
IMPROVING CONSULTATION AND COOPERATION TO CREATE A NATIONAL STRATEGY: DRAFTING ESTONIA 2020

SYNOPSIS

After achieving independence from the Soviet Union in 1991 and liberalizing markets, Estonians saw their economy grow and their standards of living rise. But in 2008, a global financial crisis exposed weaknesses in Estonia's competitiveness and prompted a reevaluation of policies. In 2010, the government saw an opportunity to frame a new national development strategy as part of its participation in the European Union's 2020 bid to promote growth and jobs. It turned to its own Strategy Unit, which had been created four years earlier, to harmonize priorities and goals and to pay special attention to the policy challenges posed by an aging and shrinking workforce. To frame a coherent set of priorities, the unit had to increase cooperation and consultation among ministries that usually worked independently of each other. The unit consulted with civil servants, experts, and key stakeholders. Less successfully, it also sought to engage the general citizenry. Because of the country's small population, which fell from 1.57 million to 1.3 million from 1990 to 2012, and its relatively close-knit society, leaders felt social pressure to reach agreement on priorities and policy initiatives. Although the resulting list of 18 national priorities was lengthy, the Estonia 2020 competitiveness strategy provided the country with an effective vehicle for articulating long-term national policy goals.

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INTRODUCTION

Following its break with the Soviet Union in 1991, Estonia turned away sharply from Moscow's economic policies. The new government increased reliance on markets, acquired new trading partners, and began to model itself after nearby Nordic countries such as Finland and Sweden.

In that changed environment, enhanced national competitiveness—the ability of producers to find buyers for their goods and services—featured prominently on the country's political

agenda. The government wanted to raise the incomes of its 1.57 million citizens and “improve the welfare and well-being of the country,” said Siim Sikkut, information and communication technology policy adviser for Estonia's Government Office, which supported the prime minister and cabinet ministers.

Although Estonia's economy had grown quickly until the mid 2000s, the 2008 global financial crisis exposed underlying structural problems that the boom years had camouflaged,

including heavy reliance on industries that generated little value added. As the financial crisis deepened, the country's gross domestic product (GDP) shrank by 5%, and in 2009, by another 14%.

Estonia also faced demographic challenges that threatened productivity and long-term growth. Its population was shrinking and aging. From 2000 to 2012, the country's permanent population fell by 5.5% to 1,294,236, and the percentage younger than 18 years of age fell to 15% from 18% while the proportion older than 65 years of age increased to 18% from 15%.¹ According to government projections, by 2030 the country's working-age population would fall by 100,000, a significant decline from the 2010 level of 900,000.²

Further, as a legacy of its Soviet history, Estonia had to account for the needs of its large Russian-speaking minority, which constituted roughly 30% of the population. Lack of fluency in Estonian, the official language, often barred members of the Russian-speaking community from high-skilled jobs—and from Estonian citizenship. At the time of independence, Estonians and speakers of Russian held similar socioeconomic positions, but “step by step, a gap developed in terms of salary and unemployment in favor of ethnic Estonians,” said Raivo Vetik, a professor of comparative politics at Tallinn University. Russian speakers were overrepresented in low-wage sectors.

To identify priorities and develop a strategy for building competitiveness, senior decision makers had to find a way to win the cooperation of ministers. The country had many political parties, and constructing stable coalitions had proved very difficult. Although the Estonian constitution provided for parliamentary elections every four years, the average life span of a government was only 15.4 months in the period from 1992 to 2003. Nine governments formed and dissolved in rapid succession. In those

circumstances, there were few incentives to coordinate or cooperate. Ministers tried to build their reputations within their own parties. Rauno Vinni, governance and civil society program director at the PRAXIS Center for Policy Studies, described the ministries as “silos.”

Cabinet instability had two other, related implications for strategy development: 1) It tended to focus attention on short-term goals popular with the electorate, and 2) the knowledge base tended to disappear quickly because of turnover in leadership, including turnover in senior civil service positions. Prime Minister Andrus Ansip, first elected in 2005, had taken steps to address those challenges. To help coordinate, he created a strategy unit modeled on similar institutions in the United Kingdom, Finland, and Ireland. Estonia's Strategy Unit was part of the Government Office (formerly the State Chancellery), which assisted the prime minister and the cabinet. The unit did not have the power to tell ministries what to do, but it could provide information, convene, mediate, monitor, and help the prime minister follow up. The unit set the agenda for annual meetings between the prime minister and each member of the prime minister's cabinet. The head of the strategy unit met daily with the prime minister, and his staff consulted regularly with relevant parliamentary committees.

