



# Estonia Report

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## Sustainable Governance Indicators 2016

## Executive Summary

Estonia is in many respects a successful country that has demonstrated impressive progress in building a sustainable democracy. In the SGI 2015, Estonia was ranked 11th among 41 SGI countries. Since that time, there has been improvement in all three primary dimensions – policy performance, democracy and governance.

Globally, Estonia ranks among the top performers regarding media freedom and Internet penetration. The Internet is also widely used to enhance conventional and unconventional forms of political participation. In the 2015 parliamentary elections, 30.5% of votes were cast online. In addition, participating online through tasks such as posting petitions or proposing draft laws is becoming more popular. At the same time, public-participation practices are tending to become increasingly corporatist in nature, rendering their impact highly variable. Estonia's system of party financing has recently improved, but remains a topic of public and political debate. Improvements can be made with regard to number of issues, including the rule of law, government transparency, and the fair treatment of parliamentary and non-parliamentary parties.

In the area of civil and political rights, Estonia has made remarkable progress in some areas. A constitutional amendment lowered the active voting age to 16 for municipal elections, and same-sex couples have gained the legal right to register their cohabitation. On the other hand, no positive change has occurred with regard to gender-equality outcomes. The pay gap between genders is the largest in the European Union, and women are severely underrepresented both in parliament and in the cabinet.

Economically, Estonia pursues a strict fiscal policy that has resulted in the lowest level of government debt in the European Union. The country has recovered from the global economic crisis, a fact evidenced by the current low level of unemployment. Major ongoing reforms aim to extend employment further by facilitating disabled persons' labor-market participation. However, looking beyond improved labor-market performance, Estonia faces tough challenges if it aims not simply to recover from the recession, but to secure economic growth over the long term. In 2013 – 2014, GDP growth has been low, innovation among enterprises has declined, and export demand has been

lower than in previous years. As result of slow growth, household income is still at a very low level, with the national average at just 38% of the EU-28 average.

Estonia's welfare system is generally established on a liberal model with some Bismarckian features in health care and unemployment protection. In recent years, social-insurance funds have been used by the government to finance policy measures beyond insurance benefits, such as skills development and disability allowances.

In general terms, Estonia's development during the review period was successful, as poverty levels did not increase. However, there was a slight increase in the Gini index, indicating that the positive effect of economic recovery has been spread unequally across social groups. Increases in child benefits since 2015 have provided some relief to the child poverty that has been a major problem for years. However, while short-term indicators have shown improvement, the long-term perspective is less positive. First, the health care sector continues to suffer from a number of issues, including budget shortfalls, a shortage of personnel, long waiting lists for specialized medical care, and the highest health disparities across income groups within the OECD. Second, an audit of Estonia's three-pillar pension system has revealed that the system is unsustainable over the long run. The first, public pay-as-you-go pillar is suffering from increasing debt, while the second, mandatory pillar shows an average productivity of close to zero. However, there appears to be little political will to make the unpopular decisions necessary to revise the current policy.

The government did not introduce large-scale institutional reforms during the review period. Furthermore, some earlier initiatives to promote open governance and responsive decision-making have been put on hold, including inclusive evaluations of regulatory impact assessment results and the creation of public web-based tools to track the implementation of the coalition program.

## Key Challenges

Estonia is known internationally as a country with a balanced budget and low levels of government debt. The national tax system is simple and transparent. However, this fiscal prudence may prove unsustainable in the long run. Policymakers should pay close attention to horizontal and vertical equity in the tax system, since the tax burden is currently skewed toward low-wage earners

and public employees. Dividends that often serve as a substitute for salaries should be subject to social taxes, at least to some extent. In addition to strengthening social equity within the broader society, this measure would also contribute to the financing of the welfare state.

The Estonian welfare system is financed almost entirely (more than 80%) through social-insurance contributions. This makes the social budget heavily dependent on the employment situation. Moreover, high labor costs weaken the country's economic competitiveness. To enhance the sufficiency and equity of welfare resources, a fundamental tax reform that increases income-tax rates for business and the upper income brackets, while decreasing social-insurance contributions, seems to be the most viable solution.

Besides recalibrating the tax system, Estonia should move from talk to action with regard to building a knowledge-based economy. The current innovation policy focuses on top-end enterprises and remains largely detached from much of the country's economy. Policymakers should expand research, development and innovation (RDI) measures to include small and medium-sized enterprises and traditional sectors of the economy (such as oil shale), thus enabling RDI output to contribute to broader structural reforms. Furthermore, RDI within national universities should be adequately financed and more intensively linked to the country's economic priorities.

The institutional structures in which governance takes place are well established and stable. This allows policymakers to focus on developing the government's executive capacity by firmly following democratic principles of checks and balances and accountability to citizens. Estonia tends to overproduce strategies, while failing to coordinate the variety of strategies in circulation, and finding it difficult to implement the full range of its sophisticated programs. To overcome this fragmentation and bureaucratic overload, the government should consider two kinds of measures. First, it should merge and streamline its numerous small-scale strategies with the national 30-year strategy, called Sustainable Estonia 21. Second, to facilitate implementation of such cross-sectional strategies, better coordination between ministries, as well as between the Prime Minister's Office (PMO) and line ministers, is needed. Third, citizens' and advocacy groups should be given a much broader role in policy evaluation, including in the appraisal of regulatory impact assessment results.

Contemporary governance requires appropriate capacities both locally and internationally. Estonia has made impressive gains in the latter but not in the former realm. Local governments are heavily dependent on resources transferred from the central budget, as well as on project-based financing. If

local governments are to fulfill their mandates, their financial situation must improve. One means of accomplishing this goal would be to finalize the municipality-merger process that has been progressing very slowly for more than 10 years. Larger administrative units would provide better opportunities to enhance the quality and capacity of public services, and thereby improve citizens' quality of life.

# Policy Performance

## I. Economic Policies

### Economy

Economic  
Policy  
Score: 7

As an EU member state, Estonia forms its economic policy in accordance with EU strategies and has adopted a reform program, “Estonia 2020,” that describes a set of objectives intended to improve the national economy’s competitiveness. The two central such objectives are increasing productivity and employment in Estonia. Elaboration of economic and innovation policy is the responsibility of the Ministry of Economic Affairs and Communications. In parallel, the Ministry of Education and Research develops and coordinates implementation of the national R&D strategy. These two strategies are supposed to be complementary but duplication and lack of synergy between ministries have been continuous problems. A clear example of lacking coordination is the labor policy. The Ministry of Economic Affairs analyses the current and perspective need for labor, Ministry of Education implements initial and in-service training policy, and the Ministry of Social Affairs is responsible for employment policy. Additionally, since there is a lack of highly qualified workers, the Ministry of Interior, which is responsible for immigration issues, is also an important actor in economic policy. In addition to a lack of coordination between ministries, the tensions between two governmental agencies – Enterprise Estonia and the Estonian Development Fund are getting bigger. A recent report by the economic committee of the Riigikogu revealed concerns including a duplication of functions, unclear priorities and insufficiently precise definition of action areas.

During the last year, the government has placed a strong emphasis on increasing the efficiency of tax administration. Despite good intentions, the actions have met with criticism from SMEs and large enterprises alike. Large enterprises advocate a major tax reform (including the introduction of income tax for businesses), while SMEs have simply charged that the government measures fail to reflect the reality of doing business at their level. The tax-administration case serves as a good illustration of the broader problems that emerge when poorly communicated

government initiatives are met with resistance and frustration on the part of businesses.

### Labor Markets

Labor Market  
Policy  
Score: 7

The labor-market reforms aimed at long-term unemployed and low-skilled workers are demonstrating their first positive results. All main labor-market indicators such as general employment and unemployment rates, youth unemployment, and long-term employment have improved. However, youth unemployment has decreased to a lesser extent than the others, and what gains have been achieved are associated primarily with the improving economic situation. Counseling centers (called Rajaleidja, or path-finder centers) introduced in 2014 assist young people in making smart work and educational choices.

The unemployment insurance fund (UIF) is in good financial shape, having accumulated significant reserves over last years. This has been possible due to the relatively high contribution rates, strict eligibility criteria and low level of actual benefits paid. In 2015, contribution rates decreased slightly (from 1% to 0.8% of an employer's payroll, and from 2% to 1.6% of an employee's wages or salary). The strategic aim behind collecting substantial reserves for the UIF is to accumulate resources for an important and costly labor-market reform that is intended to bring at least 10% of the country's disabled people (about 100,000 persons are currently receiving disability benefits) into employment.

