Estonia Report
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Sustainable Governance Indicators 2020
Executive Summary

In many respects, Estonia has successfully established a sustainable democracy. Among the 41 countries in the SGI, Estonia ranked seventh for democracy, eighth for policy performance and 11th for governance in 2019. However, Estonia’s policy performance and democracy rankings have stagnated, and in some areas have even declined. Several problems have emerged that may be related to the current composition of the center-right government, which for the first time includes a populist radical-right party.

The government has set a comprehensive program for 2019 – 2023, although most targets remain modest. Yet, in the shadow of this generally incremental approach, some areas and policy issues have gained significant priority (homeland security, and public administration and pension reform), while other areas have been neglected (RDI, e-governance, gender equality and minority rights).

The country’s economy remains robust, with a high level of employment and annual economic growth above 3%. Despite the high employment rate, labor shortages and high taxes on labor continue to undermine economic development, particularly productivity. The labor market situation has triggered debates about migration policy and the need to regulate the increasing use of migrant workers, particularly Ukrainian workers.

The main elements of Estonia’s welfare system (i.e., the healthcare and pension system), which are based on the Bismarckian principle of social insurance, face substantial financial problems. The pay-as-you-go (PAYG) pension pillar is accumulating debt due to the high population dependency ratio, while Estonia has the weakest performing mandatory pension funds of any OECD country. At the same time, poverty is increasing among the elderly and the pension replacement rate is decreasing. In order to address these problems, the government launched a reform to dismantle the existing mandatory second pillar and transfer part of the social insurance contributions back to the PAYG pillar. Ignoring warnings by the IMF, OECD and Bank of Estonia about harmful long-term effects on wellbeing and immediate effects on capital markets, the reform is expected to be approved by the parliament in early 2020.
Democracy remains constitutionally strong, although some alarming tendencies are manifesting. The freedom and neutrality of print and electronic media has been questioned by several parties, and the dissemination of hate speech and fake news via social media is problematic. The populist coalition partner EKRE has verbally attacked LGBT movements and this confrontation is echoed at street level via protests by both sides. EKRE is also cultivating the notion of “deep state” and questioning the independence of the court system. Yet, no court or constitutional reforms have been proposed so far.

In governance, little progress has been achieved on policy innovation, quality management and pursuing holistic approaches. The ongoing state reform attempts to improve the coherence of governance by merging executive agencies that have overlapping functions and by strengthening the Prime Minister’s Office. In parallel to administrative mergers, several state agencies will move from the capital to regional locations in order to support regional development. At the moment, efficiency gains are prioritized over increasing the quality of service provision or public access. Regarding the long-term perspective, Estonia is preparing a national strategy, Estonia 2035, which will increase government focus on climate change and the U.N. SDGs. The allocation of EU structural funds in 2021 – 2027 will be aligned with the Estonia 2035 goals.

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. The introduction of risk-sharing measures, which are intended to encourage private sector investment 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. Stable and sufficient funding for research and higher education institutions needs to be secured to facilitate knowledge transfer and the supply of high-skilled workers for the country’s economy.

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. The ongoing pension reform, which will make contributions to second-pillar pension schemes voluntary and allow people to withdraw existing assets early may have substantial effects on capital markets and household income security. Consequently, the budgetary and social effects of reforms associated with tax policy must be carefully monitored and negative effects must be addressed. The 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 needed in order to provide adequate protection to the 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 poorly linked to decision-making. To overcome this fragmentation and excessive reporting, the government should consider four measures. First, the government must critically review the numerous small-scale strategies (most of which will end in 2020) and maintain a small number of important targets aligned with the Estonia 2035 strategy. Second, the government must improve coordination between ministries, and between 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 centrally and locally. 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 support for citizen involvement in local governance. The improvement of citizens’ quality of life must be prioritized over efficiency gains.

Democratic institutions and principles have become well established in Estonia over the last 28 years, but must not be taken for granted. Constant
attention must be paid that all four powers remain autonomous and legitimate. Politicians, civil society and journalists’ associations should closely monitor media outlets to protect freedom of expression and plurality of opinions. Government must promote measures that guarantee affordable access to print and digital media for people living in remote areas. The nomination of senior judges and prosecutors must remain independent of party politics. It is crucial for democracy that all civil society organizations are treated equally by the government regardless of their ideology and value orientations.