The unit had already drafted two short-term competitiveness plans in conjunction with the European Union (EU) Lisbon Strategy, a regional agenda, launched in 2000, for building a competitive, knowledge-based economy. However, the plan documents lacked a comprehensive assessment of the challenges the country faced, and they failed to elicit significant support from key ministries and civil society. Actual levels of intergovernmental cooperation remained low.

Although Ansip remained at the helm for a much longer period than his predecessors did, coalition partners changed three times.

An opportunity to strengthen the strategy process and refine priorities arose in 2010, when the European Union announced Europe 2020, a regionwide bid to generate “smart, sustainable, inclusive growth.”³ Each member state had to draft a competitiveness plan. An EU member since 2004, Estonia suddenly had to review the results of its earlier policies and offer a clear set of priorities, a set of feasible goals, and a proposed set of steps to achieve those aims.

The man in charge of the Strategy Unit, Keit Kasemets, had to find new ways to bring ministers and ministries together as the government began to assemble the competitiveness strategy the EU required.

THE CHALLENGE

Kasemets was a veteran of both domestic and EU politics. After completing a master’s degree at the University of Tartu in 2000, he served as deputy director of Estonia’s EU Secretariat. He played a lead role in crafting Estonia’s action plans for the EU’s Lisbon Strategy for growth and jobs, the precursor to Europe 2020.

As strategy director of the Government Office, Kasemets handpicked a small, tight-knit staff of eight people with both public- and private-sector experience to serve under him. He made each member responsible for a different policy area. Strategy Unit deputy director Klas Klaas, who had been with the Ministry of Finance, oversaw macro-economic policy. Keit Parts, who’d been in the Ministry of Environmental Affairs before coming to the Strategy Unit, oversaw resources and the environment. Katrin Hoovelson, who had served as head of the Labor Market Department for the Ministry of Social Affairs, researched the labor market and education. And Mart Loite, a former consultant for Ernst & Young who had also been at the Ministry of Finance, oversaw economic affairs. When Loite was promoted in early 2011, Henry Kattago took his position.

The group decided to use Europe 2020 to “redo the plans we had and see if all partners think these are the challenges we still have,” said Loite, a Strategy Unit staff member. Estonia 2020 would become the “backbone of the system,” Vinni, governance and civil society program director at the PRAXIS center, said. Members set a deadline to have an advanced draft finished by national elections in March 2011 so that politicians could incorporate priorities into their political platforms.

In January 2010, when the team at the Strategy Unit began to work on Estonia 2020, they had to find solutions to persistent challenges: poor coordination among the country’s powerful ministries on policies and strategies; inadequate assessments of obstacles to national competitiveness; the need to consult broadly and enhance inclusion; and absence of effective means to implement strategic initiatives.

First, national strategic planning processes remained disorganized and fragmented despite previous initiatives. “The biggest problem in Estonian strategic planning is that we have lots of plans, and they often . . . aren’t tied together in a logical way,” said Vinni of the PRAXIS center. “This stems from Estonia’s fragmented governance system; Estonian ministries are quite independent.” Every time the coalition changed, new plans appeared. The budgetary process, which took place every four years, had to take government priorities into account, but without a clear and stable set of goals it was easy to depart from intentions or from anticipated outlays.

In the early 2000s, as Estonia prepared for EU accession, the country had undertaken two initiatives to centralize strategic planning. One was the creation of the Strategy Unit in 2006. The second was the introduction of a Ministry of Finance methodology for strategic planning that would better link the numerous ministerial and policy area strategies with each other and with the budget. After independence, the ballooning number of strategy documents in the ministries

had gotten “a little out of hand,” according to Karl-Erik Tender, deputy head of the ministry’s State Budget Department. “A disciplined approach was necessary,” added Juhani Lemmik, who served as deputy head of the State Budget Department before joining the Strategy Unit.

Under a new system created in 2006, ministries first had to approach the Strategy Unit for permission before drafting new sets of goals. Once they had permission to proceed, they prepared detailed action plans to accompany their proposals. The guidance devised by the Ministry of Finance—contained in an accompanying handbook—gave special priority to economic competitiveness in accordance with the Lisbon Strategy (and, later, Europe 2020). However, there was still considerable space for ministries to try to advance their own goals, especially because each had its own constituents in civil society: stakeholders and experts it had consulted in the past and who could still be mobilized to champion favored policies.

Cultivating legislative support was also important. Few countries send priorities and action plans to the legislature for approval because a well-crafted strategy is a statement of intent that leaves flexibility to respond to changing circumstances. Nonetheless, support by legislators was still crucial—not only for the passage of particular measures and budget support but also for pressuring ministers to lend their support and to work with each other. The Government Office needed buy-in from parties in parliament to help ensure that the ministers from those parties would lend their support and cooperate with others.

