



Estonia Report

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Sustainable Governance Indicators 2019

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Executive Summary

In many respects, Estonia has successfully built a sustainable democracy. Among the 41 countries in the SGI, Estonia ranked seventh in terms of democracy, eighth in terms of policy performance and 18th in terms of governance in 2018. However, Estonia's policy performance and governance rankings have stagnated, which raises the question of whether the government turn to the center-left at the end of 2016 has made a difference.

The government has set itself three main objectives: to make Estonian society more equal, to bring the state closer to the citizens and to help those most in need.

Laying the basis for achieving these objectives, the country's recent economic recovery has been successful, evidenced by the record high employment level and an annual economic growth rate of 3.6% – 3.8%. Several labor market policy measures to reduce labor shortages, and enhance the employability of disabled people and people with low or outdated skills have been introduced. However, increasing labor shortages and high taxes on labor continue to thwart productivity, and more generally economic growth. The labor market situation has triggered debates about migration policy, the adaptation of regulation to new work patterns and the existing tax system.

One major accomplishment of the government has been an income tax reform, which introduced a regressive tax exemption. This will positively affect the welfare of low income households and decrease income inequality, which has been comparatively high.

The main elements of Estonia's welfare system (i.e., the health care and pension systems), which are based on the Bismarckian principle of social insurance, face fundamental problems in financing and coverage. Both issues are acknowledged by the government, yet the solutions implemented so far remain modest and incremental. The government has transferred extra tax revenues to social insurance in order to cover health care expenditures for pensioners and reduce waiting lists for specialized medical care. The PAYG pension pillar is accumulating debt due to the high population dependency ratio and Estonia's mandatory pension funds continuously perform the poorest

of any OECD country. Public opinion and political parties are divided over possible solutions, and – with the looming national and European Parliament elections in 2019 – social insurance reforms risk being put on hold.

The promise to bring the state closer to citizens has been limited and yielded mixed results. The main efforts have been at the local level where a long and painful process of municipal mergers has finally been completed. The first local elections for the newly created municipalities were held in October 2017. However, the legitimacy and working routines of the new municipalities still need to be established, and access to public services needs to be improved.

At the central government level, little progress has been made on policy innovation, quality management and pursuing holistic approaches. This can partly be explained by the Estonia's presidency of the European Union in the second half of 2017, which did not leave enough time or resources to engage with domestic governance reforms. The current situation presents mixed signals. Non-parliamentary actors voice dissatisfaction with the existing state of affairs, while legal amendments passed by the parliament have so far been of marginal importance.

The general public has remained rather silent during the period under review, which can be taken as proof that democracy is well established and secure in Estonia. The political party landscape is modestly polarized and all major political ideologies are represented in the parliament. The campaign for the March 2019 parliamentary elections has so far addressed substantial economic and social issues, and it seems that – first time in Estonia's recent history – the “Russian card” will not play a central role. Ethnic minorities and young people have become more actively engaged in politics, although 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. However, the current government is actively stimulating the economy via large-scale infrastructure projects, which according to the Bank of Estonia may have negative effects. One negative effect could be increasing labor shortages, leading to a decline in private sector investment and slow productivity growth. The government should avoid fast and simple solutions, such as allowing low-skilled labor migration from third countries. A package of motivation and risk-sharing measures to encourage private sector

investments and promote a more cooperative organizational culture will provide more sustainable results. Furthermore, R&D activities in universities must be better linked to the country's economic and social priorities, and benefit SMEs.

The Estonian tax system, designed in the early 1990s, is straightforward and transparent, but poorly suited to today's work and lifestyle patterns. The current government has proposed several measures to diversify revenues and increase the vertical equity of the tax system. While the 2017 income tax reform was aligned with these targets, having introduced regressive tax exemptions, it will also affect higher income groups, and may alter employment patterns and labor contracts. Consequently, the budgetary and social effects of the tax reform must be carefully monitored and negative effects must be addressed. Likewise, the government's plan to decouple state pensions from previous earnings requires meticulous consideration to ensure optimal employee incentives. The recent sharp increase in the excise tax demonstrated that, in a small open economy, tax hikes can reduce rather than increase tax revenue. Reform of social insurance systems, based on standard employment, is increasingly urgent in order to provide adequate protection to digital sector and non-permanent workers, and to secure sufficient government revenue to finance the welfare system. Thus, a systemic and comprehensive reform of the tax system remains crucial.

The institutional governance framework is well established. Consequently, policymakers can focus on increasing executive capacity by firmly following democratic principles of checks and balances, and public accountability. In modernizing governance, Estonia must revise the current conception of knowledge-based governance, which has led to an overproduction of strategies and analyses that are often poorly linked to decision-making. To overcome this fragmentation and excessive reporting, the government should consider four measures. First, the government must critically revise the numerous small-scale strategies (most of which end by 2020) and keep a smaller number of important targets that can be aligned with the national "Estonia 2035" strategy. Second, the government must improve coordination between ministries, and between the ministries and the Prime Minister's Office (PMO). Third, the government must significantly improve policy evaluation, including the appraisal of regulatory impact assessment results. Fourth, instead of commissioning studies with exhaustive explanatory analyses, the government should promote open data use and secondary analysis. To remain a pioneer in e-governance, the pace of innovation needs to be increased and the quality of e-governance tools improved.

