



# Estonia Report

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## Sustainable Governance Indicators 2018

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## Executive Summary

In many respects, Estonia has proven successful in building a sustainable democracy. Among the 41 countries in the SGI, Estonia ranks 8th in policy performance and democracy and 18th in governance. As a result of a change in the government coalition in November 2016, the period currently under study (November 2016 – November 2017) includes major adjustments in several policy areas impacting social inclusion. After 12 years of government coalitions dominated by the neoliberal Reform Party, a center-left government led by the Center Party has been installed. This new government has prioritized policies aiming to secure the financial sustainability of the welfare system and increase social inclusion.

The economy has recovered from the recession, a fact evidenced by the high employment level (matched by low unemployment) and an annual economic growth rate of about 4%. Ongoing reforms aim to extend employment by facilitating the labor market participation of disabled persons and workers with low or outdated skills. However, increasing labor shortages and high taxes on labor continue to thwart productivity and, more generally, economic growth. Debates around reducing employers' tax burdens are, for the first time, being embedded into larger political debates on social insurance system reform.

Estonia's welfare system is based on the Bismarckian principle of social insurance funds, which faces mounting debt due to population aging. The government proposes to transfer more tax revenues to social insurance in order to cover health expenditures for pensioners and employees with atypical contracts. Reducing the long waiting lists for specialized medical care is another priority of planned reforms.

One major accomplishment of government has been an income tax reform. Proportionality has been preserved, but a regressive tax exemption will be introduced in 2018. This will have a far-reaching impact on the labor market and welfare of households as the additional income gained by low earners will decrease income inequality, which has been comparatively high. Further antipoverty measures implemented in 2017 include an increase in child benefits for large families and an additional allowance for single-person elderly households.

In governance, there has been little progress in terms of policy innovation, quality management and pursuing holistic approaches. Nonetheless, the negative trends of previous years, including a preoccupation with fine tuning and incrementalism, lack of transparency, and poor public communication have been halted. Even more importantly, a prolonged reform of local government has finally accomplished the prescribed municipal mergers, with the first local elections in the new municipalities held in October 2017. In these elections, voting rights were extended to 16- and 17-year-olds. However, the turnout (just 53%) was among the lowest in Estonia's history, a reflection of the challenging municipality mergers.

Democracy is well established and secure in Estonia. The party financing system is continuously improving, largely thanks to persistent media attention and public interest. Corruption among high-level public officials, however, remains somewhat of a challenge and must be redressed through additional regulation as well as public awareness campaigns. Also, social progress on gender equality and LGBT rights has remained limited.

## Key Challenges

Estonia is recognized internationally as maintaining a balanced budget and low government debt. The tax system is straightforward and transparent and the overall tax burden positions around the OECD average. The sitting government has offered several proposals to diversify revenues and increase the vertical equity of the tax system. While the 2017 income tax reform aligns to these targets, recently introduced regressive tax exemptions also impact higher income groups and may alter employment patterns and labor contracts. Consequently, the budgetary and social outcomes of this tax reform must be vigilantly monitored and, where necessary, misuses and negative spillovers addressed. Likewise, the government plan to detach public pensions from previous earnings requires meticulous consideration to ensure that employees' incentives remain optimal. The recent sharp increase in the excise tax demonstrated that, in a small open economy, tax hikes can reduce, rather than increase, revenues. Thus, a systemic and comprehensive approach to tax system reform remains crucial.

Beyond recalibrating the tax system, Estonia must move from policy deliberations to tangible action with regard to building a knowledge-based economy. Current innovation policy focuses on leading enterprises, remaining largely detached from the rest of the economy. Policymakers must expand research, development, and innovation (RDI) measures to include small- and

medium-sized enterprises and traditional sectors of the economy (e.g., oil shale), enabling RDI to contribute to structural reforms. Furthermore, RDI within universities must be adequately financed and better linked to the country's economic and social priorities.

The institutional framework for governance is well established and stable. Consequently, policymakers may focus on developing executive capacity by firmly following democratic principles of checks and balances and public accountability. However, the executive branch tends to overproduce strategies (a failure of coordination) and analyses, with the latter too often not considered in decision-making. To overcome this fragmentation and excessive reporting, the government should consider four strategies. First, it should merge the numerous small-scale strategies into the national 30-year strategy (i.e., Sustainable Estonia 21). Second, improved coordination between ministries as well as between the Prime Minister's Office (PMO) and line ministries is required. Third, citizens' and advocacy groups should be given a much broader role in policy evaluation, including in the appraisal of regulatory impact assessment results. Fourth, instead of commissioning exhaustive explanatory analytical reports, the government should promote open data and encourage secondary analysis. Although Estonia is regarded as a forerunner in e-governance, the pace of innovation has slowed; reforms are often chaotic or fail completely (e.g., the Social Protection Information System). To improve this situation, a ministry with a clear and broad responsibility for advancing e-governance is required.

