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SOUTH-EASTERN ESTONIA CASE STUDY REPORT

Tartu 2014

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INTRODUCTION

(Objective - to identify different regional contexts of CBC – historical, socio- economic, administrative)

Defining border areas:

The study will be carried out in two trans-border networks, to the North and to the South from the Lake Peipus.

South-East Estonian Border area (SEEBA) – Setomaa: rural municipalities of Mikitamäe, Värskä, Meremäe and Misso located in immediate vicinity of Russian border- Pechory rajon.

South-East Estonia (SEE) – Põlva, Valga and Võru counties.

South-Estonia (SE) – additionally Tartu, Jõgeva and Viljandi counties.

North-East Estonia – (NEE) Ida-Viru County

1.1. Historical background

(origin of the current border, historic relationships, linguistic issues, minorities and ethnic issues, a sense of shared social and cultural capital)

Q1.1.1) What is the origin of the border?

Estonia shares with Russia a border line of total length of 460,6 km. 122,0 km of the border (26 %) goes through the sea; 200,6 km (or 49,3%) through large surface water bodies, including Lake Peipsi/Chudskoe and Narva River; and 138 km on land (29,9%). The Estonian – Russian land-border area is mostly rural area with total population on both sides under one million people.

Narva and Ivangorod (*Jaanilinn* in Estonian) are two cities situated on opposite sides of the river Narva. Narva is the third biggest town in Estonia with a population of 57 650 inhabitants, 97% of whom are Russian speakers. Ivangorod, on its part, has around 11,000 inhabitants. Both cities had historically been the battle field for the Catholic/Protestant world and Orthodox Russia and had been passed from hands to hands several times, being a part of Danish, Swedish, Polish Kingdom, and the Russian Empire. In 1918 Estonia became

independent for the first time in its history but was already in 1940 occupied by the Soviet Union. Belonging de jure to different administrative entities, de facto Narva and Ivangorod functioned most of the history as one city with common infrastructure, labour market and other opportunities. Many people lived in Ivangorod and worked on the other side of the bridge and vice versa, some had their summer cottages (dachas) and land plots on the opposite bank of the river.

In 1991 Estonia regained its independence, and the previously soft border became the strong border of two states Estonia and Russia, and later the external border of the European Union. For Narva and Ivangorod the emergence and strengthening of the border meant severe disruption of connections at all possible levels, from urban infrastructure, such as sewage and water supply, to family networks. Common labour market was also destroyed due to the establishment of strict border and visa regime between the two states and, therefore, two cities. Moreover, in the beginning of the 1990s many industries were shut down or shrink due to broken economic ties. As a result of these changes, in the 1990s both cities slipped in economic recession and have not fully recovered ever since.

The South-East Estonian border area (SEEBa) with Russia is one of the most disputed and probably fuzziest among the EU borders. It is in many respects not a clear borderline but rather a liminal (fast changing and communal) space of ethnic, cultural and economic processes of past, present and future. While the area to the North from the lake is characterized by industrialization and urbanization, the territories around the lake and to the South from it have traditionally been the lands of agriculture and fishery. Through centuries and up until now the lake Peipus/Peipsi/Chudskoe region has been the meeting point of different cultures and religions. On the Estonian side, there are Estonians, Russians, Seto and Russian old-believers sharing the territory. Russian old-believers lead their history from settlers who escaped from Orthodox persecution in Russia at the end of the 17th century. Today, this community numbers about two thousand people, living in coastal villages by the lake. These people have been successful in retaining their lifestyle and religion up to date notwithstanding changes of times and political powers (Euborderregions 2013).

The SEEBa divides lands of the small Finno-Ugric Seto ethnic group. By some experts, the Medieval Finno-Ugric tribe was divided by the natural and later also border of Western and Eastern Christianity in 862 (finally the border was fixed 1224) and because of that divide, we have today two: Werro and Seto ethnic groups. The last ones acquired Orthodox religion,

many language loans and cultural habits from Russians but retained their language and own pagan habits mixed with Eastern Christianity.

In 1228, in the aftermath of the Livonian Crusade, the southern parts of the current Estonia were conquered by Livonian Brothers of the Sword who joined the Teutonic Order in 1237 and became its branch known as Livonian Order. The strong East-West border was established and fortified from both sides: Tartu Bishop built the Vastseliina castle (1342) and Pskov dukes the Irboska castle (1330). Later, 1473 Pechory monastery as a stronghold was built and it became an important border control point. Meanwhile, also Russian population moved to the central Seto areas around Petchory. The Seto areas developed in different pace when compared to Livonia since the 19th century: Livonian peasants were released from serfdom already in 1819 while Setos and other Russian areas in 1861-6. Setos were predominantly illiterate and the economic development, particularly private farming was much slower than in Livonian side, Setos retained their communal culture.

Because of their own identity, language and “modified” orthodox traditions, Setos were called as “polyvernic’s” (half believers) by Russians. Since 1920 when Seto areas were incorporated to Estonian Republic according to Tartu Peace Treaty and Petserimaa county was established on the base of historical Seto areas and some Russian villages, Setos were soon called as “polyvernic’s” already by Estonians: again, because of their very different dialect and habits. The Estonian central government act first years as a colonizer: set up Estonian schools and supported resettlement of Estonians to Setomaa. But as the Estonian language is much closer to Setos than Russian and there was not many educated Seto leaders there was no particular resistance against Estonization. As a result, a mixed population of Estonians, Setos and Russians formed in Setomaa before the Second World War.

Because of earlier demographic transition, until the middle of the 19th century there was early spontaneous short-distance emigration, primarily to the regions of St. Petersburg, Pskov and Novgorod. Massive emigration was inspired from 1855-1905 by the Russian Empire’s policy to colonize uninhabited but fertile areas of land. As a result by some sources up to a third areas near by Peipus lake areas in Russian side were inhabited by Estonians. The declaration of Estonia’s statehood brought about the first great wave of Estonians returning to Estonia. The main reason for the decrease of this particular eastern diaspora

was Stalinist oppression, the eradication of non-Russian population from the border regions (Estonians in Russia, 2013).

When before 1920s there was no physical border in SEE, then newly established nation states set up well guarded borders and strong border regimes similarly in all Eastern Europe. At the beginning, in early 1920, the SEEBA was not that tight and remarkable border crossing and contraband took place. Because of political clash with Soviet Union, who arranged an unsuccessful *coup d'état* December 1924 and other diversions, the border with Soviet Russia was later well-guarded: until 1923 by Estonian armed forces and later by national border guards, employing all together over 900 men (Võime 2007).

Setting up Eastern border and stopping previous movement of people and goods was mainly a problem for Narva and other industrial cities, including for Tallinn, which steel and textile industries lost their former Russian market and had to lay off majority of their workers, as well as West Estonian coastal resorts, which had to reorient to the Nordic markets and declined during the 1920. For Southern Estonia, which big farms specialized already earlier for bacon and butter production, Estonian governmental programmes helped export activities to Europe. Setomaa was modernised and learned capitalist production but because communal tradition, changes did not take place fast.

In 1940 the Soviet Union arranged *coup d'état's* in the Baltic States and after the WW II borders of Estonian SSR were removed in 1945 so that the new borderline divided Seto areas. Arguably, the new border followed national divide, but actually several Seto villages were left to Russian side. Despite the fact that this was again a soft border possible to cross, most younger Setos and Estonians moved to Estonia, where they had due to language much better career opportunities. Also, the quality of life, salaries were generally better in Estonia.

In 1991 Estonia regained its independence, and the previous Soviet republic border became the border of two states Estonia and Russia, and later the external border of the European Union. For Narva and Ivangorod the emergence and strengthening of the border meant severe disruption of connections at all possible levels, from urban infrastructure, such as sewage and water supply, to family networks. Common labour market was also destroyed due to the establishment of strict border and visa regime. Moreover, in the beginning of the 1990s heavy and textile industries were shut down or started to shrink. As a result of these changes, in the 1990s both cities slipped in economic recession and have not fully recovered ever since.

The border treaties and their annexes were first initialled in November 1996. Following Russia's request to add a few small technical corrections to the treaty, the leaders of the Estonian and Russian border treaty negotiation delegations, Raul Mälk and Ludvig Chizhov, signed the Estonia-Russia border treaties once more in St. Petersburg on 5 March 1999. The border treaties were signed by the foreign ministers of both countries on 18 May 2005 in Moscow. The Riigikogu (Estonian Parliament) ratified the treaties on 20 June and the President of Estonia proclaimed the treaties on 22 June 2005. On 6 September 2005 the Russian Foreign Ministry announced that Russia did not intend to become a party to the Estonia-Russia border treaties, citing the preamble added to the Riigikogu act for ratifying the border treaties as the reason. Russia stated that it did not consider itself bound by the circumstances concerning the object and the purposes of the treaties (Välisministeerium (2013).

On 7 October 2012 the Riigikogu foreign affairs committee together with representatives of all Riigikogu fractions made a proposal to the government to begin consultations with Russia in order to conclude a border treaty that satisfies both sides. During a discussion in Luxembourg on 14 October 2012 between Foreign Minister Urmas Paet and Russian Foreign Minister Sergei Lavrov, both sides agreed to carry out consultations with the goal of finding an opportunity to bring the border treaty into force. Three rounds of consultations took place: on 31 October 2012 in Moscow, 18 December 2012 in Tallinn, and 8 May 2013 in Moscow. During the last round of consultations in Moscow, both sides reached an agreement to revise certain points in the 2005 agreement on land and maritime borders, adding to the treaty confirmation of the fact that neither side has any territorial demands and establishing that the land border treaty will be used, without exception, to regulate matters regarding the land border. After the Riigikogu foreign affairs committee announced the results of the consultations, the Foreign Ministry began domestic proceedings to approve the text of the new border treaty. On 23 May 2013 the Estonian government approved the draft of the updated Estonia-Russia border treaty and the draft of the treaty defining the sea areas of Narva and the Gulf of Finland. The updated treaties were signed on 18 February 2014, by the Russian and Estonian foreign ministers, Sergei Lavrov and Urmas Paet. Now, as the final step - treaties must be ratified by the parliaments of Estonia and Russia (Välisministeerium, 2014).

The areas close to Estonian-Russian and Latvian-Russian border are included into the border security zone in Russian side, intended to protect the borders of Russian Federation from unwanted activity. None of towns or urban-type settlements is currently included in the border security zone. In order to visit the zone, a permit issued by the local FSB department is required (Pskov Oblast, 2013).

Q1.1.2) How the mutual relationships from the past affect the current CBC?

The developments of the SEEBA have been directly influenced by the mutual relationships of Estonia and Russia. Foreign policy and its impact to other policies is continuously the most important factor affecting the current CBC. The visa procedures are time consuming, expensive and restrict movement of people. Lately, since 2009, learning from Finnish experience, Estonian authorities simplified the application of multi entry tourism visas. As a result, the number of Russian tourist in South Estonia has increased 13 times since 2000 onwards (Statistics Estonia, 2013). Thus, the border crossing intensity is greatly unbalanced).

The contradictor interests of Moscow and the Baltic States foreign policy resulted building a strong border between EU and Russia already in third time in the history. The SEEBA has been called also as a dividing line between East and West. However, as described also above, the border has never been as a single narrow impenetrable line but rather a wider zone inhabited mainly by the Finno-Ugric minority Setos.

- *“ Some people from the Union of Setoland municipalities say, that the current border line is a fact and we must accept that and move on. As a positives side, we have possibility for joint CBC projects and we have gained some other positive things- like national Setoland Development Program, Seto cultural program for our territory. Russian side have their own things – seto national group is included as a national minority now, which brings some benefits to them. But as a whole for Setu nation it is not beneficial situation: Setoland is still divided between two countries, different counties. “ (Interview in Värskä; March 2013)*

Q1.1.3) Whether there are significant number of minorities on both sides of the border and how these affect current CBC?

The survival of Setos seems somewhat paradoxical but the existence of similar border minorities can be found in many parts of the world and particularly in Europe. When looking back to the history, it's obvious that border itself contributes to the birth of minorities. Thus, we may assume that Seto's case is not an exception but a rule.

Living on the border means on the one hand *per se* status of a periphery, which means that sometimes capital cities forget about those people and they can develop in own way. Separation is crucial in developing an own spatial identity. From time to time, borders obtain high importance for the centre and the border areas are granted with investments to fortifications and other infrastructure. Besides, as the centres are interested about the loyalty of minorities, they are often granted by special rights and benefits, which helps minorities to develop their internal structures and makes them bigger than one may expect on the base of existing population. Using different regulations both sides, border gives also business opportunities from dealing with a contraband to setting up major factories (à la Maquiladoras on the other side of the Mexican border in US) for local entrepreneurs, which extent, true, depends very much on the border regime. Frequent changes in border areas economic state, both threats and opportunities, combined with an extra motivating power of identity may benefit the establishment of a particularly resilient social and economic model. Setomaa – the land of Setos – serves here as a good example.