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

Party Polarization

Estonia uses a proportional representation electoral system, which has produced a multi-party system with four to six parties represented in recent parliaments. Two to three parties usually form a coalition government. The coalition in place at the end of 2018 included parties from the both center-left and center-right. As with similar previous coalitions, the current coalition has been fairly successful in reaching consensus on most significant policy issues. Only a limited number of policies have been delayed due to disagreements between coalition partners (e.g., concerning the legal status of same-sex couples).

The radical-right Conservative People's Party (EKRE), which holds seven out of 101 parliamentary seats, is the most polarizing feature of the Estonian party system. In light of the forthcoming March 2019 elections, some political parties have declared that they would not join a coalition with the EKRE. As the EKRE is likely to increase its seat share, this stance will make it more difficult to form a coalition government and secure parliamentary support for government policies. (Score: 8)

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. Similarly, labor policy falls under the purview of the Ministry of Economic Affairs, Ministry of Education and Ministry of Social Affairs. Due to growing labor shortages, the Ministry of Interior, responsible for immigration, has also become an important actor in economic policy.

The global economic climate has been mostly favorable 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 prevent Estonia from attracting the foreign labor urgently required due to Estonia’s aging population. The sharp increases in motor fuel and alcohol excise duties since 2015 have met heavy criticism, as the increases boost cross-border trade and make Estonian businesses vulnerable.

Labor Markets

Labor Market
Policy
Score: 9

Recent labor market reforms have focused on the employability of disabled people in order to expand labor supply and increase the sustainability of pension funds. The Unemployment Insurance Fund and EU resources have

been used to extend active labor market policy measures and implement the 2016 Work Ability Reform, which aims to bring at least 10% of the country's disabled population into employment. A new set of proactive measures was introduced in 2017 – 2018 (e.g., the Work and Study Program) to help workers with limited or outdated skills to upgrade their qualifications.

Helped by these reforms and favorable economic developments, employment levels have increased and long-term unemployment has decreased. However, low-skilled employment remains high and low pay is common. The government has responded to in-work poverty and low pay by extending tax credits for low-paid workers. In 2018, the government initiated a strategic plan to adjust the labor law to the changing world of work. To balance labor supply and demand, the government envisages increased flexibility, better regulation of fixed term employment, a transition toward more tele- and platform work, and updated workplace safety regulations for digital jobs. In general, the plans have been warmly welcomed by employers, but more cautiously welcomed by trade unions. Nevertheless, substantial debates and parliamentary proceedings on amending the Employment Contracts Act will likely start in fall 2019.

The national Unemployment Insurance Fund is in good financial shape, having accumulated significant reserves due to the relatively high contribution rate, a strict eligibility criteria and a low level of benefit payouts. The contribution rate have been fixed for the period 2017 – 2020 (0.8% of an employer's payroll and 1.6% of an employee's wages), which provides some stability to labor demand.

Taxes

Tax Policy
Score: 7

Estonia is internationally recognized for its straightforward and transparent tax system. In 2018, the principle of perfect proportionality in personal income tax was dropped by making the personal tax-free allowance dependent on a taxpayer's level of income. The allowance is more generous for low earners and is gradually removed for high earners. Neoliberal opponents have claimed that the reform constitutes a veiled move from a proportional to a 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 can lead to labor relations abuses. Second, social insurance contributions alone cannot provide sufficient financing for social services given an aging population and changing work patterns, which destabilize

social tax receipts. The public 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.

In contrast to stagnant social taxes, motor fuel and alcohol excises have increased rapidly to levels well above the EU average, raising concerns about the competitiveness of Estonian enterprises. According to some estimates, Estonia lost about €60 million in tax revenues in 2018 due to increased cross-border trade in alcohol and motor fuel. The government put further increases of excises on hold in response to these projections.

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 fairly stable, despite the increase in excise duties in recent years.

Government transfers to municipal budgets, which were substantially cut during the economic recession, are being gradually restored. Combined with the radical administrative reform in 2017, which merged small and fiscally vulnerable municipalities into significantly larger entities, this promises to provide broader and better quality 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, Innovation and Infrastructure

R&I Policy
Score: 6

Research, development and innovation (RDI) are national development priorities, reflected in a sophisticated set of strategies and action plans, and bodies and task forces. The outcomes, however, are poor. Public R&D expenditures remained stagnant between 2016 and 2019, while private sector expenditure amounted to about 40% of total expenditure with no evidence that this share will increase. 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. Estonia is one of the few countries worldwide that does not have tax exemptions for enterprise-led R&D activities, nor is there any R&D related risk sharing between public and private sectors. High costs and high risks undermine private sector motivation for investing in R&D.

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. R&D personnel are 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. Total funding for research from the state budget has consistently attracted criticism from universities. However, all main parties pledged to significantly increase research funding at the end of 2018.

