



Estonia Report

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Sustainable Governance in the
Context of the COVID-19 Crisis

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Executive Summary

A key feature of Estonia's performance during the COVID-19 crisis has been sectoral unevenness. This has mainly been caused by two factors: the varying maturity of institutional structures and paradigmatic policy change.

Estonia entered the COVID-19 crisis with a robust economy and the benefit of a very strong fiscal position. Jüri Ratas (the Center Party) had been the prime minister since 2016 and there were signs of the government becoming lax on fiscal issues compared to the conservative stance under the government tenure of the Reform Party (2005 – 2016). The second Ratas cabinet formed after the March 2019 elections included the far-right populist Conservative People's Party (EKRE). EKRE captured two important portfolios that proved to be instrumental in the economic response to the COVID-19 crisis: the minister of finance, and the minister of ICT and entrepreneurship, which oversees both Enterprise Estonia (EAS) and KredEx (the latter two being instrumental in implementing the economic support package).

Overall, the Estonian economic response was slow, clientelistic and incoherent. Some large companies received generous soft loans, while other sectors received meager aid. For example, €40 million was provided to the real estate development Porto Franco in central Tallinn, while just €2 million was provided to the entire tourism sector. SMEs, farmers, and self-employed and gig-economy workers were left completely behind. The clientelistic approach had terminal consequences for the governing coalition. In January 2021, several senior advisers were accused of corruption related to Porto Franco, which forced the prime minister to step down.

Estonia did much better in sectors featuring a strong institutional base and which enjoy solid public trust, such as education and healthcare. The education system moved online effortlessly, as the digitalization of education has long been a national priority. The healthcare sector also managed the pressure of the first and second waves of the pandemic quite effectively. In spring 2020, regular hospitalizations and treatments stopped for two months, but in the fall in-patient care resumed as planned. The health insurance budget benefited from additional funds to cover the increase in costs due to the pandemic.

Long-neglected policy areas (such as long-term care) or those with a low priority for the government (such as fighting social exclusion) received limited attention and resources during the COVID-19 crisis. Public sector care institutions and home care workers were not supplied with safety kits until the government's second round of orders. Overall, social workers were less prepared than staff in acute care hospitals to deal with the virus. Specific poverty relief measures were not even discussed and labor market support for workers was available via employer subsidies only.

All restrictions and limitations implemented during the pandemic were made in line with the constitution and existing legislation, including the two-month state of emergency between March and May 2020. Up-to-date information on the spread of the coronavirus and government regulations were easily accessible for the public. Except for a small-scale peaceful demonstration against mask-wearing in November, there have been few public protests against restrictions. The public authorities have exercised restraint in issuing fines or penalties to citizens failing to wear masks.

Crisis governance capacity has, overall, been satisfactory. However, chronic issues – such as detailed strategy papers without proper follow-up actions and poor interministerial coordination – became more salient during the pandemic. Although the government has been alert to the advice of medical experts, it has been slow on policy learning and less responsive to the advice of economic experts or the Bank of Estonia.

Key Challenges

All European governments have relaxed their fiscal policy – a paradigm that is expected to last beyond the pandemic. Governments' increased control over resources and economic interventions principally pose a challenge to established fiscal and economic policymaking.

It is crucial to develop a sustainable exit strategy to minimize budget deficits (currently in the range 6.6 – 6.7% of GDP). Minimizing budget deficits can either be achieved via substantial cuts in spending (less likely) or adjustments to the existing tax base (more likely).

The economic response package must be recalibrated considering the double challenge. On the one hand, hard-hit sectors (e.g., tourism, hospitality and transport) must be supported; on the other hand, the challenges of a “Green

Deal” and digitalization need to be tackled via earmarked or conditional financial packages.

While the strategic goals of economic restructuring need to be kept in mind, the government must become more agile in allocating emergency aid. At the end of the review period, about €400 million remained unspent, while many businesses struggled to survive.

Failures to respond adequately to the economic challenges have been amplified by inter-party strife within the coalition and tolerance of clientelism. The investigation into bribery involving some government officials (January 2021), which led to the resignation of the Ratas II cabinet, must be thorough and just. Zero tolerance toward clientelism, bribery and political pressure over administrative agencies must be established, closely monitored and practiced throughout the entire governance system. The management structure of institutions granting financial support to enterprises (EAS, KredEx) may need to be reviewed, as they are at risk of excessive politicization and high levels of corruption. The murky affairs that have recently surfaced were made possible by flawed political party financing rules, which need to be updated and clarified in the Political Parties Act.

Estonian labor market policy and employment measures were timely and helpful, but disproportionately skewed toward employers. This approach has decreased the autonomy of workers and, in particular, neglected the unemployed. The Unemployment Insurance Fund (UIF), which receives contributions from employers and employees, should regain its autonomy in designing labor market measures and respond fairly to the needs of all parties. UIF reserves, which the government used to provide extraordinary aid to businesses, should be gradually restored.

Solidarity measures toward disadvantaged citizens and social groups have been absent. The government needs to adopt measures to mitigate poverty and mental stress to complement the limited capacity of the voluntary sector currently available. It is also important to pay more attention to those left without social protection by the existing conventional social insurance-based welfare model, such as the economically non-active (especially youth), platform workers and long-term unemployed.

The crisis management system needs to move from words to action. The extensive pool of regulations and reports is of little help if lessons from shortcomings do not lead to actual reforms. This requires not only political will and administrative capacity, but also investment into proper infrastructure and supply stocks. Day-to-day decisions should rely on transparent and

coherent criteria to enhance understanding and trust between policymakers, businesses and citizens.

The new government, which entered office on 26 January 2021, was not fully prepared to take over the management of the crisis – it inherited a stable but rather high rate of infections from the previous government. After the rate of infections accelerated rapidly, the government introduced strict restrictions on 11 March 2021 (e.g., the complete closure of schools, non-essential shops and most services). The cumulative number of cases per million inhabitants increased from 27,000 to 88,000 between mid-January and mid-April, and Estonia went from 55th place globally to 12th. The death rate also increased more than threefold (238 to 802 per million), but Estonia ranks only 55th globally.

In April 2021, the government announced a vaccination plan and criteria on setting/removing lockdown measures. These steps have cooled emotions and implicitly helped to move on with vaccinating people as planned. Despite early and widespread criticism of the vaccination program (mostly because of the difficulties of reaching out to the most vulnerable and elderly, and the hectic supply of vaccines), the pace of vaccinations has compared favorably to the EU average (19.8% of the Estonian population had received a first dose as of 14 April, compared to an EU average of 16.9%). By the end of April 2021, 29% of the adult population had been vaccinated and among the population aged over 70 the vaccination rate is 60%.

In April, the government also announced the principles of the four-year Budget Strategy, which emphasizes strict budgetary discipline and does not foresee significant measures to boost an economic recovery from the crisis.

Citation:

<https://www.valitsus.ee/uudised/valitsus-kiitis-heaks-uhiskonnaelu-korraldamise-kava-koroonaviiruse-leviku-tingimustes>

<https://www.terviseamet.ee/et/koroonaviirus/koroonaviiruse-andmestik>

<https://www.valitsus.ee/uudised/valitsus-votab-sihiks-riigi-rahanduse-korrastamise>

Resilience of Policies

I. Economic Preparedness

Economic Preparedness

Economic Policy
Preparedness
Score: 6

Estonia is one of the leading countries in the world for developing digital infrastructure for governance. This digital infrastructure helped the country to weather the shocks of the COVID-19 crisis, and have, already for several decades, streamlined regulation and decreased transaction costs. Economic growth has largely followed an open liberal market model, attracting foreign investment, and attempting to increase productivity based on low levels of state interference, a flexible labor market, a simple tax system with moderate levels of taxation, and the ease of starting and running a business. This has helped the Estonian economy to undergo a significant transformation and achieve remarkable levels of economic development since the end of communism, but this development has not been sustainable over the longer term from an ecological perspective. For example, Estonia retains one of the highest per capita CO₂ emissions among OECD member states.