Contemporary governance requires appropriate capacities both locally and internationally. Estonia has made impressive gains in the latter (evidenced by the Estonian EU Presidency in the second half of 2017) but not in the former. The process of municipal mergers, finalized in the fall of 2017, must be complemented by a clarification of the tasks of local government as well as guarantees of adequate funding and fostering of citizen involvement in local governance. The improvement of citizens' quality of life must be prioritized over economizing.

# 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. Its two central objectives are the increase of productivity and employment. The implementation 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 prospective need for labor, the Ministry of Education implements initial and in-service training policy, and the Ministry of Social Affairs is responsible for employment policy. Additionally, due to growing labor shortages, the Ministry of Interior, responsible for immigration, has also become an important actor in economic policy. The Ministry of Economic Affairs holds the overall responsibility for the development and implementation for 13 strategic documents, which suggests that fragmentation and duplication of priorities is a continuous issue.

The global economic climate has been quite optimistic in the period under review. This trend is echoed in improved performance of the national economy. Yet, high tax rates on labor and strict immigration policies are major obstacles to attracting the foreign labor urgently required as a consequence of Estonia’s aging population.

## Labor Markets

Labor Market  
Policy  
Score: 8

Labor market reforms have brought several positive results. Main labor market indicators such as general employment and unemployment rates, youth unemployment, and long-term employment have improved.

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. Contribution rates have been fixed for the period 2017 to 2020 (0.8% of an employer's payroll and 1.6% of an employee's wages), which provides some stability to labor demand. UIF resources are used to extend active labor market policy measures and implement activation reforms such as the 2016 Work Ability Reform (WAR), which aims to bring at least 10% of the country's disabled population into employment (about 100,000 people currently receive disability benefits). At the time of writing, it remains too early to evaluate the success of WAR. A new set of proactive measures introduced in 2017 aims to aid workers with low or outdated skills to upgrade their qualifications.

Tackling low pay is a government priority as it is significantly above the OECD average, with about one-fifth of workers earning less than two-thirds of the country's average salary. Since 2017, government is aiming to alleviate poverty via tax credits for low paid workers, with additional measures beginning in January 2018. In-work poverty is not tackled via strategic labor market policies, although minimum wage regulations exist and the wage level has steadily increased. According to regulations, the minimum wage should be about 40% of the average salary.

## Taxes

Tax Policy  
Score: 7

Estonia is internationally recognized for its straightforward and transparent tax system. The individual income tax is proportional and corporations only pay income tax on profits that are not reinvested. Beginning in January 2018, the personal income tax will be radically altered as the basic exemption will depend on annual income. Low earners will benefit from generous exemptions whereas high earners will have no exemptions at all. Neoliberal opponents of this reform claim that it marks a veiled move from a proportional to progressive income tax.

The Estonian welfare system is financed almost entirely through social insurance contributions. This Bismarckian principle has both advantages and

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 health insurance fund is under long-term financial austerity. Major reforms of both health and old age financing are being discussed.

### 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 burdens on future generations. Although a small budget deficit has appeared in recent years, it will disappear by 2020 according to current forecasts. The overall tax burden has remained constant over the years.

Government transfers to municipal budgets, which were substantially cut during the economic recession, are being step-by-step restored. Combined with the merger of small and fiscally fragile municipalities, this contributes to a broader range and higher quality of public services at the local level. However, the long-term debts of the health insurance and public pension funds pose significant future challenges to the government's ability to secure citizens' welfare while adhering to the principles of fiscal sustainability.

### Research and Innovation

R&I Policy  
Score: 6

Research, development and innovation (RDI) have been national development priorities, reflected in a sophisticated set of strategies and action plans. The outcomes, however, are very poor. Formerly stable levels of governmental and non-governmental RDI expenditures have been declining since 2015. This is partly explained by EU programming periods as well as the need to increase military expenditures but, crucially, also by the government's lack of a clear policy vision.