Party Polarization

Estonia uses a proportional representation electoral system, which has produced a multiparty system with four to six parties represented in recent parliaments. Two to three parties usually form a coalition government. The current coalition government, which has held office since spring 2019, includes the prime minister’s social-liberal Estonian Center Party and two conservative parties – Isamaa and the Estonian Conservative People’s Party (EKRE). EKRE holds radical-right positions on all major policy issues. The entry of EKRE into the government coalition was the biggest surprise of the March 2019 elections, since most political parties had ruled out forming a coalition with EKRE prior to the elections. In contrast to previous coalitions, the current coalition partners frequently struggle to reach a consensus, especially on European and foreign policy issues. EKRE ministers often make statements that contradict the dominant government position. (Score: 6)
Policy Performance

I. Economic Policies

Economy

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 by the 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.

Labor Markets

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 training measures was introduced 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 unemployment has decreased; employers are increasingly concerned about labor shortages. In 2018, the government initiated a strategic plan to adjust the labor law to the changing world of work. The plan envisaged increased flexibility, better regulation of fixed-term employment, expansion of tele- and platform work, and updated workplace safety regulations for digital jobs. Yet, the change of government in spring 2019 put these large-scale plans on hold. Instead, some local problems were addressed. To combat higher unemployment in borderland regions, a governmental program (2019 – 2021) was launched. It provides wage and training subsidies for employers who create new jobs in the northeast and southeast of Estonia. The regulation of migrant workers has been discussed several times, although no major changes have so far been introduced as a result of these discussions.

A 2019 report by the Praxis Centre for Policy Studies suggests that welfare support for unemployment people suffers from low rates of benefits and limited coverage. The lack of cover and short benefits period can encourage early retirement.

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 payout. The contribution rate has 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.

Citation:

Taxes

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. Old-age pension benefits are subject to an additional tax exemption.
The Estonian welfare system is financed almost entirely (80%) 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 in 2017 – 2018 to levels well above the EU average, raising concerns about the competitiveness of Estonian enterprises. Estonia lost about €60 million in tax revenues in 2018 due to increased cross-border trade in alcohol and motor fuel. As a result of these developments, the excise on alcohol was lowered by 25% from July 2019. Ecological taxes have not been a policy priority in 2018 and 2019.

Budgets

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.

The current state of and forecasts regarding the future of social security funds in Estonia pose the largest risk to fiscal sustainability. At present, the national public pension fund runs a deficit equivalent to nearly 2% of GDP each year. The recent government decision to make second-pillar pension schemes voluntary and allow insured persons to withdraw savings prior to retirement poses a significant challenge to the government’s ability to secure citizens’ welfare while adhering to the principles of fiscal sustainability. The country’s Health Insurance Fund and Unemployment Insurance Fund lost autonomy over their significant reserves when the funds’ reserves were merged with the government liquidity reserves in 2011 – 2012. As a result, the government now draws on social insurance reserves to cover the government’s daily operating costs – a situation that has drawn criticism from the auditor general.
Research, Innovation and Infrastructure

Research, development and innovation (RDI) are national development priorities, which are reflected in a sophisticated set of strategies and action plans, and bodies and taskforces. The outcomes, however, have been poor. The Estonian Research Council (ETAG) has stated that national strategies “have not triggered any significant changes in the R&D structures and strategies of universities or companies.” Public and private R&D expenditures have remained stagnant or even decreased; the shortage of funds remains one of the main obstacles to promoting RDI. At the end of 2018, all major political parties and higher education institutions signed an agreement that promised to increase public RDI expenditure to 1% of GDP over the next three years. However, half a year later, the government broke the promise and froze RDI expenditures at 0.71% of GDP for 2019 – 2021. In response, researchers, professors and several advocacy groups protested the decision, and warned that the freeze would negatively affect teaching and research.

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. The government policy toward this problem has been to encourage innovation and the transfer of scientific knowledge to enterprises via special grant schemes (NUTIKAS) by supporting collaboration between R&D institutions and companies.

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.