Setomaa has been split between Estonia and Russia and according to the new border treaty, which was signed by Ministries of foreign Affairs on 18th of February 2014 in Moscow, so that this situation will be permanent. The historical Setomaa has an area of 1700 km². According to the present territorial division, Setomaa includes Mikitamäe and Värskä rural municipalities from Põlva county, Meremäe and a part of Misso rural municipality from Võru county, and the area inhabited by Setos in Petseri (Pechory) district of Pihkva (Pskov) oblast. The area of Setomaa on the Estonian side is 613 km² with average population density 6.6 persons per square kilometer. It accounts for 1.4% of the area of Estonia and 0.3% of Estonian population (Statistics Estonia, 2013). The corresponding proportions of Estonia in the European Union are 0.27% of population and 1.03% of the area. The distances of municipal centres from county centres are in the range of 34–40 kilometers; and 263–283 kilometres from the capital city Tallinn.

Setos are small Fenno-Ugrian ethnic group of characterized by orthodox (Estonians are predominantly Lutherans) religion and several cultural particularities. For instance, their

singing style “Leelo” has been even included to the UNESCO heritage list. However, there are only 230 native Setos in Russian side, which includes also their “capital” Petseri (Petchory), and around 3000 in their home region in Estonian side, where the territory is split between two counties and four municipalities. The biggest concentration of Setos, however, can be found in Tartu and Tallinn (see figure), where they have successfully lobbying for setting up governmental programmes. To counterbalance this activity, Russian central government set up also the Seto programme supporting certain activities (eg. research, tourism, etc.) in Russian Seto areas.

Today, the Setos live predominantly in the Republic of Estonia and their total number is estimated to be around 10 000–13 000, with about 3000–4000 in Setomaa. According to data from the Estonian Bureau of Statistics, the population of Setomaa numbered 4,058 persons in 2010, of which 1,022 persons in Meremäe, 1,024 in Mikitamäe, 710 in Misso and 1,302 in Värskä, and it has decreased by 18% since 2000. The proportion of people aged over 65 in Estonia was 15.0% in 2000 compared to 17.2% today, by comparison Setomaa's share of the elderly did not increase, although this age group in Setomaa is significantly higher than the average for Estonia: in 2000 25.4% and in 2010 25.0%. The share of young people has decreased significantly faster in Setomaa than in the average for Estonia. However, despite social and political changes that have caused the Setos to move outside their historic region, they have largely remained in good contact with the region. The borders of Setomaa have been moved several times in recent history, resulting in Setomaa becoming very complicated and fragmented. Setos form a specific cultural space, where there are tight connections to the other regions, mainly with the capital city Tallinn and university town Tartu. In that respect, Setos behave on the national scale like Jews or Palestinians on the global level attempting to support their fellow countrymen where-ever they live.

In 1993, the Petserimaa parliamentary support group was established to deal with border, citizenship and ownership issues. The Setomaa regional development programme received an amount of 640000€ (10 million Estonian Crowns) for five years from 1997; dealing mainly with resettling and infrastructure but also cultural issues (Siseministeerium, 2011). In 2003, a Setomaa cultural development programme was opened that had been supported mainly by local museums, Leelo choirs, handicraft and media outlets (Kultuuriministeerium, 2011). A union of rural municipalities of Setomaa organised, in co-operation with Statistics Estonia, University of Tartu, the Võro Institute and OÜ Saar Poll, on the order of the State

Chancellery, an extensive survey in 2005, which covered six rural municipalities in South-Eastern Estonia located near the border: Meremäe, Mikitamäe, Misso, Orava, Vastseliina and Värskä. The aim of the survey was to get an overview of the problems of the above-mentioned rural municipalities regarding social, cultural and economic sustainability. Based on the findings, decisions were to be made on the measures taken to improve the population's economic situation, and so create prerequisites for the preservation and development of cultural heritage in the survey area. The results of the survey were widely introduced (Mäger et al 2005) and used in compiling the (new) programme document of "Setomaa Development Programme 2006–2010" (Setomaa... 2006). While compiling the analysis for 2010, data collection works were not made in the volume of 2005, but data obtained from public sources were analysed. This concerned first and foremost official statistics and data of Tax and Customs Boards, in addition interviews were conducted in focus groups. As a result of the work of experts, the document "Qualitative and quantitative survey of the situation in Setomaa's 4 rural municipalities." was put together.

In addition to the Setomaa Development Programme 2006–2010, there are other ongoing development programmes in Setomaa, namely the Norwegian Financial Mechanism backed "Setomaa Development Plan for 2009–2013 with a vision up to the year 2015" and "Borderlands Leader Development Strategy 2008–2013" which was financed by the EU LEADER programme. There are also significant investments made by the Estonian Road Administration to provide new roads along the borderline and by the Schengen facility to develop a new railway border station. Both projects employed several small local companies in construction works.

1.2. Socio-economic characteristic

(population and population density, GDP per capita, GDP growth in relation to country average and in relation to neighbouring county, GVA and employment structure, human capital, role of remittances, fiscal conditions)

Q1.2.1) What are the specificities of border regions in comparison to the national averages?

SE-Estonian (excluding Tartu) - Pskov Oblast border areas are economic peripheries of both countries: all above given indicators are well below national averages (Figures 6, 7). The relatively higher primary sector role in economic structure, smallness of urban centres and low economic densities have caused long lasting exodus – out-migration of younger and most capable people. The SEEBA used to be one of the most densely populated areas during the 1920-30s have now well below 10 inhabitants per km² (Figures 7-12).

Excerpt from the case study: Raagmaa, G.; Masso, J.; Reidolf, M.; Servinski, M. (2012). Empowering people and enterprises with strong cultural and territorial identity: A case study of Setomaa, Estonia. Kinnear, S.; Charters, K.; Vitartas, P. (Eds.). Regional Advantage and Innovation. Achieving Australia's National Outcomes. Springer-Verlag, 233-255.

The main economic indicators of Setomaa are significantly better than those of the peripheral rural areas of Põlva and Võru counties, especially with regard to the growth of fixed assets and profitability. In 2000–2008 the net sales of Setomaa's enterprises were growing, but in the rural areas of the Põlva and Võru counties there was a slight negative trend. The positive change Setomaa's net sales may be explained by two leading enterprises, Värskas Sanatorium AS and AS Värskas Vesi (Värskas Water). The net sales from these two businesses account for more than a half of the respective sales of Setomaa. A comparison of fixed assets for Setomaa and the peripheral rural areas of Põlva and Võru counties revealed a stronger positive trend for Setomaa's enterprises, although due to the economic recession the value of fixed assets has decreased everywhere. Due to the small size of Setomaa, there are more fluctuations because of irregular activities of timber and real estate companies, but also due to large investments by Värskas Sanatorium AS and AS Värskas Vesi.

Overall the relative growth of Setomaa has been quite constant with Setomaa's enterprises managing to maintain a profit in 2008. Profitability in the Põlva and Võru counties has been negative due largely to economic recession.

The enterprise and employment structure of Setomaa has undergone essential changes during 2000–2008. The agro-food sector has increased, largely as a result of European Union agricultural subsidies introduced in the middle of the 2000s. These subsidies contributed to the growth of fixed assets but also encouraged farmers to declare their economic activities that until then had remained hidden. Agricultural indicators have also increased due to subsidies from the Agricultural Registers and Information Board (ARIB), which had underestimated income. The majority of agricultural producers are private entrepreneurs who do not have a Commercial Register and therefore estimates of income were unreliable or difficult to estimate. The agricultural sector has increased with farms being formed into commercial enterprises. As a result, the number of enterprises has tripled and

employment has doubled, however profitability indicators have decreased. The decrease in the profit was due to a large price fall in agricultural products in 2008–2009.

The manufacturing industry has increased the level of fixed assets and net sales during the 2000's. The sector continues to be important employer in Setomaa, although it has reduced employment by one-third. At the same time the industry has been increasing profitability since 2005. The number of companies has also grown although it should be noted that AS Värskä Vesi accounts for over one half to three-quarters of Setomaa's industrial fixed assets.

The wholesale and retail trade sector lost their ground significantly in Setomaa in the mid-2000s due to the so-called "Euro-Standards" which resulted in the closure of many small stores. The number of enterprises decreased from 13 in 2000 to six in 2003 and the number of employees from 53 to less than 30. As a result the whole sector recorded a loss for the period 2002–2005. Since then the number of companies and profitability has grown, but employment has been static. The introduction of chain stores in the 2000s and tight competition offered by large supermarkets outside the regions impacted sector activity negatively.

The tourism sector (hotels-restaurants) has started to grow vigorously since 2004 with new enterprises entering the market. The turnover started to grow in 2006 although decreased again in 2008. The profit achieved a peak in 2007, the last year of the boom and then started to decrease rapidly. Employment meanwhile has been maintained. Employment in the sector is most likely larger than reported as several tourism farms and guesthouses operate as private enterprises.

In 2008, the statistical classification of economic activities in the European Communities (NACE) field "Public administration and defence; compulsory social security; education; health and social work" included three enterprises. In Setomaa, it included the Värskä Sanatorium with all 82 employees in the sector. The sector has undergone stable growth and increased employment by a third. In 2008, there were only two cultural enterprises with no salaried employees in Setomaa. The total turnover was slightly over 12,800 € with a profit of 6,500 €. This growing sector is operating by self-employed people who operate as non-profit associations and thus they have no obligation to submit annual reports or supply data.

In 2005–2007, the number of taxpayers in Setomaa increased rapidly to over 2,500 persons but after the economic crisis a rapid fall has occurred with the number of taxpayers decreasing by 700 persons (28%). However it should be noted that only a third of the taxpayers of Setomaa receive incomes from Setomaa employers. During the period of rapid economic growth for the country the share of taxpayers registered in Setomaa decreased from 41% in 2003 to 31% in 2007, which indicated improved work opportunities outside the region. Average salaries also increased rapidly up to 2008,

mainly because of employees working outside Setomaa. After 2008 salaries decreased although there appears to be a levelling out in 2010s.

The share of persons employed in the food sector remains at about 6%. In the timber and forest sectors employs is around 7%. Other industrial jobs make up about 18% but are mostly outside the Setomaa area. The manufacturing industrial employment has decreased losing almost half its employment during the decade. External employment has also declined although during the boom period a slight increase was evident. The average salaries of manufacturing employees has increased during the crisis, indicating a more efficient work organisation, but also new technology that has led to reducing the number of employees and payment of higher salaries to those who had remained. Employment in the services sector has been more stable in Setomaa, although it decreased by about a hundred persons during the crisis. External employment in the services sector increased by nearly 500 persons between 2005–2007, but decreased by an equivalent number after the financial crisis. About 200 persons work in Setomaa from outside the area with a larger proportion working in the non-public sector. Local employment in Setomaa has been stable, but modest. While official figures indicate most employment is outside the region it should be noted that there is significant local employment in local stores and gas stations. The average wages and salaries of sales employees have continued to grow through to 2009 although this has been as the expense of intensive layoffs of low-salaried employees and/or closure of smaller enterprises.

Construction has undergone the most drastic rise and fall in employment with a quadrupling of employment during 2002–2007, and then a decreased by one third subsequently. Construction employees work outside Setomaa as a rule, only a few builders receive salaries in Setomaa. Transport and storage enterprises employ over 100 people, but as their headquarters are also located outside Setomaa we do not know whether these jobs are in or outside the region. The number of jobs in the accommodation-catering sector is small with only 35 taxpayers, but it is increasing in spite of the financial crisis.

The local public sector of Setomaa is relatively stable, although it has lost 133 jobs during the crisis. The number of taxpayers in the health and social work sectors of Setomaa has doubled, and is approaching 200 but was not impacted by the crisis. The situation is interesting in the arts and entertainment sector. The number of persons employed in the arts and entertainment sector for the period 2005–2008 grew almost fourfold, and then decreased back to 2002 levels. This anomaly can be partly explained by the cultural projects and film-making, but also by the fact that instead paying "official" salaries the cultural self-employed person works for free during difficult economic times.

Q1.2.2) What are the main differences between border regions?

The differences of the SEEBA have long term cultural roots. The economic wellbeing started to differentiate already in the 19th century when serfdom was removed in Livonia in 1819 and lasted in real terms in some Russian regions through the collective farm era till 1970s, when all people finally received passports.

Being in the Estonian cultural system since 1920 influenced also Seto people: their way of doing things and work culture has been well resembling with the other (Southern) Estonia, being in some respect even more modernised due to those Setos living in the cities and who brought and applied here many innovative ideas and set up businesses. Youth and most capable Seto people have moved from Russian side to Estonia, so that population in Petchory consist mainly of in-migrants from other part of the Pskov Oblast or Russia.

