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and Reforms  
European Commission

Our ref. 07.03.2025

No 11-3.1/1180-1

European Commission  
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Dear Vice-President Fitto

I would like to express my sincere gratitude for your openness and commendable efforts in seeking ways to enhance the flexibility of the current Cohesion Policy regulatory framework. Such improvements are essential in accelerating and streamlining the use of funds while effectively addressing the pressing challenges emerging around us. In today's volatile geopolitical environment, it is imperative that our policy frameworks provide the necessary adaptability to respond swiftly and effectively to unforeseen developments.

Recent geopolitical shifts have significantly increased security risks, particularly in our region. The growing instability has underscored the urgent need to strengthen our resilience and raise our preparedness against various threats. We have already witnessed such threats materializing in recent years through cyberattacks and acts of sabotage targeting physical infrastructure. To respond to these escalating risks, we must make significant investments in defense and deterrence, which, while essential for national security, has placed an additional strain on our national budget. Our defense expenditures have now reached 3.3% of GDP and will increase in the coming years. At the same time, since the onset of the full-scale war in Ukraine, Estonia has experienced a prolonged economic downturn. The persistent security concerns undermine both consumer and business confidence, creating an environment in which economic growth remains fragile and vulnerable to further shocks.

Under these challenging conditions, the 2021-2027 Cohesion Policy funds are of paramount importance to us. We have implemented them proactively, ensuring that commitments have already reached approximately 70%. This demonstrates our dedication to making the most efficient use of available resources to support economic stability and development. However, to accelerate the deployment of the remaining funds and introduce the necessary flexibility and synergies to address the multifaceted challenges ahead, we strongly support reopening the Common Provisions Regulation (CPR). To this end, we present the following proposals for modifications.

Firstly, to better respond to evolving geopolitical challenges and enable more effective combination of interventions to mitigate the negative effects of regional instability, we see a **need to relax thematic concentration requirements and enhance fund transfer possibilities**. Specifically, we propose eliminating ERDF PO1 and PO2 thematic constraints and allowing the aggregation of climate tagging across policy objectives and funds. In addition, we suggest introducing greater flexibility for reallocating funds between programme priorities. These changes would enable us to allocate resources more dynamically in response to emerging needs.

Secondly, given the complexity and diversity of the challenges we face, **expanding the scope of eligible activities** would significantly enhance the effectiveness and impact of Cohesion Policy programme. Namely, large enterprises play a crucial role in fostering economic development and resilience. Therefore, we advocate for broadening eligibility criteria to allow support for large enterprises. Furthermore, eligibility should be extended to dual-use and defense technologies, cybersecurity, and civil resilience measures, all of which are increasingly relevant in today's security landscape.

Thirdly, greater emphasis should be placed on **possibilities for funding capacity-building activities** to strengthen the ability of beneficiaries to prepare projects and use funding opportunities to respond effectively to emerging challenges. To support local governments, including those located directly on border, it is crucial to invest in their institutional capacity. Ensuring that they have the resources and expertise to develop and implement necessary interventions will be instrumental in mitigating the negative impacts of geopolitical instability. A practical way to achieve this would be to increase also the technical assistance rate for eastern border regions, providing them with the necessary support to carry out vital projects.

When touching the administrative capacity of local governments and other beneficiaries, I would also like to highlight an issue that we have long sought dialogue with the Commission. This concerns the Commission **guidelines on irregularities and financial corrections**. Currently, these guidelines and the resulting practices do not allow for the proper application of the principle of proportionality, failing to take into account the nature, gravity and specific circumstances of the irregularity. This is inconsistent with the rulings of both the EU Court of Justice and the Estonian Supreme Court, which emphasize the need to assess each case in context. To address this, we are urging the Commission to amend the Guidelines and practice in a manner, that would explicitly permit to consider the nature and gravity of the irregularities, to ensure proportionality at the same time protecting the financial interest of the Funds. This would not only enhance legal clarity and certainty but also improves the reputation of EU funding.

Fourthly, to free up national co-financing and reduce pressure on national budget, which is tight due to high level of defense expenditure and support critical investments that stimulate economic growth, we propose **increasing the EU co-financing rate to 100% at the NUTS2 level on the eastern border**. Allowing full EU co-financing for projects in these strategically significant regions would enable much-needed investments in infrastructure, security, and economic development.

Finally, recognizing the strained financial situation in the context of widespread challenges, we would like to propose to **allocate de-committed funds to eastern border regions**. The stability of the EU's eastern border is not merely a national concern but a matter of collective

European security. As history has repeatedly shown, border regions are often the most directly affected by crises, and this situation is no different. Strengthening these areas is essential to ensuring broader EU stability. By allocating de-committed funds to these regions, the EU would demonstrate its commitment to safeguarding its external borders while simultaneously promoting economic and social cohesion.

I am convinced that the proposals mentioned above are pragmatic and would make a meaningful contribution to addressing both the EU's broader challenges and the specific challenges faced by our country as an eastern border region. Implementing these measures would not only enhance the effectiveness of Cohesion Policy but also reinforce its positive impacts, demonstrating that EU solidarity is both tangible and responsive to evolving circumstances.

We remain fully committed to engaging in further dialogue on these matters and look forward to your support in advancing with amendment of current regulatory framework.

Yours sincerely,

*(signed digitally)*

Jürgen Ligi  
Minister

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