R&D policy measures have been much more successful in developing scientific research, as indicated by an increased number of highly ranked international publications and the improved international rankings of Estonia's major universities. Advances in the development of patents, high-tech products and services are noticeable but less prominent. Personnel engaged in research and development is increasingly concentrated in higher education and cooperation with businesses remains limited. Recent changes in research funding policy strongly motivate universities to establish R&D contracts with

the private sector. However, this approach discriminates against the social sciences and humanities, which typically serve public and non-profit sector institutions.

### 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 was amended in 2017, extending to all companies the obligation to declare the effective beneficiaries of financial transactions.

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 achieving other targets.

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. Education in public institutions is free at all levels. 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. Recent policy measures strengthening links between education and training and the labor market (e.g., 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.

### Social Inclusion

Social Inclusion  
Policy  
Score: 6

In general terms, the Estonian welfare system resembles the liberal welfare model. Levels of poverty and inequality have remained consistently high.

Since work-related income has significantly increased, the poverty of wage earners has decreased. Social transfers have not followed step with the wage increases, resulting in increased relative poverty levels among the retired, the unemployed and families dependent on social benefits. In the non-working population, poverty is highest among the elderly, but most severe among children. There are also gender disparities in poverty indicators. The risk of falling into poverty is higher for women (23.3% for women and 19.6% for men), but poverty among men is deeper (the relative median at-risk-of-poverty gap was 16.9% for women, and 28.3% for men).

Government policies have addressed some material deprivation issues through amendments to tax law. Since 2017, low-wage workers can claim income tax reimbursements; this measure is expected to apply to about 100,000 people. This is the first step in a broader tax amendment package, which aims to reduce significant income disparities. Yet, these measures do not address large regional disparities in average salary. The absence of effective regional policy measures has accelerated the exodus of the working-age population from rural

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. In surveys, the majority of Estonians report that income disparities are too high and wages do not correspond to effort. Compared to ethnic Estonians, the ethnic minority population perceives greater inequalities in opportunity in all life domains.

Citation:

Integration Monitoring 2017. Fact sheet on perception of equality of opportunities /in Estonian/. [https://www.kul.rik.ee/sites/kulminn/files/7\\_vordsus.pdf](https://www.kul.rik.ee/sites/kulminn/files/7_vordsus.pdf) (accessed 28.10.2017)

## Health

Health Policy  
Score: 8

In terms of health care quality, Estonia serves as a valuable example for how to achieve sound outcomes with scarce resources. Regular public opinion surveys commissioned by the National Health Insurance Fund reveal that most respondents are satisfied with the quality of health services (68%). Satisfaction with access is significantly lower (38%) and has been slowly but steadily declining since 2012.

Estonia has a social-insurance-based health system that includes some non-Bismarckian features such as general practitioners (GP). The insurance principle makes access to health service dependent on insurance status rather than universal. Working-age people who are not employed or in education are not covered by the national health insurance. As a result, about 7% of the total population does not have free access to health care and a further 7% have gaps in coverage because of non-regular work contracts. Supplementary private health insurance (medigaps) has been added to the government agenda, with debates expected to start in 2018.

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 ageing of medical personnel and the shortage of nurses also pose challenges. However, the most significant social problem is inequality across income groups in terms of unmet health needs and self-perceived health status. Here, Estonia ranks at the very bottom among OECD countries.

Citation:

[http://www1.haigekassa.ee/sites/default/files/uuringud\\_aruanded/kuvandiuuring/arstiabi\\_uuringu\\_aruanne\\_2016\\_kantar\\_emor.pdf](http://www1.haigekassa.ee/sites/default/files/uuringud_aruanded/kuvandiuuring/arstiabi_uuringu_aruanne_2016_kantar_emor.pdf) [in Estonian]

## Families

Family Policy  
Score: 10

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 female employment rate. 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. This system, in place since 2004, has come under attack due to its rigidity and negative impact on women's labor market participation. In Spring 2017, the government initiated revisions to the Parental Leave Act with three objectives: 1) increased maximum paid paternal leave, 2) increased flexibility (by extending up to three years the period when parents can use the entitled 435 days of leave), and 3) encourage employment during parental leave (the monthly wage that a parent can earn without losing parental benefits will increase from €470 to €1,544). These changes are expected to be enacted by the end of 2017.

## Pensions

Pension Policy  
Score: 7

A three-pillar pension system has been in place since 2002. In terms of pension payments, the situation remains transitional, as only 8.5% of current pensioners benefit from the second pillar (mandatory individual accounts). Thus, current pension benefits depend mostly 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.