Citation:

Global Financial System

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. 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 recent years, the FSA has had a prominent role in combating money laundering in the Estonian financial sector. After evidence of money-laundering involving the Estonian branch of Danske Bank emerged, the FSA ordered Danske Bank to close its Estonian branch in fall 2019. Because of the Danske case, which has also implicated Estonia’s largest bank, Swedbank, the Estonian government introduced several measures to prevent similar cases in the future. One of the government’s key policy proposals is to make bank clients fully responsible for proving the legality of their funds. In cases of suspected money laundering or terrorist financing, the FIU analyzes and verifies information, taking measures where necessary and forwarding materials to the competent authorities upon detection of a criminal offense. The Anti-Money Laundering and Terrorist Financing Prevention Act was amended in 2017 and further changes are being planned.

II. Social Policies

Education

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 at public institutions is free at all levels and there are various social support measures for students, such as free school lunches and transport through school buses. Vocational education and training (VET) students have access to subsidized dormitories and there are needs-based allowances for university students.
Interestingly, while tertiary-level education is generally associated with improved employability and higher salaries, 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, which includes entrepreneurship skills in university curricula, and providing adults with skill levels better access to lifelong learning) have sought to ensure that the provision of education keeps pace with the changing needs of the economy.

Social Inclusion

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. 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:
Health

Estonia has a social insurance-based healthcare system, which includes some non-Bismarckian features such as general practitioners. The insurance principle makes access to healthcare services dependent on labor market status. Working-age people who are not in employment or education are not covered by the national health insurance. On average, 6% of the population are not guaranteed free access to healthcare due to unemployment or irregular work contracts; the problem is worse among men, ethnic minorities and young people aged 26 – 30. The minister of social affairs started a discussion on universal healthcare in 2018, although the new government – which has been in office since spring 2019 – has not made any progress on the issue.

Another issue is decreasing public satisfaction with access to healthcare services in general and to specialist care in particular. Moreover, unmet healthcare needs differ across population groups, with low-income groups, the elderly and rural residents particularly disadvantaged. In 2017, 12.7% of Estonians reported having unmet healthcare needs due to cost, distance to travel or waiting times, which was the highest proportions in the European Union (HIT 2018). To tackle the problem of high out-of-pocket costs, compensation for prescription costs has been increased for people suffering from chronic illnesses. However, regional inequalities have increased, because austerity measures have centralized specialist care in larger hospitals.

In contrast to coverage and access issues, the quality of healthcare in Estonia is good, despite a level of expenditure well below the OECD average.

Citation:

Families

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, was revised in 2018 and 2019. 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 and paid leave for fathers was extended by 30 days.

Pensions

A three-pillar pension system has existed in Estonia since 2002, which has been widely seen as a success. Recently, several inefficiencies and flaws in the system have become apparent, which has led to extensive political debate and several reform initiatives. Before the 2019 parliamentary elections, pension system reform was high on the political agenda. Debates concerning the mandatory second pillar were provoked by the poor performance of pension funds, high administrative costs and minimal choice for citizens. In September 2019, new investment rules came into force for second pillar funds, which relaxed investment restrictions and imposed reduced rates for administration costs. Despite that, conservative parties proposed making the second pillar voluntary and allowing people to withdraw funds before retirement. The idea gained significant support among the electorate and eventually legitimized the populist plan to abolish mandatory pension funds. At the time of this writing, it appears very likely that the government will implement its plan, despite criticism from opposition parties, the research community, the central bank and the OECD. Critics warn that the reform may destabilize country’s economy and in the long run increase poverty among the elderly.

Poverty among the elderly is already an increasing concern. The average level of benefits is modest (€485 per month) and annual indexation provides only a slight relief. Political promises to increase pensions beyond indexation will be hard to fulfill because public pension funds are already running an annual deficit close to 2% of GDP. As an intermediary financial remedy, the retirement age will be raised from 63.5 to 65 in 2027 and continue to increase in line with life expectancy thereafter.

Integration

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.

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:

**Safe Living**

Public safety has steadily increased and crime rates have declined 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:

Global Inequalities

Estonia actively participates in international humanitarian interventions through the European Union and United Nations. A 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, main fields of activity and identifies major partner countries. The priority partners are the former Soviet Republics – Georgia, Moldova, Belarus and Ukraine, as well as Afghanistan. Estonia is active across various fields, although special efforts have focused on transferring knowledge in education, healthcare and e-government. Estonia is a world leader in the dissemination of domestic expertise in implementing ICT in public administration and education.

