

Estonia Report

Sustainable Governance Indicators 2024

Anu Toots, Triin Lauri, Allan Sikk,
Daunis Auers (Coordinator)



Executive Summary

In many respects, Estonia has successfully established a sustainable democracy. Civil rights and the rule of law are strong, the plurality of opinion in politics and civil society is effective, and both national and household wealth are increasing over the long term. At the same time, political polarization is increasing, leading to more volatile and less predictable policies. The tense international climate – the Russian war in Ukraine, the popularity of the radical right in Europe and the U.S. – has negatively affected the stability of the political and economic situation in Estonia.

Between January 2022 and January 2024, Estonia had three governments, all led by Kaja Kallas of the neoliberal Reform Party. Although the coalition partners varied, the neoliberal policy orientation remained consistent. The far-right EKRE party performed worse than expected in the 2023 Riigikogu elections, but emerged as the largest opposition force in parliament. While the elections demonstrated strong voter support for openness, equality and liberal values, support for political parties fluctuated after the March 2023 elections. The conservative Pro Patria and EKRE steadily gained support. The Center Party, which had previously played a crucial role in stabilizing the party landscape and integrating Russian-speaking voters, experienced a significant decline due to internal tensions.

The strong dominance of the coalition and the reluctance of EKRE to accept the election results have damaged parliamentary culture and legislative efficiency. Opposition obstruction has led to massive legislative delays, and the tradition of summoning ministers before parliamentary committees has been broken. To overcome obstruction, the government resorted to tying bills to a vote of confidence, which precludes parliamentary debate. Attempts by the president, the chancellor of justice and the speaker of the Riigikogu to resolve the situation have failed. As a result, democratic government is institutionally weaker than in previous decades. The confrontation in parliament has had little effect on the situation in the public sphere, which remains resilient. Independent courts and freedom of speech continue to function; ethnic tensions are very limited, despite the war in Ukraine and the significant number of Ukrainian refugees in Estonia.

With regard to governance, the national strategy Estonia 2035 serves as a road map for strategic and coherent policymaking. However, the long-debated state reform has stalled, and the plethora of action plans that are not integrated into Estonia 2035 creates bureaucratic overload and inefficiency. The central government's cooperation with local municipalities has not improved as hoped following the 2017 municipal mergers. Municipalities are de jure responsible for providing many public services, but de facto lack the financial and human resources to do so. The division of competencies between the central and local levels of government are still blurred, municipalities' fiscal autonomy is weak, and the quality of public services and sustainability varies widely across municipalities.

The Estonian economy has been significantly affected by rising inflation rates and the weak performance of Estonia's main export partners. Despite a high employment rate, labor shortages and high taxes on labor continue to undermine economic development, especially productivity. Responsibility for employment policy has been transferred from the Ministry of Social Affairs to the Ministry of Economic Affairs to better address the needs of enterprises, particularly in the area of upskilling.

The overall orientation of active labor market policies has shifted from nudging tools to stricter obligations in training and job acceptance. In a challenging international economic environment, the government is attempting to maintain fiscal orthodoxy, though not as firmly as in previous decades. Public debt levels, although among Europe's lowest, have increased significantly, and the government lacks a clear vision on how to finance growing budgetary needs while complying with euro zone fiscal rules. This lack of strategic vision has led to erratic tax debates and some changes in the tax system. Corporate and capital taxes remain very low, while VAT increased in 2024.

In 2023, tax debates focused on the planned car tax, while areas of greater concern, such as labor taxes, were not discussed. Estonia's welfare system is largely based on the Bismarckian principle of social insurance, and faces significant sustainability challenges. Poverty among the elderly remains a concern, and the degree of health inequality is Europe's highest. The rising cost of living has increased the proportion of people living in poverty in both absolute and relative terms.

Key Challenges

Estonia is internationally known for its low government debt. However, that debt more than doubled between 2015 and 2023, and the government faces tough choices between borrowing, raising taxes and cutting spending. High inflation rates in 2022 – 2023 and the need to increase the military budget have exacerbated the situation.

The Estonian tax system, designed in the early 1990s, is ill-suited to today's work and lifestyle patterns. The proportional income tax and the corporate tax breaks for reinvested profits undermine equity. High taxes on labor and very low taxes on capital increase wealth inequality and motivate investment in assets rather than job creation. Therefore, a fundamental shift from labor taxes and VAT to taxes on wealth and profits is needed.

In particular, a review of social protection based on regular employment is urgently needed to provide adequate protection for those in nonregular employment and to ensure the generation of sufficient revenues to finance the welfare system. In addition to creating a legal environment that prevents wage dumping – and thus inadequate social security contributions – the government must be prepared to make larger transfers to social security funds. Borrowing to cover the debts of social security funds, as has been done in the recent past, is not sustainable, and needs to be replaced by increased tax revenues.

Overall, a comprehensive tax reform to make the system fiscally and socially sustainable remains crucial, especially in view of growing regional disparities and an increasing share of people at risk of poverty.

The Estonian economy recovered quickly from the Great Recession and the COVID-19 pandemic, but has since contracted for three consecutive years. The recession “will last longer, mainly because Estonia's export markets are in a poor position and competitiveness has been lost” (EP 2023). Labor markets have remained resilient, but a sharp fall in productivity suggests that workers are underemployed. The government should put more effort into finding new export markets to avoid rising unemployment and bankruptcies in sectors heavily dependent on exports (such as the wood industry and construction). Programs to support the transfer of knowledge to enterprises need to be continued and prolonged to facilitate the development of more sophisticated products.

The institutional framework for governance is well established, allowing policymakers to focus on improving implementation and accountability. Strategic planning and foresight capacity have improved, as evidenced by long-term sectoral strategies and a significant amount of commissioned policy analysis. However, this can lead to overproduction and underutilization. To fully capitalize on knowledge-based governance, all strategies and development plans need to be clearly linked to the Estonia 2035 development strategy, and the results of commissioned analyses need to be integrated into policymaking.

Given the volatile international and domestic environment, 15-year strategies may not adequately reflect real opportunities and future challenges. As a result, adopted indicators and targets are neglected by the government, and strategic documents (e.g., the seven-year budget strategy) are revised annually. The government should adhere to a stable set of key indicators or principles in order to keep policy development predictable, and to facilitate investment planning in both the public and private sectors.

Trimming the bureaucracy has long been a declared goal of all political forces, including the government. The government has responded by merging various ministries and agencies and calling for cuts in ministerial budgets. While the latter seems largely unrealistic due to the entrenched “minimal state” approach, the former approach has failed to reduce bureaucracy. To overcome problems of bureaucratic overload, all state institutions must improve coordination among and between ministries and their administrative agencies. The executive branch must avoid excessive reporting requirements, and the parliament must strive to make legal texts (and explanatory notes) less bureaucratic and easier to understand. Digital e-governance tools – an area in which Estonia is a well-known pioneer – need to be designed to reduce bureaucratic overload and prioritize large-scale usability.

The review period saw a further increase in the dominance of the executive over the legislature. This was caused by the destructive conflict between the opposition and the government and by the growing practice of regulating policy through strategies, development plans and government decrees rather than through parliamentary acts. Constant attention must be paid to ensuring that all constitutional powers remain autonomous and legitimate. This includes regulations to curb the executive agencies’ growing practice of classifying documents and draft proposals for internal use without substantive justification.

Democratic Government

I. Vertical Accountability

Elections

Free and Fair
Political
Competition
Score: 10

The principles of fair and free elections are laid out in the Estonian constitution. Estonia has a proportional representation electoral system, meaning that most candidates are registered within party lists. All 13 registered political parties can submit their list of candidates. The composition of party lists is determined by the internal procedures set by the statute of the political party. In addition to political parties, two or more citizens can form an election coalition to participate in municipal elections. Every citizen who has the right to stand as a candidate may nominate themselves as an independent candidate.

To be eligible as a candidate, a person must be an Estonian citizen. Any citizen of the European Union may stand as a candidate for a local government council or the European Parliament. Candidates for the Riigikogu and the European Parliament must be at least 21 years old, while candidates for local government councils must be at least 18 years old.

Individuals who are active members of the Defense Forces, have been divested of their active legal capacity with regard to the right to vote, or have been convicted of a crime and are serving a sentence in a penal institution cannot stand as candidates. However, individuals with conditional prison sentences may stand as candidates.

A deposit equal to the monthly minimum wage must be paid for each candidate. The eligibility of all candidates is reviewed by an independent body – the National Electoral Committee (NEC) – according to criteria set in the electoral laws.

The disputes that arise during the organization of elections are settled according to the procedures outlined in the election acts. Since election complaints must be resolved quickly, the election acts mandate a pre-judicial procedure. The right to review complaints has been granted to county electoral committees at the first instance and the NEC at the second instance. A resolution or act by the NEC can be contested directly in the Supreme Court. The law sets short time limits for the review of complaints.

Political parties are required to maintain accurate financial records, disclose the nature and value of received donations, and present their accounts quarterly to the Political Parties Financing Surveillance Committee (PPFSC). Additionally, parties and independent candidates must submit their reports on the funding of their election campaigns within one month after elections. All financing reports are publicly available on the PPFSC website. In the event of violations, sanctions are imposed. Illegal donations must be returned to the donor or – if this is impossible – paid to the State Treasury. For example, based on sanctions imposed by the PPFSC and the court ruling, the Center Party paid €843,000 to its former media partner, Midfield LLC, for campaign services in 2009 – 2015 (EPB 2022).

Candidates and parties have fair opportunities to access public and social media; there are no restrictions based on ethnicity, gender, sexual identity, language, religion or social origin. After the 2023 parliamentary elections, the issue of possible influence on election results by politically oriented NGOs has come into the public focus. Such NGOs advocate for particular ideologies by publishing opinion polls or research notes, which arguably may tilt voters' choices. To date, organizations affiliated with political parties (think tanks, parties' youth organizations) are not obliged to report to the PPFSC, meaning some services or benefits that parties receive are not duly declared in campaign reports. The PPFSC and the Riigikogu are expected to discuss relevant amendments to the Act on Political Parties (EPB 2023).

Free and Fair
Elections
Score: 10

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 (National Electoral Committee 2023). Estonian citizens residing abroad, about 10% of the electorate, can vote in all Estonian elections either at an Estonian embassy or online. The Referendum Act and the election acts (2021) allow voters to choose the most convenient polling station in their electoral district.

State authorities maintain the voter register based on population-register data. Eligible voters take no action to be included in the voter register. Each registered voter is informed by mail or email about all voting options, including the voting day and the location and opening hours of polling places in their municipality.

Two impartial bodies administer the elections. The National Electoral Committee (NEC) – consisting of seven members, mainly with a background in law – ensures compliance with the principles of freedom, generality, uniformity and directness of voting, as well as the secrecy of voting. The State Electoral Office (SEO) is an independent unit within the Chancellery of the Riigikogu that organizes voting in Estonia and abroad, prepares the ballot papers, and acquires the equipment necessary for conducting the voting. The SEO employs legal specialists and professionals in the area of IT systems and cybersecurity. At the subnational level, voting district committees are established to organize voting at polling places within the territory of a voting district. Half of the members of the voting district committee are presented by the rural municipality or city secretary. The remaining members are presented by political parties, while considering the principle of political balance. Members of the committee must not campaign.

Multiparty elections in Estonia are held every four years according to a set schedule, including elections for local government councils, the Riigikogu and the European Parliament. To facilitate voter participation, Estonia employs advance voting, home voting and internet voting.

Advance voting is available for six days prior to election day. Both advance voting and online voting are gaining in popularity; in the 2023 parliamentary elections, 74% of all votes were cast before election day, while 51% were cast online. The rate of home voting, however, has declined, likely due to the ease of internet voting and the high level of digital literacy in Estonia. For instance, more than 33% of voters aged 75 and above voted electronically (National Electoral Committee, 2023).

The secrecy and cybersecurity of online voting are taken very seriously, and amendments to electoral laws to provide a more detailed description of these aspects are currently in preparation.

In all elections, Estonia uses an open-list proportional system with a simple ballot design where voters write down the number of their preferred candidate, or tick their preferred candidate online. Invalid ballots constitute a minor share of the total, less than 1% of all ballots cast, suggesting that the ballot design is easy to understand (National Electoral Committee, 2023).

The modest degree of engagement by ethnic minorities in election processes has long been a concern. To address this issue, 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.

Quality of Parties and Candidates

Socially Rooted
Party System
Score: 9

Estonia uses a party-list proportional electoral system, which, unlike the winner-take-all system, allows for a more balanced representation of societal interests in local councils and the Riigikogu (parliament). In parliamentary elections, the threshold for eligibility is 5% of the national vote. In 2023, three such parties exceeded this mark. Six parties are represented in the current (15th) Riigikogu (National Electoral Committee 2023).

All main political parties have local branches, and their rights and autonomy are regulated by statutes. Since Estonia is a small country with a two-tier administrative system, regional political interests are not particularly salient. By and large, the extent to which local entities are able to voice local problems at the national level depends on the particular person or branch.

Political parties in the legislature represent significant societal interests, the main cleavage being between liberalism/openness and conservatism/nationalism. Some specific interests, such as those of farmers, are not explicitly represented by any political party. Similarly, the Greens and parties representing national minorities, including Russian speakers, are not popular enough to enter the legislature. Nonetheless, these interests are represented to some extent by other parliamentary parties, notably the Social Democrats and the Center Party.

Party manifestos are publicly available on party websites and attract significant media attention. Because the political climate has become more tense in the last decade, party manifestos have become more distinct, especially in relation to “soft” values such as gender equality, sexual orientation, marriage, religious issues and freedom of speech.