Old-age pension benefits are indexed, which guarantees slight annual increases based on social tax revenues and the cost of living. In 2017, this indexation resulted in an average pension-payment increase of 5.1%. Due to the low absolute level of benefits (€410 per month), elderly people still struggle to make ends meet. Because wages and salaries grow faster than pensions, the senior citizen poverty rate increased substantially in 2016. The rapid increase of wages also explains the continuous decline in the pension replacement rate since 2009, which in 2016 consisted of 41.6% of net average salary.

Despite modest pension expenditures (roughly 5.5% of GDP), the sustainability of Estonia's pension system is at risk. Due to population ageing, the state pension-insurance expenditure persistently exceeds social tax revenues (by 25% in 2016). A 2016 OECD report revealed that Estonian pension funds performed worst among the OECD countries during a 10-year

period (negative annual productivity of -2.2%). The average productivity of mandatory pension funds in 2016 was even lower than in 2015 (1.8% and 2.6% respectively). Furthermore, the present pension system does not encourage people to work longer – 12% of old-age pensioners took an early retirement.

In order to face these financial challenges, government proposed in 2017 a reform plan to make the retirement age flexible and revise the regulations for pension funds. If enacted, these new regulations will have an effect from 2020 onward.

Citation:

Ministry of Finance (2016). Statistics on public old age pension, mandatory funded pension and voluntary funded pension. (in Estonian) /Riikliku vanaduspensionini, kohustusliku kogumispensionini ja vabatahtliku kogumispensionini statistika/  
[http://www.pensionikeskus.ee/files/dokumendid/kogumispensionini\\_statistika\\_012017.pdf](http://www.pensionikeskus.ee/files/dokumendid/kogumispensionini_statistika_012017.pdf) (accessed 23.10.2017)

## 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. All government activities are framed by the national development plan “Integrating Estonia 2020.”

All EU or Estonian registered citizens have the right to vote. 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. An increasing number of Russian-speakers who hold Estonian citizenship are employed in the civil service, belong among the political elite and stand as candidates in elections. However, the electoral turnout of Russian-speakers remains lower than the national average. Several public and private initiatives have sought to facilitate civil-society activism among ethnic minorities, yielding some visible progress. Nonetheless, the ethnic Estonian and minority populations continue to primarily live separately.

The number of non-citizen residents (currently about 12.4% of the total population) remains an issue. In recent years, the proportion of non-citizen residents who would like to obtain Estonian citizenship has been decreasing as they do not see the value of Estonian citizenship when living in Estonia. Despite improved language skills, the labor market outcomes of ethnic

minorities has remained worse than that of ethnic Estonians. The former have a lower employment rate and salary levels. Thus, while institutionally well-established, the positive effects of integration policy remain weak and uneven.

Beyond policies on integrating immigrants from the Soviet period, programs to integrate refugees and new immigrants have been put in place. To help newly arrived immigrants settle in and acquire knowledge, skills and proficiency in the Estonian language, they can choose to participate in an introductory welcoming program. Additionally, the Ministry of the Interior supports and empowers public, private and third-sector organizations working on a day-to-day basis with newly arrived immigrants by building support networks and developing public services. Despite those attempts, more than half of the war refugees who came to Estonia as part of the European migration plan have left the country.

Citation:

Integration Monitoring of the Estonian Society 2017. <http://www.kul.ee/en/integration-monitoring-estonian-society-2017> (accessed 23.10.2017)

### Safe Living

Safe Living  
Conditions  
Score: 7

Major crime indicators have steadily declined as a result of multiple factors. One is the decline in alcohol consumption, which had been a major cause of severe traffic accidents and violent behavior. Decline in alcohol consumption itself is a result of stricter alcohol policy, but also increased public awareness of healthy living.

The police forces enjoy high levels of public trust, which helps compensate for the scarcity of human and material resources. The Internal Security Development Plan 2015 – 2020 envisages a more efficient use of state resources and broadened cooperation with volunteers. This is of core importance since government funding is hardly sufficient.

### Global Inequalities

Global Social  
Policy  
Score: 9

Estonia actively participates in international humanitarian interventions through the EU and UN. Between 2015 and 2017, Estonia served a second term of membership on the UN Economic and Social Council (ECOSOC), which has increased the country's profile and visibility in the field of humanitarian aid.

A renewed 2016 – 2020 strategy on Estonian development cooperation and humanitarian aid takes the UN's Millennium Development Goals (MDGs) as a

starting point. The strategy contains objectives and main fields of activities, and identifies major partner countries. The priority partners are former Soviet Socialist republics (i.e., Georgia, Moldova, and Ukraine) and Afghanistan. Estonia is active in various fields, but special efforts are made in transferring knowledge in the policy areas of education, health and e-government. Dissemination of domestic expertise in implementing ICT in public administration and education are areas in which Estonia is a trendsetter. Between 2016 and 2017, Estonia actively participated in providing relief to war refugees in Syria and provided emergency assistance in Ukraine.