The significant progress made in fighting unemployment is freeing up resources to tackle the next major government priority, that of low pay. About fifth of employed persons receive a wage that is less than 2/3 of the country's average. This is significantly above the OECD average. Unfortunately, instead of seeking solutions through the labor market or industrial relations, the government has decided to implement tax credits for low-pay workers.

Minimum-wage regulations are in force in Estonia, and the wage level is fixed annually in a tripartite agreement. Collective-bargaining agreements are typically made at the level of enterprises or economic sectors. The minimum wage has increased modestly each year and should reach 42% of the average salary by 2017. In 2015, the minimum wage is €390 per month, which is 39% of the country's average salary.

### Taxes

Tax Policy  
Score: 6

Estonia is internationally known for its simple and transparent tax system. The income tax for individual tax payers is proportional, and corporations only have to pay income tax if their profits are not reinvested. Dividends are not subject to social insurance, and many small enterprises therefore prefer to pay dividends instead of wages. This policy is quite controversial, and dividends are likely to be subject to taxes in the near future.

The Estonian welfare system is financed almost entirely through social-insurance contributions. Although this Bismarckian principle has some advantages, it also has some weaknesses. First, high labor costs may weaken the country's economic position and sometimes lead to labor-relations abuses. Second, social-insurance contributions alone cannot provide sufficient financing for social services given Estonia's shrinking labor force. Pension funds have persistently accumulated debt, and the disability fund is functioning under a condition of long-term financial austerity.

### Budgets

Budgetary  
Policy  
Score: 9

Estonia has followed a strict fiscal policy for decades. As a result, the country has Europe's lowest public debt as a percentage of GDP, and is able to meet future financial obligations without placing extra burden on future generations. Yet maintaining a balanced budget has come with some costs. The government substantially cut municipal budgets during the economic recession, and has not yet restored these funds. As a result, many local governments are struggling under mounting debts, with insufficient resources to accomplish their tasks. Long-term debts accumulated by the disability and pension funds also threaten the government's ability to secure citizens' welfare while adhering to the principles of fiscal sustainability.

### Research and Innovation

R&I Policy  
Score: 7

Research, development and innovation (RDI) have been national-development priorities, reflected in a relatively sophisticated set of policy instruments and in steady increases in RDI expenditure, which has reached the EU average level. However, recent evaluations (e.g., the Okk Report, requested of the Research and Development Council by the national government) also point to some weaknesses. The growth in public RDI expenditure has been almost wholly based on EU structural funds, while the volume of domestic revenues applied for this purpose has remained comparatively static. The majority of RDI resources are invested in producing research infrastructure without clear accompanying strategic plans for how to sustain the efficient use of buildings and equipment, or how to assess the potential impact of R&D projects on the country's socioeconomic development.

Policy measures have been much more successful in developing scientific research, as indicated by an increased number of highly ranked international publications. Advances in the development of patents, high-tech products and services are noticeable but less prominent. One problem is that RDI measures have been focused on the top end of the economy, and the innovation system is consequently quite detached from the broad remainder of the country's economy. As a result, RDI output has not made a significant contribution to structural



reforms of the economy. The second major problem is that RDI is treated as an objective in itself, and therefore remains only vaguely linked to the country's economic and social goals. R&D contracts with enterprises compose only 4% of the annual volume of universities' RDI budgets.

Citation:

Okk, G. (2015) Eesti ülikoolide, teadusasutuste ja rakenduskõrgkoolide võrgu ja tegevussuundade raport. [https://riigikantselei.ee/sites/default/files/riigikantselei/strateegiaburoo/eutarkvt\\_loppraport.pdf](https://riigikantselei.ee/sites/default/files/riigikantselei/strateegiaburoo/eutarkvt_loppraport.pdf) (accessed 30.10.2015)

### Global Financial System

Stabilizing  
Global Financial  
Markets  
Score: 8

Estonia actively participates in developing and securing financial stability and transparency in global financial markets. Two measures are particularly notable. First, the government has taken action in the prevention of money laundering. Estonia has signed major international agreements and is a member of the Moneyval. It has also established several domestic bodies to combat money laundering, such as the Governmental Committee for the Coordination of Money Laundering Prevention, the Financial Intelligence Unit and others. The Estonian Financial Intelligence Unit (FIU) is an independent unit of the Estonian Police and Border Guard Board. The FIU analyses and verifies information in case where money laundering or terrorist financing are suspected, taking measures where necessary and forwarding materials to the competent authorities upon detection of a criminal offence. The Anti-Money Laundering and Terrorist Financing Prevention Act has been in force since 2008. It obliges persons and enterprises who carry out or act as intermediaries in financial transactions to inform the Financial Intelligence Unit if cash transactions of large value are made.

Estonia has also been actively involved in euro zone bailouts, but the government plays only a limited role in addressing international financial-market failures, due both to the fact that most banks are foreign-owned, and to its own neoliberal policy outlook.

## II. Social Policies

### Education

Education  
Policy  
Score: 9

Estonians have traditionally placed a high value on education, which has been a driving force behind the country's excellent educational outcomes and its recent educational reforms. Estonia has shown consistent improvements in its PISA rankings, and today is ranked in 2nd place in Europe and 4th place overall.

Particular system strengths include the small number of low achievers and low school-level variance in student achievement. Enrollment rates at various education levels, including lifelong learning courses, are above the international average. Moreover, Estonia has already reached some of the EU's Education and Training 2020 (ET 2020) headline targets, and is close to the target level in other areas.

Municipalities provide preschool education, which is accessible to the great bulk of the population (the enrollment rate is about 95%). Earlier concerns regarding a shortage of places in urban areas have diminished, but problems associated with a shortage of financial resources, including low salary levels for teachers, have yet to be solved. General education and vocational education and training (VET) are free; since 2013, this has also been true of university instruction. University applicants have to score highly on entrance exams in order to be admitted. Furthermore, they have to study full time; otherwise, a reimbursement program will apply. There are about 500 schools providing general education, 50 VET institutions, and 24 higher-education institutions (HEI) including six public universities.

Interestingly, while higher education is generally associated with better employability and a higher salary, this appears less true in Estonia than elsewhere. Firstly, compared to other countries, Estonia has a higher vertical mismatch, meaning that many university graduates are employed in jobs that do not require university education. Secondly, compared to other countries, the effect of education on salary level is lower. The gender-based pay gap – the highest in Europe at 28% – is one aspect of this larger problem. Recent policy measures strengthening links between education and training and the labor market, such as involving companies and social partners in VET curricula development, including entrepreneurship skills in university curricula, and providing adults with low-level skills better access to lifelong learning, have sought to ensure that the provision of education keeps pace with the changing needs of the economy.

Citation:

Estonian Human Development Report 2014/15, Chapter 2.1. Social cohesion [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf) (accessed 30.10.2017).

## Social Inclusion

Social Inclusion  
Policy  
Score: 6

During its transition period, Estonia established a welfare system that resembles the liberal welfare model. The country's poverty and inequality levels are similar to those in the United Kingdom, Ireland and some Eastern European countries in the Baltic Sea region. In general terms, Estonia's social policy can be regarded as successful, as poverty and inequality rates have not risen over the last decade. At

the same time, some social groups remain at serious risk of poverty. Government policies have addressed some of these. For example, universal and – even more importantly – means-tested child allowances were increased in 2015, with the aim of curbing high child-poverty rates.

Income levels are much lower in rural and remote regions than in the capital area, reflecting great regional disparities. The absence of effective regional-policy measures has accelerated the emigration of the working-age population from these areas. This in turn puts an additional burden on families, and makes the formulation of sound social policy all the more difficult.

Subjective perceptions of poverty and inequality levels are also critical. The majority of Estonians feel that income disparities are too high and that job incomes do not correspond to their personal contribution. Furthermore, life satisfaction is lower than in comparable countries.

The marginalization of women in politics remains a problem – only 19% of parliamentarians and only two out of 15 cabinet ministers were women at the end of 2015.

## Health

Health Policy  
Score: 8

In terms of health care quality, Estonia can serve as a good example for how to achieve positive health outcomes with scarce resources. Public opinion surveys, regularly requested by the National Health Insurance Fund reveal that a majority of the population is well satisfied with the quality of and access to health services (70% and 41% respectively). However, compared to previous years, the primary indicators of satisfaction have declined by 3% to 5%.

Estonia has a social-insurance-based health system that includes some non-Bismarckian features such as general practitioners (GP). The insurance principle leads to a situation where access to health service is not universal, but depends on insurance status. Members of the working-age population not employed or in school are not covered by the national health insurance program. As a result, about 5% of the total population does not have free access to health care.