Effective Cross-
Party
Cooperation
Score: 7

In the first decades of the 21st century, the political landscape in Estonia could be characterized as modestly polarized, with principles of liberal democracy and parliamentarism generally adhered to. This situation changed radically in 2019, when the populist far-right Conservative People’s Party (EKRE) entered

parliament and was included in the ruling coalition for almost two years. After performing worse than expected in the 2023 elections, EKRE adopted a completely obstructive position with regard to legislative work. EKRE's obstructions included taking frequent unnecessary breaks during sessions and submitting hundreds of irrelevant correction proposals to bills. These tactics, used persistently by EKRE and occasionally by other opposition parties, led the government to bind many votes with a vote of confidence. In such cases, the executive has considerable power over the legislature (Act on the Rules of Procedure of the Riigikogu).

In the fall of 2023, the speaker of the Riigikogu convened a special commission of experts to determine a way out of the parliamentary stalemate. The country's president additionally held consultations with political parties, but neither initiative led to a positive outcome.

Cross-party cooperation within the executive is much smoother. Disputes are resolved through informal negotiations among coalition partners, and policy development or implementation is not significantly hampered. However, some disagreements can drag on in public, such as the dispute between the minister of education (Estonia 200) and the minister of finance (Reform Party) over teacher salaries in 2023 during a nationwide teacher strike in early 2024.

Access to Official Information

Transparent
Government
Score: 9

The main principles of access to public and official information are laid out in the constitution. Additional regulations are provided in the Public Information Act and the Personal Data Protection Act. These acts are enforced by the Data Protection Inspectorate (DPI), which functions as an ombudsman, preliminary court, educator, adviser, auditor and law-enforcement agency. A recent study (Pild et al. 2022) highlighted the controversial role of the DPI in supervising state information holders while monitoring compliance with personal data protection.

The national strategic policy has been to advance access to information by using official websites and portals. Estonia maintains an official gateway to all government information and public services (eesti.ee). All municipalities, political parties and government institutions must maintain a website containing at least the information defined by legal acts. The DPI monitors state authorities' web pages and document registries, as well as municipalities' websites.

Public access to information is expected to 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. In the case of complex inquiries, the deadline may be extended to 15 working days. The obligations of authorities under the PIA are not only to provide information but also to assist the public in accessing documents. This concern becomes more acute as the amount of big data increases and its usage becomes technically more sophisticated. Another recent issue is the tendency of the public sector to limit access to documents. According to a report by Arenguseire Keskus, the wording of PIA emphasizes only the balancing of the rights and freedoms of the data subject, not of those requesting access. As a result, the number of occasions on which an institution can restrict public access to a document by labeling it “for internal use only” has increased from eight to 25 (Pild et al. 2022: 12).

II. Diagonal Accountability

Media Freedom and Pluralism

Free Media
Score: 9

Estonia follows a liberal approach to media policy with minimal legal restrictions. The Estonian Public Broadcasting company (ERR) is constituted under the Estonian Public Broadcasting Act and governed by a 10-member council. Based on the principle of political balance, five members are specialists in the field, 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 serve until the next parliamentary elections.

The private media market is generally self-regulated. Audiovisual and radio services are governed by the Media Services Act (2010), which outlines procedures and principles for service provision. Amendments in 2022 clarify the principles of content freedom and political balance during election campaigns. All providers of radio and TV services must apply for a fixed-term license from the Consumer Protection and Technical Regulatory Authority. Issuing private newspapers, magazines or news portals is not specifically regulated; they operate on free-market principles. The umbrella organization Union of Media Enterprises represents its members’ interests, including advocacy in policymaking initiatives.

The government does not censor digital, print or broadcast media directly or indirectly. The risk of government influence or political interference is considered low (MPM 2022). However, due to the Russian war of aggression in Ukraine, government control has become stricter. On 25 February 2022, the Consumer Protection and Technical Regulatory Authority (TTJA) ordered Estonian telecom service providers to stop broadcasting Belarusian and Russian TV and radio channels, and Russian websites that promoted war propaganda were shut down.

Freedom of the media is guaranteed by the constitution and specified in several legal acts. Currently, the Riigikogu is processing the Hate Speech Bill and the Whistleblower Protection Bill (related to EU Directive 2019/1937). Both processes have been lengthy and accompanied by criticism from conservative political parties and various interest groups, including the Union of Media Enterprises.

Instances of unlawful censorship are very rare. One such legal incident occurred in April 2022, when the Harju County Court fined two journalists following the publication of an article about alleged money laundering at one of Estonia's largest banks, Swedbank. The information was published without legally required prior approval from the prosecutor's office. The court ruling supported the prosecutor's office's argument that there was a "lack of public interest" and that the journalists' only motive was to "satisfy curiosity." However, the Supreme Court overruled this decision in January 2023, finding that the decision to impose fines on the journalists had insufficient legal grounding (Supreme Court of Estonia, 2023).

Compared to many countries, being a journalist in Estonia does not pose a risk to one's life or physical health. However, mental harassment and humiliation on social media do occur. When ideological controversies become heated, such as during the COVID pandemic or in debates over LGBTQ+ rights, journalists face a greater risk of humiliation.

Pluralism of
Opinions
Score: 9

The plurality of opinion and the presence of different viewpoints in public broadcast programs are mandated by the Act on Estonian Public Broadcasting. For private media outlets, such regulations do not apply; instead, the plurality of opinions is ensured by the variety of outlets and channels. Although there are several national newspapers and TV channels in the country, media ownership is increasingly concentrated. In addition to Estonian Public Broadcasting (ERR), two large private media companies owned by domestic investors – Ekspress Group and Eesti Meedia Group – dominate the print and electronic media market, especially the news media.

Decreasing readership figures and the increasing expenses faced by printed newspapers have further facilitated the concentration of media outlets into two large media houses. Additionally, some media outlets, especially regional and local newspapers, have had to close down or move to online-only content. Some special weeklies, such as the Teachers' Gazette and the cultural weekly Sirp, receive government funds.

Digitalization and the rise of smart technologies like podcasts and streaming have expanded dramatically in both public and private media production. High internet and cable TV penetration rates ensure that most of the population can access a diverse range of media channels. However, the most vulnerable citizens, who often have low levels of digital literacy and fewer financial resources, can be disadvantaged by these technological and economic changes.

Another significant development has been the spread of independent blogs and portals that provide in-depth stories and analysis, which are increasingly rare in mainstream media. These online publications, such as Edasi (edasi.org) and the blogs Levila and Poliitikaguru, enjoy an increasing number of followers and enrich the existing media landscape. Ideologically oriented portals, such as Uued Uudised run by the national-conservative party EKRE, also have numerous followers. These blogs and portals are funded by subscriptions or raise their own funding.

Criticism of government policies and state institutions is common in the media, including the public media. It is generally acknowledged that the private outlets of the Postimees group tend to skew toward conservative and traditional values, while the Ekspress group is considered more liberal. Thus, there is no political bias along government versus opposition lines, but rather along normative value orientations.

Civil Society

Free Civil
Society
Score: 10

The freedom of association and freedom of assembly are constitutional rights in Estonia. The Act on Public Meetings (1997) specifies the rights and duties of meeting organizers. Every person legally residing in Estonia has the right to initiate a public meeting; the meeting must be registered with the relevant municipal government seven days in advance. Police can use force only on occasions specified in the law.

Political liberties are an important part of Estonia's constitution, and they are widely respected in society. There are 11 political parties registered,

collectively covering the entire spectrum of mainstream political ideologies. Only citizens of Estonia have the right to be members of a political party. Civil society groups organize open forums to discuss important social and political issues. One such forum, the Arvamusfestival (Opinion Festival), has been held annually since 2013.

Public meetings are typically peaceful. Harassment, arbitrary arrests, and the detention or imprisonment of peaceful demonstrators are not common practices in Estonia.

Effective Civil
Society
Organizations
(Capital and
Labor)
Score: 7

According to the constitution, everyone is free to belong to unions and federations of employees and employers. The conditions and procedures for resolving labor disputes and exercising the right to strike are provided by law. Legislation facilitates union membership through tax deductions from membership fees; otherwise, trade unions and employers' organizations must be self-financing.

The Estonian Trade Union Confederation (EALK) comprises 15 branch unions and represents employees' interests in collective-bargaining agreements, protecting their rights in labor relations. Due to the country's communist past and current liberal market economy, the popularity of trade unions is low. Union density is 6%, and about the same share of employees is covered by collective bargaining agreements. These agreements are predominantly made at the company level; in some areas – as is the case for teachers and healthcare workers – they are made at the branch level. Compared to many Western European countries, the policy-formulation capacity of trade unions is relatively weak. The EALK head office includes a secretariat that prepares various documents, including draft law proposals, and organizes cooperation between members. However, it lacks a dedicated research or analysis unit responsible for preparing specific policy proposals.

Limited financial resources restrict the ability to commission external policy analyses from universities or private think tanks. Typically, trade unions are invited to contribute to policymaking processes initiated by the government. In recent years, EU initiatives on regulating statutory minimum wage, platform work, working from home, and work and leisure time have significantly shaped the domestic social dialogue agenda.

The Estonian Employers' Confederation (ETKL) is more influential. It includes more than 2,000 companies and 50% of employers, and is more active in shaping policies. ETKL has working groups that prepare the

organization’s platform for each public policy area. For every parliamentary election, ETKL publishes an “Employers’ Manifesto” with strategic proposals for policymakers.

Despite some progress, social dialogue in Estonia remains rather fragile. There is no permanent tripartite council, and the representatives of social partners on the tripartite Unemployment Insurance Board and Health Insurance Board are often overruled by the government (Toots 2022). The most stable achievement of tripartism has been the enactment of the statutory minimum wage as part of the State Budget Act.

Effective Civil Society Organizations (Social Welfare)
Score: 6

National-level civil society organizations (CSOs) often receive project-based public funding, though this is less common for smaller, local CSOs. Membership fees and donations are tax-deductible for CSOs on the government-approved list. This list is updated annually. In 2022, about 2,700 CSOs were listed, including advocacy groups for people with disabilities or various diseases, as well as for child protection, family welfare and mental health.

The organizational strength of major CSOs varies, but they generally have limited financial and human resources to formulate policy proposals in-house or to commission expert advice from outside. None of the CSOs in social welfare have their own research analysis unit or institute.

Major civil society organizations active in a particular field often cooperate while participating in the policymaking process; sometimes they establish umbrella organizations or alliances. For example, Vaimse Tervise ja Heaolu Koalitsioon (VATEK) unites 53 organizations in the area of mental health and well-being. The Estonian Chamber of Disabled People (EPIKoda) is an umbrella organization that brings together 32 specific disability associations and unions. Major CSOs in this field are strategic partners of the Ministry of Social Welfare and are actively involved in policy advocacy and policymaking. According to existing regulations and norms, the government is obliged to respond to policy proposals put forward by major CSOs during the drafting of new laws or the revision of existing regulations. Overall, Estonia has developed a neoconservative approach to CSO engagement, and the general public remains loosely involved in their activities.

Effective Civil Society Organizations (Environment)
Score: 6

Nonprofit CSOs acting in the public interest may receive tax benefits, including deductions from donations and membership fees. Eligible CSOs are listed in a government decree, updated annually. Only a few environment-focused CSOs – such as those focused on animal welfare or forest education – appear on this list, and they are generally not influential.

Organizationally, environmental CSOs are not strong; they have very limited financial and human resources with which to formulate policy proposals or commission expert advice. None of the CSOs in the environmental sector has its own research analysis unit or institute. Unlike the social welfare sector, cooperation between environmental CSOs and ministries is nonstructured and overshadowed by strong for-profit interest groups, such as energy firms and the forest industry (see details from the website of the Ministry of Climate, Lobby activities). In this vein, a cooperation platform, Rohetiiger (Green Tiger) – which unites over 80 companies – deserves special attention due to its close links to the Ministry of Climate.

According to effective regulations and norms, the government is obliged to respond to policy proposals put forward by major CSOs and engage communities in the process of drafting or revising existing regulations. However, this rule is not always followed, a fact that has led to several public protests and social media movements. The protection of forests is a primary concern for citizens; some of these actions have resulted in court cases against the State Forest Management Center (Telegram 18 July 2022).

III. Horizontal Accountability

Independent Supervisory Bodies

Effective Public
Auditing
Score: 9

The National Audit Office (NAO) is an independent institution defined by the Estonian constitution. According to the constitution, the NAO is not a part of any branch of power, and it must remain independent. The scope, functions and competences of the NAO are defined in the National Audit Office Act. The primary purpose of the NAO is to exercise economic oversight over the funds of the public sector. Although the reports of the NAO are aimed at the national parliament, the government and the public, the parliament remains the foremost client. The auditor general annually reports to the parliament on the use of public funds and on government budgetary discipline and spending.

Besides providing the annual audit report to the Riigikogu, the NAO conducts performance audits across various policy domains, focusing on strategies and specific pressing issues. No external entity can mandate the NAO to perform audit functions. The NAO independently determines what, when and how to audit. The NAO Act grants the office the legal authority to obtain all necessary information to conduct its work.

The auditor general (AG) is appointed to office by the Riigikogu for a term of five years, with candidates proposed by the president. A candidate for the position of AG must pass a security check by the Estonian Internal Security Service. Removal of the AG is determined under conditions specified in the NAO Act. The Supreme Court makes relevant decisions in cases of extended incapacity to work or entry into force of a judgment of conviction for a criminal offense.

The activities of the NAO are financed from the state budget. Since the budget is drafted by the Ministry of Finance, a certain breach of financial independence exists for the NAO – that is, the Ministry of Finance, which is audited by the NAO, effectively decides on the extent and manner of financing of the entity auditing it. The NAO employs approximately 100 people. Three-fourths of them are engaged in auditing, while the remaining one-fourth perform support and administrative tasks.