Estonia did not have a sustainability-oriented industrial policy before the onset of the COVID-19 crisis. It relied on low-income taxes and an open cross-border economy. The Estonian industrial sector was dominated by sub-contracting enterprises, either locally or foreign owned, that produce products at the lower end of the value chain. Larger sectors include timber, metalworks and oil-shale based petrochemical production. At the same time, Estonia has a booming ICT sector, which has created several unicorns and relies quite heavily on foreign ICT savvy workers. However, in pre-coronavirus crisis times there was no developed, coherent strategy to support a “new green deal” (much of the eco-innovation is supported by EU grants or the auctioning of its CO₂ quotas) or a large-scale digital turn in enterprises, including SMEs. The ICT sector has been a showcase for Estonia for years, but after the last elections (2019) the ICT and entrepreneurship minister portfolio has belonged to the right-wing populist EKRE and changed hands four times in less than

two years. The ministers have failed in making any positive development regarding Economy 4.0.

The main business support measures are concentrated in Enterprise Estonia and KredEx, and both are formidable institutions on their own and provide a range of support schemes. Enterprise Estonia is focused on developing the country's export potential, supporting tourism and helping to attract foreign investment. KredEx offers growing businesses – especially those targeting foreign markets – affordable loans and underwrites guarantees. Both have helped many companies in the services sector – ICT, but also tourism and hospitality – to thrive.

Citation:

<https://www.oecd.org/economy/estonia-economic-snapshot/>

Labor Market Preparedness

Labor Market
Policy
Preparedness
Score: 7

Following the uptick during the Great Recession, Estonia returned to modest levels of unemployment (5.1% in 2019, compared to the EU average of 7.4%). After a steep drop in employment and a sharp rise in unemployment in the second quarter of 2020, the labor market remained stable during the summer. The contraction in the Estonian economy during the first wave of the coronavirus pandemic was smaller than those in the majority of European countries and the labor market performed as projected in the more optimistic scenarios.

Estonia has a well-funded system of active labor market policies, although problems with reaching out to low-skilled groups persist. Issues with labor shortages have somewhat subsided since net migration turned positive in the mid-2010s. However, some structural imbalances remain and certain sectors (e.g., medicine, software engineering, education) still struggle with labor shortages. Weaker demand for labor and an increase in available labor caused wage growth to slow in the second and third quarters. COVID-19 did not have a major effect on the balance of labor demand and supply. There is still a shortage of skilled workers in the ICT sector and an oversupply of semi-skilled workers in administrative jobs. The shortage of agricultural workers was made worse due to travel restrictions, as workers from Ukraine were not allowed to enter Estonia. As demand for labor depends on the performance of businesses, which in turn depends on the further costs of the coronavirus pandemic and the measures taken to stop its spread, it is hard to forecast the future development of the labor market.

The favorable employment situation as well as the workfare approach in social policy explain the existing policy choices and labor market outcomes. The

workfare approach (labor market reforms between 2009 – 2014) tightened the criteria for labor market-related benefits and made benefits conditional on participation in activation measures.

Collective agreements are not a standard in Estonia and dismissal has been made easier by legal amendments in previous crises (e.g., 2009). Unemployment benefits are only moderate and strongly time limited – the unemployment insurance benefit is paid for up to one year with the initial replacement rate at 50%, dropping to 40% after the first 100 days (the total duration of the payments is between 180 and 360 days depending on the length of employment). Hence, the incentive to return to the labor market is high. There is a national minimum wage set annually in conjunction with the state budget. Although the minimum wage is rather low, it has significantly increased in recent years (€84 per month in 2020, up 65% compared to 2014).

Public labor market measures are oriented more toward employers rather than employees or jobseekers, and this tendency became even more salient during the first COVID-19 wave. Employers received financial support from the Unemployment Insurance Fund to avoid dismissing employees or declaring bankruptcy (the government scheme covered up to 70% of wages). However, no direct support to workers or their families has been provided. Similarly, those who were unemployed before the COVID-19 crisis did not receive any support at all.

Although attempts have been made to adjust Estonian labor market policy to new non-standard forms of work, the implementation of legal amendments has been slow. Platform and gig-economy workers are in legal terms self-employed, which means that they are not eligible for most labor market support measures. On the positive side, people who are registered unemployed are now allowed to take short jobs without losing their unemployment benefit.

Citation:

<https://www.tootukassa.ee/content/tootukassast/uuringud-ja-analuusid>;

<https://www.eestipank.ee/en/publications/series/labour-market-review>

<https://www.oecd-ilibrary.org/sites/31f72c5b-en/index.html?itemId=/content/publication/31f72c5b-en>

<https://www.oecd-ilibrary.org/sites/31f72c5b-en/index.html?itemId=/content/publication/31f72c5b-en>

Fiscal Preparedness

Fiscal Policy
Preparedness
Score: 8

Estonia has run extremely conservative budgetary policy since regaining independence in 1991. The cornerstones of the country's budgetary policy have been the annually balanced budget proposal to the parliament and maintenance of very low central government debt. This position started slowly

to erode after current Prime Minister Jüri Ratas formed his first cabinet in 2016. The shortcomings of his first cabinet included an overly optimistic forecast for tax collection. Sharp increases on excise taxes on fuel, tobacco and alcohol produced central government deficits in the end of the year standings. Nevertheless, the Estonian government books were in very good shape prior the COVID-19 crisis and their sustainability was beyond doubt.

The state budget law requires that state budgets are structurally balanced. However, the 2020 budget proposal moved away from prior standards and the first COVID-19 response has changed the situation. Government liabilities more than doubled within a year – admittedly from a very low level and remaining the lowest in the European Union – from 8% of GDP in 2019 to 19% in 2020, according to IMF October 2020 estimates. The budgetary process became less transparent and difficult to understand because of an amendment to the State Budget Act (2017). Inter alia, budgeting had switched from a cost-based principle to an action-based principle by 2020. The independent Fiscal Council – whose members are appointed and operating costs covered by the Bank of Estonia – assesses the reliability of the government’s fiscal and macroeconomic forecasts and whether it follows the budgetary rules in its annual budget drafts. The opinions of the Fiscal Council are often critical and receive widespread coverage in the media. The Ministry of Finance is well equipped with top-level civil servants, whose pay level exceeds private sector rates. The Ministry Finance is capable of fully assessing market trends and potential problems. However, budgetary processes are always very political.

In 2020, a reform of the second pension pillar (based on joint contributions by the state and individuals) was introduced by the government, allowing people to withdraw accumulated pension funds. The reform is likely to provide a highly temporary stimulus to the economy, as the withdrawals attract income tax and many are planning to spend rather than re-invest the money. Many international organizations and domestic experts have warned that the reform also creates a long-term fiscal risk, as the number of people with an invested pension fund will be reduced.

Citation:

<https://www.rahandusministeerium.ee/et/riigieelarve-ja-majandus/riigi-eelarvestrateegia>

Research and Innovation

The Estonian research and innovation policy support system is dominated by two institutions: Estonian Research Agency (ETAG) and Enterprise Estonia (EAS). ETAG is a classic research foundation, which has been supporting

basic and applied research in universities and academic institutions. EAS provides support to enterprises. In recent years, there has been a move to change the system in order to increase the “serving the society” dimension of science. There were lengthy discussions about how to make the system work better in order to advance applied research. The options were either a single centralized independent body for applied research or a diffused model in which applied research funds would be dispersed between line ministries, with each ministry independently choosing what kind of research projects to support. Eventually, the government opted for the second approach and, since 2020, a significant proportion of the entire public R&D budget has been allocated to ministries. The Ministry of Economic Affairs has the largest share of this budget. In addition to this budgetary change, ETAG has introduced a new funding scheme, which presumes that research institutions and enterprises will cooperate to develop product and service innovations.

One has to mention that for 2020 the budget of science-related expenditures finally reached 1.0% of GDP. This has been an agreed objective for a long while, but only amidst the boost in borrowing in response to the COVID-19 pandemic did the government decide to keep its word. Yet, the increase in the overall spending means assigning substantial funds to line ministries, which might enable strong political control over spending. It is still at a very early stage and no empirical evidence is available to evaluate the results of this paradigmatic change. However, two concerns can be pointed out. First, the changes are unlikely to fix the problem of a lack of coordination between ETAG and EAS. Second, allocating substantial funds to the line ministries bears the risk that support will be politically motivated rather than based on merits or the needs of certain projects.