Long waiting times to see specialists or receive inpatient care are another major problem resulting primarily from structural factors such as budgetary limits and a bias toward acute/hospital care. The aging of the country's medical personnel and a shortage of nurses also pose challenges. However, the most significant social problem with the Estonian health care system is inequality across income groups, especially in terms of self-perceived health status. Here, Estonia is at the absolute

bottom among OECD countries. This problem has not been given almost no policy or political attention.

Citation:

World Bank (2005). The State of Health Care Integration in Estonia. Summary Report. [https://www.haigekassa.ee/sites/default/files/Maailmapangauuring/veeb\\_eng\\_summary\\_report\\_hk\\_2015\\_mai.pdf](https://www.haigekassa.ee/sites/default/files/Maailmapangauuring/veeb_eng_summary_report_hk_2015_mai.pdf) (accessed 30.10.2015)

## Families

Family Policy  
Score: 9

Estonia inherited a tradition of double-breadwinner families from Soviet times, when mothers typically worked full time. Despite huge social changes, this family pattern has continued, as evidenced by the high employment rate among women. Family policy has persistently been high on the political agenda due to the country's low fertility rate and labor-market needs. Estonia has one of the most generous parental benefit systems in the OECD, entitling parents to benefits equal to her/his previous salary for 435 days. The generosity of the benefit and shortage of day care facilities in some urban areas for children aged zero to two explain why child care density in this age group has been relatively low, although it has shown recent slight but continuous increases. Parents are allowed to work up to a certain limit without losing benefits, which facilitates a combination of professional and family life. In recent years, various part-time and flex-time work options have quickly expanded, providing greater opportunities for families to manage their everyday lives.

## Pensions

Pension Policy  
Score: 7

Estonia's three-pillar pension system has been in force since 2002. In terms of pension payments, the situation is still transitional, as only 6% of current pensioners participated in the mandatory funded pillar. Thus, current pension benefits depend on the social-insurance contributions made by current employees to the first pillar. Voluntary privately funded pensions (third pillar) have remained marginal in terms of coverage and assets.

The poverty rate among the elderly is modest compared with many OECD countries, and almost two times lower than child poverty in country. Old-age pension benefits are indexed, which guarantees slight annual increases based on social tax revenues and the cost of living. In 2015, this indexation resulted in an average pension-payment increase of 6.3%. Due to the low absolute level of benefits (€375 per month), elderly people still struggle to make ends meet.

Despite modest pension expenditures (roughly 5.5% of GDP), the sustainability of Estonia's pension system is at risk. State pension-insurance expenditure

exceeded social tax revenue by €355 million (i.e., by 25%) in 2014, and according to the state budget strategy, the annual deficit will reach €474 million in 2017. A report by the National Audit Office revealed that the performance of the mandatory fully funded schemes has not met expectations. Actual returns on the funds have amounted to zero on average, and an expansion of payments from the mandatory pillar has contributed to the further growth of debt. Furthermore, the present pension system does not encourage people to work longer – indeed, 12% of old-age pensioners have retired before the nominal age. Due to the favorable labor-market situation that has characterize the last few years, the gap between nominal and effective retirement ages has narrowed. Yet from the strategic perspective, Estonia faces an urgent reform challenge, and must increase the efficiency of the three-pillar structure in order to serve its aging population in a sustainable manner.

Citation:

State Audit Office (2014) Sustainability of the state's pension system. Does the state guarantee the effective functioning of pension pillars? <http://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/ItemId/704/amid/557/language/en-US/Default.aspx> (accessed 01 Nov.2014)

## Integration

Integration  
Policy  
Score: 7

Since the Soviet period, Estonia has had a large non-native population. Russians and other Slavic ethnic groups compose almost a third of the population, 16% of whom are foreign born. The national immigration policy has been regularly updated and monitored, with the government allocating substantial national and EU funds to various integration programs. In December 2014, the government approved the latest development plan, the “Lõimuv Eesti 2020,” which significantly broadens the scope of integration policies. Whereas previous programs focused heavily on Estonian-language teaching, the new plan prioritizes identity-building, civic participation and cultural immersion.

There are a number of public educational institutions (through upper-secondary level) in which Russian is the language of tuition. The Estonian public broadcaster has a Russian-language radio channel and a TV channel fully in Russian, called “ETV+,” that was launched in fall 2014. The Citizenship Act was amended in January 2015; under its changes, newborn children of non-citizens can be granted Estonian citizenship, children under 15 years of age can hold multiple citizenships, and citizenship applicants over 65 years of age can take a simplified language test. These measures aim to decrease the number of non-citizen residents, who currently account for 6% of the total population.

Improving employability among the non-native population remains an important

aspect of integration policy. After some progress in 2013, in 2014 the difference in employment rates between natives and non-natives increased from 2.7 to 5.6 percentage points, while the difference in unemployment rates decreased by 1 percentage point.

Permanent residents without Estonian citizenship can vote in municipal elections, but are not allowed to stand as a candidate or vote in general or EU parliamentary elections. Several public and private actions have sought to facilitate civil-society activism among immigrants, and some progress is visible in this area. However, the native Estonian and immigrant populations still primarily live side by side than together.

Citation:

Integration Monitoring 2015. Final Report. <http://www.kul.ee/en/results-integration-monitoring-estonian-society> (accessed 30.10.2015)

### Safe Living

Safe Living  
Conditions  
Score: 8

Despite steady improvement, Estonia still ranks at the bottom of the OECD's homicide and violence statistics. One of the major causes of high crime rates is alcohol and drug consumption that often leads to violent behavior at home or in other private settings. This makes crime prevention harder and calls for better cooperation between social workers and the police. In contrast, there is barely any violence in the streets, and what does occur are usually alcohol-related conflicts between people who know each other.

The police forces enjoy high levels of public trust, a fact that helps to compensate for the comparative scarcity of human and material resources in the field. After sharp budget cuts in the 2011 – 2013 period, the government has taken a more holistic approach to internal-security matters. This integrated approach guiding the Internal Security Development Plan 2015 – 2020 combines a more efficient use of state resources, a slight budget increase, and broader cooperation with volunteers. In 2014, 884 volunteer police assistants and 130 citizens' rescue teams supported the state security forces.

### Global Inequalities

Global Social  
Policy  
Score: 9

Development assistance is an important part of Estonian foreign policy. Financial resources allocated to these activities have grown steadily, exceeding €1.5 million in 2014. The 2011 – 2015 strategy underlying Estonian development cooperation and humanitarian aid takes the United Nations' Millennium Development Goals (MDGs) as a departing point. The strategy contains objectives and main fields of

activities, and identifies major partner countries. The priority partners are former communist countries in Eastern Europe (i.e., Moldova, Ukraine) and the Caucasus region (i.e., Georgia); and Afghanistan. Estonia is active in various fields, but special efforts are made in transferring knowledge in the fields of education policy, health system reform and e-government. Dissemination of domestic expertise in implementing ICT in public administration and education are areas in which Estonia is acting as a trendsetter. In 2014, Estonia actively participated in providing relief to war refugees in Syria, South Sudan and Iraq, and also provided emergency assistance in Ukraine and the Central African Republic.

In parallel to government efforts, NGOs and private enterprises work in the field of international development. Awareness-raising campaigns in the fair-trade movement offer one example of NGO activity. Due to the country's open economic policy and the absence of protectionist measures, fair-trade products can be found in most Estonian supermarkets.

Citation:

Overview of the Estonian development cooperation including the Strategy of Estonian Development Cooperation and Humanitarian Aid 2011-2015 [http://www.vm.ee/?q=en/nod\\_e/4084](http://www.vm.ee/?q=en/nod_e/4084)

### III. Environmental Policies

#### Environment

Environmental  
Policy  
Score: 9

Environmental awareness has risen rapidly in the political sphere, partly because of the need to comply with standards of the EU and international organizations that Estonia joined after regaining independence. The Ministry of Environment articulated a vision of an integrated system of environmental protection that covers the entire country and ensures the preservation of a clean environment and sustainable use of natural resources. The challenge, however, is the national economy is still dependent on energy-heavy technologies. On the other hand, Estonia is sparsely populated and possesses significant natural resources – wetlands, forests, and protected areas for flora and fauna.