In recent years, the National Audit Office (NAO) and the auditor general have become more active in communicating their work to the public. As a result, a number of shortcomings and problems in the work of government have been brought into public debate, eventually contributing to the quality of policy implementation. The findings of the NAO are widely reported in the media and are publicly available on the NAO's website.

Effective Data
Protection
Score: 7

Estonia has a Data Protection Inspectorate (AKI) that operates under the purview of the Ministry of Justice. The AKI is financed from the state budget, and its budget is adopted and monitored by the minister of justice. In its daily operations, AKI is independent and has the discretion to decide which audits to undertake. The inspectorate works under the framework of the Personal Data Protection Act and the Public Information Act. It is also responsible for ensuring compliance with the European Union's General Data Protection Regulation (GDPR).

The director general of the AKI is appointed by the government upon the proposal of the minister of justice for a five-year term. The legislative branch (Riigikogu) or judiciary (Supreme Court) do not have the authority to interfere in the appointment or removal of the head of the national data protection authority. The director general reports directly to the Constitutional Committee of the Riigikogu and to the chancellor of justice. AKI currently has 33 staff positions, which is roughly consistent with its needs to fulfill its mandate.

AKI is responsible for protecting citizens' privacy and personal data and ensuring the transparency of public information. As a law-enforcement

agency, AKI can issue proposals or recommendations to terminate infringements, issue binding precepts, impose coercive payments or fines, or apply to initiate criminal proceedings. Additionally, AKI acts as an educator and consultant, answering citizens' queries and contributing to the public awareness of data use.

Overall, issues with cybersecurity are an increasing concern in data protection. In December 2023, hackers downloaded the health data of more than 10,000 people from a private company's server (AKI 2023). AKI, together with the prosecutor's office, initiated an investigation of the incident. The first reaction of the director general of AKI was that the responsibility lies with private companies as the data holders and users, and that no legislative amendments were needed.

Findings of the data protection authority are occasionally covered in the media, usually when a data breach or leak has occurred. In August 2023, AKI arguably failed to check properly before allowing access to sensitive data used for a sociological survey on women's reproductive behavior (Nagel, 2023). Both incidents are so recent that it is too early to judge whether they will lead to executive or legislative action.

Rule of Law

Effective Judicial
Oversight
Score: 10

The independence of the judiciary is established by the constitution and specified in the Courts Act and other acts governing court procedures. Amending these acts requires a majority of the members of the Riigikogu. The Estonian court system consists of county courts and administrative courts at the first level, circuit courts at the second level, 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.

Most judges in Estonia are graduates of the law school at Tartu University; however, there are also BA and MA law programs at two public universities in Tallinn. In total, the national government recognizes 11 study programs in law. Access to legal education does not have specific criteria and is based on competitive admission scores. There is no fee for students in Estonian-language law programs.

Judges are appointed by the national parliament or by the president for life, and cannot hold any other elected or nominated position. The status of judges and guarantees of judicial independence are established by law. 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 by the national parliament on the proposal of the president. In all cases, simple majority voting is applied.

The judiciary's jurisprudence reflects a commitment to independent judicial review. Estonian judges evaluate their own independence at 8.7 on a 10-point scale, slightly above the EU average (ENCJ, 2022). The Estonian Association of Judges has established a code of ethics, and 90% of judges rate themselves as adhering to high ethical standards (ENCJ, 2022: 41).

Together with the chancellor of justice, courts effectively supervise authorities' compliance with the law and the legality of the executive and legislative powers' official acts. About 70% of judges agree that in the last three years (2020 – 2022) judgments against the government's interests have usually been executed (ENCJ, 2022: 23).

Universal Civil
Rights
Score: 9

Civil rights and liberties are safeguarded by the constitution and widely respected by both state and non-state institutions. Equal access to the law and equal treatment are legally guaranteed. Primary legal advice is free for citizens and not linked to the income of the applicant. However, court fees can be rather high, disadvantaging low-income individuals.

Discrimination is prohibited by law, and several governmental institutions have been established to ensure nondiscrimination. The chancellor of justice plays an important role in ensuring 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 manner. Individuals can bring concerns directly to the Chancellor's Office or send a letter detailing the issue. The commissioner for equal opportunities acts as an independent expert in monitoring discrimination. In addition to handling citizens' appeals and monitoring the overall situation, the commissioner's office focuses significant efforts on awareness-raising activities.

Implemented policies have achieved varying effects in preventing and combating discrimination. Gender equality has been a long-standing challenge, reflected in the largest gender pay gap in Europe (Eurostat, 2022). Despite several measures introduced by the government to combat the gender pay gap, fundamental change has yet to be achieved. The rights of disabled people have received attention in labor market policies and living environment measures. All public buildings must ensure access for people with disabilities, and employers can apply for special support to employ such individuals.

There has been significant progress in LGBTQ+ rights. In June 2023, the Riigikogu adopted a set of legal acts allowing for the registration of gender-neutral marriages beginning 1 January 2024. The rights of ethnic minorities are protected by the constitution. In 2022, the government moved to finalize the long-pending transition of Russian-speaking pre-primary and primary schools to instruction in the Estonian language. To ensure the quality of education and protect the rights of both Russian-speaking and Estonian-speaking pupils, a comprehensive package of support measures was adopted. These measures include additional teaching staff and speech therapists, teaching materials, and special training for teachers. Instruction in Estonian was slated to start on 1 September 2024.

In addition to Russians, who are largely second- or third-generation immigrants, Estonia has welcomed a large number of Ukrainian refugees, including children. All school-age Ukrainian children attend school, and efforts are being made to provide them the opportunity to learn in their mother tongue.

A recent opinion poll revealed people's overall satisfaction with the state of human rights in Estonia. Seventy-seven percent of respondents agreed that the Estonian constitution protects people's rights and values, while 79% of Estonian residents are convinced that "everything is in order with human rights in our country" (EIHR 2023).

Effective
Corruption
Prevention
Score: 9

Transparency and corruption have been subjects of substantial governmental and public concern over the years. This focus has led to Estonia's high international ranking, reflecting low levels of corruption, in various indexes (see, for example, the Corruption Risk index). Estonia has established a robust institutional and legal framework to combat corruption, including the National Audit Office, the parliamentary Anti-Corruption Select Committee, the Anti-Corruption Act, the Public Procurement Act and Anti-corruption Action Plans.

Political party financing is regulated by the Act of Political Parties and monitored by a special body – the Political Parties' Financing Surveillance Committee (PPFSC). Political parties receive direct funding from the state budget, while private donations form just a minor share of their budgets. Only individuals can make donations to parties. All donations are reported to the PPFSC. There are no limits on the size of donations, which has led to investigations when a low-income individual has made substantial contributions. However, if a wealthy entrepreneur were to donate €500,000 to a party, which might influence its policy positions, there are no legal grounds for an investigation.

Civil servants and political officeholders, including members of parliament (MPs), must annually declare their assets and conflicts of interest. There have been several instances of conflicting interests in funding decisions, resulting in the cancellation of those decisions or the dismissal of the civil servant involved. Since 2021, all ministries and government agencies have been required to register their meetings with lobby groups and publish this information on their websites. In total, more than 2,700 meetings were reported in 2022 – 2023 (Ministry of Justice 2020).

About 98% of public procurement in Estonia is organized electronically, which has increased the transparency of these processes. Yet companies still occasionally perceive the conditions of public procurement as being designed to privilege particular procurers, and steps to improve these procedures are expected (Action Plan 2021 – 25: 5).

Legislature

Sufficient
Legislative
Resources
Score: 7

Compared to the parliaments of many other countries, the Riigikogu has a modest support structure. All administrative staff are employed by the Chancellery of the Riigikogu, and can be divided into three categories. The first category includes analysts working in the Law and Analysis Department, who provide expert advice and produce information sheets and study reports. Due to budget and personnel limitations (10 advisers in total), their studies are typically very limited. At the request of parliamentary committees, the Analysis Department can also commission studies from universities or research institutes. In 2022 – 2023, only one such external study was commissioned. There is also a small Foresight Center (Arenghuseire Keskus, ASK) with six people that carries out various studies on public policies. ASK is independent in terms of deciding on studies and research priorities, but its budget depends on the allocations in the state budget, approved by the Riigikogu.

The second category of staff includes standing committee support staff. A standing committee typically has three to five advisers. The third group is made up of the advisers to party groups. In total, 31 people work for the six parliamentary party groups. Legislators can use a reading room in the parliamentary building and the National Library, which serves as a parliamentary library. Members of the parliament also benefit from allowances that they can use to order expert analyses, studies or information overviews. However, there is little evidence that the allowances are extensively used for such purposes.

Effective
Legislative
Oversight
Score: 8

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 committees can also invite civil servants from the ministries to participate in commission meetings to provide additional information or explain government positions. Permanent committees have the right to request the participation of ministers in committee meetings to obtain information. Additionally, members of parliament can individually forward written questions and information requests to ministers. These must be answered publicly at one of the national parliament's plenary sessions within 20 days.

As a rule, ministers comply with invitations and provide satisfactory answers to the questions posed. However, in 2023, when relations between the government and opposition parties became tense, both sides accused each other of destructive behavior, and the summoning practice broke down. In August 2023, the prime minister was invited to meetings of various parliamentary committees to explain cuts to the President's Office budget, and to explain her involvement with her husband's business activities in Russia – the so-called Eastern Transit scandal – but she repeatedly refused on various grounds. Similarly, the minister of finance ignored the invitation. Eventually the prime minister appeared at the committee meeting, and the conflict was resolved (ERR, 30. Aug. 2023).

Effective
Legislative
Investigations
Score: 3

De jure, opposition parties can initiate investigations in the Riigikogu concerning the government or individual ministers. This right is stipulated in the Act on House Rules of the Riigikogu, which allows the establishment of temporary investigative committees to clarify issues of public interest. The decision requires a simple majority of MPs.

However, this right is difficult to realize in practice if the governing coalition holds a parliamentary majority, as is typically the case in Estonia. One unsuccessful attempt occurred in the fall of 2023 when a proposal by opposition parties to establish an investigative committee on the prime minister's husband's Russia-oriented business failed in repeated votes (ERR Sept. 27, 2023).

Legislative
Capacity for
Guiding Policy
Score: 7

The 11 standing committees of the parliament generally mirror the structure of the government, which is composed of 11 ministries. In addition to committees that correspond to ministries, there is also a European Union Affairs Committee that monitors the country's EU policy. Legal affairs are divided 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 standing committee (excluding the EU Affairs Committee), with each committee having about 10 members. Currently, no standing committee is chaired by an opposition member of parliament, which represents a challenge to the democratic principle of checks and balances.

Governing with Foresight

I. Coordination

Quality of Horizontal Coordination

Effective
Coordination
Mechanisms of
the GO/PMO
Score: 7

Estonia typically has coalition governments; reaching an agreement on the priorities and goals of the future government is a core issue in 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, which is composed of a representative from each coalition partner. The Basic Principles of the Government Coalition for 2023 – 2027 are stipulated in the coalition agreement, reached in April 2023. The objectives set out in the agreement will serve as the basis for the government in drafting its four-year plan of action. Defense and security are among the top priorities for the new government, along with ensuring the sustainability of public financing, implementing green reforms, reducing regional stagnation and inequality, and guaranteeing high-quality education.

Strategic meetings between the prime minister and line ministers take place annually to steer the strategic goals of Estonia 2035. The strategy, adopted in 2021, establishes a framework consolidating Estonia's major strategic goals and national courses of action while taking into account international obligations.

Estonia 2035 serves as a crucial instrument for the country's long-term development strategy and cross-sectoral coordination. All development plans approved by the government and all programs approved by the ministers adhere to the goals and necessary changes outlined in the Estonia 2035 strategy. Estonia 2035 is also closely linked to the state budget strategy process.

Primary responsibility for coordinating, implementing and monitoring Estonia 2035 lies with the Strategy Unit of the Government Office (GO). This unit drafts strategic development plans and government action plans and monitors the implementation of these policy documents. In addition to the GO, there is the Prime Minister's Bureau, which is composed of experts in various policy areas who advise the prime minister. Unlike the GO, this body is mostly linked to the prime minister's political party, and its members change with each new prime minister.

Effective
Coordination
Mechanisms
within the
Ministerial
Bureaucracy
Score: 8

The Government Office (GO) and prime minister's support structures primarily provide consulting services, monitor governmental processes and provide technical (judicial) expertise. De facto, the GO's and prime minister's capacity to undertake substantial evaluations of line-ministry proposals is limited due to the efficiency aims, inflexibility and highly siloed nature of the administrative system (Elbrecht 2023). Hence, the supporting structures of government in Estonia are mainly located in the line ministries.

The need to improve governance policy innovation capacity and quality management, as well as to pursue holistic approaches, has long been a concern. There has been considerable demand for such state reform. One element of this state reform aims to improve the coherence of governance by merging executive agencies with overlapping functions and strengthening the Prime Minister's Office.

Currently, Estonia does not have a cabinet committee structure within the government or any ministerial committee tasked with fostering pre-consultations and synergies between ministries. Recently, however, steps have been taken to enhance cooperation and embrace a whole-of-government governance approach. These steps include granting the prime minister more power in strategic planning, initiating interministerial programs and increasing flexibility in recruiting personnel for interministerial units.

At the ministry level, procedures for coordinating policy proposals are set by national government rules. According to these rules, all relevant ministries must be consulted and involved in a consensus-building process before an amendment or policy proposal can be presented to the government. Additionally, senior civil servants from various ministries consult and inform each other about upcoming proposals. Deputy secretaries general play a key role in this informal consultation process.

The entire consultation process is managed via an online system for draft laws, the Information System for Legal Drafts (Eelnõude infosüsteem, EIS). The EIS allows users to search documents currently under consideration, participate in public consultations and submit comments on draft bills.

