

SGI Sustainable
Governance
Indicators

2014 Estonia Report

Anu Toots, Axel Reetz,
Detlef Jahn (Coordinator)



Executive Summary

Estonia is in many respects a successful transition country that has demonstrated impressive progress in building a sustainable democracy. In fact, in the 2012 Bertelsmann Transformation Index Estonia ranked fifth among 128 nations in transition, and in the BTI's assessment of good governance (Management Index), Estonia achieved an even higher rank: third.

Globally, Estonia ranks among the top performers in media freedom and internet penetration. The internet is also widely used to enhance conventional and unconventional forms of political participation. In the 2011 parliamentary elections, for example, about 24% of voters used electronic voting, or I-voting. Also, in 2013 a public online deliberation platform called the People's Assembly was set up for crowd-sourcing ideas for law amendments. However, Estonia's democracy is not without its shortcomings. Citizens have no opportunity to initiate a referendum and they often feel that political elites are not responsive to their ideas. As a result, public trust in political institutions is declining. Estonia's non-transparent system of party financing was a topic of major debate in the beginning of the review period, which resulted in legal amendments that clarify donations, campaign financing and financial accountability of political parties.

In terms of civil and political rights, Estonia is remarkably progressive in some areas. For example, not only Estonian and EU citizens, but also permanent non-EU residents have voting rights at municipal elections. An option to set the active voting age at 16 is also under consideration. On the other hand, the social outcomes of Estonia's non-discrimination policy are not so good, particularly with regard to gender equality. Gender pay gap is the largest in the European Union, women are highly underrepresented in politics and CEO positions, and 50% of all applications concerning discrimination were made on the basis of gender.

Economically speaking, Estonia pursues a strict fiscal policy that has resulted in the lowest governmental debt in Europe, but only following strict austerity measures in several policy areas such as local government, policy and rescue forces, health and education. Although the consequences of the global

economic crisis are still felt, the economy is slowly recovering. In 2009 – 2012, exports more than doubled and continue to be one of the major factors driving economic growth. While unemployment substantially decreased, long-term and low skilled unemployment increased, which shows that labor market policy lacks cross-sectoral cooperation and fails to address the problems of the most disadvantaged groups.

Estonia is generally established as a liberal welfare model with some Bismarckian features in health care and unemployment policy. In general terms, Estonia's development during the review period was successful, as poverty and inequality did not increase, even during the recession. In fact, there was a slight decline in the Gini index, indicating greater wealth equality. However, there are some important weaknesses in management and outcomes of welfare policies, namely a high rate of child poverty, long waiting lists to receive specialized medical care and the highest health disparities across income groups among OECD countries. Concerning social benefits, the main problems involve the eroding consensus on how best to manage Estonia's social insurance and social security system, which are covered by the same term in the Estonian language. Divided into three pillars – state pensions, mandatory funded pensions and supplementary pensions – the scheme has been subject to criticism as the state pension fund and health insurance contributions are increasingly underfunded. Disagreements between social partners and government about the management of social funds caused a sharp conflict regarding the Unemployment Insurance Fund (UIF) in 2012 because labor market partners did not agree with the government's plan to integrate UIF resources into the state budget and keep contribution rates high, despite an improving labor market situation.

The government did not introduce large-scale institutional reforms during the review period. However, in the areas of promoting good governance and responsive decision-making, the government has made remarkable advancements. Firstly, it further elaborated the process of impact assessment, and now the efficiency of all legal acts, whether they are in progress or already in force, must be assessed periodically. In addition, methodical guidelines of impact assessment have been issued in order to enhance the capacity and quality of regulatory impact assessment (RIA) in ministries. Secondly, consultations with societal actors became better regulated under the Good Engagement Practices.

The coalition government is very much performance-oriented and therefore puts a lot of emphasis on performance monitoring. The government runs a

publicly accessible interactive Web tool and the independent Government Watch also keeps an eye on the government's performance. After two years in power, the government has accomplished about 12% of its objectives, about half were in progress.

Key Challenges

Estonia is known internationally as a country with a balanced budget and low government debt. Its 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 levied by social taxes, at least to some extent. In addition to strengthening social equity in society, this measure would also contribute to the financing of the welfare state.

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

Besides recalibrating its tax system, Estonia should develop its knowledge-based economy. The performance of the Estonian innovation system has been remarkable over the past two decades. However, it currently focuses top-end enterprises and remains largely detached from much of the country's economy. Policymakers should also expand research, development and innovation (RDI) measures to small and medium sized enterprises and traditional branches of the economy so that RDI output can contribute to structural reforms. Furthermore, the RDI potential of national universities and regional colleges should be more intensively linked to the country's economic and social goals.

The institutional structures in which governance takes place are well established and stable. This allows policymakers to focus on developing the executive capacity of government, which they have in recent years. However, Estonia faces the problem of overproducing strategies, failing to coordinate the

variety of strategies in circulation, and grappling with the challenges of implementing the 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, “Sustainable Estonia 21.” Second, to facilitate implementation of such cross-sectional strategies, better coordination between ministries is needed. Furthermore, the strategic capacity of the Estonian Cabinet should be enhanced, in particular when it comes to policy formulation, which currently is often passed on to line ministries.

Contemporary governance requires appropriate governing capacities locally and internationally. Estonia has made impressive gains in the latter but not in the former. Local governments are heavily dependent on resources transferred from the central budget and, in years of economic recession, their budgets have been heavily cut. To enable local governments to fulfill their mandates, their financial situation must improve. One means of doing so would involve introducing municipality mergers that have been pending for nearly 10 years. Larger government units provide better opportunities to enhance the quality and capacity of public services and, in sum, improve the quality of life.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 9

As an EU member state, Estonia forms its economic policy in accordance with EU strategies. Thus, the ideology of smart growth has been the guiding principle of national economic policy. Estonia used to have seven-year-strategies for entrepreneurship policies; the strategy one for the period 2014 – 2020 was in process at the time of writing. 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 developments of R&D strategies.