Estonia has a booming startup community and overall support to the sector has been strong (but with limited public funding). ICT projects are supported by various EAS schemes, but these operate on a micro level. Overall, the funding approach taken represents a step toward more active innovation, but evidence of a substantial boost in productivity and innovations has not yet been presented.

Citation:

<http://www.innovationpolicyplatform.org/>

www.innovationpolicyplatform.org/content/estonia/index.html

II. Welfare State Preparedness

Education System Preparedness

Education Policy
Preparedness
Score: 9

Estonia has consistently ranked high in PISA assessments, obtaining fifth place in 2018 in science and reading. Furthermore, the country has an equitable education system with a low gap between high and low achievers (and only 4% of pupils are classified as low achievers). The level of spending on education is above the EU average and the country has the highest levels of upper secondary achievement among the SGI countries. University fees were abolished in 2013 and female students outnumber their male peers at all levels, including among PhD candidates.

The digitalization of education has been a priority in Estonia since 1996, when the Tiger Leap program was launched. The development of educational software and web-based learning materials, the training and retraining of teachers in ICT, and the digitalization of learning performance and monitoring systems have all been permanent policies. As a result, the Estonian school system was well equipped to face the COVID-19 crisis. All schools from primary up to university level rapidly transferred to online teaching without significant disruptions to the learning process. Schools enjoy large autonomy in learning and teaching matters, and therefore adjusting learning processes to the new situation has been done locally, in a bottom-up manner. No significant policy change was caused by the pandemic, rather all existing developments have been accelerated (including the digitalization of textbooks and workbooks, and the more active use of online video tools and teamwork).

Generally, Estonian households are well equipped with PCs, tablets and smartphones. Yet, COVID-19 highlighted the need for faster internet connections and the larger number of ICT devices required in each household simultaneously, which turned out to be a problem for disadvantaged families. To help these families, an impressive number of PCs, laptops and tablets were collected in a public charity campaign.

Citation:

<https://www.hm.ee/en/news/pisa-2018-estonia-ranks-first-europe>

Social Welfare Preparedness

Social Welfare
Policy
Preparedness
Score: 6

The at-risk-of-poverty rate in Estonia is among the highest in Europe and there has been no major improvement in the rate within the last 10 years, despite the change in government composition from 2016. Social protection policy has remained lean with targeted benefits playing a very marginal role. There is no open debate about a universal basic benefit and the existing subsistence benefit has very strict eligibility criteria. The benefit is paid to persons living alone or families whose monthly income is below the statutory subsistence level (€150/head in 2020) after the deduction of residence expenses. All other social benefits (such as unemployment allowance and child allowances) are included in a household's net income. There are no housing subsidies at the national level, though municipalities can provide them out of their own budget. School meals are free for all students, including for vocational education and upper secondary students, which is an important measure in combating child poverty. The child poverty rate in Estonia is lower than the European average.

One permanent concern is the situation with long-term social care, where demand is much higher than supply, and the financial contribution of families comprises 72% in institutional care and 24% in long-term care. More broadly, disabled people and families with disabled members feel that they are not treated as equal citizens in society.

Regional disparities are also significant. Unemployment is higher, job opportunities are poorer and incomes are lower in many rural areas and the country's (post-) industrial northeast than in the capital area. The rural-capital divide is apparent in public perceptions as well. Respondents residing in rural areas, those aged 55-64 and those with a lower level of education attainment state that the national political system does not consider their needs and is instead biased toward better-off residents in the capital. Relative poverty is considerably higher than average (21% in 2019) among senior citizens (41%), single-parent households (50%), ethnic minorities (about 28%) and in northeastern Estonia (29%), and somewhat higher among women (22%). While the level of female employment is high, the country has maintained the dishonorable status as the EU member state with the highest gender pay gap (23% in 2018).

Citation:

<https://www.globsec.org/publications/voices-of-central-and-eastern-europe/> (visited at 04.01.2021)

Healthcare System Preparedness

Health Policy
Preparedness
Score: 7

Estonia has a compulsory health insurance system, which covers about 90% of the population. Emergency medical care is free for all. Hospitals and laboratories are equipped with modern technology, there is a sufficient number of hospital beds, including in intensive care. In March 2020, there were 157 intensive care beds in hospitals, about 190 beds could be leveled up to treat COVID-19 patients in intensive care, while 239 ventilation devices were available, with a further 50 in reserve that could also be used. The capacity of beds and ventilation devices was evaluated as sufficient at the time. At the same time, the lack of human resources, especially nurses and GPs, risked becoming critical during the crisis. This is especially so due to the fact that many nurses and doctors used to work across several hospitals, a practice that was banned during COVID-19.

Preventive healthcare is quite high on the policy agenda, but its effects are still to manifest itself. Life expectancy and perceived health status lag well behind most SGI countries. There are several state financed programs for cancer screening and campaigns to promote healthy lifestyles (which aim to tackle heart and vascular diseases, and obesity). Vaccinations were not a policy priority and are not reimbursed by health insurance providers, except for newborn babies and children. This is probably one of the reasons why vaccination rates against influenza (10.2% in 2018) and other diseases is low in Estonia. Lately, anti-vaxx movements (alongside other groups that advocate alternative medicines of either a doubtful or harmful nature) are taking root in social media and there is no coordinated response to them from the health authorities or medical profession.

Citation:

<https://www.err.ee/1068284/koroonaviiruse-tokestamise-raport-kahe-nadala-parast-voib-intensiivis-olla-100-inimest>

<http://www.oecd.org/publications/estonia-country-health-profile-2019-0b94102e-en.htm>

Families

Family Policy
Preparedness
Score: 9

Estonia scores highly in the World Happiness Survey and has a generous parental leave system, which was introduced in 2004. In recent years, regulations have substantially relaxed in order to facilitate fathers' increasing contribution to parenting and to provide families with more freedom to arrange their work-family responsibilities. Childcare enrollment is high, despite some shortages in kindergarten places for younger children in larger cities. In sum, the regulatory framework is very favorable and increasingly gender blind.

Yet, gender stereotypes die hard, and women often have lower positions within the labor market and lower wages compared to men (see P6). This may incentivize some families to place childcare responsibilities solely on the mother.

Online and distance working arrangements have grown substantially in recent years, which has made combining parenting and employment easier. However, these possibilities are only feasible for white-collar employees.

Single parents are not specifically addressed by Estonian family policy. For example, children in single parent households do not have priority in applying for a place in childcare facilities. The extent to which single parents encounter problems in balancing work and family depends heavily on their socioeconomic status and to some extent on the responsiveness of their employer.

Citation:

<https://www.stat.ee/et/uudised/pressiteade-2020-087>; <https://www.workinestonia.com/sweden-norway-iceland-estonia-and-portugal-rank-highest-for-family-friendly-policies-according-to-unicef/>

III. Economic Crisis Response

Economic Response

Economic
Recovery
Package
Score: 5

Overall, the government responded slowly with a recovery package that was largely inadequate and failed to target efficiently the appropriate sectors and businesses in such a way as to mitigate the negative economic consequences of the crisis.

The Estonian government earmarked around €2 billion (roughly 7% of GDP) for the COVID-19 economic rescue package. However, not all of these funds were provided directly by the state. The quickest response was a payroll-support scheme administered by the Estonian Unemployment Insurance Fund. The government tapped into the fund's reserves and around €250 million was taken from there, with no intention of paying those reserves back in the future. The payroll-support scheme, which covered up to 70% of wages, was launched in April 2020. It was a direct support measure offered to struggling companies (companies that had experienced a 30% or greater decrease in turnover or income year-on-year) and application criteria were lax. No benefits or extra support were given directly to the unemployed, self-employed or gig

workers. The majority of other funds will be distributed by KredEx (soft loans and state guarantee schemes for SMEs) and a smaller portion via Enterprise Estonia (EAS) in the form of, for example, small soft loans and grants.