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 cooperation, 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 African Peace Facility, an Africa-EU Partnership initiative, 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:
III. Environmental Policies

Environment

The Ministry of Environment manages an integrated system of environmental protection, which covers the entire country, and ensures the preservation of the environment and sustainable use of natural resources. The Ministry of Economic Affairs and Communication is responsible for the energy sector and efforts to address climate change. The current national development plan, Estonia 2020, defines several goals for energy production and diversification. These include a target that renewable energy sources supply 25% of total energy consumed, total energy consumption be brought down to 2010 levels and greenhouse gas emissions be kept within 11% of 2005 levels. The next national development plan for the energy sector, which will run until 2030, was approved in October 2017. The next plan aims to increase the proportion of total energy consumed supplied by renewable energy sources to 50%, generate 80% of heat energy from renewable sources and limit vehicular fuel consumption to 2012 levels by 2030. Various efforts to increase the energy efficiency of buildings are already being implemented, with further measures planned (e.g., new buildings must conform to a near zero-energy standard). By 2050, Estonia aims to decrease greenhouse gas emissions by nearly 80% compared to 1990.

Estonia has invested significantly in renovation and water 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 75% of all forest area, while the remaining 25% has been placed under various protection regimes. Although the volume of cutting has remained stable in recent years, citizens are sensitive to the issue and there is significant public demand 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. One of the main risks for biodiversity is increasing traffic and road construction, though the newest roads have been constructed in accordance with environmental protection regulations. Strong emphasis has been put on environmental
concerns in the process of planning the route for the Rail Baltic high-speed railway.

**Global Environmental Protection**

Estonia has joined most important global and European agreements, and displayed its commitment to these international agreements and targets. Estonia has ratified the Paris Agreement, and is taking steps to switch to more environmentally sustainable economic and behavioral models. In October 2014, Estonia agreed to the EU energy and climate goals for 2030. At the end of 2019, the government decided to support the EU goal of achieving climate neutrality by 2050, having opposed the goal in June 2019 along with three other eastern EU member states.

The Estonian government occasionally contributes to the global fight against climate change by supporting the export of green technologies to developing countries.

A global bottom-up civil society movement, World Cleanup Day, was born in Estonia and has become one of the largest contemporary civil society movements worldwide. In 2019, 180 countries and 20 million people came together to rid the planet of trash – cleaning up litter and mismanaged waste from beaches, rivers, forests and streets.

Citation:
https://www.worldcleanupday.org/about/
Quality of Democracy

Electoral Processes

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

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.
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 2019 parliamentary elections, 44% of participating voters voted online.

Ethnic minorities’ modest degree of engagement in election processes has been a long-standing 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

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.

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**

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 five represent different political parties that hold seats in the national parliament. Members of the ERR Council are elected for five years (members of parliament 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 2019, Estonia ranked 11 out of 180 countries, which is one rank higher compared to the previous year.

Although several national newspapers and TV channels exist in the country, media ownership is increasingly concentrated. In addition to Estonian Public Broadcasting (ERR), there are two large private media companies owned by domestic investors (the Ekspress Group and the Eesti Meedia Group). These companies dominate the print and electronic media market. Print newspapers are struggling with decreasing readership figures and increasing expenses, which has resulted in some media outlets closing and other outlets moving to online only content. Economic hardship has particularly affected local media outlets, forcing the closure of some local newspapers and Tallinn TV, which was owned by the Tallinn city government. Several weeklies (e.g., the Teachers’ Gazette and the cultural weekly Sirp) receive government funds.

High internet and cable-TV penetration rates ensure that most of the population can still access a diverse range of media channels. All major newspapers provide content online and there are two major online only news portals. One of these is publicly funded and run by ERR, while the other, Delfi, is owned by the private Ekspress Group. All TV and radio channels offer an online presence and make increasing use of social media. Some minor online news portals (e.g., the independent politika.guru.ee and edasi.org, and the radical-right objektiiv.ee and uueduudised.ee) enjoy an increasing number of followers.