These two strategies are supposed to be complementary. However, poor coordination, duplication and lack of synergy between ministries have been continuous problems. A clear example of lacking coordination is the issue of 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, also becomes an important actor in economic policy. Besides a lack of coordination between ministries, a shortage of qualified and motivated workers is another barrier in building a smart economy.

As for good performing areas in Estonia's economic policy, the advancement of international business activities is one. Government strongly supports

enterprises in enhancing their export capacities, mainly via Enterprise Estonia, which provides financial assistance, counseling, cooperation opportunities and training for entrepreneurs. In 2009 – 2012 exports more than doubled and contributed substantially to the recovery of the national economy following the economic downturn.

Labor Markets

Labor Market Policy
Score: 6

Important labor market reforms in Estonia coincided with the global economic crisis in 2008. The government carried out reforms to its labor market policy before the economic downturn at the peak of the crisis. Not surprisingly then, labor market performance since reform has been diverse and mixed. Additionally, the extremely turbulent economic environment had an effect on employment. In 2010 – 2012 the employment rate slightly increased and unemployment decreased substantially. The share of registered unemployed persons who participated in active labor market policy (ALMP) measures increased from 55% in 2011 to 84% in 2012. However, long-term unemployment and low skilled unemployment even increased in during the review period despite an improving economic situation. These trends suggest that labor market policy has failed to address the problems of the most disadvantaged groups. The high number of unemployed and low skilled youth is a serious threat to a the well functioning labor markets for two reasons. Firstly, employers complain that the shortage of skilled labor is the main obstacle in expanding their businesses. Secondly, many low skilled workers and youth leave the country in search of opportunities abroad, which decreases labor supply and tax income. Although the Estonian Employers' Confederation and the national government have recognized the problem, their reaction has remained at the rhetorical level.

Minimum wage regulations are in force, and the wage level is fixed annually according to a tripartite agreement. Collective bargaining agreements are typically made at the level of enterprises or employment branches in Estonia. In 2012, disagreements on pay level sparked several strikes.

Unemployment insurance has been in effect since 2002, but in 2011 – 2012, a very sharp conflict arose concerning how to govern the Unemployment Insurance Fund (UIF). The major dispute between social partners concerned dissatisfaction with high unemployment insurance contribution rates and government's plan to integrate UIF resources into the state budget. Labor unions and the Estonian Employers' Confederation accused the government of limiting the autonomy of the tripartite council and of putting the capacity of the

UIF to fulfill its mandate at risk. Despite protests of the labor market partners, the parliament passed the legal amendment in accordance with government plans.

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 levied with social insurance and, therefore, many small enterprises prefer to pay dividends instead of fair wages. Thus, the taxation policy does not fully meet the criteria for horizontal or vertical equity.

The Estonian welfare system is almost entirely financed out of 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 second, this strategy will probably be unsustainable for sufficient financing of social services in the future given Estonia's shrinking labor force. Some economic experts also draw attention to the modest share of taxes in the state budget. In 2011, income from taxes and social insurance contributions composed 65% of the budget, and 67% in 2013 (forecasted).

Budgets

Budgetary Policy
Score: 10

Estonia has followed strict fiscal policy for decades. Every effort has been made in order to maintain a balanced state budget in times of economic recession. As a result, the country has the lowest debt as a percentage of GDP in Europe and is able to meet future financial obligations without putting an extra burden on future generations. Yet, maintaining a balance budget has come with some costs. The government substantially cut municipal budgets in 2010 – 2011, and many local governments have been struggling with budgetary debts and insufficient resources.

Research and Innovation

R&I Policy
Score: 7

Research, development and innovation, or RDI, have been strong priorities for national development. The priority position is reflected in a relatively sophisticated set of policies and instruments, and an increase in RDI expenditure over the past several years, which is slowly approaching the EU average. RDI investment has paid off, as the University of Tartu is now ranked among the 200 best universities worldwide by QS World University rankings.

“Knowledge-based Estonia,” the Estonian Research, Development and Innovation Strategy 2007–2013 aims to foster an innovative knowledge-based society and economic system. Policymakers see knowledge-based high-tech industries as paramount to retaining the country’s competitive advantage.

The development and performance of the Estonian innovation system has been remarkable over the past two decades. However, recent evaluations also point to some weaknesses. Policy measures have been much more successful in developing scientific research, as indicated by an increased number of international publications, patents, as well as researchers and engineers. Advances in the development of high-tech products and services are also noticeable but less prominent. One problem is RDI measures are focused on the top end of the economy and the innovation system is, in general, quite detached from a vast part of country’s economy. As a result, RDI output does not contribute to the structural reforms of 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. Basically, as with its economic policy, Estonia faces the problem of overproduction of strategies, lack of coordination and difficulty in implementing all its sophisticated programs.

Citation:

Peer-Review of the Estonian Research and Innovation System: Steady Progress Towards Knowledge Society. 2012

http://www.mkm.ee/public/ERAC_EE_Peer-Review_Report_2012.pdf

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 structural unit of the Estonian Police and Border Guard Board. The FIU analyses and verifies information about suspicions of money laundering or terrorist financing, 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.

The second major area in which Estonia works to stabilize finances on an international level is by supporting the stability of the eurozone. Estonia signed the EMS treaty in 2012 and has contributed to solving financial crises in Greece (2012) and in Cyprus (2013).