KredEx was the main issuer of enterprise support. The government decided to grant soft loans and provide guarantees. Initially (in March 2020) the government aimed to provide guarantees for Estonia's largest and most important enterprises, but changed course after the 3 March 2020 European Commission decision to adjust state aid rules during the coronavirus crisis. This opened a Pandora's box. Tallink – the shipping, hotelier and fast-food company – received the lion's share of the soft loans (€100 million), even though the company was offered loans from the private sector on market terms. Tallink, of course, turned down the market driven offer and opted for the government's soft loan. Later, it was topped up by a €5 million direct subsidy. While the soft loan to Tallink was justified to some extent (it is a large and strategic company operating in a badly affected sector), the second largest soft loan (€40 million) went to real estate development Porto Franco in the harbor area of Tallinn. The entrepreneur behind the development has made substantial donations to political parties over the years (including €50,000 to the leading Center Party soon after the soft loan was awarded). The loan, political donations and alleged bribery attempts were at the center of a massive corruption scandal, which led to the resignation of Prime Minister Ratas in January 2021.

In its audit report, the Estonian National Audit Office (NAO) voiced its criticism of KredEx measures during COVID-19 pandemic. "The criteria and objectives for distributing nearly €1 billion of extraordinary loans and guarantees allocated to KredEx with the supplementary state budget for 2020 have been vague." They also noted that: "In half a year, 5% of the enterprises forecast in spring have benefited from the measures, that is approximately 300 enterprises, of the more than 6,000 forecasted, have reached a loan or guarantee agreement." This means that the vast majority of SMEs had difficulty securing support from KredEx schemes due to very rigid requirements, whereas a few large companies received extraordinarily soft tailor-made loans. Under the KredEx schemes, about €400 million remains undistributed.

EAS measures had a higher take up among SMEs, but EAS had far fewer funds available and some of the measures are difficult to comprehend. For example, EAS had earmarked €4.1 million for a grant scheme to support the hard-hit tourism and hospitality sectors, but the government suddenly decided in January 2021 to halve the size of the tourism support scheme. The support scheme was closed 26 minutes after opening because the amount of requested

funds exceeded available funds by a factor of 2.5. It shows a wide gap between the €400 million of undistributed KredEx funds for SMEs due to rigid rules and the huge demand for the tiny, tiny supply of EAS measures.

Tax policy amendments were not discussed nor implemented in Estonia.

Citation:

National Audit Office: KredEx has distributed loans with vague objectives and criteria.(Press release).
https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/1307/amid/557/language/en-US/Default.aspx?fbclid=IwAR2cB78PQagsEVE-BJS3OEALh49FliS56GKrQyXPmY2QKt32NrS513vn_WQ
 (accessed 08.01.2021)
<https://majandus24.postimees.ee/6927381/tootukassa-kriisitoetus-on-helde-aga-valetajad-saavad-karistada;>
<https://arileht.delfi.ee/artikkel/92236457/video-ja-blogi-korruptsiooniskandaal-porto-franco-umber-kahtlusalused-on-teiste-seas-mihhail-korb-hillar-teder-ja-kersti-kracht;> [https://www.eas.ee/covid-19-toetused-vana/;](https://www.eas.ee/covid-19-toetused-vana/)
[https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/1307/amid/557/language/et-EE/Default.aspx;](https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/1307/amid/557/language/et-EE/Default.aspx)
<https://www.riigikontroll.ee/tabid/206/Audit/2511/language/et-EE/Default.aspx>

Sustainability of Economic Response

Recovery
 Package
 Sustainability
 Score: 2

Unfortunately, the government measures did not take sustainable development goals into account. The aspect of a sustainable transformation of the economy played no role at all. So far, it can be understood that the government intends to use only European recovery funds for sustainable transformation.

Citation:

<https://www.err.ee/1608107452/nimekiri-kuhu-laheb-eesis-euroopa-taastefondi-miljard>

Labor Market Response

Labor Market
 Policy Response
 Score: 4

Labor market measures taken to combat the effects of the COVID-19 crisis on the labor market were skewed strongly toward enterprises and employers, while the most vulnerable groups did not receive any special attention. There were neither any changes in the eligibility rules to unemployment benefits, nor any solidarity measures, such as a UBI or some single income-support transfers to poorer households.

When the COVID-19 crisis hit in spring 2020, the level of unemployment may have increased less than in many other European countries, but unemployment and the risk of unemployment rose significantly in the service sector and among unskilled workers (as a consequence, youth unemployment increased particularly sharply). This caused extremely high numbers of applicants for every non-qualified job. However, the public employment service did not

respond to this situation by introducing any training or upskilling measures for low-skilled workers.

Some relief for employees was provided by the government's decision to compensate sick leave temporarily (January – March 2021) from the second day, instead of providing the standard compensation from the eighth day. This is an important measure to curb the spread of the virus, because low-paid workers in areas of higher unemployment were afraid to stay home while sick.

Citation:

<https://news.err.ee/1608129811/economist-coronavirus-crisis-has-slowed-estonia-s-wage-growth>

Fiscal Response

Fiscal Policy
Response
Score: 4

The level of fiscal stimulus in response to the COVID-19 pandemic was moderate. Estonian government debt was at the beginning of the COVID-19 crisis the lowest in the European Union, standing at 8.6%. Like in most countries, the Estonian budget deficit soared in 2020, reflecting the decline in government revenue and high cost of covering the COVID-19 response. According to explanatory notes to the 2021 budget bill, the budget deficit in 2020 was 6.6% and will be 6.7% in 2021, despite expected GDP growth of 4.5%.

The Estonian government has an independent advisory body, the Fiscal Council (FC), which comprises distinguished economists and guides the macroeconomic decisions of the executive. Regarding the government's fiscal response to the pandemic, the FC took a rather critical stance toward the proposed budget and high deficit in 2021, seeing it as unjustified and having long-lasting negative effects. Furthermore, according to the FC, government plans to introduce a program of savings worth €1 billion to improve the fiscal position after the crisis were found to be poorly grounded and infeasible. As the FC estimates, balancing the budget cannot be achieved by abstract savings in the future without tax hikes. Instead, Estonia has the fastest growing public debt, which started from a very low 8.6%, but currently exceeds 20%.

The government's COVID-19 measures are one-off measures and by current understanding there is no intention to extend them. The socioeconomic impacts of the second and potentially third waves of COVID-19 have not been estimated. So far, government measures to alleviate the impact of the second wave have been marginal without significant budgetary impact. It seems that the government does not have a coherent budgetary plan to cover the costs of the COVID-19 pandemic, balance the budget and lower public debt – other than leaving it to future governments to substantially cut budgets or hike taxes, thereby burdening future generations.

Budgetary measures in 2020 and 2021 do not foresee any extra spending to support sustainable growth or a “New Green Deal,” digital transformation or any investments generally. There are also no new burden-sharing arrangements foreseen in Estonia’s 2021 budget or in preparations for the 2022 budget proposal. As a result, one has to conclude that “budgetary response measures are fiscally unsustainable and unfair in intergenerational terms. Public spending is aimed solely at fostering consumption.”

Citation:

Riigikogu (2020). Explanatory note to 2021 budget bill (in Estonian). <https://www.riigikogu.ee/tegevus/eelnoud/eelnou/1742406d-efc2-4286-ae28-65dd77255445/2021.%20aasta%20riigieelarve%20seadus>

Fiscal Council (2020). News. <https://eelarvenoukogu.ee/news/the-large-fiscal-deficit-should-remain-a-crisis-measure-only>. (accessed 08.01.2021)

https://media.voog.com/0000/0036/0984/files/Arvamus_RES_2021-2024.pdf

Research and Innovation Response

Research and
Innovation Policy
Response
Score: 7

From the start of the COVID-19 pandemic, the government coordinated its activities based on the advice of the Scientific Council, which was formed days after the emergency situation was declared on 12 March 2020. The six-member council includes eminent academics with backgrounds in medicine, statistics and psychology, but has been criticized for the lack of economic and social science expertise. The government initially tried to fix specific quantifiable indicators for relaxing or reinforcing restrictions, but – with changes in international responses and developing knowledge of the virus – the targets and sets of indicators were constantly changed and did not seem to guide the policy response in the second half of 2020.