Policymaking and policy monitoring are further supported by an interoperable data exchange platform called X-Road, an integrated system facilitating data exchange between different organizations and information systems. However, this has been criticized as a passive minimum that rarely generates qualitative and useful insights for suggestions.

As a result, Estonia’s Digital Agenda 2030 targets the development of an interinstitutional data governance and data science competence center, as well as the expansion of the usage of the administrative system for technical services and of the state information system databases. One of the sub-aims is also to improve the participatory element in the EIS, a pilot of which is already underway.

Complementary
Informal
Coordination
Score: 9

Two different forms exist to communicate line ministries’ proposals to the GO. First, all policy initiatives are discussed in the coalition council. Second, the cabinet informally examines all substantial issues at its weekly meetings. No binding decisions are made in these meetings; the main function is to exchange information and prepare for formal government sessions.

Informal coordination, especially considering the small size of the country, plays 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 are crucial in garnering support from coalition partners. However, while the Estonia 2035 long-term development strategy sets strategic goals, including a focus on governance, it lacks implementation plans and targets for government coordination.

Quality of Vertical Coordination

Effectively
Setting and
Monitoring
National
(Minimum)
Standards
Score: 7

A number of public services in Estonia are provided at the local level, although the quantity and quality of services vary greatly relative to the size and capacity of municipalities. 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, a major local government reform was undertaken, reducing the number of municipalities from 213 to 79. This reform aimed to enhance local governance capacity and improve the quality of public services, addressing resource shortages, especially in smaller and remote areas.

Estonia’s population is projected to decline by 2040 in all but two counties. While the whole country will lose about 2% of its population by 2040, most

regions will lose more than 20% of their population, bringing population density to one of the lowest levels in Europe (OECD 2021). In international comparison, Estonia is among the least decentralized countries when measured by the subnational government share of general government spending as a share of GDP (ibid.).

While Estonian municipalities are legally responsible for a number of public services, their capacity to fulfill these responsibilities is limited due to high dependency on central grants, significant differences in per capita revenues and a lack of regional cooperation. Most state grants are earmarked and equalized against regional differences; however, they may disincentivize efficient service delivery and do not allow for adaptation to regional needs and demand (OECD 2022).

Since 2017, regulations have set the main principles for the governance of services, but these regulations provide broad directions rather than concrete quality standards. This approach is due to both disparities between municipalities and increasing local discrepancies in service delivery that respond to different needs. Although Estonia scores high with regard to the digitalization of services, there are challenges related to the quality, access, and integration of these solutions due to a lack of cooperation between responsible agencies (Elbrecht and Kobin 2022).

Thus, while a formal system is in place to ensure a basic universal list of services in each municipality, the implementation process faces serious challenges due to a shortage of qualified labor in regions, resulting in difficult trade-offs between accessibility and quality. Furthermore, the serious effects of a shrinking population are not widely understood among municipalities or citizens (OECD 2022).

Despite a large share of unmet medical needs, a lack of health centers in nearly a third of municipalities and limited out-of-hours appointments (NAO 2022), Estonia performs comparatively well in terms of people's satisfaction with public services (OECD 2023). However, the shortage of doctors, teachers, policemen and rescue workers has reached a level at which the provision of public services according to established quality standards faces serious challenges (NAO 2022).

Recent strategic documents and state reform plans all agree that important steps need to be taken to effectively collaborate with regional and local governments to improve the delivery of public services, and several pilots and e-solutions are being undertaken. However, the issue does not seem to be a lack of analysis or an overarching vision, but rather the ability and courage to

implement the agreed-upon goals. This will require the central government to enhance voluntary cooperation between municipalities, especially for services that benefit from a larger scale – for example, education and some infrastructure such as roads – so as to better utilize economies of scale and improve the scope of public service provision at the municipal level.

Effective
Multilevel
Cooperation
Score: 7

Estonian local governance is established only at the municipal level, not at the intermediate tier. There are neither self-governing nor central government autonomous tiers at the intermediate level. Regional government was abolished in a previous administrative reform, and the central government's main interface for the new regional development policy consists of county development agencies. These agencies are mostly NGOs that aggregate municipalities within their counties. In developing the new regional development policy, the Ministry of Finance compiled the guidelines for counties' development strategies to serve as inputs to national policies. However, the integration of those strategies into the development and implementation of national policy has been limited (ESPON 2022).

Central government ministries typically have regional offices in four major centers, with each ministry defining their regional areas as they see fit (Ladner et al. 2021). Formally, municipalities are autonomous, but in practice, their revenues are entirely dependent on the central budget. Thus, addressing the quality of public services in the face of shrinking populations and revenues in most municipalities involves somewhat countervailing trends (Lander et al. 2021). On the one hand, municipalities tend to limit their general competencies, citing a lack of direct responsibility. On the other hand, particularly in the fields of education and social services, the central government has – often through capacity-building projects funded by EU structural funds – taken over selected core tasks, which require the concentration of professional resources.

II. Consensus-Building

Recourse to Scientific Knowledge

Harnessing
Scientific
Knowledge
Effectively
Score: 7

The extent and impact of academic consultation are framed by the overall pattern of government decision-making. Limited strategic capacity at the center and a tendency to delegate policy-formulation initiatives to line ministries result in a fragmented landscape. The final reports of research

projects are made publicly available on the websites of the governmental institutions that requested the study. However, most studies are commissioned solely to obtain overviews of problems or to provide evidence for the government's standpoints.

Other forms of non-governmental expert consultations, such as roundtable discussions and workshops, are quite widespread. Experts and opinion leaders have been regularly engaged in preparing the long-term Estonia 2035 strategy, and the relevant website enables interested citizens to participate in and interact with developing the strategy. However, these events are often held on a pro forma basis, and do not lead to effective policy changes.

Since 2017, the Foresight Center (FC), a parliamentary think tank, has been active in conducting long-term social and economic analyses and drafting development scenarios. The center consults parliamentary committees but has only an implicit connection to the executive.

Recently, the initiative Science for Policy conducted a study among relevant stakeholders in Estonia to map the situation of the Estonian science-to-policy ecosystem. One of the conclusions was that while there is strong awareness of and readiness for an approach based on evidence in policymaking (EIPM) from the demand side, it is heavily dependent on ministries. Often, public administrators and politicians alike ignore EIPM as they try to enhance efficiency.

Furthermore, data literacy levels are low, and structures occasionally restrict knowledge transfer with universities and research institutions. There is also a lack of ex post assessments. Problems from the supply side include poor data availability, strict time frames, role conflicts and overworked staff. Additionally, there is no repository of existing knowledge and research.

However, overall, the introduction of science advisers in ministries has been an important step toward improving this situation. The GO Strategy Unit is clearly willing to promote EIPM. To achieve this, the scattered system of science advice needs to be consolidated, and incentives for academics to engage in policy advice must be created.

Effective
Involvement of
Civil Society
Organizations
(Capital and
Labor)
Score: 6

Involvement of Civil Society in Policy Development

Consultations with societal actors are regulated by government guidelines outlined in the Good Practice of Involvement (GPI), in place since 2012. Although not legally binding, the GPI prescribes detailed procedures for engaging social stakeholders in the policymaking process. All ministries employ an engagement coordinator to assist interested citizens and advocacy groups. The main focus is on consultations during the preparatory phase, when a broad range of societal actors is typically involved. However, policymaking does not always entirely adhere to GPI principles. Additionally, engagement practices have not yet been fully incorporated into the policy implementation and policy evaluation phases.

The Estonian Trade Union Confederation's (ETUC) policy-formulation capacity is relatively weak, due both to low membership rates and fragmentation within the system (Kallaste 2023). Trade unions' ties with political parties were stronger during the early years of Estonian independence; recently, these links have diminished. However, in 2022, the general secretary of ETUC entered the government as a minister. The unions appear to be more involved when the Social Democrats are in power, although this involvement is more informal than institutional.

Social partners are formal partners of the government in tripartite social insurance funds, which constitute the main structural form of dialogue. Beyond this, the primary focus is on determining the annual national minimum wage. The shortage of teachers has heightened the salience of the Estonian Educational Personnel Union, which has been intensively demanding an increase in teachers' statutory salaries (a promise yet to be fulfilled by the government). This unmet demand led to a teachers' strike in January 2024 and increased public awareness of unions.

The Estonian Employers Confederation (EEC) has been active for a longer period, indicating both its greater legitimacy among previous governments and a better position in power relations. The number of policy proposals developed by the EEC and its analytical capacities have significantly increased in recent years. For example, the EEC 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. However, the State Reform Foundation has been dormant since 2019.

Effective
Involvement of
Civil Society
Organizations
(Social Welfare)
Score: 6

The policy-formulation capacity of noneconomic interest groups varies across fields of interest and with the scope of the intended impact. Generally, the capacities of social welfare civil society organizations (CSOs) are even more limited than those of unions or employer associations. Most CSOs are small and possess limited financial and human resources. However, in the realm of social welfare, the situation has improved, and a more genuine involvement of welfare experts has been taking root.

In 2023, the Welfare Development Plan 2016 – 2023 (WDP) was approved by the government. This process started in 2021 and involved many stakeholders. Consultations and discussions took place in bodies related to the well-being performance area of the state budget and the steering committee of the previous Welfare Development Plan during the drafting process. A steering committee was convened, and 11 thematic working groups were set up under the leadership of officials from the Ministry of Social Affairs.

Broad-based discussions took place in the well-being area of the 2021 Opinion Festival, a wider public engagement event very popular in Estonia. Discussions on the objectives of the development plan occurred throughout the event. WDP 2016 – 2023 is one of the sub-programs of Estonia 2035, the Estonian government's long-term strategic action plan.

Effective
Involvement of
Civil Society
Organizations
(Environment)
Score: 6

Environmental groups have traditionally operated on a local level, but their actions are becoming increasingly visible and coordinated. One organization that supports environmental participation in policymaking is SEI Tallinn, an Estonian branch of the Stockholm Environmental Institute. SEI Tallinn aims to bridge science, policy and practice, focusing on environmental and development challenges. In 2022, SEI Tallinn founded the Estonian Association for Environmental Management and began to develop new partnerships at both the EU level, such as the European Energy Research Alliance, and regionally (SEI 2023). As of January 2023, when the annual report was compiled, there were 26 projects in process.

Openness of Government

Open
Government
Score: 7

In line with the overall e-government approach, all public institutions maintain extensive web resources for public use. Attempts to harmonize the website architecture of ministries and agencies have only partially succeeded. Consequently, the user friendliness of web resources varies across institutions. While the available information is generally extensive and up to date, it is often too detailed and sophisticated for use by ordinary citizens. Retrospective

data, including statistics and legal norms, are not always available, and URLs frequently do not work. Additionally, there is growing concern that government officials increasingly classify documents for official use only, often without sound reason.

The Open, Useful and Reusable Data Index (OUR; OECD 2020), which benchmarks the design and implementation of open data policies at the central level and emphasizes the sustained political and policy relevance of this area for OECD members, indicates that there are indeed areas of open government where there is room for improvement. Estonia ranked 27th out of 32 countries based on data availability, accessibility and government support for data reuse.

The open data portal is the official platform in Estonia on which users can add their organizations and metadata. While the government has increased stakeholder engagement in order to provide information on the open data policy – mainly through the central platform’s GitHub account – few high-value datasets are available through the portal as compared to similar services in other OECD countries. The country receives better scores for data accessibility than for data availability, but the main challenge for the Estonian government is to enhance support for the reuse of open data. Estonia remains one of the lowest-performing OECD countries with regard to organizing data promotion events and partnerships, increasing open data literacy within the government, and monitoring the impact of open data.

Recently, Estonia’s Digital Agenda 2030 (Ministry of Economic Affairs and Communication, 2023) was developed to outline the progress toward meeting digital targets set in Estonia 2035. One of the key areas in the Digital Agenda is the advancement of digital government, meaning the use of digital solutions in the public sector. This special agenda is essential because no other development plans encompass the overall development of digital government. The public sector is intended to lead and set the direction for the development of the Estonian digital society. This agenda aims to take significant steps forward in the development of digital government services, and in ensuring the sustainability of the established solutions. However, the approach is relatively optimistic about digital advancements, giving limited attention to issues such as regional disparities or user friendliness, or strategies to address these concerns.

III. Sensemaking

Preparedness

Capacity for
Strategic
Foresight and
Anticipatory
Innovation
Score: 8

The Foresight Center (FC), a parliamentary think tank, has been active since 2017 and conducts long-term social and economic analyses, as well as drafting development scenarios. However, foresight and strategic planning efforts are still lagging, partly because successive governments have struggled to agree even on short-term goals. The FC consults with parliamentary committees but has only an implicit connection to the executive. The Estonian foresight system was inspired by Finland (OECD 2023).

The Foresight Act serves as the legal basis for the institutionalization of foresight in Estonia. This act established the Foresight Council, which consists of experts in the research, technology and business fields, along with the FC. The council approves the FC's activities. The center envisions possible future scenarios for policymakers and makes the inclusion and participation of the wider public mandatory. The center conducts ex post assessments of previous foresight work after a certain period, essentially incorporating an evaluation component that compares actual progress to scenarios and outlooks over time.

One important step in successful foresight institutionalization is developing means of highlighting foresight's impact within the government. These processes enable the country to monitor the impact of foresight based on political discussions and parliamentary debates, among other measures.

In addition to FC, the GO Strategy Unit has also begun to innovate more extensively. The Innovation Program 2022 has brought together Innotiim, Accelerate Estonia, export agencies, and the State Chancellery to identify pressing issues within the public sector, and assists teams in reaching innovative and human-centered solutions. The new program differs from previous development programs in that all selected teams go through the phases of understanding the problem and developing solution ideas simultaneously. In the second stage, it is possible to test innovative solutions with support provided by the most suitable program, potentially through the State Chancellery's new public sector innovation measure. Several guidelines, created in conjunction with universities and think tanks, are also available to support and guide innovations and intervention research in the public sector.