Citation:

Money laundering prevention in Estonia <http://www.fin.ee/organizations-of-money-laundering-prevention-in-estonia>

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 had top-scores in PISA 2006 and 2009, ranking as one of the highest in Europe for educational outcomes. A small number of low achievers and modest school-level variance in student achievement are important strengths of the Estonian education system. Also, the enrolment rates at various education levels, including lifelong learning, are above the international average. Moreover, Estonia has reached some of the ET 2020 headline targets already, and in others it is very close to the target level.

Municipalities provide pre-school education and it is largely accessible (the enrolment rate is about 95%). However, some fast growing urban areas have experienced a shortage of vacant places. General education and vocational education and training (VET) are free and at the tertiary level about 50% of students pay tuition. There are about 500 general education schools, 50 VET institutions and 30 higher education institutions (HEI) including six public universities.

Interestingly, while higher education is generally associated with better employability and a higher salary, that is less so the case in Estonia. 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. Gender pay gap – the highest in Europe (28%) – is one aspect of this larger problem.

Citation:

Estonian Human Development Report 2012/13, Chapter 1.3. Education <http://www.kogu.ee/olemus-ja-roll/eesti-inimarengu-aruanne/eesti-inimarengu-aruanne-2013/>

Social Inclusion

Social Inclusion
Policy
Score: 6

As result of the transition period, Estonia has established a welfare system that resembles the liberal welfare model. Its poverty and inequality figures are at 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 because poverty and inequality did not increase during the last decade. In fact, there has been a slight decline in the Gini coefficient. At the same time, some social groups are still at serious risk of poverty, and the government has not addressed the problem with any significant policy initiative. Indeed, a number of social problems persist, namely high child poverty rates, an extremely high rate of long-term unemployment and significant proportion of young people not in employment or education. Moreover, income levels are much lower in rural and remote regions compared to the capital area, mirroring great regional disparities. The absence of relevant policy measures has accelerated emigration of the working age population, which in turn puts an additional burden on families and makes the formulation of sound social policy all the more difficult. On the positive side, the government has established some policies for disabled people, such as labor market and social integration measures.

Despite the average objective poverty and inequality levels, the subjective perception here is much more critical. The majority of Estonians feel that income disparities are too high and that their job income does not correspond to their personal contribution. Furthermore, life satisfaction is lower than in comparable countries.

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. The high quality of medical services can be attributed to two main factors: policy learning that has

come from having a long-standing universal health system with total population coverage, and to the high quality of in-service training in medical schools and in at the University of Tartu. Other supporting factors include a policy focus on disease prevention and exercise (especially for children and youth), and increasing public awareness about healthy lifestyles. However, concerning the latter, there are sharp disparities across income levels and socioeconomic status.

In the 1990s, Estonia created a social insurance based health system, which included some non-Bismarckian features such as general practitioners. Yet, the principle behind the system affects access to health services. Members of the working-age population who are not employed or in school are not covered with health insurance. As a result, quite a large share of the population lacks access to the free health care (according to various estimates about 10%). And when unemployment increased as a result of the 2008 global economic crisis, the number of uninsured people jumped as well.

Strict insurance and cost efficiency principles have brought not only positive outcomes, but also some negative social effects. One of the major problems has been long wait times to see specialists and receive in-patient care. Emigration of personnel due to low wages has further burdened the system. A second major problem is stark inequality across income groups, especially in terms of self-perceived health status.

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 female employment rate. In the 2000s, family policy has been high on the political agenda, initially because of low fertility and later because of 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 daycare facilities in urban areas for children aged 0-2 explain why childcare density in this age group is relatively low. However, this indicator is increasing year by year. Parents are allowed to work until a certain limit without losing benefits, which facilitates combining professional and family life. In families with preschool or young school age children, it is very common for mothers to work full time. In recent years, various part-time and flex-time work options, that provide more choices for families to manage their everyday lives, have spread significantly.

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 because most of the current pensioners do not have the mandatory funded pillar, and their benefits depend on the social insurance contributions made by current employees to the first pillar. Voluntary privately funded pensions also exist (third pillar), but they have remained quite marginal in terms of coverage and assets.

Poverty among the elderly is modest compared to many EU countries, and has decreased even further in recent years. However, the situation is not entirely without problems. First, a significant increase in poverty among elderly in 2011 – 2012 occurred because the level of wages and salaries that rose sharply during the economic boom in 2007 – 2008 came down. Thus, the working population is less wealthy today. Second, old age pensions are quite low (€334 in 2013) and the average increase in 2011 – 2012 composed just 0.2%, which clearly underperforms inflation (about 4% to 5% per year). Thus, although elderly people do quite well compared to some other social groups, they still have to struggle to make ends meet.

The modest living standard of current pensioners is part of the price that the country is paying in order to secure financial stability of the pension system. Current pension payments comprise 6.5% to 6.6% of GDP and contributions roughly 5.5%. Thus, the annual deficit of public pension insurance is about 1% of GDP, and according to the forecast this remains at that level for coming 10-20 years. However, there are some demographic and labor market factors that may increase the risk of debt. Increasing life expectancy and low birth rates worsen the dependency ratio and the current measure aimed at postponing retirement will be insufficient. Thus, Estonia faces the challenge of how to implement new mechanisms that allow for an aging demographic without endangering the three pillar structure.

Citation:

Analysis on Possibilities of Sustainable Financing of Social Insurance. (in Estonian)
http://www.praxis.ee/fileadmin/tarm_o/Projektid/Tervishoid/Eesti_sotisa_alkindlustussusteemi_jaetkusuutlik_u_rahastamise_voimalused_luehiversioon.pdf

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 today, 16% of whom are foreign born. The national immigration policy introduced in 1990s has since been regularly updated and monitored, with the government allocating substantial national and EU funds to various integration programs. One of the major areas of focus has been Estonian language teaching in order to increase the employability of the immigrant population. Language instruction has been more effective in formal education settings and with younger immigrants, which is reflected in a tertiary education attainment rate similar to that of the native population. However, the unemployment rate of the immigrant population is almost twice as high as the national average, and during the 2008 economic crisis, immigrants were at higher risk of job loss. Yet it should be noted that immigrants were typically employed in regions or labor market areas that are not economically strong and competitive. Russian minorities, for example, have been geographically isolated one county close to the Russian border since Soviet times.