The main differences are in economic development, governance and milieu. The income level in Estonian side is 2-3 times higher. Despite cut's in the budgets, Estonian municipalities are relatively well staffed and financed when compared first local authorities in Russian side. Not a minor importance has a fact that in many Estonian small municipalities there are well trained managers in charge: former entrepreneurs, top politicians and civil servants, who are really willing and are capable to create linkages to capital city ministerial offices and work with NGOs and so called project firms in order to grab extra resources. Also the NGO sector, that takes a lot of actions in CBC, is more numerous in Estonian side. The SEEBA on both sides are quite well distinguishable right after crossing the border. This has been admitted by most interviewed. This can be expressed in architecture, urban planning, maintenance of public spaces, quality of roads, etc.

Q1.2.3) What are the most important features of socio-economic characteristics that affect current CBC?

The restructuring that occurred after 1990 made social impacts more acute and accelerated marginalization. Both border areas have been suffering from primary sector restructuring and peripherization causing long term out-migration of youth (Figures 13-17). The primary sector is highly concentrated and functions within "quota" agriculture. The decline of primary economies and the rise of unemployment encourage the emergence of shadow economy (Kockel 1993). Economic recession and unemployment reduce people's real income and force some to seek additional earnings. Rural people dealing with primary

activities, handicraft and tourism practice “pocket based book-keeping” and primarily use cash transactions. Shadow economy and illegal activities like trafficking, forest thefts etc. tend to grow in declining rural areas. Local marginalizing groupings may distance themselves from national structures and they tend to reproduce their own subculture (Putnam et al. 1993). Once established, informal rules tend to be reinforced and are very persistent. It would be rather difficult to restructure such areas economically.

„ We would love to offer in our guest house some local products, but there almost now agriculture left here; also we can't buy local production from Pechory rajon (Russian side).

People are not used to do hard work, as it is required in agricultural sector, any more.“;

Interview in Värskä; March 2013

However, due to the border status, national and EU programmes have influenced positively to the development of immediate border areas on both sides: Setomaa and Petchory: quite a number of new enterprises, particularly in culture and tourism as well as handicraft sector have been set up. Also the public authorities are more capable and able to employ capable project managers. Thus, according to most interviewed public sector informants the government intervention has been very positive.

- “Being a border region helps us a bit to develop our region: we have tourists coming and we can cooperate with our neighbours”
- Border is a big advantage – working places in transit and elsewhere. It gives also possibilities to be involved in tourism sectors.“
- „ Värskä is a genius example how you can use vicinity of border.“

- *Interviews in Värskä; March 2013*

- „There is intensive cooperation with Estonian side. It is not even possible to book places (in hotels) even 1 month before, we bring a lot of money there. I go with my daughter quite often just to shop in Tartu“

- *Interview in Pskov; March 2013*

Another important feature is growing second housing population. The number of seasonal rural inhabitants increases by third during summer (Ahas et al 2010). Second housing and holiday-making in rural locations means extensive weekly commuting off season and has a number of preconditions and restrictions. First of all, there is a preference for accessible places, less than one-hour-drive, with natural and cultural amenities. A secure social environment is another precondition. The availability of local services like sports facilities, shopping centres, bars and restaurants also has a positive effect (Marjavaara 2008). Consequently, second homes and lifestyle migration form one way of mitigating marginalization in remote areas.

CBC Stakeholders in the Estonian-Russian border region, south area

Through EURBORDERREGION mapping exercise 111 organisations, institutions were identified, which are active in the border region and having more or less contacts/interest for the cooperation with the other side of the border(see table 1). The organisations were divided into three mayor groups:

- 1) Public/Governmental sector:
- 2) Civil organisations/NGOs
- 3) Private companies, media
- 4) others

Public (governmental or municipal) organization	2. Community organization or civil society NGO/NGO with public/social goals	Private business organization or enterprise (trade, production, service etc.)	Other (church, state enterprise)
63	30	16	2

Not surprisingly, the biggest number of stakeholders were identified in the public sector – 63 organisations (70% of the total), which have usually stable financing from the state budget and can afford costs for international relations, visits, twin city activities etc. Under this group most numerous are rural municipalities and towns (n=24). We identified also county government departments, public schools, institutes of high education and municipal museums, which run some joint projects, regular cooperation with their Russian

counterparts. Private sector organisations and business associations formed only 18% of the total – or sixteen organizations in the border area municipalities who have active business cooperation with their counterparts on the Russian side. Non-profit sector representatives included foundations, NGOs and religious organisations – all together 30 organisations (33% of the total).

1.3. Administrative and governance context

(public administration at local and regional level (tasks, budgetary (financial independence), competences)), other institutions, civil society)

Q1.3.1) What are the main similarities/differences between administrative systems on both side of the border? How these affect CBC?

Both side administrative systems and also borders they govern have had major changes throughout the history (see appendix 1). Recently, there are increasingly different governance and administrative practices on both side of the border. Administrative behaviour in Estonia and Russia differs. Russian administration is even more centralized and has to follow rigid rules, their local and rural rayon level administrations have very low capacity and virtually no budgets for CBC.

The real partners, capable to co-finance and manage EU projects in Russian side are limited number of higher (Pskov oblast, city of Pskov, Pechory Rayon) level administrations. Considering great number on local governments, NGOs and so-called project companies in Estonia, the CBC partnership structure is quite unbalanced. Estonia has the lowest corruption in the whole CEE (rank 28), when Russian Russia is on the 128rd place out of 175 in the Corruption Perceptions Index published by Transparency International.

- “ There is systematic corruption on border/customs. It has been historically in all states like this. It is a problem.”

- *Interview in Pskov; January 2013*

Q1.3.2) What is the role of other institutions and civil society in CBC?

NGOs are important players in Estonia. The number of NGOs, particularly territorial societies, and their administrative capacity has been well improving. On the opposite, Russian central government set strict restrictions for NGOs and their international activities, so that when involved in CBC projects Russian NGOs are controlled by the authorities.

As EUBORDERREGIONS field work mapping exercise showed, there are about 17 civil society organisations from Estonian side and only 3 from Russian side of the Southern case study region, active in cross border cooperation. Civil society organisations representatives included foundations, NGOs and religious organisations.

Unlike state agencies, Civil Society Organizations CSOs (in the region) do not usually receive funding from their states to sustain offices and staff, and are working mainly on a project-basis. However, involvement in EU programs requires professional administrative and financial personnel; otherwise, it is impossible to comply with the programs' financial and other requirements. Many smaller NGOs who have interest in working with Russia simply do not apply to ENPI programs as they "do not have enough money to pre-finance the activities and then wait and fight with the Secretariat with each penny we have spent "(Säre 2013).

According to Russian NGO law, approved in 2012 it became a requirement that all non-commercial organizations (NCO) register with the state prior to receipt of funding from any foreign sources, in order to be determined "NGOs carrying out functions of a foreign agent". This has made life of Russian CSOs who want to work with EU partners or donors very much difficult.

"It is very difficult to manage co-financing requirements in EU projects for NGOs. And this huge administrative burden – in some projects we have to do reporting after each 3 month"

Interview in Pskov; January 2013

1.4. Border traffic, VISA regimes and border infrastructure

Q1.4.1) What is the scale and trends in border traffic?

The number of border crossings with Russia has increased especially since 2011 due to softened visa regime. According to Statistics Estonia, the number of non-Schengen crossing has increased since 2005 by almost one million people. We can assume that if there will be no significant changes in EU/Estonian Russian relations then trends will be positive (figures 48-49, Table 1 & 2).

In total more than 626 000 passenger cars and transportation vehicles crossed three checkpoints on the Estonia-Russia border in 2013 - 61% of the reservations were made online through the web page www.estonianborder.eu.

Q1.4.2) How the VISA regime affects the CBC?

The visa regime is restrictive but it contributes to the safety of border areas. Since 2011 due to softened visa regime, those people who are willing and have enough resources to travel to Schengen and pay for the visa fee, can easily cross the border. Also, permanent inhabitants of border areas can obtain multiple entry visas on different conditions. Cultural and academic exchange visas are free of charge, but applying Russian “cultural” visa, you still have to pay 21 EUR service fee to Russian Visa Center.

- *“Obtaining Russian visa takes long time (10 working days), is expensive (70 eur with service fee + insurance). I do not know any of my friends who would go for weekend-trip to Pskov, which is just 150 km from Tartu – with that money and time-effort “.*

Interview in Tartu; October 2012

Looking at the tourism trends, the Estonian hotels witness quick increase of Russian tourists – it has increased 7% between 2012 and 2013 (ERR2013). However, the trend is not the same of Estonian tourists to Russian regions.

- *“In my mind Estonians are not too much interested in Russia. Not only entrepreneurs but also simple people. It is enough to ask form average Estonian – how to travel to Pskov – and they don’t know and are quite surprised that Pskov is so close to the border”*

Interview in Tartu; October 2012

Q1.4.3) Whether existing border and transport infrastructure is sufficient for current CBC?

The existing border and transport infrastructure is sufficient for smooth border crossing today – there have been massive investments on both sides, including also internet based registration system (goswift.ee) which allows on time crossing without queening. Of course, for people living just next to the borderline, it would be better to have more crossing points in order to avoid travelling around but there would be not much traffic to justify such investments.

The main obstacles are institutional, caused by the software and human capacity. The application of all-Schengen control – entering personal data to the system – for instance slowed down speed of border crossing procedures in EU side. The Russian cargo control procedure on the other hand is much more time consuming than on the EU side.

There are also cases in the first decade of this century when, particularly in Russian side, border procedures were slowed down because of political disagreements between governments.

„ The infrastructure, logistical terminals has been improved in the border region. This also means more working places and more money to oblast budget”

- „Financial opportunities, general business climate has been improved and is more predictable”

Interviews in Pskov; January 2013

Q1.4.4) How treatment of travellers, attitude shown to them by border crossing staff may be assessed?

The smooth border crossing depends very much on staff working in the border stations. Eg. in the case of shortage of staff (when people are sick) or party among the personnel, there could be brakes and delays on the border. Problems may appeals also with people from the foreign countries because border guards don't speak much foreign languages.

Local entrepreneurs complain about the border guards, that they a not friendly to small business people, requesting declaration even small amounts of handicraft products.

- *“If the border crossing /customs issues would be more simple it would be easier to do business. There are customs workers who only want to have money to their pockets and complain of each tiny issue.”*

- *"I have been crossing this border regularly (working on cargo) and most difficult has been customs clearance. Customs officials always finds way how to take additional money from people. So, I do not work in this border any more and have chosen to work over Finnish border*

- *Interview in Pskov; January 2013*

1. SOCIO-ECONOMIC RELATIONS AND FLOWS

(Objective - to identify scale of socio-economic relations: trends and determinants)

1.1. Economic cooperation

Q2.1.0 What is the significance of economic CBC relations for the whole national economy (from the perspective of country A and country B)?

In the case of national perspective, where country A = Estonia and country B = Russia, first of all, one should consider very different size and economic profile of these countries. Russia is selling on the world market mainly mineral resources (oil and gas in particular) and is importing high value consumer goods, technologies and also foodstuff. Estonia is a very small and open service based economy, which exports are specialised on subcontracting to mainly Nordic transnational companies in the fields of food, wood and electronics. Estonian service industries (particularly tourism, retail and transportation) are mainly owned by local businessmen, capital intensive financial and large scale manufacturing industries are predominantly owned by the Nordic corporations.

Q2.1.1. What is the volume of trade between analysed countries and/or within trans-border regions? What are the trends and structures? What are the most important goods? How this is affected by the regulations (duties etc.)?

Trade volumes have been growing: Estonia imports from Russia were around billion euros and exports over 1.5 billion in 2012. However, when Russian imports to Estonia grew only a little and declined more than a half during the 2009 crisis period, then Estonian exports and re-exports have been growing steadily and Estonian negative trade balance turned to be positive since 2008. The Russian import structure is dominated by raw materials: mineral products, mainly fuels, wood and metal. The growing Estonian (re)export items are: machinery, chemical products and prepared foodstuff (Figures 50-53).

Q2.1.2. What is the proportion between registered trade and flows of unregistered goods through the border? Whether the smuggling through the border is an important issue? Are there any other social problems related to the border (prostitutes, drugs and illegal products, etc.)

There is no reliable data about the amount of unregistered goods in SEEBA. After the change of custom regulations in 2012, semi-illegal fuel and vodka trade has decreased significantly. There used to be more than 120000 border crossings less with personal cars in second half of 2012 than year before. The value of this semi illegal trade could be estimated around 30-40 million euros in SEEBA, which is just 3-5% on Estonian official imports from Russia.