Analytical Competence

Effective
Regulatory
Impact
Assessment
Score: 8

Preliminary regulatory impact assessments (RIAs) are prepared for all primary laws and selected subordinate regulations. Although full RIAs are rarely conducted, simplified RIAs are included (OECD 2022). The Legislative Quality Division within the Ministry of Justice reviews the quality of RIAs and can return them for revision if they do not meet quality standards. This division is also responsible for the systematic improvement and evaluation of regulatory policy, and reports annually to parliament. Additionally, the division issues RIA guidelines and scrutinizes the legal quality of draft regulations. Complementing this work, the GO Strategy Unit coordinates stakeholder engagement in policymaking across the government. The GO office's EU Secretariat handles coordination regarding EU law and its transposition.

Estonia places a strong focus on accessibility and transparency of regulatory policy through the use of online tools. The EIS online information system tracks all legislative developments and makes regulatory impact assessments available on a central portal. However, EIS remains rather passive, serving as a good source of information but not for interaction (Elbrecht 2023). For public consultations, other channels – such as ministries' websites and social media platforms – are used to disseminate information in addition to EIS.

One of the recent concerns has been amendments related to the State Budget Act, which implemented activity-based budgeting. According to many experts (ERR 2022), this process has made the budgeting logic opaque, hindering the involvement of a broad range of stakeholders in consultation activities, but also meaningful parliamentary debate.

Effective
Sustainability
Checks
Score: 6

The dimension of sustainability is included in the methodological guidelines for RIA. The guidelines demand an assessment of the reviewed policy's impact over the short, medium and long term. However, sustainability concerns play a marginal role in the overall impact assessment process. The existing set of indicators is not explicitly linked to a sustainability check. Estonia's long-term strategy, Estonia 2035, presents an integrated vision for the country's balanced and sustainable development. Nine national priorities, outlined in the strategy, explicitly reference the 17 Sustainable Development Goals.

Effective Ex Post
Evaluation
Score: 7

The GO's Strategy Unit is responsible for the overall quality of policymaking, including the evaluation of policy effectiveness and the development of a knowledge base for future reforms. In general, ex post evaluations take place three to five years after the implementation of the regulation and cover areas such as competition, administrative burdens and regulatory overlap. The first ex post evaluations were undertaken in 2018. More recently, in-depth reviews have begun in some policy areas, but the evaluation framework is not fully established yet. The publication of ex post evaluations remains at the discretion of the relevant minister. The objective of increasing the proportion of ex post evaluations was set out in the strategy document Principles for Legislative Policy until 2030, adopted in November 2020. The GO has taken several steps toward developing the culture and improving the awareness of impact assessments.

Sustainable Policymaking

I. Economic Sustainability

Circular Economy

Circular
Economy Policy
Efforts and
Commitment
Score: 8

On the initiative of the Ministry of Environment, the Circular Economy White Paper was drafted in 2022. It sets out the vision and development goals for the circular economy, and supports various stakeholders – the state, municipalities, entrepreneurs and individuals – in integrating the principles of circularity in the areas of production, consumption, lifestyle, culture and values. The white paper is nonbinding and relies on the creation of an enabling environment, environmental awareness, widespread cooperation and the involvement of all stakeholders. There is also a circular economy roadmap that breaks the policy down into specific areas of action such as waste and packaging. Binding regulations and target indicators in waste and packaging management come from EU directives. The National Circular Economy Action Plan is at a very early stage, with only one of six programs (website development) in the implementation phase.

The Principles of Green Public Procurement initially began as nonbinding recommendations but have gradually evolved into binding requirements established by the decree of the minister of climate. Starting in 2022, environmental criteria will be applied to the purchase of furniture, cleaning services, office IT equipment and copy paper. In 2023, these requirements will extend to motor vehicles.

Public procurement is managed by the Ministry of Finance, which coordinates green economy principles with the Ministry of Climate (MoC). The MoC is the leading entity in governing the circular economy. Unlike many other policy areas in Estonia, numerous executive agencies are not involved; only the Environmental Board is engaged, administering waste management policy and monitoring municipal compliance with existing regulations.

Policy Efforts
and Commitment
to a Resilient
Critical
Infrastructure
Score: 7

Viable Critical Infrastructure

Estonia employs several strategies to keep its strategic infrastructure updated and functional. The Transport and Mobility Development Plan 2021 – 2035 (TMDP) covers roads, railroads and water and air transport, with the goal of making the transport system smarter and greener. Based on the TMDP, three sectoral agencies were merged into one institution, the Transport Administration, to increase governance efficiency. To monitor progress, the development plan includes the creation of a transport technology scoreboard, which is not yet in place. The TMDP is divided into sector-specific action plans, one of which is the National Plan of Road Maintenance (THK). Despite the strategic objective of building synergy among different modes of transport, the THK considers only road infrastructure, excluding the railroad network, for example.

The financial plan for road renovation and construction is a crucial part of the THK. It is created based on sectoral needs assessments and the National Budgeting Strategy (RES). RES, a document reflecting a conservative fiscal policy, has led to the underfunding of THK for 2023 – 2026. By some estimates, the funds available to maintain the roads at their current level cover only about half of the necessary expenses (ERR 19.12.2023). Moreover, the failure to complete a four-lane Via Baltica motorway by the 2030 deadline risks incurring a fine from the European Commission (ERR 04.08.2023).

An important area of critical infrastructure is the electricity and telecommunication network. Elering is an electricity and gas transmission system operator responsible for connecting producers, network operators and consumers into a unified system. In addition to physical electricity and gas networks, Elering develops the energy sector's IT infrastructure, creating opportunities for smart production and consumption solutions. The smart grid enables energy producers and consumers to analyze generated data, increasing efficiency in energy production and consumption.

Elektrilevi is the company responsible for delivering electricity to all customers. The company has a clear investment plan that considers the number of customers connected to power lines and substations, suppliers of essential services, the condition and malfunction risk of power lines, natural conditions, and other infrastructure upgrade plans. In 2023, Elektrilevi's investments totaled €6,651,439 (Elektrilevi 2023). Despite these efforts, rural areas regularly suffer from supply disruptions caused by extreme climate conditions such as snow and storms. The same problems exist with the telecommunications network.

Despite existing strategies that include elaborate governance and coordination mechanisms, as well as benchmarks and monitoring tools, the system has largely remained fragmented and subordinated to the overall goal of fiscal orthodoxy.

Decarbonized Energy System

Policy Efforts
and Commitment
to Achieving a
Decarbonized
Energy System
by 2050
Score: 7

The General Principles of Climate Policy (GPCP), which look forward to 2050, were first adopted as a Riigikogu resolution in 2017. Regular updates every four years were established as a part of the GPCP process, and in 2022 the renewed document was adopted with minor changes. As a Riigikogu resolution, the document is binding on the executive. At least once every four years, the government submits a report to the Riigikogu on the progress made in implementing the cross-cutting and sectoral strategies. The first report, which was published in 2022, covered the period 2017 – 2021.

The GPCP 2022 includes an overarching target to reduce greenhouse gas emissions to zero by 2050. It provides sectoral policy guidelines for energy and industry, transport, agriculture, forestry and land use. However, there are no defined indicators for these sectors, meaning ministers who fail to demonstrate progress will not face consequences. The lead agencies are logically the Ministry of Environment/Climate and the Ministry of Economy and Communications, although the GPCP 2022 does not specify any ministries, specific responsibilities or an interministerial coordination mechanism. This omission is because the GPCP functions as a “vision document,” with its goals meant to be implemented through various sectoral development plans.

The country’s low enforcement capacity is illustrated by the Energy Scoreboard 2021 – 2040, prepared by TalTech University and the Rohetiiger Foundation. This 60-page document includes analysis, models, and some concrete targets and timelines. However, since it is not a government document, it remains only a proposal.

Several sectoral targets are derived from EU documents, such as the goal to achieve the status of zero or near-zero energy consumption (ZEB status) for all buildings by 2050. Estonia is progressing toward this objective, and some categories of buildings, like schools and government buildings, may attain this standard within the current decade. However, detached private houses, many of which are old and lack energy labeling, face greater challenges (Volkova et al. 2023). Interestingly, the Ministry of Economy and Communications is more skeptical about the possibility of meeting the EU ZEB target than are scientists and experts in the field (ERR 17.05.2022).

Policies
Targeting an
Adaptive Labor
Market
Score: 8

Adaptive Labor Markets

In 2022 – 2023, Estonia made substantial changes to the regulatory framework governing labor market policies. A new Labor Market Measures Act, effective in 2024, provides general principles for measures implemented through public employment services. The detailed description of services is defined in the Employment Program (EP), which is a government decree. This arrangement allows for greater flexibility in adapting labor market measures to specific labor market situations and target groups.

The latest EP (2024 – 2029) lasts longer than the previous three-year EPs, and is aligned with the state budget planning process and EU funding mechanisms. The biggest changes concern labor market training. The Unemployment Insurance Fund (UIF) will primarily fund training courses that prepare workers for regions with a labor shortage. The areas and professions are defined based on reports on workforce needs (OSKA Reports), sectoral development plans and labor market statistics. Training courses will be longer and must end with an evaluation of learning outcomes. It is hoped that these measures will facilitate improved employability and upskilling of service users. Employed, unemployed and inactive persons are all eligible for UIF-funded training; however, employed persons must have at least 12 months of contributions to the UIF.

Estonia's upskilling policies are quite statist, with employers not playing a central role. The organization of training is voluntary. Although employers must provide paid leave for employees in graduate studies, they can also receive subsidies from the UIF to cover training for individuals with lower employability, including young workers.

The Estonian Public Employment Service (PES) does not make a special effort to promote worker mobility across industries or borders. Immigration policy is strict and only a limited number of work permits are granted to foreign workers each year. Priority is given to high-skilled professionals; for example, IT specialists are excluded from the immigration quota. In 2022, the number of recipients of first-time temporary residence permits for employment purposes increased by 9% compared to 2021. The number of residence permits issued for the employment of top specialists increased by 14%, and the number of residence permits issued for employment in startups increased by 82% (EMN 2023). The number of short-term seasonal workers, in contrast, decreased by 46% compared to 2021 due to the war in Ukraine and the changed geopolitical situation with the country's eastern neighbors.

There are some profession-specific government programs designed to encourage young professionals, such as teachers and doctors, to move to remote regions. The brown industry-dominated northeast of the country deserves special attention because of the challenges in making a green and fair transition. To facilitate a transition to a green economy, a special EU-funded just transition program is being executed in the northeast region. However, retraining the workforce is given less prominence in the program instruments than the creation of new firms and investment in existing companies (Ministry of Finance 2024).

Policies
Targeting an
Inclusive Labor
Market
Score: 8

Recent labor market reforms have focused on enhancing the employability of disabled individuals as a means of expanding the labor supply and controlling social security expenditures. Young people, particularly those not in education, employment or training (NEET), have also been a key focus of active labor market policies. Several measures are available for employers that hire people with reduced work abilities, including wage subsidies, reimbursement of training costs and social insurance contributions by the Unemployment Insurance Fund (UIF), hiring support personnel, and adapting workstations. A special “My First Job” support package is available for employers who hire young people with little or no work experience.

A balanced “stick and carrot” approach is used for job seekers, who are required to actively seek employment, participate in training and fulfill an individual employment plan to avoid losing their benefits (LMMA 2024). Registered unemployed individuals can take mini-jobs (up to 40% of the monthly minimum salary) without losing their unemployment benefits.

The UIF provides modest seed money and consultations to start businesses and coordinates the provision of labor market training. The quality and efficiency of training courses, however, have been subjects of criticism, prompting the government to revise labor market training provisions and set stricter rules regarding the quality and content of the courses.

The current government, which has been in power since March 2023, shifted responsibility for labor market policy from the Ministry of Social Affairs to the Ministry of Economic Affairs and Communications. This change has further increased the pro-work orientation of employment policy. The nudging approach formerly favored by the Ministry of Social Affairs is no longer on the agenda. The new Labor Market Measures Act (LMMA), passed in February 2023 and effective as of January 2024, clearly reflects this tougher orientation.

Work-life balance, such as through remote work arrangements, is regulated by the adoption of the EU Work-Life Balance Directive in 2021. The incidence of working from home significantly increased during the COVID-19 pandemic. In 2022, about one-third of employees aged 25 to 49 made use of such practices. Families with children, particularly mothers, are particularly prone to do so. Discussion of a possible Right to Disconnect Directive has not taken root in Estonia, but the Employers' Union (ETKL) has called this unnecessary overregulation.

Policies
Targeting Labor
Market Risks
Score: 6

Estonia has compulsory unemployment insurance with contributions shared between the employee and the employer. Legislative changes in summer 2023 made the unemployment benefit system more adaptive to the labor market situation. If the unemployment rate increases, the duration of benefits is extended. The adjustment mechanism is automatic, based on labor market statistics, and thus keeps administrative burdens low while providing timely relief to unemployed households.

Besides this improvement, some issues remain or are only partly resolved. Social protection does not cover platform workers, who are in most cases registered in Estonia as self-employed and thus not eligible for unemployment benefits. All self-employed individuals are responsible for paying the social tax, which covers health insurance and old-age pensions, meeting at least a set minimum (€15 monthly in 2022). This can be problematic if the individual's business is not doing well.

Estonia has a very low union density, with only 6% of workers covered by collective agreements – the lowest such rate in Europe (ETUI, 2023). Thus, exercising bargaining power in negotiations with the neoliberal government is quite a challenge. For example, the government opposes the proposed EU Platform Work Directive. According to Minister of Economic Affairs and Information Technology Tiit Riisalo, the directive may risk subjecting most gig workers to work contract regulations that may not be compatible with the platforms' business models (MKM, 2023).