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.

### 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 international standards. 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. However, the dependence of the economy on energy-heavy technologies remains a challenge. On the other hand, Estonia is sparsely populated and possesses significant natural resources – wetlands, forests, and protected areas for flora and fauna.

On climate protection, the country is progressing in line with international targets. It has reduced greenhouse-gas emissions by half in a little over 20 years, even as the size of its economy has doubled. By 2050, Estonia aims to decrease greenhouse gas emissions by nearly 80% compared to the 1990 level. 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.

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.

More than half of Estonia's territory is forested. Commercial forests account for 70% of all forest area, while the remaining third has been placed under various protection regimes. Although the volume of forests has increased over the last 50 years, deforestation and clear-cutting has intensified in recent years. This has triggered several public protests against clear-cutting and for more responsible forest management.

Finally, 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 are 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. 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. Estonia ratified the Paris Agreement and is taking steps to switch to more environmentally sustainable economic and behavioral models. In October 2014, Estonia agreed on EU energy and climate goals for 2030. Broadly speaking, 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 or a special Electoral College composed of members of parliament and representatives of local councils. Candidates must be nominated by at least one-fifth of the serving members of parliament.

Citation:  
Estonian National Electoral Committee <https://www.valimised.ee/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

Voting and  
Registrations  
Rights  
Score: 10

campaigns, including election portals run by public and private media outlets. This has helped candidates keep costs down and reach a wider public.

The Estonian constitution and relevant laws guarantee universal suffrage. The voting age is 18 for national and European elections, and 16 for municipal elections. About 6% of the population (or 16% of the voting-age population) are non-citizens who cannot vote in parliamentary elections, but 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 2017 municipal elections, 31.6% of participating voters voted online.

Ethnic minorities' modest degree of engagement in election processes has been a longstanding issue of concern. To tackle the problem, state authorities are providing more voting information in Russian. The National Electoral Committee (NEC) website now offers election information in three languages (Estonian, Russian and English). Additionally, tools for disabled persons have been added to the website.

Citation:  
<https://www.valimised.ee/en>

Party Financing  
Score: 9

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 Supervision 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 several times through amendments to the APP. Despite significant progress some loopholes in financing regulations still exist. One of the major concerns is that PPFSC's access to the information necessary to deal efficiently with financial fraud remain limited. To tackle the problem, PPFSC regularly

Popular Decision-Making  
Score: 3

proposes amendments to the APP. The latest one under consideration in the parliamentary committee proposes that third parties associated with donations and services to political parties must provide relevant documents to PPFSC upon request.

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 1,000 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 (rahvaalgatus.ee) is available through which citizens can initiate the process and collect signatures. Eight initiatives have been taken up in the Riigikogu during the past 12 last months, but none have become a law. According to the Local Government Organization Act, local popular initiatives signed by at least one percent of the municipal population must be discussed by the local council, but this provision is rarely used.

#### Access to Information

Media Freedom  
Score: 10

Estonia follows a liberal approach to media policy, with minimal legal restrictions. The Estonian Public Broadcasting (ERR) company is constituted under the Estonian Public Broadcasting Act and governed by a ten-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 for five years (MPs until the next parliamentary elections).

Globally, Estonia has been ranked in the top ten on the World Press Freedom Index by Reporters Without Borders for several years. It ranked 12th in 2017, two places higher than in 2016. The main issues cited are the ease of bringing defamation lawsuits to the courts and the legal requirement for journalists to reveal their sources to legal authorities under certain circumstances.

Media Pluralism  
Score: 9

A great variety of newspapers exist in the country. There are 21 national newspapers including two major daily broadsheets, 67 local newspapers and several newspapers in Russian. As a rule, newspapers are privately owned but some local and regional papers receive support from the municipalities or

counties. Some weeklies such as the Teachers' Gazette and the cultural weekly Sirp receive government funds. Printed newspapers struggle with decreasing readership since electronic media has become increasingly dominant. This trend is supported by high Internet and cable-TV penetration rate. All major newspapers have an online version, and there are two other major online news portals. One of these is publicly funded and run by Estonian Public Broadcasting (ERR), while another, Delfi, is owned by the private Ekspress Group. All TV and radio channels offer an online presence and make increasing use of social media.