On the other hand, because of no queues any more, shopping and tourism of Russian people has increased significantly. According to Global Blue Eesti OÜ data, the number of tax free returns in Narva, Luhamaa & Koidula border crossings was 13 726 in 2012 and 30 925 in 2013. Since 2010 the number of tax free refunds grew over 20 times. 2013 third quarter 5600 refunds in Koidula and 4400 in Luhamaa were processed (ERR 2012).

1.1.1. Investments and entrepreneurship

Q2.1.2. What is the volume of investments between analysed countries and/or within trans-border regions? What are the trends and structures? How the differences in culture of entrepreneurship affect these?

There is no particular information about Russian investments in SEEBA or SEE, nor Estonian investments in Pskov Oblast. Foreign direct investment in Estonia (Table 3) totaled 14.3 billion euros at the end of 2012. The largest direct investment came from Sweden (27.6%) and Finland (23.3%), Russia was on the fifth position with 4,6% of total (649.6 M€). The most preferred fields of activity for foreign direct investment in Estonia were financial and insurance activities (24.4%), manufacturing (16.4%) and real estate activities (15.5%).

Estonian residents' investments abroad (Table 4) totaled 4.4 billion euros at the end of 2012. Cyprus received 29% of the direct investments, Lithuania 20%, and Latvia 17%. Russia was on the fifth position with 5,8% of total (252,4 M€). The most preferred fields of outbound investments were transport and storage (28%), professional, scientific and technical activities (19.7%), and financial and insurance activities (16.9%).

There are remarkable Russian investments in Narva and elsewhere in the North-East Estonia. The Russian investments in Estonia are growing. For Russian businessmen there are several advantages in Estonia: access to EU market, low corporate taxation and simple tax regulations, predictable business environment and low corruption, high qualified labour, possibility to work in Russian.

As SEEBA is located in an economic periphery, then it means that neither from Russian nor Estonian side, there are limited possibilities to get and attract larger investments. The only exception is so far tourism, which has been mainly developed in Estonian side and attracts growing number of visitors from the Russian side.

1.1.2. Labour

Q2.1.3. Whether labour commuting take place through the border? What is the scale of illegal working in both countries? What are the most attractive occupations? Whether border region is origin/destination of significant labour movement?

The labour exchange in SEEBA is practically missing due to very limited jobs in a commuting distance (Figurs 35 & 40). There are up to 1000 people commuting for a job between Narva and Ivangorod (Figure 46). The labour exchange is restricted in the SEE region in general because despite very high real unemployment in both sides, there are 3-4 times smaller salaries in Pskov Oblast than in Estonia. Estonians tend to go to Finland, other parts of Northern Europe and even Australia, where salaries are 3-5 times higher in own turn.

On the other way around, EU and particularly Estonia have very strict immigration rules and procedures, so that employing labour from the so called third countries, incl. Russian border areas, outside EU has strict limits and high bureaucratic burden. Since 2013 Estonia applied new labour migration rules that made easier employment of high qualified specialists. As the immediate border area has very limited number of top specialist available, the effect for that new regulation will be inconsiderable.

In Russian side there was mentioned problem of immigrant low-paid (125€ a month) labour inflow who take jobs of local people.

- “For ordinary people there is no work. In local factory non-Russian works for pennies and our people are unemployed. Our people travel to Pskov to work and can’t work locally as here you find non-Russians working for 5000 RUB”

Interview in Pechory; January 2013

Fully illegal working takes place in a quite limited amount, but instead of black labour there is quite a lot of semi-illegal or a grey labour. Estonia has one of the highest construction

sector tax avoidances in EU countries, which means that part of the salary (minimum wage) is paid officially but the rest and premiums in cash. Auxiliary jobs and moonlighting, paid in cash or “by bottle”¹ are still quite widespread in farming and forestry (though, much less than it used to be 20-30 years ago), cultural and tourism sector.

Mainly in Estonian side, there is a growingly significant (partly tourism related) handicraft and cultural small business sector, berry and mushroom picking/processing and other small scale business. It’s share in total national revenues remains tiny but is considerably higher particularly in border areas rich by forest resources, cultural amenities, and tourists demand. In official statistics very little of this can be seen because of so called “pocket and/or drawer based bookkeeping” and overlap with domestic economy as well as barter and in some cases with community freelance activity. Because of EU CAP subsidies quite a number of farms and their land use have been “made official” in order to receive subsidies. Still, many of small so called survival farms do not have official employees and in some cases they use seasonally local black labour or barter.

There is not much black or grey labour movement across borders. Before 2012, there was an hidden employment (especially in Narva region) where car owners employed black labour for getting fuel from Russian side and every ride was awarded by a certain payment. After limiting this smuggling, the scale of that kind of “employment” has been reduced. According to last census, there was only 16 people from all Põlva county and 8 from Võru county working in Russia in December 2011 (Figures 35 & 40). In Narva, there were 569 people working in Russia due to higher qualified jobs (eg. in a car parts factory) available in immediate Russian side (Figure 46). For the youth are popular white collar office jobs which number is limited in the border area.

The labour movements on both sides of SEEBA practically do not exist. On the other hand, trade unions are very strong in Narva (powerstations) region.

1.1.3. Tourism

Q2.1.4. What is the scale of transborder tourism? Whether border region is important origin/destination of/for tourist? How has it changed after joining the EU?

¹ During the Soviet time, moonlighting – eg. personal services like ploughing someone’s allotment – was often awarded by a bottle of vodka.

The number of Russian tourists in South Estonia has been increasing 13 times since 2000 onwards mainly due to softened visa regime (Figure 54). SE-Estonia is attractive, because of good quality recreational environment (Russian interviewed compared it with Austria and Germany) and services. Positive is also possibility to communicate in Russian.

The joining EU did not have any immediate effect. Later, when Estonian MoFA realised that Finland is making good business for the ministry when issuing Schengen visas and there are increasing flows of generous tourist, also Estonian consulates became complaisant and have issues thousands of tourist visas. The tourist visas are quite simply issued also by Russian consulates but their price with registration in destination (50-150€) restricts movement of tourists.

- “In Estonia the quality (of services) is better, and it is as peaceful as in Germany - you do not have to worry about personal items getting lost etc. Here in Pskov or in Moscow you have to travel being alert and holding your bags nearby, but I like the countries where you can travel peacefully and not worrying about such things.”

Interview in Pskov; January 2013

- “Another issue when visiting Pskov are visas. It is much harder to receive long-term Russian visa than the Estonian visa. In Pskov, most of the residents have Schengen visas”

Interview in Tartu; March 2013

1.1.4. Determinants of economic cooperation

Q2.1.5.1 What are main facilitators of economic cooperation?

Setting up strong political border has had paradoxically several positive effects for the development of immediate border areas. Concentration of border guards, customs and armed forces has created presence of functional state structures, gives extra security and has created a number of new jobs and tax revenues not available before. Border cut off or at least restricted earlier small scale business activities, like selling Estonian foodstuff by farmers in Pskov market, has formed quite different economic spaces on both sides during

the last 20 years and now, when border regime has been softened, these differences are increasingly used to make business on both sides.

Estonia's membership in the EU created a solid basis for the more rapid development of Estonian-Russian trade and economic relations. Since 1 May 2004, Estonia has been a part of the single European trade policy. On 1 May, the PCA (Partnership and Co-operation Agreement) that regulates foreign trade as well as transit, the protection of intellectual property, and the harmonisation of legislation in the EU and Russia came into force in Estonia.

Estonia is a participant in EU-Russian economic co-operation and participates in multiple working groups and councils that develop directions for this co-operation. New bases for the development of economic relations vis-à-vis Russia are also provided by the implementation of the principles of the agreement between the European Union and Russia on the four common spaces, particularly the economic space, signed on 10 May 2005 in Moscow.

The transparency and predictability of economic relations between Russia and Estonia, as well as the EU in general, are increasing as Russia acceded the World Trade Organisation. In the 8th WTO Ministerial from 15-17 December 2011, the final decision to accept Russia as a member was passed (WTO, 2011).

Q2.1.5.2. What are main barriers of economic cooperation?

As the scale of economic cooperation (measured in trade, investments and tourism) remains smaller than it would be expected according to economic gravity, we can assume that the main reasons so far have been political. Problematic relations between MoFA in Moscow and Tallinn made a "present" to Finnish entrepreneurs who have attracted Russian capital and tourists many years. Symptomatic was the case of the "bronze soldier removal" in Tallinn 2008, which caused political reduction of economic relations for several years. Or the restriction of Estonian food exports by the end of 2013 by Russian vet-control authorities, those non-tariff barriers have been set up arguably because political reasons. But as far as this theme is sensitive, it is not very much discussed by official bodies neither by small business people, who have limited access to such information. But Raivo Vare, Eiki Berg and other Estonia-Russia experts speak about the return of geopolitics which means that old cold war rhetoric's is used again. Still, some interviewed outlined the political problems too.

- “The biggest obstacle for cooperation is over-politicisation of EU-Russia relations. We do not want to integrate to Europe, so the only thing we are interested is visa-freedom . Neighborhood policy just does not have any effect.
- *Interview in Pskov; January 2013*

Border as a **barrier of economic cooperation** was mentioned especially by business people who may suffer due to delays on the border crossing, frequently changing customs and border regulations.

- „The border is areal barrier when making business. It is easier to have economic cooperation with Finland. The customs benefits most from the border and fools people”
- *Interview in Pskov; January 2013*
- “We wanted to sell small amount Estonian farmers goods and local foodstuff during the Pskov Hanseatic days but to bring these things across the border is bureaucratically “mission impossible” and we really considered illegal transport”.
- *Interview in Tartu; July 2013*

However, there are few cases when Estonian or Latvian capital set up some production unit but in above reasons the potential is much bigger than it has been used.

- „In our rajon we have some entrepreneurships with Latvian capital. So, there is still some movement of capital”
- *Interview in Pskov; January 2013*

Different administrative behavior, red tape, and corruption in Russia was also mentioned by business people. Interviews from both sides also consider business culture much better in Estonian side. Estonian managers also said that it makes no sense to risk with transferring some activities to other side, because EU market is much more stable.

- „Joint business is not dependent of the vicinity of border but on vicinity of Estonia. The border itself makes business cooperation more difficult. I also think that there is systematic corruption takes place on border”
- *Interview in Pskov; January 2013*

Q2.1.5.3. Is border region on the other side attractive partner in comparison to other regions in neighbouring country/regions in other countries?

For the Russian people, the SE region is increasingly attractive: particularly in terms of getting both business (eg. rental of road construction machinery) or private services like shopping (in Võru or Tartu), spa or medical treatment (in Värskas, Tartu and Otepää). For Estonian business people, the visits of Pskov region people give extra market and scale. The same applies to closest borderline in Pechory, where shopping of Estonian people (mainly fuel, excise goods and medicaments increases turnover of local sales. However, the fundamental vital difference is that when Pechory has mainly extra visitors from closest vicinity of SEE, which means low income people, then Tartu and other SE shopping centres as well as spas are visited by upper class and well consuming folks.

So interestingly, the cross-border patterns duplicate the general trade balance patterns. The market dynamics, higher service and labour quality and faster innovation of production as well as service provision and exports (incl. re-exports) are increasing Russian consumption in Estonian side. Mainly the raw material imports from Russia and local trade on the SEEBAs have remained on quite the same level.

1.2. Social and institutional cooperation

Main personal connections are cultural: exchange of cultural collectives and pupils, sports tournaments, etc. Due to short distances, the travel is not costly. Different types of activities are also well supported by EU, and some other programmes.

- „ The influence is mostly psychological for border region inhabitants. They visit EU states and want to become more similar”

- „EU has positive influence to Russia and Russia wants to catch up. The quality in constructions are better, new houses are built in higher quality, there are even fewer fences as in your country “

Interviews in Pskov; March 2013

Q2.2.1. What are the scale and directions of youth exchange? What types of schools/institutions are involved? What are the other forms of co-operation in the sphere of education (universities, acceptance of diplomas, other)?

Youth exchange of school pupils sports, dance and choir groups is according to several interviewed quite widely practiced and popular in closest CEE areas because of short distances, free visas and cheap travel arrangements. The exchange takes usually place in a form short term visits arranged by schools, NGOs, collectives of dancers, singers and the like. For example R pina (Estonia) and Pechory (Russia) have already for 10 years very active cooperation - they organise joint festivals, competitions, teachers trainings, even without any projects. However, when the Russian youth is clearly more motivated traveling to Estonia then Estonian youth prefers Nordic and Western capitals both because of no need for visas but also because these destinations are more attractive.

“We have very positive cooperation with Pechory School already for fifteen years- with or without project funding.”