The main principles of access to public and official information are laid out in the constitution. Additionally, the Public Information Act has been in force since 2001, and the Personal Data Protection Act (PDPA) 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. Estonia keeps an official gateway to all government information and public services (eesti.ee). 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 European Union’s GDPR, the national PDPA was amended in 2019.

Civil Rights and Political Liberties

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, dependent on the discretionary decision of the court. Estonia is one of the few EU member states where the right to legal aid is not linked to the income of the applicant.

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.


Political liberties are an important part of Estonia’s constitution and they are widely respected in society. There are 14 political parties, which collectively cover the entire spectrum of mainstream political ideologies are registered and active. The Estonian Trade Union Confederation (EAKL), which is comprised of 20 branch unions, represents employees’ interests in collective-bargaining agreements and protects employees’ rights in employment relations. It also consults employers on developing a sustainable labor market and participates in policymaking. 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.

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 long-standing challenge, and is reflected in the largest gender pay gap in Europe and the highest share of citizen appeals to the GEETC. In 2018, nearly half of appeals (137 out of 304) concerned gender issues. 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

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.

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. 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. However, the radical-right EKRE, which entered the government in 2019, has attacked the courts (promising that “heads will roll”) for, among other things, recognizing same-sex marriages.

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 transparent and legitimate, the appointment processes rarely receive public attention or media coverage. Supreme Court justices are rarely, if ever, criticized for being politically biased.

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.

The number of registered corruption offenses remained about the same level in 2018 as in 2017, although the number of corruption cases in the healthcare sector increased substantially. Most corruption offenses relate to bribery and abuses of power in public procurement. The number of municipal-level corruption cases has decreased, with most cases (59%) occurring in the governmental sector. Notably, no recent corruption case at the central government level has involved an elected politician in contrast to municipal-level cases.

Governance

I. Executive Capacity

Strategic Capacity

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-developement plans, to coordinate and draw up the government’s action plan, and monitor the implementation of the above-mentioned policy documents.

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.

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. The final reports of the research projects are made publicly available on the websites of the governmental institutions that requested the study. However, 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. In preparing the long-term “Estonia 2035” strategy, experts and opinion leaders have been regularly engaged, while the relevant website enables interested citizens to participate in and interact with developing the strategy.

Citation:

**Interministerial Coordination**

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 undertake substantial evaluations of line-ministry proposals, as the Strategy Unit within the GO employs only 13 people. From 2020, the core responsibility for the country’s strategic planning framework will be transferred from the Ministry of Finance to the GO. The change grants the prime minister more power to manage strategic planning.

The current government of Jüri Ratas, which entered office in April 2019, has defined five wide-ranging priorities for 2019 – 2023. However, the GO has been unable to provide sufficient expertise, or organizational, financial or staff support.

Two different forms exist to communicate line ministries’ proposals to the GO. Firstly, all policy initiatives are discussed in the coalition council. Secondly, 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. Under current government (in office since April 2019) advance communication between line ministries and the Prime Minister’s Office has weakened, and line ministries sometimes act independently.

Estonia does not have a committee structure within government, or any ministerial committee. Ministers informally discuss their proposals and any other pending issues at weekly consultative cabinet meetings. No formal voting or any other selection procedure is applied to issues discussed in consultative meetings. The creation of cabinet committees was proposed by government in March 2017. However, an amendment to the Act on National Government, which was passed in fall 2018, has not improved strategic coordination within the cabinet.

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.

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.

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.

**Evidence-based Instruments**

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.

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.

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’s next long-term strategy, Eesti 2035, which is currently being prepared, will guide the country’s development from 2021. The strategy will define an integrated vision for the country’s balanced and sustainable development. Nine national priorities, which have been presented in a draft of the strategy, explicitly reference the 17 SDGs.

Citation:
Summary of the Analysis of the Estonian Sustainable Development Strategy “Sustainable Estonia 21.”

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, European 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**

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. 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**

Government ministries have remarkable power and autonomy. Ministers from the various coalition parties sometimes make statements that are not in line with the general government position or have not been properly discussed by all the coalition partners. This tendency has become more pronounced in 2019 largely as a result of the inclusion of the radical-right, populist EKRE in the governing coalition. Ministers from the different coalition parties have issued contradictory statements on issues ranging from pension and pharmacy reforms to the fundamentals of defense policy.