Regarding climate protection, Estonia has signed the Kyoto Protocol and implemented related tax and consumption regulations. In October 2014, Estonia agreed on EU energy and climate goals looking ahead to 2030. The country is progressing very much in line with EU targets. It has reduced greenhouse-gas emissions by half in a little over 20 years, even as the size of its economy has doubled. The share of renewable energy in Estonia today is already at 25%, close

to the European Union's 2030 target. The main remaining challenge is the future of the oil-shale sector.

As far as water resources are concerned, Estonia has invested significantly in renovation and building of the water management infrastructure. As a result, water pollution has decreased and the quality of tap water has improved. However, most of the country's lakes and rivers are very small, and therefore highly sensitive to any pollution whatsoever. According to recent estimates, the quality of about 26% of surface water is not good.

With regard to forest area, more than half of Estonia's land is forested. Both the area covered by forests and the volume of forests have significantly increased in the last 50 years, making it one of the biggest resources in Estonia, both in natural and economic terms. Seventy percent of the forests are commercial forests, while the remaining third has been placed under different protection regimes. Estonia ranks 10th in Europe on the basis of the proportion of forests protected from development. Two general objectives have been set for forest management: sustainability and effective management of forests.

Finally, looking at biodiversity, Estonia has a rich biological diversity, being home to a wide variety of wildlife species. To keep the population of its main species stable, the government regulates hunting through licensing and limits. All protected objects and species form a Natura 2000 network. About half of the Natura 2000 areas are wetlands and another half is dry land. Dry land protected areas cover about 17% of the Estonian mainland. One of the main risks for biodiversity is increasing traffic and road construction, though the newest roads have been constructed in accordance with environmental protection regulations. For example, the first "ecoduct" has been opened on the main national highway between Tallinn and Tartu. Strong emphasis has been put on environmental concerns in the process of planning the route for the Rail Baltic high-speed railway.

### Global Environmental Protection

Global  
Environmental  
Policy  
Score: 7

Estonia is engaged in a broad spectrum of activities to advance global environmental policy, but Estonia rarely, if ever, takes a proactive position in this area. Still, it has joined most important global and European agreements and displayed its commitment to these international agreements and targets. The Ministry of Environment focuses on two aspects of international cooperation: using international experience to improve the state of the environment in Estonia, and using Estonia's experience to provide support to other countries.



# Quality of Democracy

## Electoral Processes

Candidacy  
Procedures  
Score: 10

The principles of fair and free elections are laid out in the Estonian constitution. Estonia has a proportional representation electoral system, which means that most candidates are registered within party lists. The composition of party lists is a matter of internal procedures that are set by the statute of the political party. Only officially registered political parties can nominate candidate lists in parliamentary elections. In order to be registered, a political party must have at least 500 permanent members, lists of whom are made public online. For each candidate, a deposit equal to the monthly minimum wage must be paid. In addition to political parties, two or more citizens can form an election coalition to participate in municipal elections. Every person who has the right to stand as a candidate may nominate him or herself as an independent candidate. Independent candidates can participate in parliamentary, local and European Parliament elections.

The largely ceremonial Estonian president is elected by the parliament. Candidates must be nominated by at least one-fifth of the serving members of parliament.

Citation:

Estonian National Electoral Committee <http://www.vvk.ee/?lang=en>

Media Access  
Score: 9

Candidates and political parties have fair and equal access to the public broadcasting and TV networks. Access to advertising on private TV and radio channels, however, depends on the financial resources of the political parties. Therefore, smaller political parties and independent candidates have significantly limited access to mass media. There is no upper limit on electoral campaign expenses, which provides significant advantage to candidates and parties with more abundant financial resources. However, these disparities do not follow a coalition-opposition divide, nor is there discrimination on the basis of racial, ethnic, religious or gender status. Because of the high Internet penetration rate, various e-tools are becoming widely used in electoral campaigns, including election portals run by the Estonian Public Broadcasting (ERR) service. This has helped candidates keep costs down and reach a wider public.

Voting and  
Registrations  
Rights  
Score: 9

The Estonian constitution and relevant laws guarantee universal suffrage. The voting age is 18 for national and European elections, and 16 for municipal elections. Parliament lowered the voting age in May 2015, giving 16- and 17-year-olds the right to vote in local elections beginning in 2017. About 6% of the population (or 16% of the voting-age population) are non-citizens who cannot vote in parliamentary elections, but Estonia is one of the few countries in the world where all legal residents, regardless of their citizenship, have the right to vote in local elections. EU citizens residing in Estonia can vote in municipal and European Parliament elections. Estonian citizens residing abroad (about 10% of the electorate) can vote in all Estonian elections.

The state authorities maintain the voter register based on the population-register data. Eligible voters need to take no action to be included in the voter register. Each registered voter is informed by post or e-mail about all voting options, including the voting day, the location and opening hours of his/her polling station.

To facilitate participation in elections, Estonia uses advanced-voting, home-voting and Internet-voting systems. In the 2015 parliamentary elections, 30.5% of participating voters voted online. Amendments to the Riigikogu Election Act that took force in 2015 expanded the time span for electronic and advanced voting, so that ballots can now be cast as much as 10 days (instead of seven) before election day.

Ethnic minorities' modest degree of engagement in election processes has been a longstanding issue of concern. However, 2015 marked a positive change, as political parties increased their efforts to reach out to Russian-speaking voters, and placed more national-minority candidates on party lists, in some cases in prominent positions. More campaign information was made available in Russian than in previous years. However, the National Electoral Committee (NEC) website carried election information only in the official state language (i.e., Estonian), and the voting instructions sent to voters, along with the information in polling stations and on ballots, were only in Estonian.

Citation:  
<http://www.osce.org/odihr/elections/estonia/139571>

Party  
Financing  
Score: 8

Financing of political parties is regulated by the Act on Political Parties (APP). All parties have to keep proper books and accounts, specify the nature and value of donations and membership fees, and publish their financial records regularly on their party's website. An independent body, the Political Party Financing Surveillance Committee (PPFSC), monitors whether parties have properly declared all financial resources and expenditures; the committee can also impose sanctions when parties have violated the law.

The regulatory and investigative powers of the PPFSC have been expanded through amendments to the APP. Several amendments introduced in 2010 were applicable for the first time in the 2015 parliamentary elections. Those include a prohibition on the use of public resources for campaigning apart from those specifically provided by the state, expanded provisions regulating donations, and more detailed and regular reporting requirements by parties.

Yet despite significant progress, several loopholes in financing regulations still exist. The most pressing issue is the alleged misuse of administrative resources by governing political parties to finance their electoral campaigns. Several court cases related to the 2013 municipal elections were still pending as of fall 2015. Another concern is that whereas the PPFSC's tasks have been expanded, its resources remain limited, as does its access to the information necessary to deal efficiently with financial fraud

GRECO (2013). Addendum to the Second Compliance Report on Estonia Third Round Evaluation Report by GRECO on Transparency of Party Funding. Strasbourg, 18 October 2013. [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2013\)10\\_Second\\_ADD\\_Estonia\\_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2013)10_Second_ADD_Estonia_EN.pdf) (accessed 02.Nov.2014)

OSCE/ODIHR (2015) ESTONIA.PARLIAMENTARY ELECTIONS 1 March 2015. OSCE/ODIHR Election Expert Team Final Report. <http://www.osce.org/odihr/elections/estonia/160131?download=true> (accessed 17.Sept.2015)

Popular  
Decision-  
Making  
Score: 3

According to the Estonian constitution, referendums can be initiated by the national parliament (Riigikogu); citizens do not have the power to initiate a referendum. Municipalities can organize referendums on local issues, but their outcomes are non-binding.

There is strong public support for the introduction of a binding referendum mechanism, and the issue is occasionally raised by opposition parties. However, no progress has been made toward this goal. Instead of referendums, a 2014 measure enables citizens to initiate amendments to existing laws, or propose new laws. To start the parliamentary proceedings of this kind, the proposal must be signed by at least 1000 people, must include an explanation why the current legal regulation is not satisfactory, and must describe what kind of amendments should be made. An online platform ([petitsioon.ee](http://petitsioon.ee)) is available through which citizens can initiate the process and collect signatures. At the time of writing, about five public initiatives had been taken up by the Riigikogu.

#### Access to Information

Media  
Freedom  
Score: 10

Estonia follows a liberal approach to media policy, with minimal legal restrictions. The Freedom of the Press Report 2015 classified Estonian media as “free,” with no change in rank compared to 2014.

Media  
Pluralism  
Score: 9

The Estonian Public Broadcasting (ERR) company is constituted under the Estonian Public Broadcasting Act, and is governed by an eight-member Council. Based on the principle of political balance, five of these members are specialists in the fields of culture, while the other four represent political parties holding seats in the national parliament. Members of the ERR Council are elected every five years.