Despite the measures, “not everything worked as it was hoped,” said Tender, the budget department deputy. Building inter-ministerial cooperation remained difficult. Ministries continued to pursue their own independent agendas. Kasemets and his team had to find new ways to forge agreements. A consultative process that included the ministers and their senior staff

members might help counter potential resistance from and disagreement among ministers in compiling Estonia 2020, they reasoned. “We wanted clear inter-ministerial objectives that people agreed upon,” said Kasemets.

Improving the analytical base on which the strategy rested presented a second challenge. After breaking with the Soviet Union, Estonia had struggled to articulate a national vision for the country. There was a great deal of “social enthusiasm, thinking about visions,” but leaders in government were unsure how to structure strategies, set targets, and measure implementation, according to Anu Toots, professor of comparative public policy at Tallinn University. “The tradition of measurement did not exist at all,” she said. “In the Soviet Union, everyone knew public statistics were not true . . . numbers were for political parties and ideological reasons.”

The Estonian government had little experience in conducting its own social and economic analyses, and as a result, it lacked a comprehensive understanding of pressing social and economic issues. Researchers had relied heavily on directives from Brussels in creating three-year action plans under the earlier Lisbon Strategy. Kasemets’s team had to ensure it was possible to develop sound policy analysis that took the country’s context into account.

The social-inclusion requirement in the EU initiative posed a third potential challenge. Europe 2020 stressed the importance of inclusive growth, and it instructed member countries to improve the plight of poor, low-skilled workers and fight social exclusion, yet making special provisions for Russian speakers as a distinct ethnic or cultural community would clash with existing policy, which emphasized equality of treatment and, in theory, gave everyone the same opportunity to succeed and to have a voice.

The existing policy had its roots in the country’s history. In 1940, the Soviet Union had

annexed Estonia. The very tentative best estimates are that between 1940 and 1945, 90,000 Estonians—8% of the population—lost their lives as a consequence of execution, war, or hardship during deportation or emigration. Of that number roughly 60,000 died in connection with the Soviet annexation. Between 1945 and 1955, about 80,000 people were deported to the Soviet Union and 15,000 died in guerrilla war.⁴

The majority of Russian speakers were the descendants of Soviet citizens relocated to the area after the occupation. Although the official reason for settling the Soviet citizens in the country was to assist with industrialization, many Estonians said they believed the effort was a move to implant Soviet loyalists and destroy the Estonian language and culture.⁵ When Estonia gained independence, the new state positioned itself as the successor to the pre-Soviet state, and thus Russian speakers who had relocated to the area during the Soviet time were not automatically granted citizenship. To gain citizenship, applicants were required to take a test and demonstrate proficiency in the Estonian language.⁶ By the time of the Europe 2020 initiative, about half of Russian speakers were Estonian citizens, a quarter were Russian citizens, and the remaining quarter were stateless, Vetik said.

Making special efforts to embrace the needs of Russian speakers did not necessarily sit well with majority opinion. Nonetheless, widening gaps in standards of living could threaten future competitiveness, thereby making it important to improve educational attainment and income opportunities across all communities. Senior decision makers envisioned “a two-way process that required efforts on the part of the majority and minority alike.”⁷

Finally, Estonia needed ways to monitor results and to follow up. A strategy was only as good as the capacity to follow through and make its provisions real.

FRAMING A RESPONSE

Members of the Estonia 2020 core team met in January 2010 to discuss methodology. Before getting started, “we thought through the whole process,” Hoovelson said.

The “strategy for developing a strategy” had to respect two requirements. Most important for Estonia’s future, it had to improve on past techniques for identifying national priorities and creating a plan to fulfill them. “We wanted the strategy to really be a tool for channeling national policies and setting national targets and goals,” Hoovelson said. The end result also had to satisfy Brussels by adhering to the requirements of Europe 2020.

In a break with past practice, the core team decided to involve ministries early and extensively in the strategy-development process. Previous plans had relegated ministerial involvement to the end of the process, when an inter-ministerial working group of deputy secretaries general reviewed initiatives. In developing Estonia 2020, the core team decided to include ministerial representatives from the beginning. They planned to organize numerous working groups through which participants could provide feedback and brainstorm policy initiatives.

In addition, the core team invited a representative from the Ministry of Finance to all discussions. Before creating the Strategy Unit, the Government Office had vested the responsibility for strategic planning with the Ministry of Finance. However, Prime Minister Ansip felt that “the Ministry of Finance looked at strategy making from a very technical, financial perspective,” said Lemmik, the former deputy head of the State Budget Department. He wanted to broaden the discussion. Nonetheless, he recognized that the ministry still had the most-comprehensive knowledge of the country’s revenues and expenditures and that its active

involvement was important to ensure Estonia 2020 conformed with budgetary realities.