As a member of the EU, Estonia ensures the portability of social rights through EU legislation. Additionally, Estonia has bilateral agreements on pensions with several non-EU countries.

Policies
Targeting
Adequate Tax
Revenue
Score: 5

Sustainable Taxation

There is a wide consensus that the current tax system needs revision due to a long-term trend of decreasing tax returns, an aging population and environmental pressures. The Russian war of aggression in Ukraine has made the forecasts even more pessimistic. Tax reforms are one of the major issues in political debates in 2022 – 2023.

One of the main and lasting challenges comes from the Estonian welfare system, which is financed almost entirely (80%) through social insurance contributions. High labor costs may weaken the country's economic position and lead to labor relations abuses. Even more importantly, social insurance contributions alone cannot provide sufficient financing for social services, given an aging population and changing work patterns, which destabilize social tax receipts. In addition to public pension funds that are persistently accumulating debt, there are serious concerns about the financial sustainability of the national health insurance fund (EHIF).

According to forecast reports by Arenguseire Keskus (2020) and the Estonian Health Insurance Fund (2022), EHIF will enter conditions of deep and increasing debt within two to three years. If the funding principles remain unchanged, maintaining the availability of public healthcare at the current level will be impossible. Despite the urgency, two government coalitions (2022, 2023) led by the neoliberal Reform Party have neglected the issue, including proposals offered by the Social Democrats, a coalition partner.

Government rigidity with regard to social protection revenues may harm employers' incentives to create low-paid and part-time jobs, as these are subject to the standard rate of social security contributions. Small and medium-sized businesses often prefer to pay dividends instead of fair wages as a means of "optimizing" tax expenditures. In the debate on the EU Platform Work Directive, the Estonian government clearly sided with platforms and voted against the planned regulations. However, starting in 2024, platforms such as Uber, Bolt and Airbnb will be required to send information about their service providers and their earned income to the Tax and Custom Board.

Advanced digital tax declaration systems contribute to the administrative capacity of tax collection and minimize tax avoidance. The challenge is that the current tax legislation in some cases allows individuals to avoid paying adequate social security contributions and income tax.

Policies
Targeting Tax
Equity
Score: 4

Estonia has a simple and transparent tax system. The income tax rate for individuals is low, with a standard rate of 20%, and is only slightly progressive. More precisely, the deductible amount for individuals with a monthly income of €1,200 – €2,100 decreases incrementally, and individuals with a monthly income above €2,100 receive no exemptions at all. Introduced in 2018, the system was intended to benefit low- and medium-income earners, but with the increase in the average salary (to €1,812 in 2023), it fails to deliver the expected effect.

The current government coalition, which has been in power since March 2023, intends to return to the pre-2018 fully proportional income tax system starting in 2025. This decision is set in the Coalition Agreement 2023 – 2027. Despite intense political criticism from the opposition, the minister of finance (Reform Party) has insisted that this debate will not be formally reopened.

Following recent policy reforms, Estonia has returned to the fully proportional income tax system, which is more favorable for high-income classes.

Retained and reinvested profits are exempt from corporate income tax in Estonia. Dividends, taxable at the corporate level at a 14% tax rate, are subject to a 7% withholding tax. Taxing dividends instead of corporate profits complicates national budget planning, as firms can decide the amount and timing of dividends, which do not necessarily occur every year. Capital is not taxed at all, except for a very marginal land tax, further violating the principle of horizontal equity.

Tax exemptions for raising children currently exist, and taxpayers can also deduct their mortgage interest up to 50% of their taxable income. However, both measures will be abolished in 2024. Heated debates have continued throughout 2023 about introducing a car tax, with the main controversies revolving around balancing equity and environmental goals. Parliamentary parties have not yet reached a consensus.

Policies Aimed at
Minimizing
Compliance
Costs
Score: 10

Estonia has implemented two key strategies to minimize compliance and collection costs effectively. First, it employs a simple tax system with few exemptions or tax brackets. Second, it has established a well-developed digitalization of tax and customs declarations.

As the first public e-service, eMTA – the online tax declaration service – is regularly updated and highly popular among citizens and enterprises. By 2021, 97% of income declarations were filed using the digital eMTA system. Based on available financial data, the eMTA pre-fills declarations for individuals, making the process fast and easy for citizens. Various authentication methods

are available including via ID card (including digital ID, residence permit card, e-Resident digital ID, and diplomatic card), mobile IDs, Smart IDs and EU e-IDs.

Policies Aimed at
Internalizing
Negative and
Positive
Externalities
Score: 7

Environmental taxes have been on the political agenda for many years, and both tax rates and total revenue from these taxes have increased. However, environmental taxes as a share of overall tax revenues remained stable or slightly decreased in 2021 compared to 2019 (6.8% and 9.6%, respectively) (Eurostat 2023). Compared to the European Union average, Estonia has higher excise duties on fuel, pollution and raw resources such as oil shale mining. Excise duties from fuel alone comprise more than 6% of all tax revenues (ASK 2021). The government program for 2023 – 2027 includes a planned increase in fuel excise duties in May 2024.

Pollution and mining levies are most substantial in northeastern Estonia, and since these funds go to municipal budgets, they can represent significant revenue for local governments. In Alutaguse municipality, such levies have composed about one-third of the budget. However, experts warn that relying on environmental taxes is not sustainable in the long run. As the economy becomes greener, the income from these taxes will diminish (ASK 2021). The electricity excise duty is applied equally to both fossil and green energy. Additionally, the tax rate is substantially lower – nine times lower – for big enterprises as a means of making Estonia more attractive to large businesses.

Taxes on transport, such as those on heavy vehicles and road tolls, are very marginal. Estonia has been the only EU country without a car tax; however, the introduction of such a levy has been specified in the coalition agreement for 2023 – 2027. The principles of the car tax were intensively debated throughout 2023. The right-wing Isamaa, which publicly opposed the introduction of the car tax, became the most popular political party largely because of this anti-tax campaign. At the moment, it is not clear when the car tax will be introduced, and with which calculation formula. However, one of the clear principles is to encourage people to opt for newer and greener vehicles.

The government already supports purchases of electric vehicles and electric bikes with grants of \$1,700 and \$700, respectively. According to Bank of Estonia expert Kaspar Oja, this measure lacks social equity because it supports better-off urban people and enterprises that do not need the support (ERR 27.02.2003).

In 2022 – 2023, VAT for printed and digital media outlets was reduced from 9% to 5%. Starting in 2024, this rate will return to the former level. According

to the government, Estonian media houses are strong enough, and media consumption will not suffer because of this change. However, increases in VAT, coupled with higher prices for home delivery of newspapers, impair access to media for low-income and rural households.

Sustainable Budgeting

Sustainable
Budgeting
Policies
Score: 7

Estonia has maintained a strict fiscal policy for decades, resulting in the country having Europe's lowest public debt as a percentage of GDP. This enables Estonia to meet future financial obligations without placing extra burdens on future generations. Although the overall tax burden has remained fairly stable over the years, the need to finance increasing demands – including the direct and indirect costs of the Russian war in Ukraine – poses a serious threat to Estonia's excellent fiscal balance. While Estonia's government debt is still the lowest among OECD nations, it more than doubled between 2015 and 2023. The government now faces tough choices between borrowing, increasing taxes and cutting spending. As expected, the incumbent government has opted for the latter.

Despite government rhetoric about reducing bureaucracy, these cuts may in practice lead to inefficiencies in the provision of public goods. When the government broke its promise to raise the base level of teachers' salaries to the national average, teachers' unions organized a nationwide strike that paralyzed schools in January 2024. Emergency services have repeatedly voiced concerns about understaffing and underfunding. Despite vocal criticism from advocacy groups and opposition parties, the government – headed by the Reform Party – adheres to principles of fiscal orthodoxy, applying rules of fiscal balance to public investments and RDI expenditures.

Annual budgets must align with the Strategy of National Budgets (RES), a government decree. Although designed for a four-year period, it is revised annually based on macroeconomic and geopolitical forecasts. In today's turbulent environment, RES does not serve well as a medium-term strategic instrument. In reality, the coalition agreement likely has a more profound effect on budgeting.

The budgetary process is de jure and de facto dominated by the government, and parliamentary proceedings can make only minor changes, if any. In addition to the general government budget, Estonia has social insurance funds – the Health Insurance Fund and the Unemployment Insurance Fund – governed by tripartite boards. Both funds lost portions of their budgetary autonomy when their reserves were merged with government liquidity

reserves in 2011 – 2012. Moreover, both funds require additional government transfers because social security contributions are insufficient to balance the budgets.

Sustainability-oriented Research and Innovation

Research and
Innovation Policy
Score: 8

Research, development, and innovation (RDI) are national priorities in Estonia, as reflected in the Estonian Research, Innovation and Entrepreneurship Strategy 2021 – 2035 (TAIE). This strategy aims to bring research closer to the economy, where outcomes have so far been modest in terms of patents and high-tech exports. Total RDI expenditures have remained stagnant at about 1.8% of GDP.

TAIE 2021 – 2035 highlights five focus areas based on smart specialization, each with a clear sustainability-oriented focus: all-sectoral digital solutions, health technologies and services, valorization of local resources, smart and sustainable energy solutions, and a viable Estonian society. Each focus area has a roadmap, which is updated regularly every three to four years to adjust activities and financing according to the area's needs. These roadmaps were developed in 2022 – 2023 in cooperation with ministries, higher education institutions and business representatives.

TAIE has measurable objectives and a regular monitoring mechanism. Reporting will be done by programs and through needs-based evaluations. An annual performance report will be jointly prepared by the Ministry of Education and Research (HTM) and the Ministry of Economic Affairs and Communications (MKM), who also hold responsibility for the specific focus areas. The report is presented to the TAIE Steering Committee, composed of representatives from various ministries and executive agencies.

There are two executive agencies in the RDI – the Estonian Research Council (ETAG) and the Estonian Business and Innovation Agency (EAS KredEx). The latter emerged from the merger of Enterprise Estonia and KredEx in January 2022 to unite financing and consulting services for enterprises and startups. ETAG, which previously mainly funded academic research, now places a much greater focus on knowledge transfer and applied business innovations.

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 the public and private sectors. High costs and high risks undermine private sector motivation for investing in R&D. The government's

policy toward this problem has been to encourage innovation and the transfer of scientific knowledge to enterprises via special grant schemes (NUTIKAS, SekMO) and by building the RDI planning capacity of professional associations (RITA 7).

As a result of these efforts, private sector RDI expenditures now exceed those of the public sector (1.01% versus 0.66% of GDP, respectively). R&D personnel in the private sector have continually increased, in contrast to a decrease in the public sector, changing the total balance of researchers by 2022 – 53% are employed in the private sector and 47% in the public sector (ETAG 2022).

Nevertheless, recent studies show that cooperation between research institutions and enterprises is still mainly ad hoc. Expectations and work methods of the parties are different; enterprises are seeking better access to top-level labs at higher education institutions and international RDI networks. Both research institutions and enterprises would like to see long-term financing schemes that allow them to undertake more ambitious product development projects (ETAG 2023).

Stable Global Financial System

Global Financial
Policies
Score: 8

Estonia actively participates in developing and maintaining financial stability and transparency in global financial markets. Estonia is a member of the Council of Europe's MONEYVAL monitoring body, and the head of the Estonian Financial Intelligence Unit (FIU), Madis Mäerker, was elected vice chair of MONEYVAL in 2023. Several domestic bodies have been established to combat money laundering, such as the Governmental Committee for the Coordination of Money Laundering Prevention, the 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 played a prominent role in combating money laundering in the Estonian financial sector. Due to money laundering cases involving the Estonian branches of Danske Bank and Swedbank – the largest bank in the country – the Estonian government introduced several measures to prevent similar cases in the future. One key proposal is to make 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 detecting a criminal offense. In the Danske Bank money laundering case, Estonian authorities closely cooperated with the United States to settle a long-running investigation involving billions of dollars in illicit payments (ERR 2023). In December 2022, Danske Bank pleaded guilty in a U.S. court. The trial of six ex-Danske Bank Estonian branch employees started in Harju County Court in November 2023.

Currently, the key topic is the regulation of cryptocurrency companies registered in Estonia. Estonia was one of the first countries to establish minimum regulations for registering a crypto company. A significant number of foreign-owned cryptocurrency companies subsequently registered in Estonia. The current government policy aims to reverse the initially lax regulatory requirements to avoid potential damage to the national financial system and reputation. As a result, the number of licensed cryptocurrency companies has decreased from thousands to approximately 70 licensed companies in 2023. Estonia has set a clear priority of adopting the EU Markets in Crypto-Assets Regulation (MiCA) directive in 2024.

II. Social Sustainability

Sustainable Education System

Policies
Targeting Quality
Education
Score: 8

Estonians have traditionally placed a high value on education, as evidenced by high educational outcomes in venues such as OECD PISA test results, as well as the relatively high level of public expenditure in the education sector. System strengths include a small number of low achievers and a low level of educational inequality. This is seen in both the minimal effect of family background on educational performance and the negligible variance in performance and background between schools.

Estonia emphasizes comprehensive schooling and inclusive education in its predominantly public education system, ensuring adequate provision and financial resources. This approach results in high enrollment rates at all levels of the education system. Various social support measures are in place for students, such as free school lunches and school bus transportation.

During the pandemic-era school closures, which were as common in Estonia as in other countries on average (OECD 2023), the country's relatively high level of digital literacy and existing IT infrastructure enabled a swift transition to online education. Although educational outcomes declined compared to the pre-COVID-19 period, the drop was small by international standards (ibid.).