Interview in R pina, November 2012

There is a new official co-operation agreement between Tartu and Pskov universities. There have been several visits of different administrative bodies. Still, the cooperation between academic staff is not very extensive because Pskov and even Moscow and St.Petersburg universities have very little to offer due to their very inward looking research activities, restricted and problematic quality data and poor English skills. Also the diplomas are not entirely accepted in both sides, because Russia is not yet fully following Bologna convention. So the motivation to travel to Tartu or elsewhere in the West is much higher among Russian researchers and students. Besides, despite free of charge cultural and academic visas, the arrangement from the Russian partners side is often complicated and requires several extra phone calls. It’s much easier and beneficial to travel to the West.

Because Estonian (and Seto) youth is not interested learning Russian – they study English as foreign language –, people in age of 35 and younger are simply not capable to communicate with Russians. At the same time Russian English teaching remains modest so that very few people in Pskov Oblast are able to speak English and fill applications.

- "I know several people from Pskov region who study Estonian as they want to study further in Estonia."

Interviews in Pskov; March 2013

1.2.1. Culture

Q2.2.2. Whether cultural cooperation is vivid or stagnant? What forms of cultural activity are being promoted? Does it contribute to changing attitudes towards neighbours?

The cultural exchange has definitely contributed to changing attitudes and learning among attendees. Several interviewed stressed the learning from each other and particularly from the west. At the same time, other interviewed pointed out that existing form of exchange, e.g. trainings and seminars do not offer much new, participants are all the same people, etc.

- "You know, when these projects started in the beginning of 2000s it was interesting. But most of them are soft projects. Seminars are similar and those are people who attend them. It would be good to have more "hard" projects."

- *Interviews in Pskov; March 2013*

In SEEBA, the most vivid cultural exchange takes place among Seto people, whose activities attract also outsiders as tourists but also as professional partners in different cultural fields from both sides. The organisations like Union of Seto municipalities (Setomaa 2013), Seto Tourism (Seto turism, 2013), Seto Handicraft (Kogo 2013), Seto Institute, museums and others organise all kind of meetings and are quite generously supported by national foundations as well as sponsors. The most significant, visible and beloved element of Seto culture is their traditional singing, called "leelo", that has been listed by UNESCO as an intangible cultural heritage since 2009. Seto leelo is a unique polyphonic local style that has evolved from earlier "runo" singing traditions of the Balto-Finnic people. The choir repeats or varies the lead singer's lines in two or three voices (UNESCO 2009). However, a number of popular local folk-rock bands use leelo as the basis for their repertoire; choirs have been established in Setomaa and elsewhere in Estonia. Being efficient transmitters of Seto culture they are the hubs of the community and embody the Seto identity, also outside Setomaa (UNESCO 2009). In addition, traditional handicraft, architecture, local food and even Seto weddings and local celebrations have

become widely known and are extensively used in tourism, but also increasingly as a marketing tool for manufacturing enterprises and sanatoriums.

- “ We had here a cultural festival with professor from St. Petersburg. He was surprised how lively cultural life we have. Even in Pskov region we are kind of pioneer.”

- *Interviews in Pechory; March 2013*

1.2.2. Networking and institutional cooperation

Q2.2.3.1. Whether NGOs are active in CBC? What are the main factors of networking?

NGOs are active especially in Estonian side. The establishment of NGOs and foundations has been one outcome of new public management turn in governance. Delegating some functions to NGOs allows showing public sector smaller, which is in line with neoliberal doctrine. Also, NGOs have usually the lowest requested co-finance rate in EU grants so that canalizing resources through the NGO public and also private bodies just save their resources. In Russian side, the role of administration is much higher and the activity of NGOs, especially those with international cooperation are restricted.

Q2.2.3.2. How cooperation between institutions located on both sides of the borders (in CBC area) may be assessed in qualitative terms? (including: local and regional authorities, universities, R&D institutions, business support institutions, euroregions, twin-cities, members of EUGT (if exists), businesses and business organizations, NGOs)

Cooperation on both sides of the borders is based on long term personal relations. This calls to local authorities: cultural activist, municipal and rayon level civil servants. The new cooperation ties (eg. between universities) with wider geographical scale are based on CBC projects and aim to use available resources. In most cases, these contacts will not last beyond the project activities are finished. Local business people have been joined local delegations; in general there is not much involvement of the business people in CBC projects.

1.2.3. Determinant of social and institutional cooperation

Q2.2.4.1. What are main facilitators of social/institutional cooperation?

The main motivator is money and in some respect also curiosity: “what’s going on in other side?” As facilitators act old and gradually renewing networks, as many people have been in contact already since Soviet times, there is definitely also friendship as a motivating factor.

Q2.2.4.2. What are main barriers of social/institutional cooperation?

Paradoxically, the growingly important barrier is language, the fact that Estonian youth does not speak any more Russian and Russian youth not yet enough good English. The biggest barrier for Estonians is probably a different perspective: the West has much more to offer in professional development point of view. Still important is also border and need to arrange a visa. Another important obstacle is very limited local resource base of local and regional authorities: project management and financing capacity. In business co-operation two issues have been raised: different administrative (much more complicated and slow, also more corrupt in Russian side) and business culture (e.g. the way agreements are made and followed).

Q2.2.4.3. Is border region on the other side an attractive partner for social/institutional cooperation in comparison to other regions in neighbouring country/regions in other countries?

It depends. For immediate SEEBBA it is important to cooperate in solving certain border specific problems. There are different interests of people living in both peripheries to be addressed by local authorities. For the Estonian borderland inhabitants the main reason for crossing the border is to go for cheap fuel, cigarettes, medicaments and vodka. From the opposite side – from Pskov region – there is much higher number of tourists, coming to South Estonia (Värskä, Võru, Tartu). South-Estonian periphery offers safe environment, relatively luxurious and cheaper (when compared to St. Petersburg) shopping or recreation (spa) options and personal services nearby. However, these immediate needs are seldom solvable by local authorities but depend on national and on Estonian case even EU level decisions (which makes the same for Pskov considering their Power Vertical).

See also Q2.2.4.2.

2. REGIONAL DEVELOPMENT AND STRATEGIES FOR COOPERATION

(Objective - to understand how local communities perceive and interpret local/regional development within a wider European context)

Methodological note. People selected for interviews were mostly active in public administration, NGOs and business. Thus, in most cases they see the situation somewhat better and extend their own experiences to other people in the region. Also obviously some interest groups prefer status quo instead reforms. Several public sector officials noted improving quality of life, describing renovated roads and houses, new cars on the streets and shopping centres as indicators of wealth. They even did not expect negative questions, considered it suspicious, and were not ready to answer these.

- “Local power is very Putin-minded and it has its influence in communicating with neighboring country”
- Interviews in Pskov; March 2013

Q3.1. What’s the general stakeholders’ perception of:

- a) border location (favourable, unfavourable)
- b) border (division, bridge)

And why?

Border location and border itself has both positive and negative impact depending on location and background of the stakeholder. People living in both sides of SEEBA (Setomaa and Petchory Rayon) are rather positive because of extra support from their countries which allows building roads and other infrastructures. Better services (in Estonian side) and cheaper goods (in Russian side) are available in close distance. Border means also jobs for local people and revenues for local authorities.

- “I believe that people who are living in border region are more European – firstly, as they have long-term visas, they cross border quite often. As Estonian consulate gives visas easily, the people take next time already their friends with them; and in conclusion they feel themselves more like home “
- „Border takes attentions – so roads and schools are more renovated more than inland. Other side of the border influences also language- and cultural room”

- „Border is not an obstacle. Estonian consulate gives visas easily. There are often activities and thanks to it we have developed already good personal contacts with Estonians
- *Interviews in Pskov; March 2013*

Those who live in distance have quite different perception: “bridge” for Russians and “division” for Estonians and partly also for Setos who lost their property in Russians side and still have relatives and cemeteries in other side. People in Tartu for instance do not even think about Pskov. Per contra, for Pskov people, Tartu is closest reasonably priced place for shopping and world class university. This was precisely stated by Estonian researcher (K.Tüür):

- “One of the generalization I can make about Tartu-Pskov case study is that when for average Pskov citizen having Schengen visa and visiting Tartu is regular practice then for an average Tartu- citizen having Russia visa is rather rare and more likely destination is St. Petersburg or Moscow “.

Border is definitely a barrier for local producers who still remember good old times when they could sell their products without customs procedures. But it is a positive thing for traders and different service providers who earn due to different price level and extra visitors. Border is a bridge for different NGOs. It gives for them extra motivation for travelling and meeting people of different knowledge and skills. For some NGOs border is the only reason to exist.

Q3.2. What are main positive aspects of border location?

More attention and resources delivered by the governments to the economic peripheries. National and CBC investments to the roads and other infrastructure which otherwise would not take place.

For people living in SEEBA enjoy the favorable visa regime and possibilities to get better price or quality products and services from other side. There used to be massive semi-illegal smuggling of fuel and other excise goods, because of significant differences of price, which

gave significant extra income for many unemployed in South-Estonia but created also long queues in the border stations. Since spring 2012 Estonia applied new regulations that stop the fuel trade. This change – no more queues on the border – has been very positive for tourism.

Higher safety due to presence of power structures. Border areas are safer because of the presence of border guards, armed forces and other governmental (power) structures.

For entrepreneurs to earn from the border trade and services.

More jobs available due to state structures and services they need.

- „Border offers more possibilities, jobs, you can cross border “

Interview in Pskov January 2013

Q3.3. What are main negative aspects of border location?

Risk that political disagreements in the capitals will change the border regime. Often changing customs and other rules make trouble to the companies with cross-border activities. Limited and time consuming crossing of borders bothers. Local people cannot visit their places but need extra paperwork and time to drive around. Extra costs for producers on the border crossing as well when following the different trading rules.

- “Border is hindrance. Earlier local people could move easily, now there are certain crossing points, it take time etc. Emotionally it is most difficult”

Interview in Värskä, January 2013

Others were concern about the youth outmigration caused by increasing regional differences.

- „In one hand life quality has improved, on the other hand villages are becoming empty.“

Interview in Värskä, January 2013

The most serious issue is population loss in Russian as well as Estonian peripheries.

- „Negative side is that priority in decision making is only on demographical reasoning“

Interview in Värskä, January 2013

“Border areas are poor, there are few working places, and this depressive situation increases outflow of people”

Interview in Pskov rajon, January 2013

Threat of criminal activities: smuggling, drugs, trafficking in human beings, other crime.

- “In our municipality (close to border crossing point) there are quite many car accidents. On border crossing point in the car parking – there have been many cases of fights, car crimes.”

- *Interview in Värskä, January 2013*

Being a periphery (which is borderland per se) restricts investments from outside.

Surprisingly, there are only three transport and storage enterprises in Setomaa. The modest status of the transport sector is somewhat surprising given the border location of the area. It is expected there are a number of self-employed individuals providing supplementary transport services to the region. The launch of the Koidula frontier railway station should provide the transport sector with new opportunities for employment but it is not. Trade flows between economic centres in Russia and Baltic Ports just trespass border areas without giving significant value added. It is important to note that due to Russian transport and trade policy resulting completing own ports (particularly important is new port in Ust-Luga) the trade flows (bulk and oil) have been diminishing several times since 2000. The huge EU railway border station just completed in Koidula as well as Valga and Tartu stations are underutilized. Also there was stressed an underuse of local resources: fertile arable land, wood, cultural and natural environment highly valuable in recreational economy.

- „There is almost no local agricultural production”

- Also the local labour resources are idle because of low level entrepreneurship, not suitable qualification and lack of public transport to the centres.

Interviews in Pechory, January 2013

-

Q3.4. Who benefits the most from CBC (citizens, local/regional authorities, firms, others)?

EU projects have given extra resources for some NGOs, “projects firms” and local governments.

- “Positive things about CBC projects are renovation of sewage treatment; in cultural field seto leelo-choirs cooperate; also within some project there has been possibility to buy camera or even computer”

Interview in Värskä; March 2013

However, due to over-centralized governance and policy mechanisms, Estonian border area authorities but also Russian smaller authorities lack project management capacity (ENPI bureaucracy is very demanding) and co-finance resources. One should understand that great part of the project compiling and management is subcontracted to private consultancy companies, but this is not recorded in the reports. Applying for a CBC project is a risk and smaller administrations are not able to employ extra people.

- “We have been outsourcing the service of project writing on CBC projects. If municipality employees should write project, there would be no time left to do other things”

- Interview in Värskä; March 2013

As local municipalities and NGOs have usually very few contacts to local business people, the projects seldom benefit industries directly. This means no new jobs, except those created at the EU-projects-writing-running-specialized NGOs/SMEs. This project writing management sector is not self-sustainable and will vanish when EU support will stop.

