry and increase the energy efficiency of housing and improve connections with EU markets. Although Estonia has made good progress in linking its electricity network to the Nordic grids, more work is needed to improve cross-border connections of its gas and electricity network and integrate the country into the wider EU energy market. Investment is also needed to ensure effective cross-border connectivity of the different modes of transport, including implementing the Rail Baltic project. Existing infrastructure needs investments in terms of better quality and safety performance.

Opportunities for investment



Investment in R&D and innovation has increased significantly in recent years, reaching 2.2% of GDP in 2012. At the same time, cooperation between research institutions and businesses is still limited. As a result, there is a poor level of patent applications, of innovation output and limited total factor productivity growth. Nevertheless, Estonia is a strong provider of IT solutions and the ICT sector has great export potential.

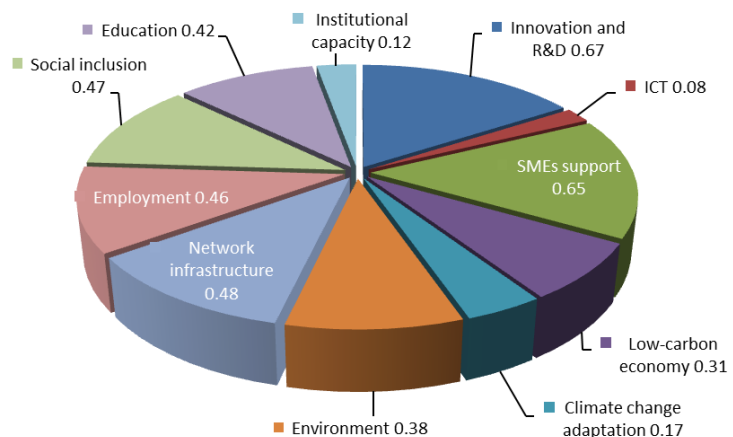
Reforms for investment

In the Country Specific Recommendations for Estonia, the European Union recommended

<ul style="list-style-type: none"> Reinforce budgetary measures to prevent deviation from the SGP requirements and strengthen the budgetary strategy to ensure the MTO is reached 	<ul style="list-style-type: none"> Step up efforts to improve energy efficiency, in particular in residential and industrial buildings
<ul style="list-style-type: none"> Improve incentives to work through measures targeted at low income earners 	<ul style="list-style-type: none"> Substantially strengthen environmental incentives for the transport sector
<ul style="list-style-type: none"> Labour-market relevance of education and training 	<ul style="list-style-type: none"> Continue the development of cross-border connections to diversify energy sources and promote competition through improved integration of the Baltic energy markets
<ul style="list-style-type: none"> Further intensify prioritisation and specialisation in the research and innovation systems and enhance cooperation between businesses, higher education and research institutions 	<ul style="list-style-type: none"> Improve the efficiency of the local government

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement: http://ec.europa.eu/contracts_grants/agreements/index_et.htm

Past or ongoing projects for investment

Electricity interconnections

Estonia / Latvia / Lithuania synchronous interconnection with the Continental European networks. Commissioning date: n/a (further studies depending on the results of the current one) **(Estonia, Lithuania, Latvia)**



Gas interconnections

Interconnector "Baltic connector". Commissioning date: 31.12.2015 and 31.12.2016 **(Estonia, Finland)**



Transport interconnections

Freight corridor "North Sea – Baltic" **(Germany, The Netherlands, Belgium, Poland, Lithuania, Latvia (*), Estonia (*))**
By November 2015

A number of projects under the Connecting Europe Facility "North Sea - Baltic" core network corridor: **Estonia, Latvia, Lithuania, Poland, Germany, The Netherlands, Belgium**