As a result of the large Russian speaking population in Estonia, there are public educational institutions (up to upper secondary level) where Russian is the primary language. The Estonian public broadcasting station has a radio channel and several TV programs in Russian. Regarding voting rights of immigrants, as discussed above, permanent residents without Estonian citizenship can vote at municipal elections, but they are not allowed to stand as a candidate or vote in general or EU parliament elections. Several public and private actions have been carried out to facilitate civil society activism among immigrants and some progress is visible in this area. However, native Estonian and immigrant populations still live side by side rather than together.

Citation:

The Strategy of Integration and Social Cohesion in Estonian 2020. <http://integratsioon.ee/en>

Safe Living

Safe Living
Conditions
Score: 7

Despite improvement in recent times, Estonia ranks at the bottom in homicide and violence statistics in the OECD. 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 if it occurs, it is usually an alcohol related conflict between people who know each other. The police enjoy public trust and support, but the main problem is scarcity of human and material resources. Due to very strict fiscal policy, all security forces have to survive on cut budgets, which has led to the closing down of police and rescue units in rural areas. As a result, people of small towns and villages feel less secure than they used to. In response, local people have organized voluntary rescue groups and neighborhood watch groups.

Citation:

Estonian Human Development Report 2012/13, chapter 2.3. <http://www.kogu.ee/olemus-ja-roll/e-esti-inimarengu-aruanne/eesti-inima-rengu-aruanne-2013/>

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 and compose 0.1% of GDP. In January 2011, the Estonian Government approved the Strategy of Estonian Development Cooperation and Humanitarian Aid 2011 – 2015, which takes the UN MDGs as a departing point. The strategy contains objectives and main fields of activities, as well as 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 the areas in which Estonia is acting as a trend-setter. Generally, however, the government's approach is to follow international strategies and policy guidelines on development assistance.

In parallel to government, NGOs and private enterprises work in the field of international development. Awareness raising campaigns in the fair trade movement is one example of NGO activity. Due to open economic policy and the absence of protectionist measures on trade, 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>

III. Environmental Policies

Environment

Environmental
Policy
Score: 9

Environmental awareness have 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. Furthermore, its national program on Reduction of Greenhouse Gas Output 2005 – 2012 also addresses climate change.

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 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.

As for forest area, more than a half of Estonian land is covered by forest. 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 and the remaining third has been placed under different protection regimes. In terms of the proportion of protected forests, Estonia ranks 10th place in Europe. 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 “ecoducts” will be open soon on the main national highways.

Citation:

The Environment Indicators of Estonia http://eelis.ic.envir.ee:88/seireveeb/envirind_avalik/index.php?l=en&t1=AVALEHT

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 second, 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. All registered political parties can nominate their candidates. Besides political parties, two or more citizens can form an election coalition to participate in municipal elections. Municipality electoral committees register election coalitions. 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 local, general and European Parliament elections.

The Estonian president is elected by the parliament. At minimum one fifth of parliament members can nominate a candidate.

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 public broadcasting and TV. Access to 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. Concerning electoral campaign expenses, there is not an upper limit in Estonia, thus the situation does not favor candidates with fewer financial resources. Yet, these disparities do not follow coalition-opposition divide, nor is discrimination related to racial, ethnic, religious or gender status. Because of the high Internet penetration rate, various e-tools are becoming widely used in electoral campaigns. 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. A move to decrease the voting age to 16 at municipal elections is currently under debate. Uniquely, Estonia still has a significant number of non-citizens, but it is one of the few countries in the world where all

legal residents, regardless of their citizenship, have the right to vote at least in local government elections. EU citizens residing in Estonia can vote in municipal and European Parliament elections. Estonian citizens residing abroad can vote in all Estonian elections.

The state authorities compose the voter register with data from the population register. There is no need for eligible voters to take any action to be included in the voter register. Each registered voter is informed by post or e-mail about all voting options, voting day, location and opening hours of his/her polling station.

To facilitate participation in voting, Estonia uses advanced voting (starting seven days before election day) and I-voting. I-voting was first introduced in the local elections of 2005, and continued for the 2007 parliamentary elections and the 2009 European Parliament elections. In the 2011 parliamentary elections, about 24% of the participating voters used I-voting. I-voting is an especially effective tool for voters who are very mobile, as is the case for Estonians living abroad.

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 financing regularly on their party's website. Amendments of the APP that entered into force in April 2011 strengthened and clarified the rules on financing. One of those amendments stipulated the establishment of an independent body, The Supervision Committee (ERJK), which checks whether parties have properly declared all financial resources and spending; the committee can also issue precept cases when parties violate the law. Despite significant improvement, several loopholes for circumventions still remained. In order to improve the situation, the next amendment of APP was launched in May 2013. With these amendments the regulatory and investigative powers of the Supervision Committee will further expand. Also, the definition of legal and illegal donations will be clarified. Illegal party financing is common in Estonia as recent scandals have shown. For example, one of the parties allegedly receives financing from the Russian government.

Citation:

Third Round Evaluation Report by GRECO on Transparency of Party Funding

[http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2012\)1_Second_Estonia_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2012)1_Second_Estonia_EN.pdf)

<http://www.baltictimes.com/news/articles/31282/>

http://www.economist.com/blogs/easternapproaches/2010/12/estonias_dirty_xmas

Popular Decision-Making
Score: 2

According to the Estonian constitution, referendums can be initiated by the national parliament (Riigikogu); there is no opportunity for citizens to initiate a referendum.