Estonia has various initiatives related to COVID-19 in the area of innovation and research. For example, a tracing app “HOIA” (“CARE”) was developed to help track the spread of the virus and anonymously notify app users if they had been in contact with a COVID-19 positive person. The app itself was developed through a public-private collaboration with marginal government funding. Private sector actors contributed on a pro bono basis.

In spring 2020, the Estonian Research Council (ETAG) organized a call for target grants related to solving the problems caused by SARS-CoV-2. A total of €2.1 million was distributed to applied research and experimental development projects to fund prototypes of innovative solutions, products and services in five thematic areas: materials and surface treatment agents, which would inhibit the spread of the virus; new types of personal protective

equipment; technological solutions to reduce virus particles in indoor air; technological solutions to reduce workloads in the healthcare sector; and solutions based on data analysis to assess the spread of the virus and predict the impact of the measures.

Several flash studies on the effects of the COVID-19 pandemic on the national economy and healthcare sector were undertaken by the Foresight Centre, a small parliamentary research unit. In a joint Baltic report (see reference below), several positive scenarios that would use the pandemic as a development opportunity have been suggested. However, there have been no signs that policymakers will take real steps to put some of those ideas into practice.

There are some new R&I programs that aim to facilitate innovation and productivity growth, but it is too early to evaluate their impact. The program NUTIKAS (2016 – 2020) was a grant scheme for applied research in smart specialization growth areas, all developed products are expected to be in use by 2022. Furthermore, the new ResTA program (launched in 2020, with €10 million from the European Union) supports research and development, and adds value to Estonian wood, food and mineral resources industries.

Citation:

Riigikogu/Foresight Centre (2020). A comparative review of socioeconomic implications of the coronavirus pandemic (COVID-19) in the Baltic States. https://www.riigikogu.ee/wp-content/uploads/2020/11/Baltic-Assembly_final_02.11.2020.pdf (accessed 08.01.2021)
<https://www.etag.ee/en/funding/applied-research-funding/resta-support-for-rd-activities-of-resource-valorisation/>

IV. Welfare State Response

Education System Response

Education
Response
Score: 10

The Estonian education system has continued to provide teaching throughout the COVID-19 pandemic. This success was greatly helped by the fact that remote learning platforms had already been well developed prior to COVID-19 and an overwhelming majority of households had access to internet. Although school buildings were closed for several weeks in spring 2020, learning processes continued remotely. This approach was applied across all levels of general education and at universities; preschool children had to stay at home and it was left to parents to engage children in learning activities. Graduation exams as well as admission to higher education was largely carried

out online by using Zoom, Skype, Moodle or the secure national e-testing platform EIS.

During the second wave of COVID-19 (November – December 2020), the approach to school closures was more selective both regionally and by level of education. Upper secondary schools and universities were moved to the remote learning faster, whereas primary school students continued attending schools in person as long as possible, depending on the health situation in the region. Preschool education facilities were kept open in order to allow parents to continue working.

The policy of closing and reopening schools has universally affected all children, despite their socioeconomic status or the ownership of the school. Students with special educational needs had the opportunity to receive individual tutoring and/or care by school staff. In order to compensate for school lunches, many schools provided take-away packages for students, which was an important poverty relief factor for disadvantaged families and reduced the burden on all households.

Post-secondary education in public universities and vocational schools is free. Therefore, issues of tuition fees or study loans did not appear in the crisis agenda. Yet, should the labor market situation worsen, higher education students may encounter financial hardships, because social support measures to students are extremely limited in Estonia.

Social Welfare Response

Social Welfare
Policy Response
Score: 3

The government has no plans or effective measures to mitigate increasing social inequalities due to COVID-19 (apart from the delivery of school meals, see “Education System Response”). Self-employment, often as bogus employment, is rather widespread in Estonia and this category has been severely hit by the COVID-19 crisis. Yet, measures to support self-employed workers have been scarce. Earmarked financial support or housing subsidies were not discussed by parliamentary parties, although there were some minor exceptions. In spring 2020, 1,600 computers were distributed to schoolchildren. In early 2021, the government started to finance another similar program, but very few computers seem to have reached children, despite the fact that distance learning was the norm until summer 2020 and again from the start of 2021.

However, due to relatively low levels of infections, the restrictions on household contacts, public events and gatherings, and rules on staying at home were very modest compared to most other European countries. All that

reduced the need for special measures to foster social and economic participation.

:

<https://www.lastekaitseliit.ee/et/2021/03/kodanikualgatusena-sundinud-igale-koolilapsele-arvuti-sai-tana-aastaseks/>.

Healthcare System Response

Health Policy
Response
Score: 8

The overall pandemic situation is monitored by the National Health Board. A special government scientific council provides evidence-based forecasts, and guidance on the introduction of rules and regulations related to the pandemic. The healthcare system responded quickly to the pandemic and was able to mobilize extra resources (including military field hospitals, medical students to assist staff in hospitals and extraordinary supplies of protective equipment). To cover the extra cost of the COVID-19 response, additional funds of €213 million were allocated to the EHIF by government decree. These funds were intended to cover the state of emergence period (12 March – 18 May 2020, a period of more than 60 days). As the EHIF report states, only half of this sum has been spent because the first wave turned out to be less severe than expected. The largest share of money was used to purchase individual protective materials. In spring 2020, regular/planned medical treatments in hospitals were temporarily canceled in order to free facilities for COVID-19 patients. In fall 2020, the necessity to cancel regular/planned medical treatments was not there, because the number of seriously ill patients did not exceed the number of intensive care beds.

Testing capacity has generally been sufficient considering the relatively modest spread of the infection and COVID-19-related deaths in 2020. However, access to testing has been somewhat restricted as it requires a referral from a GP and, at least formally, is limited to those presenting symptoms of upper respiratory infections.

The track-and-trace system run by the Health Board (“corona detectives”) managed to link an overwhelming majority of cases to the source of infection until October 2020 when the spread was low. Since then, the escalation in the number of people infected and limited human resources at the disposal of the Health Board limited the effective monitoring of close contacts exposed to those who had tested positive for COVID-19.

A special COVID-19 HOIA mobile app was launched in August 2020, which allows anyone to quickly find out whether they might have been in close contact with a COVID-19 infected person, and to take steps to protect their own health and the health of others. About one-tenth of those infected between

the launch of the app and the end of the year had registered their positive test results on the app.

The vaccination program started on 27 December 2020 according to the established priority list. Front-line workers, (e.g., doctors, nurses and social workers) received the vaccine first, with the residents and staff of social care institutions next in line. There is little regional disparity in terms of access to testing, hospitalization or vaccinations.

Citation:

<https://news.err.ee/1230622/hoia-covid-19-exposure-notification-app-hits-250-000-users>

<https://www.haigekassa.ee/haigekassa/majandusaruanded-ja-eelarve>

file:///C:/Users/Anu%20Toots/Downloads/Covid_19_fin_web_0.pdf

Family Policy Response

Family Support
Policies
Score: 6

Estonian family policy allows flexible role-sharing in parenting and therefore no extraordinary measures were implemented during the pandemic. Instead of crisis-related policy interventions, the feasibility of role-sharing depends to a large extent on family background (highly educated, urban parents tend to be more supportive of gender equality) and parents' employment sector (remote jobs are more widespread in the ICT and skilled service sectors, and in public administration). The crisis led to some deterioration in the ratio of female-to-male employment and labor force participation – reflecting the impact of the crisis on the tourism, hospitality and retail sectors. However, the overall level of female participation remains clearly above the EU and OECD averages.

No extra public policy measures such as cash benefits or emergency childcare were introduced, despite the fact that disadvantaged families experienced a higher care burden. For families with disabled children, the main concern has been mental health issues, while many poorer families are affected by a loss of income. According to the volunteer-based Estonian Foodbank Foundation, demand for food assistance increased by a third in 2020 and currently (early 2021) exceeds available supply.

During school closures, many schools provided take-away food packages, which helped to decrease the burden on working parents. Food packages were available for anyone, since school lunches in Estonia are universal and free for everyone.