A great variety of newspapers exist in the country. There are 21 national newspapers including two major dailies, 67 local newspapers and four to six newspapers in Russian. As a rule, newspapers are privately owned, but some local and regional papers receive support from the municipalities or counties. Some specific newsletters such as the Teachers' Gazette and the cultural newspaper Sirp receive government funds.

Due to a high Internet and cable-TV penetration rate, electronic media are important. All major newspapers have an online version, and there are two news portals. One of these is publicly funded, run by the Estonian public broadcasting institution, while another, Delfi, is owned by the private Ekspress Group AS.

Aside from the Estonian Public Broadcasting (ERR) group, media ownership is concentrated in two large companies owned by domestic investors (the Ekspress Group and the Eesti Meedia Group). A third major company, the foreign-owned Bonnier Group, publishes the Äripäev economic newspaper. In the 2014 – 2015 period, the Ekspress and Eesti Meedia groups acted to consolidate the media outlets belonging to their companies. For example, the Ekspress Grupp decided to merge its AS Eesti Ajalehed (newspapers) and AS Delfi (online news portal) holdings into a single enterprise. Such mergers and organizational rearrangements may decrease media pluralism.

Access to  
Government  
Information  
Score: 9

The main principles of access to public and official information are laid out in the constitution. Additionally, the Public Information Act has been in force since 2001, and the Personal Data Protection Act since 2007. Accordingly, access to information must be fast and easy, and restrictions are strictly defined by law. Any citizen or resident can submit an oral or written information request to the government and officials must provide a response within five working days. The obligations of authorities under the Public Information Act are not only to provide information, but also to assist the public in accessing documents.

The act is enforced by the Data Protection Inspectorate (DPI), which acts as an ombudsman and preliminary court, educator, adviser, auditor and law-enforcement agency. The year 2014 was the first in the Inspectorate's history in which the numbers of public appeals decreased compared to the previous year, a phenomenon that can be explained by efficient educational and preventive work.

Because Internet use is very widespread in Estonia, the strategic policy has been to advance access to information by using official websites and portals. All municipalities, political parties and government institutions must maintain a website, which must contain at least the information defined by legal acts. Also, in order to guarantee everyone's access to public information, municipalities have to provide free Internet in public libraries. In order to ensure the availability and transparency of public information, the DPI monitors state authorities' web pages and document registries. An emerging problem with governmental websites is that they are becoming overloaded with detailed administrative and legal information, in some cases undermining usability.

Development of an open-data policy has become a priority in 2014. As of 1 January, 2015, all public-sector databases were supposed to be downloadable through the Estonian information gateway in a machine-readable format. However, implementation of these provisions has been slower than expected, and as of the time of writing, only 23 databases had been made available in a machine-readable format.

Citation:

Estonian Data Protection Inspectorate (2015). Annual Report 2014. <http://www.aki.ee/en/inspectorate/annual-reports> (accessed 18.Sept.2015)

### Civil Rights and Political Liberties

Civil Rights  
Score: 9

Civil rights are widely respected and government does not interfere in the activities of courts. Equal access to the law and equal treatment by the law are legally guaranteed. The length of court proceedings has declined compared to 2012 and 2013, and the Estonian court system can be regarded as efficient in cross-European comparison on the basis of several indicators. However, according to the country's Chief Justice, legal advice in Estonia is too expensive, and many citizens are unable to afford it.

The chancellor of justice plays an important role in ensuring civil rights. He makes sure that authorities and officials performing public duties do not violate people's constitutional rights and freedoms, and that persons held in detention are not treated in a degrading, cruel or inhumane way. Individuals can bring concerns directly to the chancellor's office or send a letter detailing the issue of concern. In 2015, 995 citizen applications were received, 148 of them dealing with alleged violations of civil rights or liberties.

Citation:

COM (2015). The 2015 EU Justice Scoreboard. [http://ec.europa.eu/justice/effective-justice/files/justice\\_scoreboard\\_2015\\_en.pdf](http://ec.europa.eu/justice/effective-justice/files/justice_scoreboard_2015_en.pdf) (accessed at 17. September 2015)

Political  
Liberties  
Score: 10

Political liberties are an important part of Estonia's constitution and they are widely respected in society. Thirteen political parties collectively covering the entire spectrum of mainstream political ideologies are registered and active. As of 2014, the minimum number of members required to start a new political party was decreased from 1,000 to 500. Partly as a result of this legal amendment, two new parties participated in the spring 2015 Riigikogu elections. The Estonian Trade Union Confederation (EAKL), which is comprised of 20 branch unions, represents employees' interests in collective-bargaining agreements and protects employees' rights in employment relations. It also consults employers on developing a sustainable labor market and participates in policymaking. Civil-society groups organize open forums to discuss important social and political issues. One such forum, the Arvamusfestival (Festival of Opinion Culture), has been held annually since August 2013 and expands each year. In 2015, over 6,000 people attended the three-day festival.

There is no state church in Estonia, but religious freedom is guaranteed through the presence of 10 religious associations in the country.

Non-  
discrimination  
Score: 7

Discrimination is prohibited by law, and several governmental institutions have been established to ensure non-discrimination. Alongside the Chancellor of Justice, the Gender Equality and Equal Treatment Commissioner (GEETC) acts as an independent and impartial expert tasked with monitoring the issue of discrimination. Legal standards are set by the Gender Equality Act (2004) and Equal Treatment Act (2009). On 2 December 2014, Estonia signed the Council of Europe Convention on preventing and combating violence against women and domestic violence (Istanbul Convention).

Gender equality and the role played by women in the political and labor-market spheres remain a concern. This is reflected in the cases filed with the GEETC, where about 50% all cases concerning discrimination were made on the basis of gender. This figure has not changed substantially in recent years. The gender-based pay gap in Estonia remains the European Union's largest, and women's representation in national parliament has not risen from its previous low level (22%). Moreover, after a short period in which the government's gender balance improved, the current government had only two female ministers at the time of writing (compared to six in 2014).

The second-largest number of cases filed with the GEETC concerns discrimination on the basis of disability (59 cases out of 192), followed by age (14 cases) and race/ethnicity (6). About half of the discrimination cases occurred in workplaces.

Preparation for the implementation of the Registered Partnership Act (approved October 2014, in force January 2016), which allows same-sex couples to register their cohabitation, was underway during the review period. However, implementation of the second major act facilitating disabled people's access to the labor market has slowed, with some regulations entering into force in July 2016 or January 2017 (instead of 1 January 2016, as originally intended). The reasons for the postponement include interest groups' opposition to the proposed reform, along with a scarcity of funds.

Backward steps have also been evident regarding the office of the GEETC. First, as the new commissioner appointed in 2015 was a former high-ranking member of the conservative Pro Patria & Res Publica Union party, there was intense public discussion as to whether her appointment was fair. Secondly, the office of the GEETC has been financed largely by a Norwegian aid program that is now concluding. Thus, the funds allocated to the GEETC office in the 2015 state budget were only about half of the previous level.

Citation:

Soolise võrdõiguslikkuse ja võrdse kohtlemise voliniku 2014. aasta tegevuse aruanne. Tallinn 2015. (Annual report of GEETC, in Estonian). <http://www.vordoigusvolinik.ee/wp-content/uploads/2015/06/SVV-Aastaruanne-2014.pdf> (accessed 21.Sept. 2015)

### Rule of Law

Legal  
Certainty  
Score: 10

The rule of law is fundamental to Estonian government and administration. In the period of transition from communism to liberal democracy, most legal acts and regulations had to be amended or introduced for the first time. Joining the European Union in 2004 caused another major wave of legal reforms. These fast and radical changes, which occurred over a short period of time, produced some inconsistencies. Today, a consistent and transparent system ensuring legal certainty is in place.

Judicial  
Review  
Score: 10

The structure of the Estonian court system is one of the simplest in Europe. The system is composed of one level of county courts (4) and administrative courts (2), a higher second level of circuit courts (2) and the Supreme Court at the top level. The Supreme Court simultaneously serves as the highest court of general jurisdiction, the supreme administrative court, and the constitutional court. The Supreme Court is composed of several chambers, including an administrative law chamber. Administrative courts hear administrative matters. There are two administrative courts in Estonia, made up of 27 judges (about 10% of all judges employed in Estonia's court system). Most judges in Estonia are graduates of the law school in Tartu University; however, there are also BA and MA law programs in two public universities in Tallinn. In total, the national government recognizes 11 study programs in law.