There is strong popular support to introduce a referendum with binding results as citizens' initiatives. The People's Assembly, an online platform for crowd-sourcing ideas and proposals to amend legal acts related to the development of democracy in Estonia, organized a public debate on this topic in the spring of 2013. However, results from the process had not been released as of the end of the review period.

Access to Information

Media Freedom
Score: 10

Estonia follows a liberal approach to media policy, which means that very minimal legal restrictions apply. The Freedom of the Press Report classifies Estonian media as "free" and in the Reporters Without Borders Index 2011 – 2012 Estonian was ranked the second best for media freedom after Finland and Norway.

Estonian National Broadcasting (ERR) acts under the Estonian Public Broadcasting Act. The highest authority of ERR is the Council, which consists of nine members. Based on the principle of political balance, five are specialists in the fields of culture and communication. The ERR Council is re-elected every five years.

Media Pluralism
Score: 8

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. However, in general, the media ownership is quite concentrated and a majority of newspapers and magazines belong to the three companies (Schibsted, Ekspress Grupp, Bonnier), two of which are foreign companies.

Due to a high Internet and cable TV penetration rate, electronic media is important. All major newspapers have an online version, and there are two news portals. One of them is public and run by the Estonian National Broadcast (www.err.ee). Web-based TV and radio are also rapidly expanding, which allows more choices to public.

Access to Government.

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

Information
Score: 10

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 on 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, which acts as an ombudsman and preliminary court, educator and adviser, auditor and a law enforcement agency. The inspectorate investigates breaches of information rights both on the basis of complaints and at its own initiative.

Because Internet use is very widespread in Estonia, the strategic policy has been to develop and advance access to the official information via official websites and portals. All municipalities, political parties and government institutions must keep a website, which must contain at least the information defined by legal acts. Also, in order to guarantee everyone access to public information, municipalities have to provide free Internet access in local public libraries.

Citation:

Estonian data Protection Inspectorate. Annual Reports <http://www.aki.ee/en/inspectorate/annual-reports>

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. However, high state fees for judicial procedures and the length of judicial proceedings have caused concern, as voiced by the citizenry and by the Chancellery of Justice. Government responded to this by substantially lowering state fees for the majority of proceedings as from 1 July 2012. However, the length of preliminary investigations remains a problem.

The Chancellor of Justice plays an important role in ensuring civil rights more broadly. The chancellor makes sure that authorities and officials performing public duties do not violate people's constitutional rights and freedoms, and that persons held in places of 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 with the issue of concern. The largest number of complaints the Chancellery received in 2011 were against judges and the

second highest related to the activities of courts (25 and 8 proceedings respectively). The majority of these cases were related to criminal enforcement law and imprisonment law and were initiated on the basis of petitions by prisoners. In the majority of these cases (79%), no substantive proceedings were initiated.

Citation:

Overview of the Chancellor of Justice Activities 2011. http://oiguskantsler.ee/sites/default/files/annual_report_2011_.pdf

Political Liberties
Score: 10

Political liberties are an important part of Estonia's constitution and they are widely respected in society. Nine political parties, which cover 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. In recent years, Estonia has witnessed several massive strikes (e.g., by teachers, medical workers, transport workers) that professional associations organized in order to demand higher pay. In 2011 – 2012, there were also political protests and online campaigns against the current government and his neglect of public concerns, including those regarding the controversial Anti-Counterfeit Trade Agreement (ACTA).

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

Non-discrimination
Score: 7

Discrimination is prohibited by law and corresponding governmental institutions are established to ensure non-discrimination. Besides the Chancellor of Justice, the Gender Equality and Equal Treatment Commissioner (GEETC) acts as an independent and impartial expert to monitor the situation. Legally, the rules are set by the Gender Equality Act (2004) and Equal Treatment Act (2009). The GEETC received 90 complaints of discrimination in 2011, and in 23 of those cases discrimination was proved.

Despite well-established institutional and legal structures, social outcomes of non-discrimination policy are not very good. As mentioned above, the gender pay gap in Estonia is the largest in the European Union. Also, women compose only 22% of the national parliament, and they are underrepresented in municipality councils and higher executive positions. Since 2011, there has been only one female minister in the government. Various enforcement measures (as having 50% of women in the business company boards) have been refused and the mainstream outlook is to focus on awareness building.

The gender problem is also reflected in statistics of cases filed to the GEETC. Of all cases concerning discrimination, 50% were made on the basis of gender, 9% on the basis of ethnicity, 6% on the basis of sexual orientation and 2 % on the basis of disability. Concerning the disabled, the government has taken various measures to facilitate employment, education and social involvement of disabled people. Yet their employment rate still remains marginal.

Same sex marriage has been hotly debated in recent years, sparked by government plans to legalize it. However, political parties and the public stand quite divided on the issue.

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 of the 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 in a short timespan, caused some inconsistencies and unexpected legal amendments (for example the increase of the VAT in 2009). However, today, legal regulations form a consistent and transparent system ensuring legal certainty.

Judicial Review
Score: 10

The structure of the Estonian court system is one of the simplest in Europe. The system is comprised, on one level, of county courts (4) and administrative courts (2), on the second of circuit courts (2) and at the top level is the Supreme Court. The Supreme Court simultaneously performs the functions of the highest court of general jurisdiction, of the supreme administrative court as well as of the constitutional court. The Supreme Court is composed of different chambers, the administrative law chamber being one of them. Administrative courts hear administrative matters. There are two administrative courts in Estonia with 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; there are also BA and MA law programs in two public universities in Tallinn. In total, the national government recognizes 14 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 the independence of judges are laid out in relevant legal acts (Kohtuniku staatuse seadus).