According to thorough case study made two years ago and conclusion presented below here, the SEEBA area Setomaa has in the context of general decline in South-Eastern periphery relatively better performed. There are three main reasons for that:

- 1) Good leadership and coherent community acting in good faith and cooperation with their lobbyist in capital city;
- 2) Governmental cultural and regional development programmes which allowed extra investments and supported local network development;

- 3) Local amenities and some large well managed enterprises, which feel also social responsibility and act as active local community members.

On the ground of interviews on Pechory, a bit similar situation can be reported also from Russian side. The Pechory rayon has developed mainly because of governmental and EU support.

- “If to compare Pechory with some other towns in the middle of oblast, I think our town is more prestigious”
- “It seems that Russian side is investing to Pechory rajon enhancement more that Estonian state support is felt in Estonian side Setoland municipalities.”

Q3.5. Whether the perception of border/border location have changed in recent years?

Due to softened visa regime, border is not considered any more as a strong barrier by Russian people. For Estonians the situations has not much changed; it is believed by several Estonian Interviewees that: “It is too time consuming and costly for an average Estonian to apply for Russia visa for just a weekend trip” (Interview in Tartu; April 2013)

Q3.6. What were the main factors of this change (economic crisis, European integration, others)?

The crisis had impact on Russian exports in general but like local people mentioned:

- “The boom did not approach us here in the periphery, so we did not realized the impact of the crisis either.”

Interview in Pskov; March 2013

There are no hard feelings towards Europe, EU or EC in particular. When there are visible benefits being part of the EU, then the attitude and the layer of European identity is growing as well.

- “Yes, I believe we belong to so called European- family
- “I believe that people in the border region are more Europeanized: they have long term visas and they go to the other side often.”

Interview in Pskov; March 2013

Q3.7. What are the main opportunities resulting from border location in the future?

The further economic/regional development opportunities of border areas depend on a wide array of factors starting from local capacity building and reaching global economic processes and changing demand possibly benefitting resource rich peripheries. So far, borderlands and other peripheries have depended mostly on the central government subsidies and restrictions due to the border and customs regime.

The SEE and Pskov oblast are certainly victims of globalization withdrawing low tech industries like textiles and losing their previous transport connections (eg. Moscow-Tallinn train). Value added logistics would be one options for the future but it requires improvement of transport connections and much more intensive and clever regional marketing.

Tourism, retail trade and personal services have showed growing turnover in both sides so that border and differences of two economic spaces nearby gives advantage for tertiary industries.

Q3.8. What are the main threats resulting from border location in the future?

Main threats derive from the foreign policy. If the relations between Moscow and Brussels/Tallinn get worse it will probably have also consequences for the customs regulations, trade and people's movement.

Q3.9. What are local and regional perceptions of desirable development scenarios?

People are pragmatic. They do not draw long term futures plans and are usually against any changes. In general local authorities would expect continuous governmental infrastructure investments, more enterprises or agencies providing well paid jobs and hope to get some benefits from transit trade and tourism. Local entrepreneurs consider tourism, culture and agriculture-horticulture as the most promising fields of activity. With regard to production of timber and manufacturing, the entrepreneurs were sceptical because of competition from large enterprises and the scarcity of local labour, capital and market. Access to labour was seen as a problem. There was no opportunity to purchase labour from outside the region as

it was seen as being too expensive. Regarding the local business environment, the EU and State funded measures were considered positive. Most businesses have obtained some benefits from these programmes, despite immediate participation.

Q3.10. Whether border location and CBC is important from the perspective of strategic documents on regional level?

Answering this question would need review of hundreds of pages of relevant documents. However, as regional authorities in Estonia have virtually no power and new county development and land use plans are just in progress, the value of former strategies made before the mid-2000, when the economic boom achieved its peak, would be not very fruitful task.

Q3.11. What are main activities related to CBC conducted by regional/local authorities? What are the outcomes? Who benefits the most?

Regional/local authorities are willing to compensate their scarce revenues, which were dramatically reduced due to reduction of tax revenues and central government austerity measures. EU projects have given extra resources for local governments and NGOs but have benefited most of all so called “projects writing firms”. Due to over-centralized governance and policy mechanisms, Estonian border areas authorities lack project management capacity (ENPI bureaucracy is very demanding) and co-finance resources. As LG and NGOs have usually very few contacts to local business people, the projects seldom benefits industries. This means no new jobs, except those created at the EU-projects-writing-running-specialized NGOs/SMEs. This project writing sector is not self-sustainable and will vanish when EU support will stop.

Q3.12. How the role of local and regional governments in development of CBC can be assessed?

Most local and regional governments both sides have low EU project management capacity. This is why many projects are made by larger city governments (Narva, Tartu), who do not need these grants that much, and are carried out in the fields that have little to do with CBC.

Clear separation between CBC programmes and other policies has been the main issue why CBC programmes have been so far toothless in respect of border areas development. Objectives should be focused on selected aspects of CBC in order to achieve critical mass. More focused approach should be applied but it helps only when two preconditions are met:

- 1) Objectives originate from the local needs and
- 2) Consider long term (strategic) processes.

4. THE ROLE OF THE EUROPEAN UNION IN CBC

(Objective- to describe role of EU in CBC actions as well as policy-mix in order to develop border region and cross-border cooperation)

Q4.1. What's the role of EU policies in:

- a) development of border region
- b) cross-border cooperation

and which programmes are the most important (SOP, RPO, INTERREG, ENP)?

Number of EU funded projects contributed to really necessary infrastructure, e.g. roads, wastewater treatment plants and made possible interaction between both side experts, but according to most interviewed persons the economic effect of these programmes remains cheesy. One major issue derives from very different problems and priorities: e.g. most wastewater treatment plants and main roads in Estonian side have been renovated, when in Russian side these are the most critical and also costly items to work with. INTERREG and ENP have been the most visible.

The real aim of the most projects including ENPI is not CBC itself but either 1) getting "something done" (Local municipalities) or 2) to keep offices running (NGO) or 3) to earn profit (firms). So called "productive business sector" is seldom involved in those concrete projects but benefits a lot from the increasing flows of Russian tourists. A problematic example is using Schengen facility for building a new railway border station in Koidula (EE), which is underused. The major issue in applying EU policies is the over-centralization of Estonian administrative system and lack of capacity of LG and county administrations.

Q4.2. Whether EU policies are more important than national policies? Are there any synergies/complementarities or substitution/competition?

National regional policy measures have minor importance when compared to EU Cohesion, LEADER, Rural Development and INTERREG programmes. EU policies, especially CAP and Cohesion policy, but also some national measures have improved Estonian farmers and enterprises competitiveness and created much better living and entrepreneurial environment when compared to Russian side. The difference can be noticed immediately when crossing the border.

Considerably more contributed the ERDF measures that co-invested to enterprises newest technology and marketing as well as tourism infrastructure. Also the CAP and particularly EU rural development measures contributed to local farmers, tourism enterprises capacity and improved village life. However, the Estonian softened visa regime had more impact for the cross-border activities than all above measures all together. The other EU policies have created investment environment (eg. industrial parks) for Russian companies and made border crossing more smooth when extending border stations and applying new Internet based registration systems. The EU foreign and trade policy may have far more impact, eg. when simplifying border control procedures or to help Russian authorities using better methods and technology.

There is no coherence between other EU/national and CBC policies in Estonia because so far the EU and also national programme ideology was to let people and organizations to compete. There is no single border area administration but tens of administrations and firms fighting for their own interest. Also, decisions of larger projects were made outside region. As a result, very different projects, sometimes not the first priority for local stakeholders, have been financed.

In Russia, CBC and national policies are not coherent either, because of even stronger Power Vertical. CBC partnerships are usually arranged via existing contacts with Estonians, who take care of the paperwork, and thereafter there are very few possibilities to be linked with regional, not speaking Russian national policies.

Most notably Seto Cultural and Regional Development programmes, among small number of regionally targeted national measures, have been helpful for the four Seto municipalities bordering Russia. Also Piiriveere (“border edge” in translation) Leader action group is

dominated by Setos. INTERREG and national measures are linked through the same organization and people. So far, a joint financing from different EU source was not allowed, though, national programmes were in some cases used for EU projects co-financing.

Q4.3.) What us the role of other international foundations (funding systems) in CBC?

As during 2012-2015 around 40 cross border cooperation projects, funded by EPI Est-Lat-Rus programme are implemented, then currently most of the cross border cooperation activities are taking place/are funded from these projects (and after 2015 again low intensity of CBC activities can be expected).

Q4.4. Whether external policies are responsive to local and regional conditions?

Often they are not! When having overview about the financed projects, multiple questions arise.

- “For example EstLatRus funded Greenman project has important impact: in Tartu rosarium is established, in Rezekne- city park. In total 10,5 ha new greenery areas are established. Also educational component of the project has long term effect”

Interview in Pskov; December 2012

Several ENPI projects have actually very limited CBC as well as wider regional employment and development impact. Estonian experts call such projects as “stitching jacket to the button” (*pintsakut nõõbi külge õmblema*). The above example is a perfect example of that. Setting up parks and rose-gardens or procurement of urban traffic gadgets does not help much to reduce high unemployment in border areas and does not improve regional competitiveness. The largest CBC project “Common Peipsi” with the budget of 9 474 009 euros aiming to “improve environmental situation, create workplaces, establish preconditions for the development of water related tourism” on the lake Peipsi is building harbours to Estonian side and (renovating) wastewater treatment plants to Pskov side. The irony is that there is only one (actually newly built traditional cargo) boat on the lake that serves tourists. In such circumstances it’s quite obvious that building marinas without any realistic knowledge whether there will be enough customers going to use these services, is probably not the first priority. Besides, different types of harbours are built also using

European Fisheries Fund and ERFD finances. All these marinas and service buildings need later regular maintenance and running costs. At the worst case they will be closed in few years.

Or the project INFROM, which aims to protect the environment via 1) development of intelligent information technology (IIT) for integrated real-time space-ground monitoring and control of NTS; 2) development and approbation of tools for integrated monitoring and control (IM&C) based on the data received from space and ground-based facilities. It's very hard to grasp any benefit what this project of the Riga Technical University can offer to the border areas and CBC where very soon actually only nature and wilderness can be met.

The failure in selection of projects is caused on three main issues:

- 1) Over-centralization. The Common Peipsi project is managed directly by the ministry of Interior. Project managers are employed from the city. The same applies to evaluators, experts. They are all probably good professionals in financial matters but they have no true information about the local REAL needs neither practical knowledge what kind of projects truly improve the local competitiveness and peoples welfare and how such projects can be implemented considering local circumstances (the project has had major setbacks in procurement procedures). As there is no local-regional coordination, the EU money is used to build partly parallel structures.
- 2) The lack of strategic thinking. Quite often public authorities live in the past and dreaming in the framework of historic categories. For instance, the dream for marinas comes from 19 century, when settlements near the Lake Peipsi supplied Tartu and Pskov with firewood and other locally produced commodities. The marina-dream has been also boosted by the recently fashionable (re)building of old vessels. Cargo boats are not used already for decades but local agendas still follow that thinking and have in their local strategies and plans to run cargo traffic cross the lake. To get voters support, neither local nor national politicians do not analyse the situation critically and rather tend to support such projects.
- 3) No involvement of enterprises. The 2007-13 Est-Lat-Rus CBC projects had all together 238 partners and only one enterprise. NB! This is 0,4%. Local and regional governments have generally lack of resources and willingness to co-operate with enterprise.

Population declined about 1% annually during last 20 years since 1989 in South-Estonia and Pskov Oblast. This has been caused by the restructuring of primary and also some secondary industries. These major exodus and restructuring issues should have been addressed first of all. Reviewing the list on ENPI projects that were selected remains in several cases so-called “Potemkin villages” (Потёмкинские деревни) very well known in Russian history.

Still, there are also some positive cases, where local municipalities or other stakeholders succeed to initiate or support co-operation and networking of local SMEs (in Setomaa, Rääpina, Võru County) improving their competitiveness and expanding their business and export activities. Particularly tourism development has been successful: number of overnight stays in South-Estonia grew 2,5 times, foreign tourists 3 times and Russian tourists 13 times during the period of 2002-13 (Figures 54 & 55). The same applies to wooden products, which export has been growing. When one could combine market knowledge and technological capability of Estonian producers with Russian raw materials and labour resources, this could benefit both sides. So the clear message would be to focus on trans-border cooperation opportunities of enterprises. More emphasis should be put on business cooperation: e.g. setting up Estonian production units in Russian side, to involve Russian capital to SE-Estonia, improve spa, shopping, eco- and second home tourism activities on both sides. And so on.