Aside from ERR, 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 Äripäev, a business daily. Some minor online news portals, such as independent poliitikaguru.ee or radical right objektiiv.ee enjoy an increasing number of followers.

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 (PIA) has been in force since 2001, and the Personal Data Protection Act since 2007. 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.

Because Internet use is 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. The situation is annually monitored and evaluated by the DPI. The DPI also monitors state authorities' web pages and document registries.

Public access to information must be prompt and straightforward, with restrictions 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. In conjunction with the EU data protection reform (2018), the information requests to DPI regarding personal data protection, especially in the digital environment, are growing.

### Civil Rights and Political Liberties

Civil Rights  
Score: 9

Civil rights are widely respected and government does not interfere in the activities of the courts. Equal access to the law and equal treatment by the law

are legally guaranteed. Time needed to resolve civil, commercial, and administrative cases has steadily declined and, with average of 39 days, Estonia shows the second lowest figure in the EU. The same is true for the number of pending cases. Overall, 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 for many citizens. The annual public budget allocated to legal aid is far below the EU average.

The Chancellor of Justice plays an important role in ensuring civil rights. She ensures 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.

Citation:

Com (2017) The 2017. EU Justice Scoreboard. April 2017. [http://europa.eu/rapid/press-release\\_IP-17-890\\_en.htm](http://europa.eu/rapid/press-release_IP-17-890_en.htm)(accessed 25.10.2017)

Political Liberties  
Score: 10

Political liberties are an important part of Estonia's constitution and they are widely respected in society. Eleven political parties collectively covering the entire spectrum of mainstream political ideologies are registered and active. 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 (Opinion Festival) is held annually since August 2013 and expands each year. In 2017, over 9,000 people attended the three-day event.

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

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). The Registered Partnership Act (2016) allows same-sex couples to register their partnership, but several secondary legal acts are still missing because of heavy opposition from some parliamentary parties.

Gender equality has been a longstanding challenge and is reflected, for example, in the largest gender pay gap in Europe. Out of all cases filed with

the GEETC in 2016, about half were made on the basis of gender. The second-largest number of cases concerns discrimination on the basis of religion, language or citizenship (70 out of 332), followed by disability (55), ethnicity (20), sexual orientation (10), and skin color (5). More than half of the discrimination cases occurred in workplaces.

Citation:

GEETC (2017) Annual Report to the Parliament. (in Estonian) [http://www.vordoigusvolinik.ee/wp-content/uploads/2017/04/aastaruanne-2016.pdf/](http://www.vordoigusvolinik.ee/wp-content/uploads/2017/04/aastaruanne-2016.pdf) (accessed 25.10. 2017)

### 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.

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 established 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 efficient anticorruption policy. However, they also indicate that loopholes remain in the public procurement process and in party-financing regulations, for example.

In 2016, the number of registered corruption offences increased by 18% compared to 2015 (from 450 to 550). At the same time, the number of criminal acts decreased (from 77 to 54), which shows that corruption offences are often committed by the same persons. Most corruption offences (65%) are related to bribery.

According to survey data, 16% of citizens and 5% employers report that they have been asked to give money, gifts, or take some illegal action for a public service. These figures have been decreasing since 2010. Although only a small percentage of citizens (23%) and civil servants (7%) view that laws can be bought, these figures have increased in recent years. Lobbying remains unregulated, despite Group of States against Corruption (GRECO) recommendations.

Citation:

Ministry of Justice (2017). Vabariigi Valitsuse korruptsioonivastase strateegia 2013-2020: 2016. aasta täitmise aruanne/Government's Anticorruption Strategy 2013-2020. Progress Report 2016/  
[https://www.korruptsioon.rik.ee/sites/www.korruptsioon.ee/files/elfinder/dokumendid/strateegia\\_aruanne\\_2016.pdf](https://www.korruptsioon.rik.ee/sites/www.korruptsioon.ee/files/elfinder/dokumendid/strateegia_aruanne_2016.pdf) (accessed 26.10. 2017)

# Governance

## I. Executive Capacity

### Strategic Capacity

Strategic  
Planning  
Score: 7

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 Strategy Unit employs 10 staff. A seven-year governmental program intended to improve the quality of policymaking was approved in 2014. The human capacity of the Strategy Unit is enhanced by various expert groups and task forces established within the aforementioned program. By 2017, several ex ante and ex post policy analyses and forecasts had been requested.

In addition to 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.