Citation:

<https://www.err.ee/1205173/abivajajate-arv-on-kasvanud-kiiremini-kui-toidupanga-kogutava-toidu-hulk>

<https://www.postimees.ee/6938268/tallinn-hakkab-opilastele-jagama-toidupakke>

International
Cooperation
Score: 5

International Solidarity

The Estonian government did not demonstrate particularly solidaristic efforts during the pandemic. The only coordinated actions so far have included joining the European Union's common vaccine procurement initiative and coordinated start to vaccinations, and joining the group of 12 EU member states that appealed to the European Commission to provide an emergency support package to the Eastern Partnership countries.

During the first wave of the pandemic (spring 2020), Estonia, Latvia and Lithuania jointly coordinated regional travel by creating the so-called Baltic bubble. Yet, during the second wave of pandemic (fall 2020), every Baltic country attempted to act independently. There has been no discussion within the Estonian government of providing aid to Latvia or Lithuania, where the healthcare systems have been overwhelmed by COVID-19 patients. There has been some coordination between Estonia and Finland regarding cross-border mobility but nothing more.

Citation:

<https://leht.postimees.ee/7059807/lati-tahaks-balti-reisimulli-reformida>

Resilience of Democracy

Media Freedom

Media Freedom
Score: 7

The public and private media in Estonia are generally independent of government; the national public broadcast is overseen by the Public Broadcasting Council, which includes representatives of all parliamentary parties and four independent media experts. Doubts were raised over the independence of some of the expert members appointed by the parliament in 2020, suggesting attempts to impose more political control over public broadcasting. Likewise, concerns over the political agenda of Postimees, one of the main daily broadsheets, were raised in 2019 when the paper seemingly developed a consistent political line that coincided with the right-wing populist EKRE's ascent to government. (The paper was edited by a close family member of EKRE's leader, and owned by a member and donor of the conservative Pro Patria party, another governing party). However, this may merely highlight the norm of broadly non-partisan private and public media in Estonia (in contrast to some other European democracies).

The issue of fake news and misinformation exists, and EKRE ministers have been involved in scandalous media debates. There is no effective legislation (nor draft bills) that prohibits misinformation or fake news. Instead, the prime minister keeps excusing and clarifying the mess caused by coalition partners. EKRE has also been vocally critical of "liberal mainstream media" (one of its many Trumpian tropes), and has attempted to build an alternative media environment online and on radio.

However, none of the issues with media freedom increased in relevance during or due to the pandemic.

Citation:

<https://uueduudised.ee/uudis/eesti/helle-moonika-helme-err-i-uus-noukogu-mitte-ei-kalluta-vaid-tasakaalustab/>

Civil Rights and Political Liberties

Civil Rights and
Political Liberties
Score: 9

Estonia announced a state of emergency on 12 March 2020, which lasted until 1 May 2020. It was announced in full accordance with the State of Emergency Act and it was extended for a further two weeks. Restrictions were removed step by step, and government communication about the process has been clear and timely. All restrictions were generally considered necessary and proportionate, including restrictions on movement to and from the island of Saaremaa, the critical hotspot in spring 2020. The overall extent of restrictions – especially once the state of emergency was lifted – was lower than in most European countries. The list of all restrictions and regulations, including hyperlinks to the relevant legal acts can be publicly accessed at the official governmental website (kriis.ee). Government actions are also closely monitored by the chancellor of justice.

In fall 2020, when the country entered the second and more extensive wave of the pandemic, there was somewhat more public debate – led prominently by the chancellor of justice – around the legality and necessity of restrictions (e.g., whether wearing masks should be made mandatory and non-compliance penalized). The public also felt that some facilities or institutions were privileged over others. For example, churches were kept open (even in areas with high infection rates), whereas sport clubs and museums were forced to close even when they could enforce strict social distancing rules. Although citizens who violated rules on self-isolation and wearing face masks could be fined, fines have been very rare in practice. At the same time, some businesses were fined for violating rules.

Judicial Review

Judicial Review
Score: 10

Because of the fairly limited nature of restrictions, there have not been any significant court cases regarding COVID-19-related matters. A handful of appeals over the government order from 19 August 2020 on wearing face masks had been submitted to the administrative courts by the end of the year – following criticism over the legality and justifications of the order (and lawfulness of imposing fines) by the current chancellor of justice. However, all appeals have so far been rejected.

Generally, courts continued working during the entire period of the pandemic, including the state of emergency period. This was facilitated by Estonia's advanced e-government systems and, more precisely, the e-justice system.

As soon as a citizen has securely authenticated themselves and accessed the e-justice platform, they can submit any kind of case online. The data is shared

between institutions that are linked to the case and courts can start processing related documents. The platform also allows courts to send citizens different documents, while notifications ensure that all files have been successfully delivered. Every document is timestamped and contains a secure electronic signature. Furthermore, classified information can be encrypted by the courts to make sure that no third party is able to access the data. Additional anti-COVID-19 measures (e.g., requirements to wear masks, social distancing rules and limitations on the number of participants allowed to be physically present at court sessions) helped to keep the court system running during the crisis.

Citation:

<https://www.kriis.ee/et/kohtute-prokuratuuri-ja-vanglate-too>

Informal Democratic Rules

Informal
Democratic Rules
Score: 5

Party polarization (including affective polarization) grew significantly after the 2019 parliamentary elections. In the wake of the election, the right-wing populist EKRE entered the governing coalition. In addition to the sharp confrontation between the liberal opposition and conservative-populist government, disagreements marred cooperation between the three coalition parties as well. Offensive and intentionally provocative expressions by EKRE ministers toward Estonia's foreign partner countries and their political leaders forced other coalition parties, the prime minister and the president to regularly apologize publicly, which undermined the international credibility of the country. Internally, coalition parties could not agree on rules and regulations for providing financial aid to businesses, which had a double negative effect. On the one hand, a large amount of funds remained undistributed, despite demand in economy. On the other hand, early decisions on financial aid lacked transparency, and thus risked accusations of clientelism or corruption.

Equally important, COVID-19 mitigation was seemingly sidelined by other government priorities – in particular those of the two junior coalition partners. Pro Patria insisted on carrying out a pension reform (see P3). The main topic of social contestation in the final months of 2020 was not the pandemic, but the planned consultative referendum in 2021 on enshrining the status of marriage as the union between a man and a woman, de facto prohibiting same-sex marriage (something that had not been seriously proposed at the time). The referendum had been the holy grail of EKRE and, as part of the coalition agreement, was at most half-heartedly but still stubbornly supported by its coalition partners and fiercely opposed by the opposition parties. That said, the government's COVID-19 policies were not controversial and received broad political support both among the governing parties and the opposition.

Resilience of Governance

I. Executive Preparedness

Crisis Management System

Crisis
Management
System
Score: 5

According to the National Audit Office (NAO), Estonia faced the COVID-19 pandemic with “paper-readiness.” In other words, several audit reports, scenarios and action plans had been published, but none of them had been properly implemented, and the necessary funds, equipment and other kinds of investments were lacking. In 2018, several institutions (an expert healthcare crisis management group within the Government Office, the NAO, the Ministry of Internal Affairs and the Health Board) issued alerts that the healthcare system was not sufficiently prepared to manage an emergency situation, but the only response to the warnings was to publish more detailed papers (regulations).

A risk assessment report by the Health Board (2018) pointed to several alarming shortcomings in the preparedness of the healthcare system. These shortcomings included stocks of protective equipment in hospitals that could only cover demand in the very first instance, while nationwide stocks of personal protective equipment were almost non-existent and out-of-date. Furthermore, laboratories that lacked supplies for analyses and no examination of the extent to which hospitals were ready to organize care in the case of a massive spike in virus-related infections.

In the years before the COVID-19 outbreak, several drills for medical workers were organized and shortcomings in the existing system identified. However, no practical steps to resolve these shortcomings were taken. The lack of institutional coordination both horizontally (between line ministries) and vertically (between the Ministry of Social Affairs and the National Health Board) have been repeatedly highlighted in various reports. A recent crisis management regulation, adopted by the Health Board (2018), did not include anything about interministerial coordination.

In sum, the knowledge was there, but this was not properly translated into political decisions and adequate measures.