Judges are appointed by the national parliament or by the president of the republic for a lifetime, and they cannot hold any other elected or nominated position. Status, social guarantees, and guarantees of judges' independence are established by law (Kohtuniku staatuse seadus).

Together with the chancellor of justice, courts effectively supervise the authorities' compliance with the law, and the legality of the executive and legislative powers' official acts.

Appointment  
of Justices  
Score: 2

Justices of the Supreme Court are appointed by the national parliament, on the proposal of the chief justice of the Supreme Court. The chief justice of the Supreme Court is appointed to office by the national parliament on the proposal of the President of the Republic.

While formally transparent and legitimate, the appointment processes rarely receives public attention or media coverage.

Corruption  
Prevention  
Score: 8

Abuses of power and corruption have been the subject of considerable governmental and public concern. On the one hand, Estonia has succeeded in setting up a solid institutional and legal structure to prevent corruption, with the National Audit Office, the national parliament's Select Committee on the Application of Anticorruption Act, the Supervision Committee and the Anticorruption Act of 2013. On the other hand, cases of illegal conduct among high-level civil servants, municipality officials or political-party leaders do emerge from time to time. Such cases can be regarded as evidence of the efficiency of anticorruption policy. However, they also indicate that loopholes remain in the public procurement process and in party-financing regulations, for example.

In 2014, the number of registered corruption offences increased slightly as compared to 2013 (from 322 to 355). It is important to note that corruption offences are often repeated acts committed by the same persons, and that the share of unique cases comprised less than half of the total. The largest number of corruption offences overall was registered in connection with state agencies (inspectorates, boards, legal entities founded by the state), whereas corruption cases at the municipality level became less frequent. In all probability, the awareness-raising training provided by the state audit office to local government leaders, seeking to reduce the risk of corruption, contributed to this positive effect.



# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 6

The supporting structures of the government in Estonia are mainly located in the line ministries. The Government Office (GO) is quite limited in this respect, though there is a Strategy Unit within the GO, which mainly has a consulting function. Its main tasks are to support the composition of strategic-development plans, to coordinate and draw up the government's action plan, and monitor the implementation of the above-mentioned policy documents. The unit has limited staff (10 employees) and its low provisioning with resources has been subject to criticism.

A seven-year governmental program intended to improve the quality of policymaking was approved in 2014. In part, this strengthened the role of the Strategy Unit in ex ante impact assessment and long-term forecasting.

In addition to the the Strategy Unit, there is also a Prime Minister's Bureau, comprised of experts in various policy areas who advise the prime minister. Different from the Strategy Unit, this body is closely linked to the prime minister's political party and its members change with each new prime minister. Unlike the Strategy Unit, which has a rather weak position, the Prime Minister's Bureau has a significant impact on government decisions.

Scholarly Advice  
Score: 7

The extent and impact of academic consultation is framed by the overall pattern of government decision-making. Limited strategic capacity in the center and a tendency to pass policy-formulation initiatives to the line ministries makes the overall picture fragmented and uneven. Final reports of the research projects are made publicly available on the websites of the governmental institutions that requested the study. However, 25% of these studies are not made public, and the remaining ones are difficult to find due to the varying web architecture maintained by the ministries and agencies. The quality of the terms of reference, and as a result the quality of the

commissioned studies themselves also varies largely. Even more importantly, the majority of the studies (63%) were commissioned simply to obtain overviews of problems. The use of studies for policy decision-making purposes was clearly proven in the case of 46% of those reviewed.

Citation:

National Audit Office (2015). Activities of the state in commissioning studies. <http://www.riigikontroll.ee/tabid/206/Audit/2345/Area/1/language/et-EE/Default.aspx> (accessed 02.10.2015)

### Interministerial Coordination

GO Expertise  
Score: 5

GO capacities were substantially weakened in 1992 in the process of governmental reform. Currently, the GO and prime minister's support structures primarily serve to provide consulting services, monitor governmental processes and provide technical (judicial) expertise. There is no capacity to perform substantial evaluation of line-ministry proposals. As a result, as an OECD governance report (2011) pointed out, policymaking lacks coherence and interministerial cooperation is not strong. In December 2014, an updated action plan for the implementation of OECD recommendations was adopted. One of the objectives of the action plan was to strengthen the GO's capacity to address long-term and cross-cutting issues.

GO Gatekeeping  
Score: 6

Since the evaluation capacity of the prime minister's office is very limited, policy considerations rarely serve as a reason to return the proposals. The coalition government program and political arguments between coalition partners tend to be more important in this context.

Line Ministries  
Score: 7

Two different forms exist to communicate line ministries' proposals to the GO. Firstly, all policy initiatives are discussed in coalition council. Second, the cabinet informally examines all substantial issues at its weekly meetings. No binding decisions are made in the meetings, the main function being to exchange information and to prepare for formal government sessions. However, the coalition that came to power after the 2015 elections is less cohesive and acts in a less coordinated manner than its predecessor.

Cabinet  
Committees  
Score: 2

Estonia does not have a committee structure within government, or any ministerial committee. Ministers informally discuss their proposals and any other pending issues at weekly consultative cabinet meetings, as mentioned above. No formal voting or any other selection procedure is applied to issues discussed on consultative meetings.

Ministerial  
Bureaucracy  
Score: 10

Formal procedures of coordinating policy proposals are set in the rules of the national government. According to it, all relevant ministries must be consulted and involved in a consensus-building process before an amendment or policy proposal can be brought to the government. An online draft-bill portal

Informal  
Coordination  
Score: 7

(Eelnõude infosüsteem, EIS) is used for the purposes of inter-ministerial coordination and public consultations. In addition to this formal procedure, senior civil servants from the various ministries consult and inform each other about coming proposals; vice chancellors are key persons in this informal consultation process.

Informal coordination plays an extremely important role in ensuring efficient policymaking. In addition to the high-ranking civil servants in ministries, the coalition committee and governing bodies of political parties are key players in this regard. Getting support from coalition partners is the first step in successfully passing legislation.

Almost as important as the political support of coalition partners is the backing of local-government associations. However, local governments often hold positions in opposition to the central government, which makes reaching agreement difficult. Because local governments and their associations cannot veto the process, their position is often ignored.

In sum, there are several mechanisms to coordinate policy proposals informally. These mechanisms, however, at times facilitate, and at other times complicate, coordination.

### Evidence-based Instruments

RIA Application  
Score: 8

The development and monitoring of regulatory impact assessments (RIA) is shared between the Ministry of Justice and the GO's Strategy Unit, with the latter taking a leading role with regard to EU-related issues during the 2014 – 2020 period. Formal RIA procedures are quite well established, with all relevant normative acts, manuals and guidelines accessible on a dedicated website.

Since 2014, RIA has been mandatory for all categories of legal act, but some caveats are in force. Because the regulation on RIA was introduced quite recently (2012), ex ante impact assessments dominate. In addition, the number of assessments performed to date remains very modest (4).

A major breakthrough should be achieved with the help of EU structural assistance over the 2014 – 2020 period. Various training, development and implementation measures focused on RIA procedures are foreseen; the number of assessments performed is expected to increase fivefold by 2016, and tenfold by 2020.

Quality of RIA  
Process  
Score: 6

Legal regulations established by governmental decree (2012) require involvement by relevant interest groups and public consultations in the lawmaking process. It must be formally documented which interest groups have been involved, what their proposals have been and to what extent the proposals have been taken into account. All this information is publicly

available in the explanatory paper accompanying the draft law. Alongside these formal requirements, involving stakeholders and hearing their opinions has become a common practice. However, two reports on the quality of the RIA process (see citations) have found that stakeholder involvement needs to be improved at all stages. RIA analyses are not communicated to the public, and only those partners closely participating in the process are sufficiently informed.

RIA results are not subject to regular evaluations by an independent body, and far more stress is put on the further elaboration of impact-assessment methods than on making use of results to create better policies.

Citation:

Praxis (2015). Arengukavade mõjuhindamine. Valdkonna arengukavade mõjude hindamise süsteemi analüüs. <http://www.praxis.ee/tood/arengukavade-mojude-hindamise-susteemi-analuus/> (accessed 29.09.2015).

Praxis (2014).Mõju hindamise meetodika rakendamine Euroopa Liidu asjades. <https://riigikantselei.ee/sites/default/files/content-editors/Failid/moju-hindamise-metoodika-rakendamine-euroopa-liidu-asjades.pdf> (accessed 29.09.2015)

Sustainability  
Check  
Score: 5

The dimension of sustainability is included in the methodological guidelines for RIA. The guidelines demand an assessment of the reviewed policy's impact over the short, medium and long term. However, concern with sustainability is given a marginal role in the impact-assessment process overall. The existing set of indicators is not explicitly linked to the sustainability check.