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

The GO and prime minister's support structures primarily provide consulting services, monitor governmental processes and provide technical (judicial) expertise. There is no capacity to perform substantial evaluation of line-ministry proposals. Two OECD governance reports (2011; 2015) have pointed out that national policymaking lacks coherence and interministerial cooperation. Despite the action plan for the implementation of OECD recommendations (2014), no significant improvement has been achieved so far. The 2015 OECD report recommends that the government sharpens its focus and concentrates, at maximum, on five policy priorities. The current government of Ratas has defined four priorities in the "Basic Principles of the Government Coalition" for the 2016 – 2019 period. This step was not, however, accompanied by another also recommended by the OECD: to give the GO more discretion in (re)allocating organizational, financial and human resources for the implementation of key priorities. However, in March 2017, the cabinet discussed increasing the strategic coordinating role of the prime minister and GO with draft law amendments expected in 2018.

GO Gatekeeping  
Score: 6

Since the evaluation capacity of the PMO 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. The new coalition appears to be more coordinated despite ideological differences.

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. No formal voting or any other selection procedure is applied to issues discussed in consultative meetings. The creation of cabinet committees was proposed by government in March 2017 with a draft law expected in 2018.

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 (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; deputy secretaries general are key persons in this informal consultation process.

Informal  
Coordination  
Score: 7

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

Almost as important as the political support of coalition partners is the backing of local governments. Between 2016 and 2017, an administrative reform entered the final stage, which resulted in mergers of local governments (some of these forced by the central government). Because local governments and their associations cannot veto the policy process, their position can be ignored. Due to the ongoing reform, there has been much confusion and ill communication as well as opposition to central government initiatives. However, the amalgamation process is completing by the end of 2017 and the next steps of the administrative reform, aiming at clarifying the division of competences between the levels of government, can facilitate better coordination.

Fifteen county governments – the regional arm of the central government – will be disbanded in 2018 with their functions divided between agencies of the central government and municipalities. In principle, this ought to improve 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 acts. 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 tenfold by 2020. Yet, progress has been very modest thus far and lack of human resources is one of the major obstacles to meet the target.

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 metoodika 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: 6

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. In November 2016, a comprehensive analysis of the strategy commissioned by the Government Office proposed updates to the sustainable development strategy together with a range of indicators for assessing objectives of the strategy.

## Citation:

Summary of the Analysis of the Estonian Sustainable Development Strategy “Sustainable Estonia 21”.  
[https://riigikantselei.ee/sites/default/files/content-editors/Failid/SA\\_eesti/summary\\_of\\_se21\\_analysis\\_eng.pdf](https://riigikantselei.ee/sites/default/files/content-editors/Failid/SA_eesti/summary_of_se21_analysis_eng.pdf) (accessed 17 December 2017).

### 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 not legally binding, 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. All ministries employ an engagement coordinator who assists interested citizens and advocacy groups.

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: 6

Ministries in Estonia’s government have remarkable power and autonomy. Therefore, ministers belonging to different political parties sometimes make statements that are not in line with the general position of the government. However, in the period under investigation, this has occurred very rarely.

### Implementation

Government  
 Efficiency  
 Score: 8

In November 2016, a coalition led by Jüri Ratas (Center Party) entered office after Prime Minister Taavi Rõivas (Reform Party) lost a no confidence vote in the parliament. Basic principles of government for the period 2016 – 2019 stipulate four priorities: to safeguard and increase national security, to bring Estonia out of economic stagnation, to increase public welfare and cohesion, and to grow the population. The Government Action Plan 2016 – 2019 and 100-Day-Action Plan (together with an Evaluation Report published in March

2017) have been published on a government website. Of the 101 tasks for the first 100 days, only 10% remained unaccomplished, mainly due to a need for additional investigation. Thus, in terms of quantity, the government has been sufficiently effective. In terms of quality, significant progress has been made compared to the previous cabinet. First, tasks are better aligned with the strategic policy goals and second, several burning issues have finally been brought into the agenda (e.g., tax reform, pension reform, and securing the sustainability of pension funds).

As a joint effort by the thinktank Praxis and Estonian Employers' Confederation, an independent project Riigireformi Radar (Governance Reform Radar) was launched in 2016 for monitoring the administration's performance in making the government more efficient. An expert panel assesses government's performance every three months along five dimensions. The evaluation in September 2017 commended the accomplishment of an administrative reform (i.e., the amalgamation of municipalities) but remained critical of improvements of central government efficiency.