Together with the Chancellor of Justice, courts effectively supervise the authorities' compliance with the law and the legality of the official acts of the

Appointment of
Justices
Score: 2

executive and legislative powers.

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.

Corruption
Prevention
Score: 8

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

Abuse of the power position and corruption have been issues very much in the center of government and public concern. On the one hand, Estonia has succeeded in setting up a solid institutional and legal structure to avoid corruption through The National Audit Office, the Select Committee on the Application of Anticorruption Act by the national parliament, the Supervision Committee and the Anticorruption Act of 2013. On the other hand, from time to time cases of illegal conduct of high level civil servants, municipality officials or political party leaders appear. Such cases can be regarded as evidence of efficiency of anticorruption policy, but at the same it also demonstrates that there are still loopholes in, for example, the public procurement process and in regulation of party financing. In fact, the non-transparent system of party financing was one of the major topics of debate in media and politics in 2012. The Supervision Committee verifies whether political parties, election coalitions and independent candidates adhere to the requirements provided for in the Political Parties Act. During the 2011 parliamentary elections, the Supervision Committee discovered several violations of campaign financing rules and issued precepts in these cases. The Select Committee on the Application of Anticorruption Act by the national parliament keeps the economic interest declarations of high officials and members of the parliament. Corruption cases at the municipality level are another matter of concern. Local government officials often fail to perform transactions properly; they use local government assets to conduct transactions with companies that they have invested in. The interest of local government leaders in preventing the risk of corruption is small and awareness in this area very low. Thus, as the end of review period the state audit office was planning provide them with more assistance.

Citation:

Fourth Evaluation Round by GRECO on Corruption prevention in respect of members of parliament, judges and prosecutors. January 2013. [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEva14\(2012\)5_Estonia_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/GrecoEva14(2012)5_Estonia_EN.pdf)

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 6

The supporting structures of the government in Estonia are mainly located in the 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 abovementioned policy documents. The human resources of the unit are very limited, however, comprising only eight staff members. The Strategy Unit reports to the secretary of state, not the prime minister, which illustrates well the bureaucratic character of the unit.

Besides 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 passing of policy formulation initiatives to the separate ministries, makes the overall picture fragmented and uneven. The dominant pattern is that the government requests studies from research teams on an ad hoc basis. The extent to which research findings and recommendations influence reform

proposals varies greatly. Final reports of the research projects are made publicly available on the websites of the governmental institutions that requested the study. Some of the most important studies are also taken to the plenary session of the national parliament. For example, the Estonian Human Development Report always deserves parliamentary hearings.

Interministerial Coordination

GO Expertise
Score: 5

The GO capacities were substantially weakened in 1992 in the process of governmental reform. Currently, the GO and prime minister's structures have the main function to consult and monitor the governmental processes and to provide technical (judicial) expertise. There is no capacity to perform substantial evaluation of line ministry proposals. As a result, as the OECD governance report pointed out, policymaking lacks coherence and inter-ministerial cooperation.

Citation:

OECD (2011) Public Governance Reviews - Estonia: Towards a Single Government Approach. <http://www.oecd.org/estonia/publicationsdocuments/reports/>

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: 8

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 taken in the meetings, the main function being to exchange information and to prepare for formal government sessions.

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 process of concertation regarding each amendment or policy proposal before either is brought to the government. In addition to this formal procedure, senior civil servants of different ministries consult and inform each other about coming proposals; vice-chancellors are key persons in this informal consultation process.

Informal
Coordination
Score: 7

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 governments' associations. However, local governments often hold opposing positions to the central government, which makes reaching an agreement difficult. Because local governments and their associations cannot veto the process, their position is often just 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 process of impact assessment is quite well elaborated and some further measures have been implemented in 2011 – 2012. At the end of 2011, a government decree (Hea õigusloome ja normitehnika eeskiri) was adopted that included requirements to assess the impact of legal acts, to involve interest groups in the policymaking process and also to assess periodically the efficiency and outcomes of legal acts already in force. Special emphasis was placed on preparatory phases of legal amendments. According to the decree, social, demographic, economic, environmental, regional and administrative impacts have to be assessed in the process of preparation of a legal act.

At the end of 2012, the government adopted methodical guidelines of impact assessment in order to enhance the capacity and quality of RIA in ministries.

Because new regulations entail significant rearrangements and an increase in administrative workload, the decree will be implemented step by step. According to the guidelines, in 2012 RIA must be applied to at least a quarter of new legal acts, in 2013 to at least half of them, and in 2014 impact assessment regulations must be applied to all categories of legal acts, including existing ones.

Quality of RIA
Process
Score: 6

The legal framework for the RIA process was set in 2012. Thus, it is still in its infancy, which explains some of its shortcomings. On the positive side, legal regulations set in the governmental decree require the involvement of 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. Moreover, all this information is publicly available in the explanatory paper to the draft law.

Yet the process has some weaknesses, notably that the above mentioned information is only accessible at the late stage of the policymaking process, and therefore, there is not sufficient time for intervention. Also, evaluation of the RIA results by an independent body does not exist.

Sustainability
Check
Score: 5

The sustainability dimension is included in the methodological guidelines of RIA. The guidelines demand an assessment of the policy's impact the short-, medium- and long-term. However, sustainability takes quite a marginal position in the entire impact assessment process. The existing set of indicators is not explicitly linked to the sustainability check.

Estonia has a national long-term (30 year period) sustainability strategy, "Sustainable Estonia 21," 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: 8

Consultations with societal actors are regulated by the government's decision, Good Engagement Practices (GEP), approved in 2011. Although this document is not a binding legal act, it prescribes in detail procedures on how to engage 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 State Chancellery presents the overview of implementation of GEP to the government.