National development strategies have long prioritized policy measures to strengthen links between education, training and the labor market, ensuring that the provision of education keeps pace with the changing needs of the economy. However, ethnic, gender and skill gaps in lifelong learning persist (HTM 2022), and the vocational route within the education system continues to suffer from a poor image, often making it the educational choice for the most disadvantaged (Haugas et al. 2023). Recent developments include the establishment of the OsKuS comprehensive skills and professional qualifications system, the expansion of work-based learning (e.g., World Skills), the integration of academic and vocational tracks, and the launch of micro-credentials.

Estonian schools have a long history of integrating sustainable development into their daily teaching and curriculum. However, according to a recent study (Schulz et al. 2023), while Estonian students are increasingly concerned about the climate crisis, their perceptions and behaviors still on average lag behind those of counterparts in mature welfare democracies. Moreover, existing educational gaps – ethnic, gender and socioeconomic – are reflected in gaps in sustainability awareness.

Policies
Targeting
Equitable Access
to Education
Score: 7

The public dominance of educational provision at all levels (only early childhood education and care has tuition fees, limited to 20% of the minimum) results in increasing demand for public expenditures in education. This demand is intensified by the expansion of tertiary education, the principle of inclusive schooling, and the Soviet-inherited basic school network. The growing inadequacy of the latter has been the target of reform for decades (NAO 2022), and a funding formula to compensate for regional disparities has kept rural and urban divides in educational performance relatively low.

Still, additional demands to integrate Ukrainian refugees' children (there were 8,500 Ukrainian students in the Estonian school system in early 2023), public and "free" higher education, and security crises have placed a strong focus on the sustainability and quality of existing institutions, especially schools in remote areas. This has raised concerns over the shortage of teachers and their working conditions, but political promises to address these issues have proved

hard to keep due to the security and energy crises, which have increased budgetary tensions.

The transition to Estonian-language education starting in 2024 – a long-needed reform to cope with the ethnic educational gap in Estonia (OECD 2023) – has created additional pressure in terms of requirements for teachers and the need for new investment.

Sustainable Institutions Supporting Basic Human Needs

Policies
Targeting Equal
Access to
Essential Services
and Basic Income
Support
Score: 7

In general, the Estonian welfare system combines contribution-based insurance (pension, health, unemployment) with a preference for public services over cash benefits. This approach means that, on average, people in Estonia have comparatively good access to and a high level of satisfaction with services such as education and security. However, the country underperforms in minimum-income-related indicators (OECD 2020). Furthermore, some benefits common in many other countries, such as housing benefits, are not provided in Estonia.

Wages continued to rise despite the economic downturn, slowing only in the last quarters of 2023. However, purchasing power remains lower than in 2021. Social transfers have not kept pace with wage increases, resulting in higher levels of relative poverty among retirees, the unemployed and families dependent on social benefits. Among the nonworking population, poverty is highest among the elderly. The working poor also face rising poverty rates. Consequently, levels of poverty and inequality remain higher than the OECD average. Compared to 2021, the share of people living at risk of poverty decreased by 0.3 percentage points, while the share of people living in absolute poverty increased by 2.1 percentage points (Statistics Estonia).

A specific cash benefit for people with low incomes in Estonia is the subsistence benefit, a benefit of last resort paid by local governments. The importance of the subsistence benefit increased in 2022 and 2023 compared to 2021 due to the rapid rise in prices and the Russian-Ukrainian war. Issues regarding the effective implementation of the subsistence benefit have led to disparities between municipalities in both the level of and the ease of access to the benefit (NAO 2023). Specifically, the calculation of the subsistence benefit is meant to account for housing costs, but often fails to cover actual housing costs. This leads to discrepancies between the subsistence level and the estimated subsistence minimum. Additionally, municipalities occasionally impose an unnecessary bureaucratic burden on applicants for the subsistence benefit.

Policies
Targeting Quality
of Essential
Services and
Basic Income
Support
Score: 6

Overall, anti-poverty policy remained unchanged in 2019 – 2021. Some temporary support schemes were introduced at the end of 2021 to compensate for the sharp increase in living costs due to rising energy and electricity prices. In 2022 a temporary energy compensation scheme was implemented, and the debate about the concept of energy poverty began to emerge. Although the social exclusion of ethnic minorities decreased, partly due to government integration programs, unemployment and poverty rates remain somewhat higher among minority groups. Levels of subjective inequality among the Russian minority are significantly higher than among Estonians.

Regarding benefits in kind, free bus transport, available in the capital city since 2013 and later expanded, now serves 11 out of 15 counties in Estonia (EC 2020). This initiative aimed to improve access to services and jobs for people in rural areas. However, the recent budgetary situation has raised concerns about its inefficiency, prompting proposals to abolish it.

The “last mile” project has enhanced the country’s digital infrastructure in an attempt to bring high-speed broadband to remote areas. However, as of 2022 – 2023, approximately 8% of households, primarily in rural areas, still lacked modern internet access. These households must wait for agreements between municipalities and network builders to finalize the project for end-users.

Sustainable Health System

Policies
Targeting Health
System
Resilience
Score: 6

Estonia has a solidary health insurance system that includes some non-Bismarckian features, such as general practitioners. In 2022, the Estonian Health Insurance Fund (EHIF) covered 96% of the population. Eligibility is determined by regulation and, for the majority of the population, is linked to employment, pensioner or child status, or the individual’s membership in a socially vulnerable group. Those with insecure or informal jobs are more likely to be uninsured (OECD 2023).

Health expenditure has recently grown, but as a percentage of GDP, it remains below the OECD average. There has long been concern that the Estonian health financing system, based on a health insurance fund, is not sustainable due to a shrinking working-age population and the increasing prevalence of flexible employment (see also “Sustainable Taxation”). Starting in 2022, the state began transferring 13% of pensions on behalf of nonworking pensioners to the EHIF to supplement the existing earmarked payroll tax of 13% paid by employers. Still, the share of the population reporting unmet medical needs is 8% – four times higher than the OECD average (OECD 2023). According to

the latest National Audit Report (NAO2022), the population is likely to have to accept that the availability and quality of health services will not consistently meet expected levels in the near future due to both a shortage of health professionals and a lack of funding.

Digital tools, such as personalized ehealth portals and teleconsultation, which were already growing practices before COVID-19, have increased and improved access to care. Additionally, the resilience of the health system during COVID-19 was commendable, and several other health indicators, like low infant mortality, underscore the quality of the Estonian health system.

However, while recent changes have sought to increase the flexibility of medical education, the shortage of health workers remains an issue (NOA 2022) due both to low enrollment in university medical programs and high rates of physician burnout, a trend accelerated by the COVID-19 crisis. Furthermore, the number of physicians per capita is lower than the OECD average.

Policies
Targeting High-
Quality
Healthcare
Score: 7

Health promotion and disease prevention are increasingly important priorities for the Estonian Health Insurance Fund (EHIF), and the share of resources dedicated to preventive healthcare has recently doubled. The National Health Plan 2020 – 2030 continues to emphasize the importance of prevention, and deaths from preventable and treatable causes have steadily decreased. However, smoking prevalence, alcohol consumption and obesity rates are all above the EU average. Additionally, the rate of children's vaccinations is relatively low and decreasing. At the same time, the number of deaths from air pollution remains low.

To address the mental health issues accelerated by the COVID-19 crisis, Estonia began centrally coordinating mental health policy in 2022. The country has set priorities for action to strengthen the provision of mental health services, and has launched prevention and mental health promotion efforts.

Recent health system reforms have introduced financial incentives for multidisciplinary primary healthcare centers and primary care networks that provide better access to services. A 2023 health system performance assessment encouraged the development of a sustainable governance plan. This plan makes use of abundant available healthcare data for purposes such as service integration, clinical decision-making and outcome measurement (OECD, 2023).

Policies
Targeting
Equitable Access
To Healthcare
Score: 5

Health inequality between different socioeconomic groups and regional disparities remain an issue in the Estonian healthcare system (NAO 2022). The share of out-of-pocket expenditure is high (22%) and leaves the most disadvantaged groups without access to treatment. Additionally, several healthcare policy risks, including behavioral risk factors such as tobacco smoking, dietary risks, alcohol consumption and low levels of physical activity, as well as outputs like life expectancy, self-reported health status and unmet healthcare needs, exhibit a strong socioeconomic gradient.

Health workforce shortages are being addressed but remain an urgent policy issue, and are likely to test the resilience of the health system. Currently, the limited availability of specialist care and family medical care means that patients who should be treated either in a hospital or by a family physician end up in inpatient nursing care or emergency medicine departments (EMD).

Gender Equality

Policy Efforts
and Commitment
to Achieving
Gender Equality
Score: 6

The legal framework for gender equality is enshrined in the Estonian constitution, which states that everyone is equal before the law and that no one may be discriminated against on the basis of sex. The legal framework includes the Gender Equality Act (2004) and the Equal Treatment Act (2009). There is also a National Strategy for Gender Equality, which is included in the Welfare Development Plan and implemented through the Gender Equality Programs.

In the Welfare Development Plan for 2023 – 2030, the core indicators of the sub-goal of gender equality and equal treatment are related to different groups' perceptions of discrimination, the gender pay gap and accessibility.

The Ministry of Social Affairs oversees equal treatment and promotes equality between women and men, with the Department of Equality Policy tasked with this responsibility. The department, led by the Commissioner for Gender Equality and Equal Treatment (GEETC), is mandated to advance gender equality as well as other equality concerns. However, the majority of complaints – more than 60% – pertain to gender equality, primarily focusing on the gender gap in unpaid work and rights during and after pregnancy and maternity leave (GEETC 2023).

Gender equality has been a long-standing challenge in Estonia, reflected in one of the largest gender pay gaps in Europe. While the government's commitment to promoting gender equality is relatively high (EIGE 2022), its effectiveness in combating gender pay gaps and labor market inequalities has been limited.

According to the latest EIGE statistics, Estonia has fallen in the gender equality index rankings.

In addition to the gender pay gap, Estonia experiences a relatively high motherhood penalty and fatherhood premium (REGE), with inequalities in time-related behaviors that intersect with socioeconomic backgrounds (e.g., gaps are larger among lower socioeconomic groups). In health behavior and education, the gap favors women, which is also reflected in life expectancy statistics, with women having significantly higher life expectancies than men. Given the low pension levels, this often results in long periods of widowhood and a very high risk of poverty for women.

The higher level of tertiary education among women is not mirrored in their wages or power relations. In terms of power, women are particularly disadvantaged and significantly underrepresented on the boards of the most important decision-making bodies in Estonia across all spheres – social, economic and political.

However, there has been a gradual improvement in political representation. The number of female members of parliament and ministers has increased over time, and Estonia has had a female prime minister for more than three years.

Nevertheless, 2023 was an important year for equality, as same-sex marriage became legal in Estonia. The government elected in the March 2023 elections – led by Prime Minister Kaja Kallas and consisting of the Reform Party, the Social Democrats and Estonia 200 – pledged to legalize same-sex marriage, a policy that was to take effect on 1 January 2024. The Registered Partnership Act (2016) has allowed same-sex couples to register their partnerships, but secondary legislation has long been lacking due to strong opposition from conservative parties.

Strong Families

Family Policies
Score: 7

Estonia inherited a tradition of double-breadwinner families from Soviet times, during which mothers typically worked full time. Despite significant social changes, this family pattern has continued, as evidenced by the high female employment rate. However, the share of children born outside marriage has outnumbered that of those born within marriage in Estonia for decades, making its family model more similar to that of Nordic countries than to patterns seen in Western or Eastern European countries.

Family policy has remained high on the political agenda due to the country's low fertility rate and labor market needs. The share of social spending devoted to family benefits is twice as high as in OECD countries on average. This high share is explained both by generous leave policies and universal child allowances.

Estonia has one of the most generous parental benefit systems in the OECD, entitling parents of newborns to benefits equal to their previous salary for 435 days (Pall 2023). This system, in place since 2004, has undergone several revisions to make it more flexible and gender-neutral. Recent 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 into several periods according to the parents' choice. Additionally, steps have been taken to increase fathers' involvement in childcare by increasing the joint parental leave period and extending the leave reserved for fathers up to 30 days.

While parental leave is still predominantly taken by mothers (84%), the share of fathers taking leave has quickly risen (Pall 2023). However, these numbers do not necessarily reflect the actual level of parental leave taken by fathers, as most fathers continue working. This indicates that many fathers, although receiving the benefit, are not the primary caregivers. This reflects the high gender pay gap and regulations that allow individuals to receive 150% of the average wage plus the parental benefit simultaneously (Pall 2023).

Parental leave is dependent on previous salary. While there is an upper limit, the maximum benefit level is more than four times the minimum level. In addition to parental leave, child allowances are relatively generous. These allowances are universal by design, with extra allowances for larger families starting from the third child. However, given the generous parental leave and child allowances, the high share (12.7%) of single parents living in absolute poverty is worrisome. This suggests that family policies do not emphasize inclusivity. The generosity of parental leave has also affected young parents' labor market situation, as the prospect that they may take long leaves might influence employers' recruitment decisions.

While the parental benefit system prioritizes stay-at-home parents, access to preschool childcare is generally good and reasonably affordable. However, childcare has a tuition fee of up to 20% of the minimum salary, with the exact rate decided by municipalities. While municipalities are obliged to provide a childcare place starting at 18 months, not all can fully meet this obligation. Consequently, the share of preschoolers above age 3 is very high at 95%, but for those below age 3, it is only 21%.

Sustainable Pension System

Policies Aimed at
Old-Age Poverty
Prevention
Score: 5

Estonia has had a three-pillar pension system since 2002. In 2019, the poor performance of pension funds, high administrative costs and limited choices for citizens triggered a reform of the mandatory second pillar. Despite legal amendments that relaxed investment restrictions and reduced administrative costs, the 2019 pension reform introduced an opt-out option from the statutory pillar II funded pension scheme. By the end of 2021, 24% of all second-pillar assets owned by 23% of insured people under 60 were withdrawn (EV 2022). Nearly half (48%) of those who opted out were aged 35 – 49, posing a significant sustainability risk (OECD 2023). Making the second pillar voluntary puts additional pressure on the first, pay-as-you-go pillar, reducing the future adequacy of pensions and increasing the long-term risk of poverty.