Global Financial System

Stabilizing
Global Financial
System
Score: 8

Estonia actively participates in developing and securing financial stability and transparency in global financial markets. Estonia is a member of the Council of Europe's Moneyval monitoring body. In 2014, Estonia passed a Moneyval assessment, which involved an on-the-spot inspection, having registered good progress on the implementation of Financial Action Task Force (FATF) recommendations. Several domestic bodies have been established to combat money laundering, such as the Governmental Committee for the Coordination of Money Laundering Prevention, the Financial Intelligence Unit (FIU) and the Estonian Financial Supervision Authority (FSA). The FIU is an independent unit of the Estonian Police and Border Guard Board, and the FSA is an independent body that supervises all financial sector participants. In the recent years, the FSA has had a prominent role in combating money laundering in the Estonian financial sector. In 2018, in cooperation with the European Central Bank, the FSA revoked the banking license of Versobank (a small Estonian bank) following on-the-spot inspections. After many years of attempting to engage Danish counterparts regarding potential weaknesses within the anti-money laundering (AML) controls of the Estonian branch of Danske Bank, the FSA conducted two very thorough on-the-spot inspections of Danske Bank's Estonian branch in 2014. These inspections led to the closure of nearly all services to business and private clients of the Estonian branch in 2018. The FSA's actions led to the disclosure that the bank branch may have passed up to €200 billion in transactions that are likely to have violated AML controls. Based on the Danske case, in 2018, the Estonian government undertook several measures to prevent similar cases in Estonian financial system. One of the government's key policy proposals is to make bank clients wholly responsible for proving the legality of their funds. 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 and further changes are being planned.

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 (e.g., reflected in PISA results). 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. Estonia has already reached some of the European Union's Education and Training 2020 (ET 2020) benchmarks and is close to achieving other benchmarks.

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 and low salary levels for teachers have been 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 skills better access to lifelong learning) have sought to ensure that the provision of education keeps pace with the changing needs of the economy.

Citation:

EU Education And Training Monitor 2018. Estonia.
https://ec.europa.eu/education/sites/education/files/document-library-docs/et-monitor-factsheet-2018-estonia_en.pdf (accessed 21.10.2018)

Social Inclusion

Social Inclusion
Policy
Score: 6

In general terms, the Estonian welfare system resembles the liberal welfare model. Levels of poverty and inequality remain higher than the OECD average.

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 at-risk-of-poverty rate (after social transfers) is higher for women than men (23.3% for women and 18.4% for men), but poverty among men is deeper (the relative median at-risk-of-poverty gap was 18.9% for women and 26.9% for men).

Government policies have addressed some material deprivation issues through amendments to tax law. In 2018, the rise in the income tax threshold increased the net wage by 15% for low-wage earners. Yet, these measures do not address large regional disparities in average salaries. The absence of effective regional policy 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.

Even though the social exclusion of ethnic minorities has decreased, partly owing to government integration programs, unemployment and poverty rates remain somewhat higher among minority groups. Subjective perceptions are also critical - 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. https://www.kul.rik.ee/sites/kulminn/files/7_vordsus_0.pdf. Fact sheet on key findings https://www.kul.rik.ee/sites/kulminn/files/9_kokkuvote_0.pdf (accessed 28.10.2017).

At-risk-of-poverty rate after social transfers by sex. Statistics Estonia. <https://www.stat.ee/30002> (accessed 16.12.2018)

Health

Health Policy
Score: 8

The quality of health care in Estonia is good despite a level of expenditure well below the OECD average. Surveys commissioned by the National Health Insurance Fund reveal that the public is satisfied with the quality of health

services (68%). Satisfaction with access is significantly lower (38%) and has been slowly but steadily declining since 2012. The main reason for dissatisfaction are the long waiting times to see specialists or receive inpatient care, which are primarily due to budgetary limits and a bias toward acute/hospital care.

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 labor market status. Working-age people who are not employed or in education are not covered by the national health insurance. As a result, 6% of the total population are not guaranteed permanent free access to health care due to a lack of employment or irregular work contracts. The minister of social affairs recently started a discussion on universal health care, but Estonia's political parties are sharply divided over the issue.

Income-related health inequalities, as evidenced by unmet health needs and self-perceived health status, remain the most significant problem for health policy. Here, Estonia ranks at the very bottom among OECD countries. To tackle the problem of unmet health needs, which result from high out-of-pocket health care costs, the prescription compensation has been increased for people suffering from chronic illnesses. This measure could have a substantial effect on health equality, since expenditure on medications form the largest share (41%) of out-of-pocket payments.

Citation:

Evaluation of health and health care 2016. / In Estonian/ https://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Uuringu_ja_analuusid/Tervisevaldkond/arstiabi_uuringu_aruanne_2016_kantar_emor.pdf (accessed 16.12.2018)

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 criticized due to its rigidity and negative impact on women's labor market participation, and was revised in 2018. The amendments have extended the period in which parents can take parental leave from one and a half years to three years, and parental leave can now be divided over several

periods according to the parents' choice. Another important change was an effective increase in fathers' parental role, as the joint parental leave period was extended to two months.