Due to existing regulations and established practices, it is almost impossible to avoid interest groups' involvement in the policymaking process. The main focus is on consultations during the preparatory phase, and a broad range of societal actors is typically involved. Later on, they are informed about the success of their proposals. Although there has been visible development in the engagement practices, it has not yet extended to the policy implementation or policy evaluation phase.

After a number of demonstrations, the president established a roundtable of citizens in 2012. This organ discusses citizens' political and societal ideas and

submits a document of proposals to the national parliament for further discussion.

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: 9

The Action Program of the Government 2011 – 2015 was drafted in order to implement the coalition agreement. The program is updated annually. Once initial goals have been met, follow-up actions required to fulfill the coalition's objectives are added to the program. In order to assess performance, seven priority areas covering 55 objectives in 18 different fields of policy have been set. There are benchmarks defined for each priority area.

Two different bodies, the government itself and independent experts, monitor the program and assess the government's performance in implementing it. The government runs an interactive Web tool where anyone can check the implementation status of the program. And in 2012, an independent think tank, Praxis, with financial support of the Open Estonian Foundation, launched another interactive Web tool to assess the government's performance in carrying out the program. According to the experts, in two years the government accomplished 61 tasks, 331 are in progress and 27 are not started. According to the government's assessment, in two years 58 tasks were accomplished, 37 were delayed, and the majority were in progress. In total, there are 539 benchmarks in the Action Program which makes it hard to get a overall picture. Yet, it is clear that current administration is very much performance-oriented.

Citation:

Government Watch website <http://valvurid.err.ee/filters#about,,,VXBkYXRl>,

Government's official website, implementation of the Action program <http://www.valitsus.ee/et/valitsus/tegevusprogramm/tegevusprogrammi-ta-itmine>

Ministerial
Compliance
Score: 9

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 its mandate from the president, it acts in accordance with the government program and rules of

	<p>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.</p>
<p>Monitoring Ministries Score: 5</p>	<p>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 very rarely challenge it.</p>
<p>Monitoring Agencies, Bureaucracies Score: 8</p>	<p>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 councilor, appointed by a minister. Agencies implement policies in the broader area, and they are accountable to the relevant ministry. Minister appoint directors of agencies. These organizational arrangements enable ministries to monitor the activities of executive agencies.</p>
<p>Task Funding Score: 4</p>	<p>Estonian local governments are heavily dependent on financial resources from the central budget, as revenue from local taxes is almost nonexistent. During the economic recession, the central government cut funds allocated to the local governments by 13%, and despite improvement in the economic situation, the pre-recession rates have not been restored. As a result, local governments have serious difficulties in even financing the tasks required by law. These unfunded tasks have given ground to hot debates between the local and central governments, and have resulted in some court cases (2010). The National Audit Office even compiled a special report, "Impacts of the decrease in revenue on the activities of municipalities and cities through 2009–2010". Yet, as of the time of writing the situation has not improved substantially and adequate funding to local governments remains a major concern.</p>
	<p>Citation: Impacts of the decrease in revenue on the activities of municipalities and cities trough 2009-10, National Audit Office 2011. http://www.riigikontroll.ee/tabid/206/Audit/2174/OtherArea/1/language/et-EE/Default.aspx</p>
<p>Constitutional Discretion Score: 5</p>	<p>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 self-governments are very small – fewer than 2,000</p>

residents and eight to 10 civil servants in the municipal government. For example, according to the Estonian Child Protection Union, in 2013 about one fifth of children lived in municipalities, which do not have special social workers dealing with at-risk children. The shortage of administrative staff is closely related to the financial resources. The majority of local budgets are composed of central government revenue and heavy cuts in 2009 – 2011 significantly decreased the ability of self-governments to function.

National Standards
Score: 6

The issue of national standards is relatively new to Estonia's leadership. First the European Union, and later the OECD, brought it onto the government's agenda. Until recently, only transportation and water management had quality standards, though local self- governments were totally left out. Local self-governments and their unions had to take their own responsibility in ensuring quality of services. Yet as a result of the criticisms and 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 service standards. The new system, which was under design at the end of the review period, will include local self-governments and local services.

Adaptability

Domestic
Adaptability
Score: 9

The most important supranational organization that effects domestic policies is the European Union. Therefore, coordination of national interests in the European Union has been Estonia's main priority since it joined the union in 2004. After consultations with the parliament, the government adopts a framing policy document (e.g., "Estonian EU policy 2011–2015"), which defines the main principles and national objectives Estonia wants to pursue in the European Union. Generally, the formation and implementation of national EU policy is the responsibility of the government. For better coordination of national efforts, Estonia formed an interministerial Coordination Council on EU Affairs in 2012. Formerly, the Council and Secretariat in EU Affairs by the State Chancellery was coordinating administrative matters, but lacked proactive political planning competence. Thus, the establishment of the new coordination council is as an important step towards more coherent and efficient policymaking. The secretariat in EU affairs continues to provide administrative and legal support in preparing EU-related activities.

To follow democratic tradition of checks and balances, a European Union Affairs Committee exists in the national parliament. It forms political positions on the draft legislation of the European Union, provides political opinion and supervises the activities of the government in implementing EU policies.

International
Coordination
Score: 5

Cooperation with other international organizations (e.g., WTO, OECD, NATO) is in the responsibility of the Ministry of Foreign Affairs. The Vice-chancellor in European-Transatlantic cooperation is a member of the Coordination Council on EU Affairs.

Engagement in international development is mainly the responsibility of the Ministry of Foreign Affairs. Unlike the Coordination Council on EU Affairs (see “domestic adaptability”), there is an interministerial coordination group tasked with coordinating foreign policy issues that 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 non-existent. Given that policy collaboration is still in its infancy, one cannot speak about systematic communication between government and stakeholders. Yet, in some specific areas, such as development aid or combatting HIV/AIDS, various interest groups are active partners of government. In December 2012, Estonia became the headquarters for the EU Agency for large-scale IT systems as an independent European body (Regulatory Agency), which manages EURODAC, the Visa Information System (VIS) and the second-generation Schengen Information System (SIS II).