As of 2023, despite annual indexation and an increase in the minimum pension, the average public old-age pension in Estonia remains among the lowest relative to work income, and poverty among the elderly is the highest in the EU. This is primarily because the average old-age pension falls below the at-risk-of-poverty threshold. Currently, approximately one in 10 pensioners receive a pension lower than the requirement of the social charter, and this proportion is increasing. Furthermore, Estonia does not meet the average pension goal, as the combined pillar I and II pension of the median wage earner is less than 60% of the median wage.

The risk of inadequate old-age pensions for people in nonstandard employment is mitigated by the points system of pay-as-you-go calculations, which does not discriminate between different contract types. Still, this system cannot address infrequent contributions to social insurance or the career precariousness associated with nonstandard employment. Therefore, the inadequacy and inequality of pensions are expected to increase. This will lead to a growing need for future policy changes to raise public awareness of the pension system, improve the contribution of voluntary tiers and enhance the sustainability of pension system funding.

Policies
Targeting
Intergenerational
Equity
Score: 5

The low share of public investment in old-age pensions and the low levels of pensions relative to work incomes have resulted in one of the highest shares of employment among older people. Recent policy initiatives have sought to incentivize the reconciliation of working and retirement or deferring retirement. During the deferral period, the worker continues to contribute and earn extra entitlement. In the case of combining work and pension, contributions are paid, and the pension is recalculated annually.

However, funding scarcities, the country's deteriorating dependency ratio, the diminished share of private contributions related to policy changes in 2021, and the relatively high share of special pensions and early retirements continue to challenge the sustainability of the Estonian pension system. These issues create a need for governments to continue making changes to cope with new social risks posed by broader demographic and labor market changes.

Sustainable Inclusion of Migrants

Integration Policy
Score: 7

Since the Soviet period, Estonia has had a large non-native population, with Russian speakers composing almost a third of the population. The national immigration policy has been regularly updated and monitored, with the government allocating substantial national and EU funds to various integration programs. In 2021, the Cohesive Estonia Strategy 2021 – 2030 was adopted (RE 2022), aiming to find common ground between previously separate programs and strategies. It also presents the objectives agreed upon for the next decade and the main policies to achieve them.

According to the Migrant Integration Policy Index (MIPEX), from 2014 to 2019, Estonia's integration policies improved more than the MIPEX average. Estonia scored relatively high in many areas of integration, including labor market mobility and permanent residence, and recently made significant progress in family reunion (Solano, Huddleston 2020). The country also received a relatively high score in education, as its Soviet-inherited bilingual school system has enabled it to respond to diverse needs. However, this mainly indicates access to education, not performance. A notable ethnic educational gap exists in Estonia between Estonian-language and Russian-language schools (OECD 2023). While this gap has slightly diminished, it is due to the decline in Estonian-language school performance rather than improvements in Russian-language schools.

Furthermore, the existence of a parallel school system reinforces social and political fragmentation. For example, the share of people claiming obstacles related to language skills in getting a job is above the EU average (Eurostat). As a result, an increasing number of ethnic minority children study in language immersion groups and classes in preschools and Estonian-language elementary schools. Additionally, the long-postponed unified Estonian-language school reform was slated to be enacted in 2023, with a concrete long-term plan to integrate the existing parallel school system into one comprehensive system.

The biggest problems immigrants face are in the fields of political participation, access to nationality, and health (MIPEX). 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. In recent years, an increasing number of Russian speakers who hold Estonian citizenship have been employed in the civil service, have entered the political elite and have stood as candidates in elections. However, the electoral turnout rate among 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.

Beyond policies from the Soviet period on integrating immigrants, Estonia has implemented programs to integrate refugees and new immigrants. Immigrants who have newly arrived can participate in an introductory welcoming program that helps them settle and acquire knowledge, skills and proficiency in the Estonian language.

Additionally, the Ministry of the Interior supports and empowers public, private and third-sector organizations working with newly arrived immigrants by building support networks and developing public services. In 2022 and 2023 the largest influx has been among Ukrainian refugees, and Estonia has accepted the highest per capita share of refugees from Ukraine. According to a recent study (RITA 2023), Ukrainian refugees from the war have integrated into the labor market and education system in Estonia more successfully than in other countries, although there is still room for improvement in matching the qualifications of those arriving from Ukraine with appropriate jobs.

The body responsible for equal treatment is the Department of Equality Policy, led by the gender equality and equal treatment commissioner (GEETC). The department is mandated to promote gender equality and address other equality matters.

Effective Capacity-Building for Global Poverty Reduction

Management of
Development
Cooperation by
Partner Country
Score: 8

Estonia actively participates in international humanitarian interventions through the European Union and the United Nations. Estonia's development cooperation policy is governed by the Estonian Development Cooperation and Humanitarian Aid Program 2020 – 2023, which adopts the United Nations Millennium Development Goals (MDGs) as its foundation. The strategy outlines Estonia's development objectives, main fields of activity and key partner countries. The main partners are Ukraine, Moldova and Georgia. In Africa, the focus is primarily on East Africa and Kenya (ESTDEV).

Given Estonia's very small size, its development cooperation has limited reach, and the bulk of efforts is targeted toward Ukraine, Moldova and Georgia. However, the effort in these regions is considerable.

Estonia is active across various fields, though special efforts have focused on transferring knowledge in the fields of education, healthcare and e-government. The country is a world leader in disseminating domestic expertise in implementing ICT in public administration and education. Estonia's official development assistance (ODA) index score increased remarkably in 2023 compared to 2021, making Estonia one of the top 10 countries committed to development cooperation.

The amount of official development aid provided by Estonia rose to €50.8 million in 2021, an 18% increase from 2020. Of this amount, €47.6 million was allocated for development cooperation, and €3.25 million for humanitarian aid. This 2021 figure represented 0.17% of the country's gross national income (GNI). The country has made an international commitment to increase this amount to 0.33% by 2030.

To address the growing challenges of increased demand, the Estonian government has separated the roles of creating and carrying out development cooperation and humanitarian aid. The Ministry of Foreign Affairs is responsible for developing policies, state strategies and action plans, while the Estonian Center for International Development (ESTDEV) manages and implements international development cooperation and humanitarian assistance projects.

Estonia bases its aid allocation on specified needs, often determined through analyses by the United Nations, the European Commission or the Red Cross organizations, but may also respond to direct requests for help from countries. In 2021, the country provided €3.25 million in humanitarian aid, with the lion's share allocated to support for Ukraine (ESTDEV).

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.

III. Environmental Sustainability

Effective Climate Action

Policy Efforts
and Commitment
to Achieving
Climate
Neutrality by
2050
Score: 7

The government formed after March 2023 created a Climate Ministry responsible for climate, transport, energy, mineral resources, environmental awareness, fisheries and hunting policies. One of the first priorities of the new ministry was to prepare and coordinate the process for adopting a Climate Law, a shared responsibility of the expert committee and Climate Law executive groups formed for that purpose. The law will outline the framework and ambitions for Estonia's goals for 2030, 2040 and 2050, as well as sectoral climate contributions.

Climate actions are still following the national development plan for the energy sector, which will run until 2030. It has a long list of goals, the most concrete being to increase the proportion of total energy consumed that is supplied by renewable energy sources to 50%, generate 80% of heat energy from renewable sources and limit vehicular fuel consumption. 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). Estonia 2035, the long-term action plan for Estonia, also has several climate-specific goals. Among them, the transition to climate-neutral energy production and energy security are emphasized, along with sustainable transportation and public environmental awareness.

The need for more focused action is pressing, as Estonia is one of the most carbon- and energy-intensive economies in the EU. In 2020, its economy's greenhouse gas emissions intensity was twice the EU average, although the trend is decreasing. While the share of renewable sources in electricity generation saw a strong increase – from 29% in 2019 to 41% in 2021 – the share of fossil fuels in the overall energy mix remains high at 71% (EC 2023). These challenges are also indicated by relatively low scores for projected greenhouse gas emissions in 2050, adjusted emissions growth rate for carbon dioxide, adjusted emissions growth rate for methane, and the growth rate in carbon dioxide emissions from land cover. In all of these categories, Estonia ranks among the bottom five of the 30 countries compared. However, Estonia's greenhouse gas (GHG) intensity growth rate – which serves as a signal of a country's progress in decoupling emissions from economic growth – is relatively good.

Estonia's land use, land-use change and forestry (LULUCF) sector has shifted to net emissions, and restoring its absorption capacity is of high importance (EC 2023). This change is mostly due to a significant decline in carbon removal capacity in forests. Therefore, the National Forestry Accounting has been prepared according to the requirements of the LULUCF Regulation.

Estonia needs to improve its collection of packaging waste and increase the recycling of bio-waste, as the country struggles to achieve the 50% target for recycling and preparing for the reuse of municipal waste set out in the EU Waste Framework Directive. Estonia recently adopted new policies, including a white paper and an action plan, to address circular economy challenges, but the country would benefit from targeted measures to improve the circularity of municipal waste. The municipal waste recycling rate was 30.5% in 2021, while the EU average stood at 48.5% (EC 2023).

The country's Climate Change Performance Index (CCPI) ranking indicates that climate change performance is relatively good (5th in comparison), driven mainly by targets for renewables in electricity. The weakest point is shale oil emissions, which the government plans to phase out by 2035 and end by 2040. However, this goal may be halted due to the Russian war on Ukraine.

Effective Environmental Health Protection

Policy Efforts
and Commitment
to Minimizing
Environmental
Health Risks
Score: 7

Estonia has implemented environmental strategies for decades. The latest, the Estonian Environmental Strategy 2030, includes a section on health and quality of life, setting goals to prevent environmental pollution and associated health risks. Many of these goals are also reflected in the long-term Estonia 2035 strategy and are supported by concrete objectives.

Health and climate-related risks are addressed in two of the five sub-themes in the Estonia 2035 planning document. One goal, under the rubric of "People," emphasizes health-conscious behavior and caring for oneself, others and the environment. Under the "Living Environment" category, goals include ensuring safe public spaces and preserving nature's heritage. These changes will be outlined in annual government decisions and budget negotiations.

The Government Office (GO) is responsible for coordinating the preparation, implementation and amendment of the Estonia 2035 strategy in cooperation with the Ministry of Finance, primarily through development plans and programs in the respective fields. The progress of Estonia 2035 is bolstered by its close relationship with the state budget strategy process. The prime minister and line ministers meet annually to discuss the achievement of strategic goals.

Additionally, a strategy day is held once a year with key partners and stakeholders. During this event, an overview of the strategy's goal achievements is provided, best practices for addressing development needs are shared and proposals for the strategy's implementation are made.

Based on the European Environment Agency's report, the biggest challenge is related to the prospects for meeting the recycling target for municipal solid waste, where Estonia lags behind the 2025 target.

Effective Ecosystem and Biodiversity Preservation

Policy Efforts
and Commitment
to Preserving
Ecosystems and
Protecting
Biodiversity
Score: 7

Estonia has a rich biological diversity, and is home to a wide variety of wildlife species. The government's commitment to preserving ecosystems and protecting biodiversity is outlined in the Estonian Green Transition Action Plan 2023 – 2025. This action plan focuses on three areas: reducing negative environmental impacts, shaping a modern high-quality living environment, and contributing to the development of competitive and environmentally responsible entrepreneurship. According to the plan, with EU support, at least €2 billion will be channeled into these activities in the coming years as measures contributing to the green reforms.

When comparing proposed measures, Estonia performs above average in most areas. However, Estonia has one of the worst five-year averages for the percentage of forest cover lost compared to the reference year 2000, indicating that the removal of tree cover over a given period is one of the highest. Similarly, the five-year moving average of the percentage of gross loss of grassland area shows that the total area of grassland lost has been very high in Estonia.

Forest management has become a politically salient issue due to the intersection of economic, environmental, cultural and international factors. On the one hand, the abundance of forests –Estonia ranks sixth in Europe in this measure – contributes to the country's clean air and has made Estonians strongly connected to forests. On the other hand, forestry and the timber industry are important export items for the Estonian economy. Therefore, it is important to improve forest management and adopt an appropriate national forest development plan.

Effective Contributions to Global Environmental Protection

Policy Efforts
and Commitment
to a Global
Environmental
Policy
Score: 6

Estonia’s development cooperation is not focused on the environment. This is not because the issue is seen as unimportant, but because the country is small and directs its efforts elsewhere. Still, Estonia has joined most major global and European agreements on the issue, displaying its commitment to these international targets. Estonia has ratified the Paris Agreement and is taking steps to switch to more environmentally sustainable economic and behavioral models. It agreed to the EU energy and climate goals for 2030 and is negotiating a national plan for the Fit for 55 packages. Additionally, Estonia has actively participated in the UN Climate Change Conferences of the Parties (COP26) and has co-organized several side events.

A global bottom-up civil society movement, World Cleanup Day, originated in Estonia and has become one of the largest contemporary civil society movements worldwide. In 2023, 19.1 million participants engaged in cleanup efforts across 198 countries and territories.

Greenhouse gas emissions per capita remain high and show no diminishing trend, an anomaly influenced by the Ukrainian war and reliance on Russian energy. At the same time, the terrestrial biome protection score is high, and participation in multilateral environmental agreements is relatively robust. Estonia lags behind the average in effective contributions to Green Climate Funds.

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Address | Contact

Bertelsmann Stiftung

Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Christof Schiller

Phone +49 30 275788-138
christof.schiller@bertelsmann-stiftung.de

Dr. Thorsten Hellmann

Phone +49 5241 81-81236
thorsten.hellmann@bertelsmann-stiftung.de

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