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 2018, this indexation resulted in an average pension-payment increase of 5.1%. Due to the low absolute level of benefits (€15 per month), elderly people still struggle to make ends meet. Because wages grow faster than pensions, the senior citizen poverty rate has increased substantially in recent years. The well-being of working pensioners has been hit by changes in the income tax system, which have added pension income to earned income when calculating income tax.

Debates concerning the mandatory second pillar have intensified following the extremely poor performance of Estonian pension funds. A 2016 OECD report revealed that the productivity of Estonian pension funds was the worst of any OECD country's pension funds during a 10-year period. The annual productivity of Estonian pension funds was negative at -2.2%. Furthermore, the system is characterized by high administrative costs and minimal choice for citizens. In order to tackle these financial challenges, in 2017, the government proposed a reform to make the retirement age flexible and revise the regulations for pension funds. Yet, notable progress has not yet been achieved on these issues.

Citation:

Ministry of Finance (2016). Statistics on public old age pension, mandatory funded pension and voluntary funded pension. (in Estonian) /Riikliku vanaduspensiononi, kohustusliku kogumispensiononi ja vabatahtliku kogumispensiononi statistika/
http://www.pensionikeskus.ee/files/dokumendid/kogumispensiononi_statistika_012017.pdf (accessed 23.10.2017)

Integration

Integration Policy
Score: 7

Since the Soviet period, Estonia has had a large non-native population. Russian speakers – ethnic Russians and other Slavs – 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.”

In national elections, only Estonian citizens can vote and register as candidates. Permanent residents without Estonian (or other EU) citizenship can vote in municipal elections but cannot stand as candidates. An increasing number of Russian-speakers who hold Estonian citizenship are employed in the civil service, belong to 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. Despite improved language skills, the labor market situation of ethnic minorities remains worse than that of ethnic Estonians with a persistently higher unemployment rate (by 3.6% in 2017).

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

Internal Security
Policy
Score: 8

Public safety has steadily increased and currently only 3% of the population regards crime as a major societal problem. The overall crime rate declined by 7% in 2017 and by 47% over the preceding decade.

Multiple factors have contributed to greater public safety. Alcohol consumption – a major cause of severe traffic accidents and violent behavior – has declined as a result of stricter alcohol policy and increased public awareness of healthy living. Increased funding for the police and the border guard have been another positive change, which have enabled better human and technological resourcing, and more efficient policing. Placing greater emphasis on secure borders is particularly important in combating human and drug trafficking, and terrorist threats. While alcohol consumption has decreased, drug trafficking and use are an increasing challenge. Cooperation between tax authorities, border authorities, the police and preventive bodies (e.g., National Institute of Health Development) will be key to successfully tackling of this challenge.

The border guard and police force enjoy high levels of public trust, which helps to address safety problems more efficiently as envisaged in the Internal Security Development Plan 2015 – 2020.

Citation:

Estonia Drug Report 2017. European Monitoring Centre for Drugs and Drug Addictions. http://www.emcdda.europa.eu/countries/drug-reports/2017/estonia_en (accessed 24.10.2018)
Crime in Estonia 2017. (in Estonian). Ministry of Justice, 2017. http://www.kriminaalpoliitika.ee/sites/krimipoliitika/files/elfinder/dokumendid/kuritegevuseestis_2017_veebi01.pdf (accessed 24.10.2018)

Global Inequalities

Global Social
Policy
Score: 9

Estonia actively participates in international humanitarian interventions through the European Union and United Nations. A renewed 2016 – 2020 strategy concerning Estonia's development cooperation and humanitarian aid takes the United Nation's Millennium Development Goals (MDGs) as a starting point. The strategy details Estonia's development objectives and main fields of activity and identifies major partner countries. The priority partners are the former Soviet Socialist Republics of Georgia, Moldova and Ukraine, as well as Afghanistan. Estonia is active across various fields, although special efforts have focused on transferring knowledge in the policy areas of education, health care and e-government. Estonia is a world leader in the dissemination of domestic expertise in implementing ICT in public administration and education. Estonia actively participates in providing relief

to refugees in Syria and emergency assistance to Ukraine.

The total amount of Estonian development cooperation and humanitarian aid, which also take into account the development cooperation activities of other ministries, amounted to €37.9 million in 2017. The largest part (€18.4 million) involves bilateral developmental co-operation, while Estonia's contribution to the European Union's budget for the European Commission's Development Cooperation Program is €16.8 million. Estonia also contributed €4.7 million to the EU African Peace Facility in 2017.

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

Citation:

Ministry of Foreign Affairs (2018). Overview of Estonian Development Cooperation. <https://vm.ee/en/overview-estonian-development-cooperation> (accessed 23.10.2018)

III. Environmental Policies

Environment

Environmental
Policy
Score: 9

The Ministry of Environment develops 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 country's heavy reliance on oil shale (which provides the bulk of Estonian power production) remains a challenge due to its heavy carbon footprint. In 2017, Estonia had the most carbon intensive economy in the OECD.