Ministerial  
Compliance  
Score: 9

Estonia typically has coalition governments; reaching an agreement on priorities and goals of the future government is the core issue of the cabinet-formation process. After a coalition cabinet is sworn in, 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 a representative of each coalition partner. Compared to some previous governments, the sitting coalition places less emphasis on the coalition committee, instead discussing most issues openly at cabinet meetings. This can be regarded as evidence of general concord within the government, which facilitates implementation of the government program.

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. Even though the prime minister has little power over ministers, they rarely challenge the government program. Still, sometimes line ministers break with consensus, which results in bilateral talks with the prime minister.

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%. Pre-recession levels will first be restored in 2018. In addition, considerable uncertainty looms over the tasks of local councils following the municipal mergers completed in 2017.

Constitutional  
Discretion  
Score: 5

According to the Estonian constitution, local self-governments can independently decide on all local issues. The rights and responsibilities of local governments are stipulated in detail in the Local Government Organization Act. In the spring of 2016, the government launched a radical administrative reform, including merging smaller local governments (i.e., with fewer than 1,000 residents) into larger units comprising at least 5,000 residents. Mergers were carried out by the central government where they did not occur voluntarily; several municipalities appealed the decisions to the courts. However, the Supreme Court ruled that the central government acted in accordance with the constitution.

National  
Standards  
Score: 6

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 unit responsible for developing a comprehensive system of public-services standards. In 2013, a green paper on public services was approved by the government cabinet, establishing online-service standards as the main priority. However, besides one other sophisticated study on possible quality evaluation methods for various public services (2014), no progress has occurred. Since several public services are provided at the local level, the quantity and quality of services varies greatly across municipalities.

### Adaptability

Domestic  
Adaptability  
Score: 9

The most important supranational organization affecting domestic policies is the European Union. After consultations with the parliament and advocacy groups, the government has typically adopted a framing-policy document (e.g., Estonian EU Policy 2015 – 2019). 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 within the GO provides 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. To prepare for the 2017 Estonian Presidency of the Council of the EU, a special task force (i.e., GO Presidency Team) was formed with 31 positions. For the presidency, 335 temporary positions were established with relevant staff training. These arrangements were successfully accomplished even though the EU Presidency started six months earlier than initially planned.

The parliament's European Union Affairs Committee issues political positions on draft EU legislation, provides political opinions and oversees the activities of the government as it implements EU policies.

Cooperation with international organizations (e.g., WTO, OECD and NATO) is the responsibility of the Ministry of Foreign Affairs.

International  
Coordination  
Score: 5

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 and IT), but integrated coordination and monitoring across policy fields remains in its infancy. Yet in some specific areas, such as development aid and 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

Institutional  
Reform  
Score: 5

government as a whole. This enables nominations to better reflect current needs. However, it is generally difficult to estimate how systematic and consolidated the government's self-monitoring activities truly are. The maximum limit on the number of ministers is likely to be removed in 2018.

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 public broadcasting services is a fundamental feature of Estonian society. Besides news media, the websites of ministries and executive state agencies inform citizens about forthcoming policy changes (e.g., a change in tax exemptions beginning in January 2018). Extensive media consumption and high Internet penetration suggest that citizens may be well informed on major policy topics. However, there is virtually no survey data on citizens' policy knowledge.

### 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 (12 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 2016 and 2017, two 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. Members of parliament 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. In 2017, two special study committees were formed to analyze in depth on the demographic crisis and state reform. Both committees can compel information from state authorities, including financial forecasts and expenditures, related to the topic under investigation.

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. Considering the recent establishment of two new study committees, the workload of several MPs has increased and some have voiced concerns about unreasonable fragmentation under scarce resources.

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, rather it must remain independent. 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.

Ombuds Office  
Score: 2

The Estonian parliament does not have an ombuds office. There is, however, a separate and independent Legal Chancellor who performs the ombuds function. 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 (offline 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 information on government plans and policies. There are three national daily newspapers, two main weeklies, two online news portals, four TV channels and three public-radio channels. Together, these comprise the majority of the entire domestic media market (except for radio broadcasting, where music stations account for the largest market share) and provide adequate information and some analysis of government policy. 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 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 18 branch unions. In comparison to many western European countries, its policy formulation capacity is rather weak. The head office includes the secretariat 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 and labor market 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 programming period to increase their analytical and policymaking capacities.

Association  
Competence  
(Others)  
Score: 6

The policy-formulation capacity of non-economic interest groups 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 are mainly local, but their actions can have a nationwide impact on transport and industrial policy. Religious groups are not active in domestic politics or policymaking efforts.

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