**Implementation**

The Basic Principles of the Government Coalition for the period 2019 – 2023 are stipulated in the coalition agreement and the Government Action Plan. Additionally, a 100-day program for the first government period (May – August 2019) is publicly available on the government’s website. In its first 100 days, the current government completed 72% of 58 tasks stated in the plan.

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. Government decisions are made on the basis of
consensus, which empowers a junior coalition partner to block a policy decision agreed by the other coalition partners.

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.

Estonian government is horizontally decentralized. This means that besides 11 ministries, there are 25 executive agencies and several foundations established by the government. Foundations have specific policy objectives, often managing implementation of the EU structural funds in Estonia. Foundations are led by a counselor and appointed by a minister. Agencies implement policies within the broader policy area and are accountable to the relevant ministry. Ministers appoint agency directors. These organizational arrangements enable ministries to monitor the activities of executive agencies. However, agencies have grown substantially both in terms of staff and task volume; this may ultimately produce negative effects such as a lack of coordination between the ministry and agency, or misuse of administrative power by executive-agency CEOs. In the framework of governance reform (2019 – 2023), the government has proposed merging the various implementing agencies.

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.

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 merger of municipal authorities in 2018 created larger scales of economy and increased the financial sustainability of municipalities. In addition to administrative measures, the funds allocated by the central government to municipal authorities have been increased and regulations on using targeted transfers have been relaxed. Revision of the land tax rates is also expected to strengthen municipal revenues. More broadly, the government aims to increase local government expenditure as a proportion of total public expenditure.

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.

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, 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.

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**

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. 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, participates in 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.

The NATO Cooperative Cyber Defense Centre of Excellence (CDCE) was established on the initiative of Estonia. 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.

At the end of 2019, the government declared its support for the European Commission’s long-term goal to make Europe climate neutral by 2050 (after initially opposing the goal with three other central and eastern European countries). To coordinate and advance activities in this area, an interministerial commission on climate and energy has been established by the Government Office.
Organizational Reform

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.

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 until recently. The current government, which has been in office since April 2019, has prioritized a large-scale government reform (riigireform). The consolidation of executive offices and government bureaucracy, and increased use of e-government tools are key aims for this ambitious reform. Yet, at the time of writing this report, several deadlines proposed in the Government Action Plan 2019 – 2023 have already been postponed.

II. Executive Accountability

Citizens’ Participatory Competence

Extensive media consumption and high internet penetration suggest that citizens may be well informed on major policy topics. Besides news media, the websites of ministries and executive state agencies inform citizens about forthcoming policy changes (e.g., the forthcoming reform of second-pillar pension funds). At the same time, extensive use of social media by political parties and radical social movements likely increases the dissemination of fake news. The recent discussions on foreign and domestic policy issues indicate that information is often trivialized and manipulated for party political purposes. A few recent surveys have suggested that a significant proportion of citizens do not have an opinion or act ad hoc. For example, 41% of respondents in a representative opinion poll (Turu-Uuringute AS 2019) stated that they planned to withdraw their money from pension funds when allowed after the forthcoming pension reform, despite 77% of respondents stating that they would have no idea what to do with the money.
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**

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. Between 2018 and 2019, three such studies were 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.

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.
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, members of parliament 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.

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

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. The working schedule of the standing committees is established by the Riigikogu Rules of Procedure and Internal Rules Act, with committee work sessions spread over three days and totaling 12 hours per week.

All members of parliament belong to one or more standing committees, with each committee having about 10 members. At present, no standing committees is chaired by an opposition member of parliament, which represents a challenge to the democratic principle of checks and balances.

In addition to the standing committees, there are currently two investigative committees and three special committees. Considering that the members of these task force 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. The influence of special committees on the design of reforms has remained marginal in most cases.

**Media**

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 established online news portals, four general content 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 competence can be 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**

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.

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 European 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 policy-formulation capacity of noneconomic 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. 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.

Independent Supervisory Bodies

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.

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.

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. The inspectorate is also responsible for ensuring compliance with the European Union’s GDPR. 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.

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