Citation:

NAO (2018). Government's activity upon preparing for emergencies endangering internal security. <https://www.riigikontroll.ee/tabid/206/Audit/2467/language/en-US/Default.aspx> (accessed 08.01.2021);

II. Executive Response

Effective Policy Formulation

Effective Policy
Formulation
Score: 5

Estonia reacted quickly to the first wave of the pandemic declaring a state of emergency following the discovery of locally transmitted cases. The restrictions that were introduced were in line with most EU member states, except for Sweden. The measures included tighter travel restrictions and social distancing requirements, but were more moderate than in many other European countries (e.g., Italy, France and Spain) and were also relaxed fairly early on, reflecting the successful suppression of the spread (presumably thanks to the successful track-and-trace program coordinated by the Health Board).

In the case of Estonia, one has to distinguish between the medical response and socioeconomic response. The public health response was coordinated by the Health Board and Scientific Advisory Board (SAB). The latter was established by the government in March 2020 to collect and analyze medical information, and provide evidence-based input into government decisions. SAB consists of four Tartu University professors and two doctors from the largest hospitals. Only one of the members of SAB changed in 2020. However, a strong public rift developed between the Health Board and government, as a result of which the head of the Health Board was forced to resign in summer 2020. The exact details of the rift were never made entirely clear, but – according to reports – it may have developed at the very start of the pandemic when the Health Board allowed several events to take place, which led to a massive coronavirus outbreak on the island of Saaremaa, that appear careless with the benefit of hindsight. Overall, the advice of the SAB seems to guide government decisions more often than advice from the Health Board.

Regarding the budgetary process and design of socioeconomic measures, the government acted mostly on their own discretion. Almost none of the suggestions of the Estonian Trade Union Confederation from early April 2020

have been considered, the proposals of sectoral employers' organizations were considered randomly or selectively. Suggestions from the Fiscal Council regarding the 2021 budget deficit targets were ignored by the government coalition.

In summary, one can state that the government's COVID-19 response was not particularly coherent or strategic, and the use of expert advice has been selective depending on the area of intervention and the composition of the advisory body.

Policy Feedback and Adaptation

Policy Feedback
and Adaptation
Score: 5

The government regularly assesses the impact of pandemic-related restrictions based on the analysis of the Scientific Advisory Board. There is no information available that indicates that the government has performed any short-term, stock-taking evaluation of its crisis management performance or the socioeconomic impact of the pandemic. The Estonian Audit Office has independently audited the effectiveness of economic measures applied via KredEx. The audit was published in early December 2020 and was critical of the measures, as it found that the extraordinary aid schemes had been opaque and unfairly distributed to businesses.

Some studies are still ongoing. The government via the Estonian Research Council announced in spring 2020 a tender for a large COVID-19 impact assessment study. The grant was quite substantial by Estonian standards (about €0.5 million for an 18-month study). The tender was won by consortia led by Tartu University and supported by two think-tanks, Praxis and Centar. The tender documents make quite clear that the government would like to closely observe the evaluation process via its key crisis response ministries (finance, economy and social affairs). Such close involvement can be an efficient way for the government to quickly address shortcomings or emerging needs, but it also risks strong political control over the outcome of assessment.

In summary, the government sometimes assesses its COVID-19 response measures and occasionally adapts measures when circumstances or the available body of expert knowledge changes.

Public Consultation

Public
Consultation
Score: 5

Generally, consultations with societal actors are regulated by government guidelines contained in the Good Engagement Practices (GEP). Furthermore, labor market partners have to be consulted in enacting several social protection and industrial policy regulations. The main focus is on consultations during the

preparatory phase, reflective dialogue during implementation phase is rather uncommon.

During the crisis, the government held several consultation rounds with the Estonian Employers' Union (EEU) regarding the provision of extraordinary aid to enterprises, but paid little attention to the demands of trade unions. For example, in spring 2020, the Estonian Trade Union Confederation (ETUC) sent a memorandum to the prime minister, suggesting specific measures to mitigate the risk of an increase in poverty and spread of the virus among workers. However, almost none of those proposals have been considered.

In December 2020, the ETUC together with several sectoral trade unions called on the government to allocate 90% of the Just Transition Fund (JTF) to creating sustainable jobs in north-east Estonia – a region hit particularly hard during the second wave of the pandemic, which has traditionally been dominated by the oil-shale industry. At the moment, it is unknown whether the government will revise its initial plan to divide JTF resources evenly across the entire country. There is also widespread dissatisfaction among employers of various types and sizes of enterprises, and across different sectors with the government's failure to treat businesses equally in terms of issuing restrictions and closure orders, and allocating extraordinary aid.

As far as civil society advocacy is concerned, one can see similar selective attention to particular interests. The government has been more responsive to the interests of church authorities and religious communities (places of worship were the last to close) compared to families with disabled members or groups with mental health problems.

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<https://www.keemia.ee/et/artiklid/poordumine-90-oiglase-ulemineku-fondi-rahast-peab-minema-ida-virumaa-ettevotlusele>

Crisis Communication

Crisis
Communication
Score: 6

The government has communicated its decisions frequently and effectively via public broadcast channels, a special governmental COVID-19 website (kriis.ee) and via weekly government press conferences. The rationale and possible limitations of government actions have been well explained. Any restrictions on economic and social activities have been accompanied by a timeline on how long the measures will remain in place. The Scientific Council and the Health Board have not only been strongly involved in providing the best available evidence for government decisions but have also been actively involved in communicating the rationale behind their recommendations.

However, the coherence of and coordination between various public agencies and spokespersons is often unsatisfactory, and the government has often flip-flopped on its earlier decisions. As a result, citizens have not always understood why some regulations were introduced and exactly how they should behave. For example, in late summer 2020, the government was vacillating over its decisions to ban direct flight connections to Estonia from countries with high infection rates, before eventually deciding to keep some essential routes open regardless of infection data. Furthermore, school closures were announced very abruptly in December 2020 and in apparent contradiction to the messages from ministers just a day earlier.

The current chancellor of justice criticized the lack of transparency and poorly communicated scientific rationale behind the justifications for some of the restrictions – in particular, the requirement to wear face masks in some public buildings, which was introduced in September 2020.

Government communication via social media has been rather weak. Various alternative, non-scientific and fake information regarding vaccines, the seriousness of the virus and the effectiveness of face masks has been more widely shared on social media than evidence-based information.

Citation:

<https://www.err.ee/1156019/oiguskantsler-koroonapiirangud-ei-tohi-pohineda-hirmul>

Implementation of Response Measures

Implementation
of Response
Measures
Score: 6

The government's reaction to the outbreak of COVID-19 was generally swift, but the effectiveness and impartiality of the response varied across policy areas. The parliament approved a supplementary budget to adjust for the loss of tax income and increased spending on 15 April 2020, a month after the state of emergency was declared. However, the strengthening of institutional capacity has been slow. For example, the head of the Health Board was still lobbying the parliament's Social Committee for an increase in personnel in October 2020.

Measures to monitor and contain the spread of the virus were implemented fast and without significant political dispute, public protests or administrative failures. The strength and resilience of the education and healthcare systems, as well as high public trust in them, were crucial factors for their efficiency. Medical staff were well prepared to treat virus patients. Once COVID-19 vaccines became available, extra training was organized for GPs.

In economic and labor market policy, the implementation of anti-pandemic measures was much less agile. Moreover, policies were often perceived by businesspeople and citizens as unjustified and unfair, especially travel restrictions, the closure of certain businesses and institutions, and bans on cultural events and gatherings. The same is true for government decisions regarding extraordinary financial aid to businesses. It seems that the government acted mostly ad hoc without any clear medium- or long-term plan. Moreover, the implementation agencies, such as Enterprise Estonia (EAS), Maaelu Edendamise Sihtasutus (MES) and KredEx, felt strong political pressure from some line ministries, which led to biased funding allocation decisions.