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.

Citation:

OECD Environmental Performance Reviews: Estonia 2017. <http://www.oecd.org/estonia/oecd-environmental-performance-reviews-estonia-2017-9789264268241-en.htm> (accessed 16.12.2018)

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, the 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 networks and online, 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.

Voting and
Registration
Rights
Score: 10

Because of the high internet penetration rate, various web and social media tools are becoming widely used in electoral campaigns, including election portals run by public and private media outlets. While this has so far helped candidates to reach a wider public cheaply, the parties have recently increased their online advertising expenditures.

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 either at an Estonian embassy or increasingly online.

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. Advanced voting is open for 10 days prior to election day. 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 the PPFSC has limited access to information necessary to deal efficiently with financial fraud. To tackle the problem, the PPFSC regularly proposes amendments to the APP. However, recent proposals have been neglected by the Constitutional Committee of the parliament. There is no political will to make political parties more accountable for financial misconduct.

Popular Decision-Making
Score: 3

According to the Estonian constitution, referendums can be initiated by the national parliament (Riigikogu); citizens do not have the power to initiate a referendum. Municipalities can organize referendums on local issues, but their outcomes are non-binding. According to the Local Government Organization Act, popular local initiatives signed by at least 1% of the municipal population must be discussed by the local council, although this provision is rarely exercised.

There is strong public support for the introduction of a binding referendum mechanism at the national level 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. Annually, about 10 initiatives enter the parliamentary agenda and several popular initiatives are included in legislative amendments currently under consideration.

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 high on the World Press Freedom Index by Reporters Without Borders for several years. In 2017, Estonia again ranked 12 out of 180 countries in the global ranking.

Media Pluralism
Score: 9

A great variety of newspapers exist in the country. There are 11 national newspapers (including two major daily broadsheets), 19 regional newspapers and several Russian-language newspapers. As a rule, newspapers are privately owned but some local and regional papers receive support from the municipalities or counties. Some weeklies (e.g., 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 (e.g., the independent www.poliitika.guru.ee or radical right objektiiv.ee) enjoy an increasing number of followers.

Access to
Government
Information
Score: 10

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. In order to co-

ordinate the development of cross-sectoral data services and ensure compliance with the EU data protection directive, a special council has been established by the DPI at the end of 2017. It includes representatives of government ministries and the Information System Authority.

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. The courts are widely seen to be independent. Time needed to resolve civil, commercial, and administrative cases has steadily declined and Estonia shows the second lowest figure in the European Union. 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. Primary legal advice is free for citizens with an income considerably below the national average. At the same time, Estonia is one of the few EU member states that require a recipient of legal aid to pay a court fee.

Besides the courts of law, 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 (2018) The 2018 EU Justice Scoreboard.
https://ec.europa.eu/info/sites/info/files/justice_scoreboard_2018_en.pdf (accessed 12.10.2018)

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 2018, over the course of two days, 10,000 people took part in 160 discussions across four areas. There is no state church in Estonia and religious freedom is guaranteed through the presence of 10 religious associations.

Non-discrimination
Score: 8

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. In 2018, the government introduced several measures to strengthen transparency in public sector pay and combat the gender pay gap. The Labor Inspectorate was given the right to monitor the implementation of equal pay regulations, while state databases were enhanced to allow more rigorous analysis of the situation.

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. The status of judges and guarantees of judicial independence are established by law.

Appointment of
Justices
Score: 2

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.

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: 9

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 parliamentary Select Committee on the Application of Anti-Corruption Act, the Supervision Committee and the Anti-Corruption Act. 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 anti-corruption policy. However, they also indicate that loopholes remain in the public procurement process and in party-financing regulations, for example.

As a further step in fighting corruption and abuses of power, all legal persons have been required to make public their beneficial owners through the business register from 1 September 2018. Yet, lobbying remains unregulated, despite the Group of States against Corruption's (GRECO) recommendations. In October 2018, the Ministry of Finance published "Codes of good conduct in accepting gifts and benefits," which is intended to guide civil servants and public officeholders in avoiding corrupt behavior.

In 2017, the number of registered corruption offences was the lowest it had been for five years. Most corruption offences are related to bribery, with bribes most often paid during technical vehicle checks, although increasingly also in health care and public sector procurement. The number of corruption cases involving municipalities has decreased and now comprise only 7% of all corruption cases. This suggests that the governmental program to curb illegal behavior and prevent corruption at the local level has been effective.

Citation:
Ministry of Justice (2018). Kuritegevus Eestis 2017. Crime in Estonia.
http://www.kriminaalpoliitika.ee/sites/krimipoliitika/files/elfinder/dokumendid/kuritegevuseestis_2017_veebi01.pdf(accessed 20.10. 2018)

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 11 staff. Since 2014, an ambitious program to improve the quality of policymaking has funded various activities (e.g., impact assessments, future scenario, legal analysis and engagement projects). The human capacity of the Strategy Unit has been enhanced by various expert groups and task forces established within this ambitious program.

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.