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. However, it is difficult to estimate how systematic and consolidated its self-monitoring has been.

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 only responded to the OECD’s call to move “towards a single government approach” at the rhetorical level. Strategic capacity still remains at the level of line ministries and not in the Prime Minister’s Office. Policymakers only utilize academic knowledge sporadically and mainly in the context of concrete reforms.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 8

Regular and massive consumption of news via daily newspapers and public broadcasting has long been a feature of Estonian society. According to the market research agency TNS EMOR, in 2012, 81.3% of the adult population reads at least one newspaper, and the average number of printed media outlets regularly read per person was six. Extensive media consumption suggests that citizens are well informed on major policy topics. Estonians also frequently use the Internet is also and they are guaranteed free Internet access in public libraries.

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 reports. In 2011 – 2012, the staff of the research department carried out 21 studies. However, because of a small budget and limited personnel (15 persons), studies are typically very small. In addition to its in-house experts, the national parliament can also order studies from universities or private companies. In recent years, five studies of this kind were performed. The second category of support resources is the administrative staff employed by the permanent committees. Typically there are three to five advisers per committee. The third group are advisers of parliamentary fractions. In total, there are 40 people working for fractions. MPs 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 for ordering 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

	<p>position. According to available information, the executive and its agencies generally provide requested information.</p>
<p>Summoning Ministers Score: 10</p>	<p>Permanent committees have the right to request participation of ministers in committee meetings in order to obtain information. However, there is no information how regularly committees use this possibility.</p>
	<p>In addition, MPs can individually forward to the ministers written questions and interpellations, which must be answered publicly at the plenary sessions of the national parliament within 20 days.</p>
<p>Summoning Experts Score: 10</p>	<p>Parliamentary committees are able to summon experts for committee meetings, which they do regularly and to an increasing extent. Each committee decides which experts to call in a particular matter. Besides ministerial representatives, researchers from universities or think tanks and 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.</p>
<p>Task Area Congruence Score: 9</p>	<p>There are 11 permanent committees in the parliament that by and large match the structure of government, which is also composed of 11 ministries. Besides task areas matching areas of ministries, there is also a committee of European affairs that monitors the entire national EU policy. Cultural and educational affairs are merged within the cultural committee, which may have resulted in a work overload because education has been heavily reformed in recent years and substantial number of draft laws has been passed by the parliament.</p>
<p>Audit Office Score: 5</p>	<p>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 government budgetary discipline and spending. Thus, with regard to the parliament, the NAO is an information agency of sorts.</p>
<p>Ombuds Office Score: 2</p>	<p>The Estonian parliament does not have an ombuds office. To raise an issue or forward a concern, citizens have to contact their MP. If a citizen wants to get information regarding the functioning and work of the parliament, an information request can be submitted (including online submission).</p>
	<p>Media</p>
<p>Media Reporting Score: 9</p>	<p>By providing a continuous flow of information and background analysis, the main daily newspapers, TV and radio stations offer substantive in-depth</p>

information on government plans and policies. There are six national daily newspapers, two non-dailies, four TV channels and three radio channels in Estonia that together provide information and in-depth analysis of government policy. These media outlets compose the majority of the entire domestic media market, except for radio broadcasting where music takes the major 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.

Parties and Interest Associations

Intra-party
Democracy
Score: 5

The decision-making process in different parties is similar. Formally, each party member can propose issues, but in reality inner circles of 15-20 party elites make most important decisions. All parties have their annual congress, where delegates elect the party leader and other governing bodies. One of the latter 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 candidates of the ministers in case the party is sitting in the coalition government. Another important decision-making body is the council that manages the party when the general assembly is not in session. The council is comprised of board members and elected representatives from regions. The council negotiates agreements with other parties in the parliament, including the decision whether to enter into 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 in the competency of the council to compose and agree upon the list of the candidates in general elections and European Parliament elections. Local organizations of political parties compose electoral lists for municipal elections.

Association
Competence
(Business)
Score: 4

The Estonian Trade Union Confederation (ETUC) is comprised of 20 branch unions. In comparison to many Western European countries, its policy formulating 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. Thus, trade unions are typically invited to contribute to the policymaking process, initiated by the government.

The Estonian Employers' Union has been more active (and even aggressive) in

Association
Competence
(Others)
Score: 6

making policy proposals, especially in tax policy and industrial policy. Yet, their institutional and analytic capacity is not significantly higher than that of trade unions.

Other interest groups, beyond social partners, have a similarly low level of capacity in formulating policies.

The policy formulation capacity of non-economic interest groups has substantially increased, and today some of them are able to propose concrete policy measures. The capability is varying across fields of interest and the scope of the intended impact. Most of the civil 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 depends also on the formal policy agenda, as it is easier to add some new proposal to the existing agenda than to set the agenda. Therefore, social interest groups lobbying on issue such as child protection, better socialization and care of disabled people, or same-sex marriage have been quite good at formulating relevant policies since relevant draft laws are pending. Environmental groups in Estonia act mainly at the local level and work to impact community policies. It is hard to provide any estimation of their policy formulation capacity, but there are several good examples in different municipalities. Religious groups typically are not active in domestic politics and policy.

This country report is part of the Sustainable Governance Indicators 2014 project.

© 2014 Bertelsmann Stiftung

Contact:

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh

Dr. Daniel Schraad-Tischler
daniel.schraad-tischler@bertelsmann-stiftung.de

Najim Azahaf
najim.azahaf@bertelsmann-stiftung.de