Estonia has a national long-term (30-year) sustainability strategy, "Sustainable Estonia 21," which was adopted by the national parliament in 2005. However, the latest government decree and the methodological guidelines do not make any reference to this national strategy.

### Societal Consultation

Negotiating  
Public Support  
Score: 7

Consultations with societal actors are regulated by government guidelines contained in the Good Engagement Practices (GEP) document, approved in 2011. Although this is not a binding legal act, it prescribes in detail procedures for engaging social stakeholders in the policymaking process. The GEP includes eight recommended principles, which place importance on the clarity of goals, openness of relationships, and dedication to goals. Once a year, the Government Office presents an overview of the GEP's implementation to the government.

Existing regulations and established practices render it almost impossible to avoid interest groups' involvement in the policymaking process. The main focus is on consultations during the preparatory phase, when a broad range of

societal actors is typically involved. However, at later stages, only those advocacy organizations tending to be supportive of the proposed policy are invited to the table. Thus, corporatist tendencies are becoming apparent that are not entirely in accordance with GEP principles. Furthermore, engagement practices have not yet been extended to the policy-implementation or policy-evaluation phases.

### Policy Communication

Coherent  
Communication  
Score: 5

Ministries in Estonia's government have remarkable power and autonomy. Therefore, ministers belonging to different political parties in the coalition government sometimes make statements that are not in line with other ministries or with the general position of the government.

### Implementation

Government  
Efficiency  
Score: 7

The current government cabinet under Prime Minister Taavi Rõivas took office after the March 2015 parliamentary elections. A document outlining the government's program was signed on 8 April 2015.

Assessing the government's performance has become more complicated than was the case under Andrus Ansip, in part due to a decline in transparency. The current government has discontinued the interactive online tool that once allowed anyone to check the government program's implementation status. In addition, the government program does not contain benchmarks or set dates estimating when objectives are expected to be achieved. Tasks accomplished in 2014 were mostly legal amendments (including the 2015 state budget). A similar pattern followed in 2015.

The independent Government Watch web tool that allowed users to monitor the government's performance has also ceased to exist, since its project-based financing came to an end in 2014.

Ministerial  
Compliance  
Score: 8

Estonia typically has coalition governments, and reaching an agreement on priorities and goals of the future government is the core issue of the cabinet-formation process. When the coalition cabinet has a mandate from the president, it acts in accordance with the government program and rules of procedure signed by all coalition partners. The process of program implementation is coordinated by the coalition committee, comprised of four representatives from each coalition partner. The coalition committee meets weekly, and coalition partners make decisions by consensus. However, the coalition government that came to power in 2015 is less coherent than its predecessors.

Monitoring  
Ministries  
Score: 5

The Prime Minister's Office has a small staff that performs mainly supportive and technical tasks. Thus the capacity to monitor the line ministries' activities from the core executive is limited. Although the prime minister does not possess a lot of power over ministers, there is broad consensus on the government program, and ministers rarely challenge it.

Monitoring  
Agencies,  
Bureaucracies  
Score: 8

Estonian government is horizontally decentralized. This means that besides 11 ministries, there are 25 executive agencies and several foundations established by the government. Foundations have specific policy objectives, often managing implementation of the EU structural funds in Estonia. Foundations are led by a counselor and appointed by a minister. Agencies implement policies within the broader policy area, and are accountable to the relevant ministry. Ministers appoint agency directors. These organizational arrangements enable ministries to monitor the activities of executive agencies. However, agencies have grown substantially both in terms of staff and task volume; this may ultimately produce negative effects such as a lack of coordination between the ministry and agency, or misuse of administrative power by executive-agency CEOs. This latter problem is illustrated by the increase in corruption offences within these institutions.

Task Funding  
Score: 4

Estonian local governments are heavily dependent on financial resources from the central budget, as revenue from local taxes is negligible. During the economic recession, the central government cut funds allocated to the local governments by 13%, and despite improvement in the economic situation, pre-recession rates have not been fully restored. As a result, local governments have serious difficulties in financing the tasks required by law. These unfunded tasks have produced heated debates between the local and central governments, and have resulted in several court cases, with favorable outcomes for the local governments. However, in response to recent Supreme Court rulings, the central government has sought to pass new laws that make the problem of unfunded mandates even more complicated (for example, by refusing to continue central-government subsidies for private schools).

Constitutional  
Discretion  
Score: 5

According to the Estonian constitution, local self-governments can independently decide on all local issues. All rights and responsibilities of local governments are stipulated in detail in the Local Government Organization Act. However, the limited administrative capacity and scarce financial resources of local self-governments curtails their implementation autonomy. The majority of Estonian local governments are very small – governing areas with fewer than 2,000 residents, with eight to 10 civil servants in the municipal government. The shortage of administrative staff is closely tied to financial resources. Local budgets are dependent on central-government revenue and funding cuts have undermined local governments' ability to function.

National  
Standards  
Score: 7

The issue of national standards is relatively new to Estonia. First the European Union and later the OECD brought it to the government's agenda. Until recently, transportation and water management were the only issues subject to quality standards. Local governments were not part of this national system and were responsible for ensuring service quality on their own.

Based on recommendations made in the OECD Governance Report 2011, the Ministry of Economic Affairs and Communications established a special unit responsible for elaborating a comprehensive system of public-services standards. The new system was supposed to include local self-governments and local services as well. In 2013, a green paper on public services was approved by the government cabinet, establishing online-service standards as the main priority. In 2015, the government cabinet launched a follow-up project aiming to set up a comprehensive system for measuring the quality of all e-services no matter what the provider, content or location. This process is currently underway; thus, it is too early to evaluate.

### Adaptability

Domestic  
Adaptability  
Score: 9

The most important supranational organization affecting domestic policies is the European Union. Therefore, the coordination of national interests with the European Union has been Estonia's main priority since it joined the union in 2004. After consultations with the parliament and advocacy groups, the government has typically adopted a framing-policy document (e.g., "Estonian EU policy 2011 – 2015"; "Estonian EU Policy 2015 – 2019") that defines the main principles and national objectives Estonia wants to pursue through the European Union. Generally, the formation and implementation of national EU policy is the responsibility of the government. An interministerial Coordination Council for EU Affairs is tasked with facilitating coordination of these national efforts. The Coordination Council plans and monitors the initiation and implementation of all EU-related policy activities. Each ministry bears the responsibility for developing draft legislation and enforcing government priorities in its domain.

The secretariat for EU affairs continues to provide administrative and legal support in preparing EU-related activities. It advises the prime minister on EU matters (including preparations for European Council meetings), manages EU affairs across all government bodies, and offers guidelines for permanent representations.

The national parliament's European Union Affairs Committee issues political positions on draft European Union legislation, provides political opinions, and

International  
Coordination  
Score: 5

supervises the activities of the government as it implements EU policies. Cooperation with other international organizations (e.g., WTO, OECD, NATO) is the responsibility of the Ministry of Foreign Affairs. The vice chancellor for European-transatlantic cooperation is a member of the Coordination Council for EU Affairs.

Engagement in international development is mainly the responsibility of the Ministry of Foreign Affairs. There is an interministerial coordination group tasked with coordinating foreign-policy issues, which includes cabinet ministers. As in other areas, Estonia is good at adhering to international commitments but rarely takes the lead. Likewise, Estonia is not very good at assessing the impact of national policies on the global challenge of human development. Assessment takes place in some policy areas (e.g., environment, energy, IT), but integrated coordination and monitoring across policy fields is nonexistent. Given that policy collaboration is still in its infancy, one cannot speak about systematic communication between the government and other stakeholders. Yet in some specific areas such as development aid or combatting HIV/AIDS, various interest groups do serve as active government partners.

### Organizational Reform

Self-monitoring  
Score: 6

Based on the amount of amended or adopted regulations that deal with institutional arrangements, the government's monitoring activities certainly exist and inform policymaking. Since March 2014, the Act on National Government has furnished the ministerial nomination processes with a new flexibility; it no longer lists ministers, but only sets a maximum number for the government as a whole. This enables nominations to better reflect current needs. For example, the current government decided to create a second minister in the Ministry of Economy and Communication with responsibility for foreign trade and business, and to have two ministers in the Ministry of Social Affairs responsible for different social-policy areas. However, it is generally difficult to estimate how systematic and consolidated the government's self-monitoring activities truly are.