In 2017, a Foresight Center was established by the parliament to carry out long-term social and economic analyses, and draft development scenarios. The center consults parliamentary committees, but has only an implicit linkage to the executive.

Expert 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. 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 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.

Other forms of non-governmental expert consultations (e.g., roundtable discussions and workshops) are rather widespread. Preparation of the long-term “Estonia 2035” strategy started with a seminar in which executives, experts and opinion leaders from more than 130 public, private and third sector organizations discussed the objectives and framework of the strategy.

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. 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.

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.

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

	<p>consultative meetings. The creation of cabinet committees was proposed by government in March 2017. However, an amendment to the Act on National Government, which was passed in fall 2018, has not improved strategic coordination within the cabinet.</p>
<p>Ministerial Bureaucracy Score: 10</p>	<p>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. 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.</p>
<p>Informal Coordination Score: 7</p>	<p>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.</p>
<p>Digitalization for Interministerial Coordination Score: 10</p>	<p>The Estonian government has pioneered a large-scale use of information technologies. An Information System for Legal Drafts (Eelnõude infosüsteem, EIS) is used to facilitate interministerial coordination and public consultations online. EIS allows users to search documents currently under consideration, participate in public consultations and submit comments on draft bills. Draft bills are submitted to the government and parliament via EIS. Policymaking and policy monitoring are further supported by an interoperable data exchange platform X-Road, an integrated system that facilitates the exchange of data between different organizations and information systems. Over 900 enterprises and organizations use X-Road daily. X-Road is also the first data exchange platform in the world that allows data to be exchanged between countries automatically. Since June 2017, an automatic data exchange capability has been established between Estonia and Finland.</p>

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 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 RIA development program was initiated in 2014 with help from the EU structural assistance funds. The program has included various training, development and implementation measures focused on RIA procedures. The

number of assessments performed is expected to increase 10-fold by 2020. The full impact of the program on the overall RIA system remains to be seen.

Citation:

OECD (2017). "Regulatory Impact Assessment," Government at a Glance. https://www.oecd-ilibrary.org/sites/gov_glance-2017-56-en/index.html?itemId=/content/component/gov_glance-2017-56-en (accessed 17.12.2018)

Quality of RIA
Process
Score: 5

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, stakeholder involvement needs to be improved. 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.

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, sustainability concerns are 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 – together with the majority of national strategies – will end in 2020. In spring 2018, the Estonian government began preparations for the next long-term strategy, "Estonia 2035," which aims to define an integrated vision for the country's balanced and sustainable development. The statements published so far highlight the importance of aligning national goals with global trends, but make no explicit reference to the SDGs.

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 (accessed 17 December 2017).

Quality of Ex
Post Evaluation
Score: 7

The Strategy Unit of the Government Office is responsible for the quality of policymaking, including the evaluation of policy effectiveness and development of a knowledge base for future reforms. For 2014 – 2020, EU Social Fund resources have been allocated for these activities, which has

resulted in an increased number of studies of ex post and ex ante policy impact analyses. Nevertheless, the overall framework remains a work in progress, as the evaluations do not cover all significant policies and are not systematically used for the development of new policies. Since the Government Office has limited analytic capacity, the studies are produced by external national and international research teams.

Societal Consultation

Public
Consultation
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

Government ministries have remarkable power and autonomy. Ministers from different political parties sometimes make statements that are not in line with the general position of the government or not properly discussed by all coalition partners. For example, the idea of moving toward a universal health care system was proposed by the minister of health and labor in 2017. Similarly, at the end of 2018, the minister of foreign affairs publicly supported the U.N. Global Migration Pact, which led another coalition partner to publicly disagree with the minister.

Implementation

Government
Effectiveness
Score: 8

The Basic Principles of the Government Coalition 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 increase the population. The Government Action Plan 2016 – 2019 and a user-friendly overview of the major accomplishments in each policy area are published on the government website. By the end of 2017, the government had accomplished 83% of the planned tasks. Among them was an ambitious administrative reform that reduced the number of municipalities from 213 to 79 and increased the median number of inhabitants per municipality from 1,887 to 7,739 people – a task that several previous coalitions had failed to accomplish.

As a joint effort between the think tank 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 the government's performance every three months along five dimensions. Overall, the evaluation had been critical of the pace of administrative reform. However, the panel's activities seem to have been put on hold and the latest evaluation of administrative reform (the amalgamation of municipalities) dates back to March 2018. Their activities and the most personnel have been funneled into a Governance Reform Foundation (Riigireformi SA), a think tank established in May 2018 to generate and lobby for proposals rather than monitor government.

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 generally 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. Issues following the signing of the coalition agreement can cause more disagreements, especially as formal resolution mechanisms have not been fully developed. For example, the coalition partners failed to agree a position on the U.N. Global Compact for Migration at the end of 2018.

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 counsellor 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. In the framework of state governance, the government has proposed merging the various implementing agencies into one agency. Yet, no progress on this reform has been achieved so far.