The official information delivered by the EstLatRus programme and Estonian Ministry of Internal Affairs, however, describes the expected results and directions as ideal ones without updating with the reality (e.g. with the fact that no projects were carried out to support the CBC business):

Estonia-Russia cross-border co-operation got an important jump-start thanks to EU programmes (for example, the Phare Cross-border Co-operation programme and the Baltic Region INTERREG IIIB programme). Co-operation with partners in Russia continues within the framework of the new European Neighbourhood and Partnership Instrument programme (ENPI) for Estonian-Latvian-Russian cross-border co-operation, for which the first round of applications took place in fall of 2010 and the second at the end of 2011. Joint projects will start to be implemented in eligible areas in sectors such as social and **economic development with a focus on small and medium-sized businesses, business and trade, transportation**, information and communication technology, technology in general, research, and tourism. The eligible regions will set out to resolve common problems that are tied to the environment, nature conservation, renewable energy, culture, and protecting

cultural heritage. In the projects that involve civil society and the undertakings in the cultural, educational, health care and sports sectors, special attention will be paid to co-operation between people. Thus far developments in the co-operation programme (ENPI for Estonian-Latvian-Russian CBC) have been very positive. In 2011 all four applications for large-scale Estonia-Russia projects (for example reconstructing the Narva-Ivangorod border crossing point; renovating the Narva and Ivangorod fortresses, etc.) were approved by the European Commission. Estonia would like to see this productive and successful programme continued in the next EU financial framework. Information about the programme can be found from the homepage of the Ministry of the Interior and the programme's homepage (EstLatRus, 2013),

Estonia has extensive ties with its close neighbours Pskov, Leningrad, and Novgorod oblast, as well as St. Petersburg, which helps to expand the zone of stability and well-being with our close neighbours. Assorted co-operation agreements have been signed between many Estonian and Russian municipal governments: Narva and Ivangorod; Tartu and Pskov; the city of Tartu and the region of Vassileostrovski; Mustvee and Gdoc; Mustvee, Kohtla-Järve and Pskov; the city of Kohtla-Järve and the region of Slantsy; Kohtla-Järve and Veliki Novgorod; and Jõhvi township and the town of Kingisepp. Co-operation takes place in education, culture, city planning, tourism, economic development, and many other areas.

Estonia's Setomaa Townships Association and the district of Pechory in Russia promote projects based on local cultural traditions in Setoland, in order to preserve and strengthen the Seto cultural identity in both Estonia and in Russia.

NGO Peipsi Center for Transboundary Co-operation and its main partner "LakePeipsi Project" from Pskov are very active, and its projects involving border regions have been supported by the European Union, the UN Development Programme, the Nordic Council of Ministers, the USA, Denmark, Sweden, and others.

Q4.5. What are the positive results of these policies?

- a) regarding development of the region**
- b) regarding CBC**

EU projects have given extra resources for some local governments, NGOs, and "project writing firms". Municipalities get some real things done, easier border crossing. However,

due to over-centralized governance and policy mechanisms, smaller border area local authorities lack project management capacity (ENPI bureaucracy is very demanding) and co-finance resources and were not able to participate.

Russian side has got some concrete investments from the INTERREG, ENPI too. Pskov region is one of the poorest in Russia: their administration depends largely on budgetary transfers from Moscow (so called oil money) and has no resources even for obligatory infrastructure investments. It helps but the scale of EU contributions remains tiny. The EU policies have improved some (environmental) infrastructure, made possible contacts to the Baltics for some people but the impact for creating new jobs has been very limited.

Q4.6. What are the negative results of these policies?

a) regarding development of the region

b) regarding CBC

As local municipalities and NGOs have usually very few contacts to local business people, the projects seldom benefit industries. This means no new jobs, except those created at the EU-projects-writing-running-specialized NGOs/SMEs. This project writing management sector is not self-sustainable and will vanish when EU support will stop. Also, because of public procurement rules, very often jobs were made by outside firms who in own turn subcontracted local firms.

- „ Establishment of sewage systems has influence to ecology and local people. But still, Europeans benefit most -because of procurements we have Danish, Latvian, Lithuanian companies working here; and thus we give work to Europe. We don't like it always”.

There were also several hints to unfair conditions in project contest, both form Estonian and Russian side:

- „Negative side is– favoring “own people” in project proposals evaluation process, project funds are targeted people who are easily controllable.“
- „Negative side of project world is that emergence of called *clientella* –permanent people and organizations of all project calls.“
- „I started writing projects during times when still independent experts evaluated them- people who were not themselves interested in those projects. Today the

situation is vice-versa - Russian, Estonian and Latvian side have all in the evaluation commission their “own people”, who have their own priorities. It does not matter if this is good or bad project.”

Q4.7. Whether you find coherence between:

a) SOP & RPO and INTERREG / ENP

b) ENP and national policies

There is no coherence between other EU/national and CBC policies because so far the EU and also national programme ideology was to let people and organizations to compete.

There is no single border area administration but tens of administrations and firms fighting for their own interest. Also, decisions about of larger projects were made outside region. As a result, very different projects, sometimes not the first priority for local stakeholders, have been financed. Only the Seto Regional Development Programme and people connected to Seto community have practiced community based decision making.

In Russia, CBC and national policies are not coherent either, because of even stronger Power Vertical. CBC partnerships are usually arranged via existing contacts with Estonians, who take care of the paperwork, and thereafter there are very few possibilities to be linked with regional, not speaking Russian national policies

Russia has special Setoland programme and border zone regulations restricting land use, ownership and movement of people. But these are not linked to EU measures.

Q.4.8 How, in the foreseeable future, do you see the chances that your neighbouring country accesses the EU? Why?

This is even not in a discussion neither in EU nor in Russia . However, some Pskov interviewers argued that they have had historically many contacts with Estonia and Novgorod.

- “We still differ from average Russian regions, somewhere in the middle of the country. During the centuries we have been cooperating more with Tartu than wit Novgorod”

5. POLICY OPTIONS AND SCENARIOS

(Objective - to develop policy options for regions at the EU's external borders)

Q5.1. Please evaluate the adequacy of the following dilemmas regarding CBC policies (based on the results of the case study):

a) Security of the border vs. Efficiency of cross-border cooperation

Security of the border is currently not an issue and should be resolved with the presence of national police forces and border guards.

Efficiency of cross-border cooperation programme (to regional development) has been so far questionable. The EC pressure to increase "soft" (training) projects will benefit even more the project firms and NGOs for building so called "Potemkin villages" (Потёмкинские деревни).

b) Transborder cooperation opportunities Vs. Enhancing global economic ties

transborder cooperation opportunities have been not utilised and even opened. More emphasizes should be put on business cooperation: eg. setting up Estonian production units in Russian side, to involve Russian capital to SE-Estonia, improve spa, shopping, eco- and second home tourism activities on both sides.

Enhancing global, at least European economic ties is somewhat a critical point. SE-Estonia and Pskov oblast are certainly victims of globalization withdrawing primary sector and low tech industries like textiles and losing their previous transport connections (eg. Moscow-Tallinn train). Value added logistics would be one options for the future but it requires Improvement of transport connections and much more intensive and clever regional marketing.

c) CBC programmes integrated with other policies vs. Clear separation between CBC programmes and other policies

Clear separation between CBC programmes and other policies has been the main issue why CBC programmes have been so far toothless in respect of border areas development. CBC

programmes integrated with other policies would be the key point. Both South-Estonia and Pskov Oblast would need joint locally designed strategy for really useful actions.

- d) Broad set of priorities in CBC programmes enabling efficient adaptation to local and regional condition Vs. Objectives focused on selected aspects of CBC in order to achieve critical mass

Broad set of priorities in CBC programmes enabling efficient adaptation to local and regional condition has been another issue why CBC programmes have been not effective. To be correct, the broad set did not consider the local and regional conditions in project selections face. Objectives should be focused on selected aspects of CBC in order to achieve critical mass. More focused approach should be applied but it helps only when two preconditions are met:

- 1) Objectives originate from the local needs and
- 2) Consider long term (strategic) processes.

- e) Hard infrastructure vs. Soft measures

Hard infrastructure is still needed but should meet enterprises needs and give positive results in creating new sustainable jobs. Soft measures like pupils and cultural exchange, work placements in other administration and the like can also apply but should be released from the complicated bureaucracy (Erasmus exchange model would be fine). So-called experience exchange projects, which usually include sauna parties, spa and shopping activities should not be financed by the EU taxpayers.

- f) Economic vs. Social orientation of CBC programmes

Economic orientation of CBC programmes should be in the focus during the next period. More jobs should be created allowing people to live in the border area, otherwise, if the outmigration will continue, most of social infrastructure turns to be out of use.

Social orientation of CBC programmes has achieved its reasonable limits already many years ago.

Appendix 1.

Administrative history of Estonian border areas

During the Livonian War in 1561, Southern Estonia in 1560s formed an autonomous Duchy of Livonia in the Polish-Lithuanian Commonwealth under joint control of the Polish Crown and the Grand Duchy, containing two Voivodeship of present-day Estonia: Dorpat Voivodeship (Tartu region) and Parnawa Voivodeship (Pärnu region). In 1629, mainland Estonia came entirely under Swedish rule. Estonia was administratively divided between the provinces of Estonia in the north and Livonia in southern Estonia and northern Latvia. This division persisted until the early twentieth century. **Riga or Livonian Governorate** (1721–1796) was created 1712 out of Swedish Livonia. Until the late 19th century, the governorate was not ruled by Russia but was administered independently by the local Baltic German nobility through a feudal Regional Council (German: *Landtag*). In 1783 a new county was formed by order of Empress Catherine II from the southern and south-eastern part of Tartu County, the new town which Werro (now Võru) was established on the lands of local Manor. Areas of manorial estates became known as rural municipalities during the Swedish reign (1629-1710). Rural municipalities as communal self-government units were formed when serfdom was abolished in the province of Estonia in 1816 and in the province of Livonia in 1819. The borders of rural municipalities coincided with the borders of manorial estates and there were many rural municipalities without an integral territory. Rural municipalities started to take over the responsibilities formerly discharged by squires; however, squires maintained their control over rural municipalities. Only the 1866 Rural Municipalities Act released peasants' self-government institutions from under supervision of squires.

Essentially only the 1866 Rural Municipality Act enabled also the Estonian and Livonian peasants to have a say in local affairs. The community started electing the local council, the local executive board and the mayor, and since then we can talk about local self-government in Estonia that is based on modern principles. In 1877, the Lübeck Rights became invalid on the territory of the present-day Estonia and the 1870 Cities Act was enacted; pursuant to the Act, *dumas* were elected that preceded city councils (Est. *linnavolikogu*). Especially important from the point of view of Estonia's independence was the local election in Tallinn in 1904 when Estonians won the majority in Tallinn City Council for the first time in history and could start running the future capital city of the country.

Even earlier, at the local election in 1901, Estonians had won the majority of seats in Valga City Council and had elected the first ever mayor of Estonian nationality. It is quite certain that Estonians gained independence in 1918 largely due to the long tradition of self-government. Anton Uesson, a long-time mayor of Tallinn (1920-1934) and the Chair of the Board of the Association of Estonian Cities (1920-1940) wrote in 1938: *"... strong local governments are the principal precondition for establishing a state. And as it turned out later, local governments were of pivotal importance in mobilising the people during the first days of establishing the state of Estonia."* Local governments, by the way, played also a role of utmost importance when Estonia restored its independence.

With the decree of the Russian Provisional Government of 5 July 1917 on administration and temporary organisation of self-government in the province of Estonia, Estonia was turned into a determinate autonomous administrative unit the borders of which coincided with the area inhabited by Estonians. The right to issue local legislation of general application i.e. regulations made Estonia and its people an autonomous entity where the formal authority of the Russian state was almost non-existent. Thus, it is possible to assert that Estonia achieved independence at the local self-government level earlier than at the state level.

Drafting and adopting Estonia's own legislation regulating local self-government to replace the formerly valid legislation of the Russian empire was on the agenda ever since independence of the Republic of Estonia was declared. Chapter VII of the 1920 Constitution regulated local self-government.

There are two significant characteristics of the 1920 Constitution that entitle us to speak about local self-government. First, there was the directly elected local council and, second, the right to impose local taxes. In the following years, only minor amendments were introduced to Estonian legislation; for example, new local election acts were adopted. The most drastic step was taken in 1933 when a constitutional amendment was adopted abolishing the second level local self-government. That amendment was of such significance that the Constitution of 1920 with the 1933 amendment changing the Constitution but from the legal point of view is sometimes called the second Constitution of Estonia.