Citation:

<https://www.pealinn.ee/tallinn/terviseamet-kusib-palgatousu-ja-uusi-tootajaid-n259408>

National Coordination

National
Coordination
Score: 4

Estonia has a two-tier administrative system, with limited autonomy for the local level. Regardless of several administrative reforms, there is still substantial fuzziness in the division of competencies between the central and local levels. The COVID-19 pandemic made these shortcomings even more salient. Municipalities often wanted to act faster or implement extra restrictions in their territories. For example, a small rift developed between the national government and Tallinn city government (both led by the Center Party) over the sudden decision to close schools in December 2020. This resulted in contradictory messages targeting the public and businesses, and in a few cases the chancellor of justice intervened to suggest that some measures may be unconstitutional.

The policy response during the first wave of the pandemic was by and large nationally uniform – with the exception of travel restrictions between the mainland and the island of Saaremaa, which had one of the highest local infection rates in the world (it was estimated that almost half of the population of the island had been infected by mid-2020). During the second wave, the government preferred local and regional restrictions by default. For example, the government introduced minor restrictions in Tartu during a small flare-up in August 2020, and tighter restrictions later in the fall in Tallinn and north-east Estonia in response to spikes in infection rates there. Without travel restrictions, this led to a degree of health and hospitality tourism, as spas and restaurants remained open in other parts of the country.

The communication between local and central level of government is not being assessed, but does not seem to be a particular concern for the central government.

International Coordination

International
Coordination
Score: 8

Most of the government's international collaborative activities occur within EU structures, using the regular institutional structure. Estonia joined the European Union's common vaccine procurement initiative and coordinated start to vaccinations.

During the first wave of pandemic (spring 2020), Estonia, Latvia and Lithuania jointly coordinated regional travel, creating the so-called Baltic bubble. Yet, in the second wave of pandemic (fall 2020), every Baltic country attempted to survive independently. (The second wave was much more devastating in Lithuania than in Latvia or Estonia). There has been some coordination between Estonia and Finland regarding cross-border mobility, because a significant number of Estonian workers commute between the two countries and ferry traffic plays an important role in the transport sector of both economies. However, reaching an agreement with Finland has not always been easy, which is unsurprising given Finland's much better success in managing the second wave, and Finland's introduction of restrictions several times with the Estonian government voicing its disappointment and surprise.

At the international level, Estonia has attempted to contribute to pandemic-related efforts with its e-government capacities. Estonia has a history of developing solutions in the country and then exporting them (for financial or reputational gain) to foreign governments. In October 2020, Estonia signed an agreement with the WHO to collaborate on the development of a digital vaccination certificate – or a “smart yellow card” in a nod to international vaccine paper certificates. Estonian pioneering solutions in e-health, e-justice and digital education are promoted in various international arenas. “Education Nation” is an online brand for global marketing, which exports the principal components of online teaching practices that were applied in Estonia during the COVID-19 pandemic and made it possible to keep schools running.

Citation:

<https://www.innove.ee/en/news/free-webinars-education-nation-tips-for-the-remote-learning/>

Learning and Adaptation

Learning and
Adaptation
Score: 3

The lack of crisis management preparation hit the government rather recently. In November 2019, the southern part of the country was left for several days without electricity due to a heavy storm. The disruption of electricity supplies obstructed the work of critically important institutions, such as hospitals, border checkpoints, care homes, banks and telecom systems. After this

catastrophe, the crisis committee of the government called for lessons to be learned as well as the coordination between local and central authorities, the public and private sectors, and line ministries to be improved. However, promises to work permanently on crisis management were quickly forgotten and just a year later the crisis management system faced similar problems (described in other parts of the report).

So far, there are no signs that the government has started comprehensive stock-taking exercise regarding crisis preparedness or over-hauled its response toolkit. The government's activities during the first year of the COVID-19 pandemic have largely focused on fighting the fire. The situation has become more complicated due to the prime minister's resignation (12 January 2021) and the initiation of criminal proceedings regarding the large-scale government loan to Porto Franco. Several senior civil servants and the prime minister's party (Keskerakond) have been accused of corruption and are under investigation. Some other "hot" political debates (on the meaning of the institution of the "family") also continue to keep politicians busy. Depending on how the current government crisis plays out, the process of learning from past experiences may eventually turn from talk to action.

III. Resilience of Executive Accountability

Open Government

Open
Government
Score: 8

Information about infection, hospitalization and mortality rates is updated daily, and reported on official websites, public broadcasts and news media. The information provided on the website of the Health Board and in their daily press releases is detailed, and outlines regional patterns and age profiles in infections and hospitalizations.

Both public and private online media demonstrate excellent agility in providing these updates. Updated information on international travel restrictions is available on the website of the Ministry of Foreign Affairs. In addition to factual information, government ministers and the head of the government's COVID-19 scientific advisory council hold regular press conferences, and give interviews to radio and TV stations, and newspapers.

While the daily updates have been beneficial, information about prospective developments has been less outstanding. There is no clear understanding about how the vaccination program will be organized or when non-priority citizens

will be vaccinated. Likewise, decisions on the opening and closing of educational establishments tend to be taken very promptly, which makes it difficult for parents to easily adjust their daily arrangements to the changes. Sometimes it has not been clear what competencies local authorities have to implement COVID-19-related rules and restrictions.

Legislative Oversight

Legislative
Oversight
Score: 9

When the state of emergency was announced on 18 March 2020, the parliament (Riigikogu) rearranged its work to some extent, but the normal functioning of parliamentary procedures did not come to a halt at any point in time. It was decided that until the end of state of emergency only time-critical bills would proceed and plenary sessions would be held only once per week (compared to four days per week normally). Citizens and the media have for many years been able to follow the plenary proceedings online. The meetings of committees and parliamentary groups were often held online either as a precaution or when required by self-isolation rules without any significant issues.

The pandemic did not lead to significant changes in legislature-executive relations. Ministers remained accountable to the parliament, although accountability has for decades been constrained by strong party discipline and coalition partners' supporting policies outlined in coalition agreements to the hilt. For example, in the last plenary session of 2020, the prime minister gave the Riigikogu an overview of the situation caused by coronavirus. However, it is worth noting that the chancellor of justice suggested that there had been executive overreach in some government orders related to COVID-19 mitigation, especially the requirement to wear masks.

Independent Supervisory Bodies

Auditing
Score: 9

The National Audit Office of Estonia (NAO) is an independent body and its mandate is defined in the constitution. It can undertake fully independently audits and, in this regard, can act independently of the government. In 2020, the Audit Office conducted one in-depth audit of COVID-19 measures. The audit included KredEx, which was responsible for disbursing almost half (about €1 billion) of the COVID-19 support package in Estonia. The audit results are published on the NAO website (see reference). The audit was critical of KredEx and the government, claiming that funds disbursed by KredEx were poorly targeted and the rules lacked transparency. About €400 million of the funds remained undisbursed (out of €1 billion) at the end of the period under review and the government failed to decide how to proceed for at least two months. After publication of the NAO's audit, the newly appointed

CEO of KredEx responded by vaguely disagreeing with the audit report's findings, while the government remained silent. (The former CEO of KredEx had stepped down indicating his disagreements with the government).

In sum, one can say that there is an independent audit office, which is capable of reacting quickly. However, ineffective legislation and a parliament motivated by strong party discipline rather than the individual responsibility of members of parliament allows the government to ignore the office's findings and proceed regardless. Beyond this legal limitation, the NAO has effectively monitored the financial risks associated with the government's policy response during the crisis.

Citation:

NAO (2020). KredEx has distributed loans with vague objectives and criteria. <https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/557GetPage/1/557Year/-1/ItemId/1307/amid/557/language/en-US/Default.aspx>. (accessed 10.01.2021)

Data Protection
Score: 10

Estonia has an independent Data Protection Inspectorate (AKI), which is subordinated to the Ministry of Justice. The AKI director general can impose legally binding decisions and law-enforcement measures. 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 and impose coercive payments or fines.

Based on the general news, there are no signs of systematic data handling problems concerning the AKI. The AKI normally comes onto the scene due to two reasons. First, when citizens are unable to access information that is legally required to be made publicly available. Second, when a complaint is received by the AKI that needs action to protect public/civil rights. There have been no signs that the AKI is dysfunctional or has failed to perform its duties during the COVID-19 crisis.

In sum, Estonia has an independent and effective data protection authority, which has the capacity to effectively advocate for data protection and privacy issues vis-à-vis the government.

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