At the beginning of 2018, county governments – the regional arm of the executive branch – were abolished. Their responsibilities have been divided between central government agencies and municipalities. More direct control through the former could enhance monitoring, while giving more powers to the municipalities (and their consortia) could create additional challenges.

Task Funding
Score: 5

Estonian local governments are heavily dependent on financial resources from the central budget as local tax revenue is negligible. Central government defines 83% of municipal revenues and, although funds are allocated on a universal basis, the system produces large inequalities in the financial capacity of municipalities. The National Audit Office (NAO) found that, although the government plans to increase local government financing by 2020, simply giving local governments more money will not solve the challenges faced by poorer local governments. Since the publication of the NAO report at the end of 2017, positive changes have occurred. The funds allocated by the central government to the municipalities increased by 5% and changes to the financing model are under way. Also, the merger of municipalities in 2017 should create more efficient economies of scale.

Citation:
Financing local authorities. National Audit Office 2017.
<https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/ItemId/955/amid/557/language/en-US/Default.aspx> (accessed 26.10.2018)

Constitutional
Discretion
Score: 6

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 2018, former (smaller) municipalities with a median population of 1,900 were merged into larger units with a median population of 7,700. The aim of the reform was to enhance local governance capacity and to improve the quality of public services throughout the country. Following the reform, the scope of implementation autonomy has extended. Today, local governments can decide on regional public transport arrangements. Previously, these arrangements had been the task of the former county governments, which had represented the central government and were abolished at the beginning of 2018.

National
Standards
Score: 5

Several public services in Estonia are provided at the local level, although the quantity and quality of services varies greatly relative to the size and capacity of municipalities. The administrative-territorial reform (2017), which merged municipalities into larger units, aims to offer residents better services, and hire more competent employees and officials. The focus is on ensuring that a basic universal list of services is available in each municipality and that the quality of services is more closely monitored. Yet, the process is at an initial stage and national standards for municipal public services are lacking.

Effective
Regulatory
Enforcement
Score: 8

Regulations are generally enforced in an impartial way without discriminating between the political and social status of organizations and enterprises. Some non-governmental foundations – which operate on a non-profit and non-political basis, and act in the public interest – may be tax-exempt. The list of income tax exempt foundations is issued annually by the Tax and Customs Board in accordance with the Income Tax Act.

Equal enforcement applies also for businesses in terms of complying with tax obligations, technical and sanitary standards. However, such strict enforcement of regulations is sometimes criticized for penalizing SMEs (e.g., small shops, tourist farms and food providers), which struggle to meet the government's high standards.

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. The secretariat advises the prime minister on EU matters (including preparations for European Council meetings), manages EU affairs across all government bodies, and offers guidelines for permanent representations. The 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.

Even though these structures are well-developed, due to the small size of the country, Estonia cannot avoid being a rule-taker in areas of more marginal national relevance.

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

International
Coordination
Score: 6

Engagement in international development has traditionally been the responsibility of the Ministry of Foreign Affairs. An interministerial coordination group of cabinet ministers coordinates foreign policy issues.

Besides this basic structure, some line ministries increasingly emphasize international coordination, depending on the changing global security and migration situation. The Ministry of Interior, responsible for migration and asylum affairs, has actively participated in recent EU efforts to reduce illegal migration across the Mediterranean Sea. Domestically, the Ministry of Interior increasingly cooperates with the Ministry of Economic Affairs, and the Tax and Custom Board to tackle illegal (immigrant) labor issues. This domestic cooperation is legally framed by the amendments of the Act on Aliens (2018) and the National Action Plan on Prevention of Illegal Labor.

In 2018, the NATO Cooperative Cyber Defense Centre of Excellence (CDCE), which was established on the initiative of Estonia, celebrated its 10th anniversary. The CDCE is a multinational and interdisciplinary hub of cyber-defense expertise, which promotes cyber-defense education and R&D, as well as best practices and consultation. Currently, 28 countries participate in the CDCE, which is based in Tallinn.

Organizational Reform

Self-monitoring
Score: 6

Based on the amount of amended or adopted regulations that deal with institutional arrangements, the government's monitoring activities certainly exist and inform policymaking. Since March 2014, the Act on National Government has furnished the ministerial nomination processes with a new flexibility; it no longer lists ministers, but only sets a maximum number for the government as a whole. This enables nominations to better reflect current needs. However, it is difficult to estimate how systematic and consolidated the government's self-monitoring activities truly are.

Institutional
Reform
Score: 5

Top politicians and executive officials widely understand the problem of fragmented policymaking as it was highlighted in the OECD Governance Report. Yet, the government's response to the OECD's call to move "toward a single government approach" has been mostly rhetorical. Several think tanks (e.g., employers' associations, Governance Reform Radar and Governance Reform Foundation) and a new party (i.e., Estonia 200) have strongly criticized the government for merely fine-tuning, instead of radically re-evaluating and reforming, the existing institutional arrangements.

II. Executive Accountability

Citizens' Participatory Competence

Political
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. The recent discussion of the U.N. Global Compact for Migration suggests that issues are often trivialized and manipulated for party political purposes.