The counties, contrary to relatively weak rural municipalities and cities (the population of Tallinn was three times smaller than today), represented potential opposition to the central government and this was the case throughout the so-called "Silent Era". Thus, the motion to abolish counties was made not with the purpose of improving the local self-government

system and making it more efficient but with the purpose of eliminating political rivalry. It took 20 years to adopt the legislation regulating local self-government, although introducing it had been the objective since the first years of independence. In 1937, the Rural Municipality Act was adopted, and in 1938, the City and County Acts followed. A new Constitution of 1938 had also been adopted establishing local self-government at the second (county) level, although, true enough, consisting of the authorised representatives of the first level, according to the County Act.

At the board meeting of the Association of Estonian Cities on 26 April 1934, the issue of granting towns the city rights was discussed and a conclusion was reached that “uniformity with cities in terms of both governance and supervision” would be better “so it was decided to ask the Government to grant viable towns the city rights while others would be merged with rural municipalities while effecting the reform of rural local governments.”

In 1940, local self-government was practically abolished by the Soviet occupation. Formally, the administrative units were called rural municipalities and cities until 1950. Although the German authorities re-enacted the legislation of the Estonian Republic at the local level during the World War II, it was necessary to be guided by the war-time political situation. Such an institution as Estonian Self-Administration (Ger. *Selbstverwaltung*) was under the German civil government operating instead of the former central government level of the independent Estonian state.

The war was followed by a period of local soviets for almost half a century. Already on 25 July 1940, the activities of local and county councils were discontinued. According to the socialist constitution, all the power belonged to the urban and rural working people through soviets; however, the first single-mandate “election” in the Estonian SSR took place only in 1948 with all the candidates nominated by one party and accepted by the KGB. The unheard of “active voting” the rate of which fluctuated around 99.9% became a natural part of “exercising the power” of urban and rural working people until 1989. High party officials and statesmen had to be elected to local soviets as was customary then. For instance, comrades Stalin, Zhdanov and Molotov were elected as members of Tallinn City Soviet. In 1977, a new constitution was adopted and it was considered no longer necessary to employ the term “the soviet of working people” since almost all the adult population had a job; therefore, the term “the soviet of peoples’ deputies” was introduced. A deputy who did not live up to the

expectations of the electorate (i.e. the communist party and the KGB) could be removed by the majority of “the electorate” at any moment.

Soviets and their executive committees existed in districts, independent cities, district cities, towns and villages. According to the constitution and other legislation, the soviets were supposed to form the political basis of the Soviet Union and all the other state bodies were to be under their supervision and accountable to them. Reality was quite the opposite – soviets were a tool of the communist party. They had no administrative authority, let alone an independent budget. This was ruled out since each local soviet was part of the unified budgetary system of the Soviet Union. Throughout the Soviet period, higher level soviets had the right to abrogate the decisions and orders of lower level soviets and their executive committees. Pursuant to law, the Presidium of the Supreme Council of the Estonian SSR managed the activities of local soviets and abrogated the decisions of district and independent city soviets, if those did not comply with the law. Those soviets in their turn could abrogate the decisions of city, town and village soviets located on their territory. The schools, hospitals and other institutions completely owned by the state were managed and financed by ministries. Collective farms, state farms and construction enterprises usually provided the infrastructure for various socio-economic services in rural areas as well as the services themselves.

One should definitely not confuse local councils as a form of inner management in a centralized state (the “extension of the state’s hand”) with local governments. For that reason, it would make no sense to write about the slow progress of a local government during this period; still, sometimes it’s done. An entity without power can proceed neither quickly nor slowly.

In the autumn of 1989, the first free elections after WWII for local authorities (village soviets) took place. In 1992 the basic principles of LG were stated in the Constitution: towns (*linn*) and rural municipalities (*vald*) became units of LG with their own tax bases. In 1994 a one-tier LG system was introduced; county (*maakond*) administration became a part of the central administration with county governors representing the central government. Several Estonian governments have attempted to carry out territorial administrative reforms – mainly to reduce the number of LG via amalgamation – but for various reasons several reform initiatives have been rejected. The Estonian administrative system has been centralised since the mid-1990s; functions of the county-level administration have been

divided between central agencies and LG. LG in Estonia do not have an economic development function, according to the Local Government Organization Act. County-level municipal unions are not functional development structures (understaffed, low budgets). Only some larger cities and a few rural LG have been active in local restructuring, except for tourism development, which seems to be considered as a messiah in rural development for most communities. Most² counties are historical and functional urban regions in Estonia. County governors, who are also responsible for the balanced development of their territory, have gradually retreated from actual development work and currently play only a small co-ordinating role. Ministries and other central government units set up their regional offices first on a county basis, later merging them into larger districts, whose numbers and borders largely differ. Most of these ministerial “outlets” have no regional/local development functions except the State Forest Management Centre, which has invested mainly in the recreational infrastructure. Estonian NUTS III units are fully statistical territories, completed from more or less homogenous and functional counties.

Comparing our local self-government with that of other countries is interesting and significant from the point of view of planning the administrative reform. It is relatively easy to compare the size of local governments (average population of areas). Admittedly the average size of local governments in Europe varies. The average population of local governments in Sweden is 30,000 while in France it is merely 1,600. In Finland, the average population of local governments (including cities) is 11,600. In August 2005, the radical plan to reform the Finnish local self-government and services was presented to the public. It is considered expedient to reduce the number of rural municipalities and cities in Finland from about current 450 to 20 (the current number of local government co-operation regions). The average population of local governments (rural municipalities and cities) both in Estonia and the European Union as a whole is quite similar - 5,500-6,000 people.

Despite the previously stated fact, the administrative-territorial organisation of Estonia needs changing. The average population of Estonian rural municipalities is less than 2,500 people and, in spite of mergers, there are still inexpedient units where the centrally located settlement is separated from its hinterland in administrative terms. However, one must be objective when preparing and carrying out the administrative-territorial reform. The often

² There were 11 historic counties in Estonia. During the Soviet period, the administrative system was changed several times but returned finally in the 1960s to the old district/central place model, with the exception of four new *rajoons*: Hiiu, Rapla, Jõgeva and Põlva. All of these old and new *rajoons* became counties in 1991.

expressed opinion that decreasing the number of rural municipalities would result in retrenchment of resources in terms of the number of local officials and administrative costs is misleading. Those approximately one hundred local governments that could merge due to their small size and other factors employ only about a thousand local officials and part of them would also be needed in the local government established as a result of merging. But then their work load and responsibility would increase as would their salary.

Appendix 2.

Administrative history of Pskov region

Text prepared by Andrey Manakov

Pskov was first mentioned in chronicles 903. Until the 1230s Pskov was a principality, and subsequently was subordinated to Novgorod and became an independent republic in 1348. Pskov soon run into dependence from the Grand Duchy of Moscow and since 1399 Moscow was appointing vice-roys to Pskov. The formal independence ended in 1510. Peter the First (1682–1725) created in Russia 8 *guberniyas* in 1708 and the present territory of Pskov region was included into Ingermanland *guberniya*, further dividend by provinces and districts. The further history in 18–19th century was characterized by alternating waves of consolidation and disaggregation of administrative units. 1830 Pskov got it's status as a separate *guberniya* and this lasted until 1917.

The administrative division of Russia was changed by Peter I (1682–1725). The present territory of Pskov region was included into Ingermanland *guberniya*. In 1710 the name of Ingermanland was changed into St.Petersburg *guberniya*. As the *guberniyas* were too extensive, Peter in 1719 divided them into provinces and these into districts. Velikiye Luki and Pskov got the status of province centers. In 1727, Novgorod *guberniya* was created, including five provinces of former St.Petersburg *guberniya*, Pskov and Velikiye Luki provinces among them. This administrative division lasted half a century till the reforms of Catherine II (1762–1796). After the Polish Vitebsk and Mogilyov lands were annexed into Russian Empire in 1772, a new Pskov *guberniya* was created in the same year, consisting of five provinces: Velikiye Luki, Vitebsk, Dvina, Polotsk and Pskov. As a center of this new *guberniya*, the city of OPOCHKA was appointed.

In 1927 a huge Leningrad *oblast* was created, which included among others Pskov *guberniya* with its 8 districts. All *guberniyas* were abolished. But the hugeness of the new *oblast* made intermediate units, called *okrugs*, necessary. The previous Pskov *guberniya* was divided into Pskov and Velikiye Luki *okrugs*. As lowest administrative units, instead of townships rayons were created. Instead of previous hierarhy „*guberniya*, district, township“ a new one has been established: „*oblast*, *okrug*, *rayon*“. Figure 4 shows the results of that reform.

The external boundaries of Pskov region were not changed. The boundary between *okrugs* approximately halved the region. In Pskov *okrug* 18 *rayons* were established, in Velikiye Luki

okrug – 23. In 1929 Velikiye Luki *okrug* was handed over to a new Western *oblast* centred in Smolensk. After that, a new reshuffle of administrative division was launched. Instead of big and in many ways selfsufficient „*Gosplan oblasts*“ small *oblast* were created step by step (Martynov 1998). In 1930 most *okrugs* were abolished. Governance was based now on only two levels, *oblast* and *rayon*.

Pskov region *rayons* were included partly into Leningrad, partly into Western *oblast*. Regions integrity was lost. Abolishing the middle, *okrug* level in administrative system made it necessary to reduce the number of *rayons*. *Oblast* territory was too fragmented . 1930–1932, 18 *rayons* of previous Pskov or Velikiye Luki *okrug* were abolished (Gerasimenok 1988, p. 13).

In 1935 a new Kalinin *oblast* was established and previous Velikiye Luki *okrug* wholly handed over to it. 4 *rayons* of Leningrad *oblast* were also handed over to Kalinin *oblast*. And, subordinated to this new *oblast* Velikiye Luki *okrug* was restored. Pskov *okrug* also was restored, subordinated to Leningrad *oblast*. And in 1937 a special border *okrug* Opochna was created including 8 *rayons* of Velikiye Luki *okrug*, Kalinin *oblast*. In 1938 Velikiye Luki *okrug* was abolished once more. Three of its *rayons* were subordinated immediately to Kalinin *oblast*, three others – to Opochna *okrug*. In the same time 3 *rayons* from Opochna *okrug* were subordinated immediately to Kalinin *oblast*.

Soon the *okrugs* were finally abolished. After annexation into USSR of the Baltic states, border *okrugs* lost their meaning and were abolished, Pskov in 1940, Opochna in 1941. Their *rayons* were subordinated immediately to Leningrad or Kalinin *oblast*, as the city of Pskov, which was established as a separate administrative unit.

During the WW II the present Pskov region was wholly occupied by the Germans. After liberation, to create better conditions for economic reconstruction, Leningrad and Kalinin *oblast* were made smaller. August 22, 1944 Velikiye Luki *oblast*, and August 23, Pskov *oblast* were established (Gerasimenok 1988, p. 14). Pskov *oblast* inherited 17 *rayons* from Leningrad, Velikiye Luki *oblast* – 19 *rayons* from Kalinin *oblast*. In beginning of the year 1945, 3 new *rayons* were established in Pskov *oblast* on territories, annexed from Estonia and Latvia.

Thus, two sub-periods could be discerned even in this period. First, the twenties and thirties, characterized by loss of administrative integrity (the region survived as *okrugs* or even group

of *rayons*) and extremely unstableness (administration was reshuffled almost each year). Second, after 1944 when integrity of Pskov region was partly restored, but division into two *oblasts* remained. In 1957 Velikiye Luki oblast was abolished. The aim of this measure was to lessen the fragmentation of administrative division. 19 *rayons* were handed over to Pskov *oblast*, the rest – 9 *rayons* to Kalinin *oblast* (Gerasimenok 1988, p. 15). Velikiye Luki city as a separate administrative unit was immediately subordinated to Pskov *oblast*. In 1958 Ploskosh *rayon* was handed over to Kalinin and Holm *rayon* to Novgorod *oblast*.

Joining together the two oblasts had consequences, division into *rayons* needed reorganization. It took some time; in 1958–1963, 28 *rayons* were abolished. In 1963, 3 so called industrial *rayons* were established, but this measure was not effective and was cancelled the next year – nonindustrial rural *rayons* were too difficult to govern. In 1965–1966, 10 *rayons* were re-established. After that, administrative division changed very little and only at the lowest level, inside *rayons*. Since 1967 there were 24 *rayons* in Pskov *oblast* (Gerasimenok 1998, pp. 15–16).

In 1995 Pskov *oblast* Statute was accepted and according to this Statute townships as lowest, sub-*rayon* administrative level were reintroduced(?). In 2002 Pskov *oblast* was divided into two cities in immediate oblast subordination, 24 *rayons* and 248 townships. According to local governance reform in 2005 there were 214 lowest level municipalities, which took the place of townships.

Thus in second half of the XX century the integrity of Pskov region was restored and administrative division stabilized. Two sub-periods could be discerned. In 1957–1966 the external boundaries were fixed and *rayons* reconstructed. After that the changes took place only at *sub-rayon* level.

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