Institutional  
Reform  
Score: 5

Top politicians and executive officials widely understand the problem of fragmented policymaking as it was highlighted in the OECD Governance Report. Yet the government has responded to the OECD's call to move "toward a single government approach" only at the rhetorical level. Strategic capacity remains located within line ministries, and not in the Prime Minister's Office. Policymakers consult academic experts only sporadically, and mainly in the context of concrete reforms.



## II. Executive Accountability

### Citizens' Participatory Competence

Policy  
Knowledge  
Score: 8

The regular and active consumption of news via online portals and the public broadcasting services is a fundamental feature of Estonian society. According to the TNS EMOR market-research agency, members of the adult population in 2014 – 2015 spent a daily average of 3.5 hours listening to the radio, and about 3 hours watching television. The major online portals Delfi and Postimees each have more than 500,000 unique visitors weekly. Extensive media consumption suggests that citizens may be well informed on major policy topics.

However, survey data, although fragmented and sometimes carrying limited validity, indicate that this is often not the case. In a 2012 national survey on gender-equality policy, about 40% of respondents were able to name relevant legal acts, and about half were aware of the Gender Equality and Equal Treatment Commissioner. A TNS EMOR survey on public attitudes toward health care services revealed that in 2015, more people than in previous studies were critical of their own state of knowledge regarding health care arrangements and services. Only about one-third of citizens were well informed about health care services, and only 13% could identify the tasks and responsibilities of the Estonian Health Insurance Fund.

### Legislative Actors' Resources

Parliamentary  
Resources  
Score: 8

Compared to many countries, the Estonian national parliament (Riigikogu) has a rather modest support structure. All administrative staff are employed by the Chancellery of the national parliament and can be divided into three categories. The first category includes analysts working in the research department who provide expert advice and produce information sheets and study reports. Because of budget and personnel limitations (14 advisers in total), studies are typically very small. In addition to in-house experts, the national parliament can also commission studies from universities or private companies on a public-procurement basis. In 2014 – 2015, three studies of this kind were performed, fewer than in previous periods. The second category of support resources is the administrative staff employed by the permanent committees. Each committee typically has three to five advisers. The third group is made up of the individual parliamentary groups' political advisers. In

total, there are 31 people working for the six parliamentary party groups. Legislators can use a reading room in the parliamentary building and the National Library, which also serves as a parliamentary library, is located nearby. MPs also possess monthly allowances that they can use to order expert analyses, studies or informative overviews.

Obtaining  
Documents  
Score: 10

Parliamentary committees have the legal right to obtain from the government and other executive agencies the materials and data necessary to draft legal acts and evaluate draft law proposals made by the government. The commission can also invite civil servants from the ministries to participate in commission meeting in order to provide additional information or explain governmental position. According to currently available information, the executive and its agencies are generally forthcoming with requested information.

Summoning  
Ministers  
Score: 10

Permanent committees have the right to request participation of ministers in committee meetings in order to obtain information. However, no information on how regularly committees use this ability is available.

In addition, MPs can individually forward written questions and interpellations to the ministers. These must be answered publicly at one of the national parliament's plenary sessions within 20 days.

Summoning  
Experts  
Score: 10

Parliamentary committees can summon experts for committee meetings. They do this regularly, and to an increasing extent. Each committee determines which experts to call for each particular matter. In addition to ministerial representatives, researchers from universities and think-tank representatives, NGO activists involved in draft-law preparatory work are often invited. The scope of hearings varies depending on the public interest and priority of the issue under investigation.

Task Area  
Congruence  
Score: 9

There are 11 standing committees in the parliament that by and large match the structure of government, which is also composed of 11 ministries. In addition to task areas that correspond to ministry portfolios, there is also a European Union Affairs Committee that monitors the country's EU policy. Legal affairs are split between two permanent committees, the Constitutional Committee and the Legal Affairs Committee. Cultural and educational affairs are both addressed by the Cultural Affairs Committee. This may imply a work overload, as both education and social policy have been subject to regular and complex reforms.

All parliamentarians belong to one or more standing committee, which means each committee has about 10 members. The working schedule of the standing committees is established by the Riigikogu Rules of Procedure and Internal Rules Act; committees' work sessions are scheduled three days per week, for a total of 12 hours.

Audit Office  
Score: 5

The Estonian parliament does not possess its own audit office. Instead it relies on the National Audit Office (NAO), which is an independent institution defined by the national constitution. According to the constitution, the NAO is not a part of any branch of power, but remains independent of them all. Although the reports of the NAO are aimed at the national parliament, the government and the public, the parliament remains the first client. The Auditor General annually reports to the parliament on the use of public funds and on government budgetary discipline and spending. Thus, with regard to the parliament, the NAO is an information agency of sorts.

Ombuds Office  
Score: 2

The Estonian parliament does not have an ombuds office. To raise an issue or forward a concern, citizens must contact their member of parliament. If a citizen wants to obtain information regarding the functioning and work of the parliament, he or she can submit information request (off- or online).

### Media

Media Reporting  
Score: 8

By providing a continuous flow of information and background analysis, the main daily newspapers, TV and radio stations offer substantive in-depth information on government plans and policies. There are six national daily newspapers, two main weeklies, two online news portals, four TV channels and three public-radio channels. Together, these provide adequate information and in-depth analysis of government policy, and comprise the majority of the entire domestic media market (except for radio broadcasting, where music stations account for the largest market share). Policy-related information takes different forms, including inserts in regular news programs, interviews with experts, debates between proponents of conflicting views, debates between representatives of government and opposition, regular broadcasts of parliament sessions and government press conferences.

However, two shortcomings are evident here. First, the media tends to pay more attention to the performance of political parties as organizations than to the parties' positions on various policy issues. Secondly, information on government activities is typically provided not in advance of decisions, but only after decisions have already been made.

### Parties and Interest Associations

Intra-party  
Democracy  
Score: 5

Decision-making processes are similar across the major parties. Formally, each party member can propose issues, but in reality inner circles of 15 to 20 elite party members make most important decisions. All parties have an annual congress at which where delegates elect the party leader and other governing bodies. One such body is the board, which votes on political decisions, issues statements, and submits proposals to the party's parliamentary group and to

the party's members in the government. The board also nominates ministerial candidates when the party is part of a coalition government. Another important decision-making body is the council, which manages the party when the general assembly is not in session. The council is comprised of board members and elected representatives from the various regions. The council negotiates agreements with other parties in the parliament, including decisions on whether to enter into a government coalition. Like the board, the council can also submit proposals to the party's parliamentary group and the party's members in the government. As a rule, it is the council's responsibility to compose and agree upon the lists of candidates for general and European Parliament elections. Local political-party organizations compose electoral lists for municipal elections.

Association  
Competence  
(Business)  
Score: 5

The Estonian Trade Union Confederation (ETUC) is comprised of 20 branch unions. In comparison to many western European countries, its policy-formulation capacity is very weak. The head office includes the secretariat (eight people) that prepares all kind of documents, including the draft law proposals, and organizes cooperation between the members of the confederation; there is no special research or analysis unit responsible for preparing concrete policy proposals. Trade unions are typically invited to contribute to policymaking processes initiated by the government.

The Estonian Employers' Union (EEU) has been more active (and even aggressive) in making policy proposals, especially in the realms of tax policy and industrial policy. Yet its institutional and analytic capacity is not significantly higher than that of trade unions.

Both the ETUC and EEU are expected to take various measures (such as allocating funds, implementing training programs, and hiring analysts) in the 2014 – 2020 period to increase their analytical and policymaking capacities.

Association  
Competence  
(Others)  
Score: 6

The policy-formulation capacity of non-economic interest groups has substantially increased over time, and some of them are today able to propose concrete policy measures. The capability varies across fields of interest and with the scope of the intended impact. Most civil-society associations are small and possess limited financial and human resources. Therefore, their in-house capacity is very low, and most analyses have been carried out as single projects on a contractual basis. The level of capacity also depends on the formal policy agenda, as it is easier to add a new proposal to the existing agenda than to set the agenda. Therefore, social-interest groups lobbying on issues such as better socialization and care for disabled people or same-sex marriage have been quite good at formulating policy proposals, since relevant

draft laws were already being considered by the parliament. Environmental groups in Estonia act mainly at the local level, working to affect community policies. However, local action can have a nationwide impact. For example, the corridor for the Rail Baltica high-speed rail system was revised based on input from community groups. Religious groups are not typically active in domestic politics or policymaking efforts.

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