Open
Government
Score: 8

In line with the overall e-government approach, all public institutions maintain extensive web resources for public use. There have been attempts to harmonize the website architecture of ministries and agencies, but these efforts have only succeeded to a limited extent. As a result, the user-friendliness of web resources varies across institutions. Available information is generally extensive and kept up-to-date, but often too detailed and sophisticated for

citizens' use; retrospective data (both statistics and legal norms) are not always available.

Legislative Actors' Resources

Parliamentary
Resources
Score: 8

Compared to many other countries, the Estonian parliament (Riigikogu) has a rather modest support structure. All administrative staff are employed by the Chancellery of 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), their studies are typically very limited. In addition to in-house experts, the parliament can also commission studies from universities or private companies on a public-procurement basis. However, between 2017 and 2018, only one such study was commissioned. The second category includes standing committee support staff. A standing committee typically has three to five advisers. The third group is made up of the advisers of party groups. 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 benefit from allowances that they can use to order expert analyses, studies or information overviews. Though there is little evidence that the allowances are extensively used.

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

Task Area
Congruence
Score: 9

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.

The 11 standing committees of the parliament by and large match the structure of the government, which is composed of 11 ministries. In addition to task areas that correspond to ministries, 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 both fall under the purview of the Cultural Affairs Committee. This may imply a work overload, as education and cultural policies have been subject to regular and complex reforms.

All members of parliament belong to one or more standing committees, 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 for three days per week, for a total of 12 hours.

In addition to the standing committees, there are currently three investigative committees. Considering that the members of these investigative committees are also full members of standing committees, the workload of several members of parliament is considerable and concerns have been voiced about unreasonable fragmentation under scarce resources.

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, there are two important challenges. First, the media tends to pay more attention to the performance of political parties as organizations than to

parties' policy positions; media coverage can also be overly simplified or sensationalist. This is a particularly salient issue in the print media where the small market size means that journalistic competencies are rather low. Secondly, information on government activities is typically not provided in advance of government decisions, but only after decisions have already been made.

Parties and Interest Associations

Intra-party
Decision-Making
Score: 5

Decision-making processes are very similar among the main parties. Formally, each party member can propose issues, but in reality, inner circles of 15 to 20 elite party members make the 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 a governing 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 party organizations compose electoral lists for municipal elections.

Association
Competence
(Employers &
Unions)
Score: 6

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 various documents, including 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 proposing policies and its analytic capacity has significantly increased in recent years. For example, the EEU was behind the Governance Reform Radar initiative and is closely linked to the State Reform Foundation, which has produced a detailed list of reform proposals. Similar positive change is also visible regarding the ETUC. Both organizations have a "policy impact" section on their websites. Meanwhile, support from the EU Social Fund has played an

important role in capacity-building. Both the ETUC and EEU make use of various measures (e.g., training programs, hiring analysts and requesting studies) envisaged in the 2014 – 2020 programming period.

Citation:

The Employers' Manifesto 2018. Race against the Clock. <https://www.employers.ee/wp-content/uploads/Manifest-ENG-compressed.pdf> (accessed 24.10.2018)

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 only sporadically active in domestic politics. In recent years, the Estonian Evangelical Lutheran Church has actively criticized the legalization of same-sex partnerships. For example, in 2018, it recommended changing the country's constitution to define marriage exclusively as a union between one man and one woman.

Independent Supervisory Bodies

Audit Office
Score: 5

The National Audit Office (NAO) 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: 10

Estonia has a separate and independent legal chancellor who performs an ombuds function. The chancellor's task is to ensure that legislation conforms with the constitution, and that the citizen's fundamental rights and liberties are protected. Besides the constitutional review and ombudsman functions, the chancellor also fulfills the role of a national preventive mechanism for ill-treatment and an ombudsman for children. To raise an issue or forward a concern, citizens can submit a petition offline or online.

The current legal chancellor has called for politicians to address important public issues such as the comprehensiveness and readability of legal language,

the equal treatment of citizens under digital government, the quality of social services, and the ill-treatment of patients in institutional care. However, while the legal chancellor can point out concerns, real intervention is only possible if the constitution has been violated.

Data Protection
Authority
Score: 10

The Data Protection Inspectorate (DPI) is responsible for protecting citizens' privacy and personal data, and ensuring transparency of public information. The inspectorate works under the framework of the Personal Data Protection Act and the Public Information Act. Since May 2018, the inspectorate is responsible for ensuring compliance with the European Union's GDPR. The inspectorate has about 20 staff members and is led by a director general. The director general has can impose legally binding decisions and law enforcement measures, and delegate powers to other officers of the inspectorate. The director general reports directly to the Constitutional Committee of the Riigikogu and to the chancellor of justice. As a law enforcement agency, the DPI can issue proposals or recommendations to terminate infringements, issue binding precepts, impose coercive payments or fines, or apply for criminal proceedings. In addition, the DPI acts as an educator and consultant, answering citizens' queries and contributing to public awareness of data use.

Citation:

Annual Report of Director General 2017. <http://www.aki.ee/en/inspectorate/annual-reports> (accessed 25.10.2018)

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