This time, the Strategy Unit's core team also decided the process of identifying Estonia's needs and deficiencies would be homegrown. The unit would conduct its own bottom-up assessment to determine long-term priorities. As a result, the unit took on a new and significant task that would draw on analysis by experts from civil society and academia.

The team also planned to consult citizens and civic groups. In keeping with the Estonian government's post-independence integration policy, the aim was to consult broadly but not to grant special recognition to ethnic or linguistic groups. Kattago said, "In Estonia, we don't have 'an association of SMEs [small and medium enterprises] for Russian-speaking people' or 'an association of SMEs for Estonians' . . . all of them are equal and belong to the same organization." There is "one process," Kasemets explained. "We don't do nation[ality]-based consulting."

Any measures relevant specifically to Russian speakers would be framed through the lens of labor-market competitiveness. "You have many special groups and have targeted policy measures," Kasemets said. Responses to the Russian-speaking population in Estonia 2020 would be "policy based," he said. "We looked at them as one target group."

GETTING DOWN TO WORK

The team decided that each of its members would first conduct an independent assessment of that member's policy field, drawing on data and methods from the European Commission's Eurostat, the European Union, the Organisation for Economic Co-operation and Development, and national think tanks. This analysis would form the basis of a Challenges Report that would highlight major barriers to Estonian economic competitiveness. The Strategy Unit would then engage the ministries and other stakeholders in

conversations to deepen the analysis and to frame policy responses, beginning in early 2011.

Ministry buy-in and subsequent implementation were more likely under this system than under alternative approaches, the Strategy team reasoned. The proposed process focused attention on the challenges and opened up discussion of appropriate actions rather than inviting discussion of a set of prepared proposals.

Bottom-up analysis and the Challenges Report

The European Union had already developed an index of competitiveness, defined as "the capability of an economy to maintain increasing standards of living for those who participate in it, by attracting and maintaining firms with stable or rising market shares in an activity."⁸ In the EU's view, the competitiveness of a country or region depended on "its ability to anticipate and successfully adapt to internal and external economic and social challenges, by providing new economic opportunities, including higher-quality jobs." The language of Europe 2020 emphasized "creating the conditions for smart, sustainable, and inclusive" growth that would boost education and skills development, promote green enterprises, and reduce poverty and social isolation.

The EU's "headline targets" included an employment rate of 75% for working-age people, investment of 3% of GDP in research and development, reduction in greenhouse gas emissions and an increase in reliance on renewable and efficient energy sources, reduction in school dropout rates to below 10% of those aged 18 to 24 years and boosting to 40% the percentage of 30- to 34-year-olds who complete postsecondary education, and a reduction of 20 million in the number of people at risk of poverty.⁹

Rather than just borrowing the template of Europe 2020, the Strategy Unit's core team conducted an original analysis. Hoovelson said: "We tried to do it as a bottom-up approach. We took a really broad range of policy fields—also

those that don't fall directly under Europe 2020—and we tried to analyze the national situation for all of those policy fields.”

At first, team members Klaas, Parts, Hoovelson, and Loite worked separately. They split tasks into four policy areas: macroeconomic policy, resources and environment, labor and education, and fiscal policy. They examined the potential challenges to competitiveness within their respective areas, focusing on ways Estonia appeared to depart from EU and OECD benchmarks. Hoovelson said they combed through data searching for red flags—areas in which Estonia performed particularly poorly. They asked themselves whether those differences might affect future levels of economic growth and standards of living. The process enabled them to identify and include important problems, such as workforce health and productivity, which they might have overlooked if they had followed the approaches taken by other countries. “Then we tried to go beyond the numbers to see what was actually the reason,” Hoovelson said. For example, the value of Estonia's exports fell to 6.5 billion euros in 2009 from 8.5 billion euros in 2008 during the brunt of the global financial crisis.¹⁰ Research showed that exports had become less important to both government and businesses during the economic boom years because strong domestic consumption had fueled growth. “We lost competitiveness in how to sell outside,” Loite explained. “Even the channels we did have dried up, and we needed to find new things to export.”

After consulting with experts in business and trade, the core team decided to set a target for Estonia's share of world trade, even though such an indicator did not exist in the Europe 2020 strategy. “We didn't want to lose out if everyone is exporting more and more,” Loite said.

Public health fell within Hoovelson's policy field, and several statistics jumped out at her during her research. Estonians had significantly lower life expectancies than people in other EU

countries. Estonian men lived an average of 70 years in 2009 compared with 76.6 for the European Union as a whole.¹¹

Digging more deeply and consulting with experts, Hoovelson connected the lower life expectancy to excessive alcohol consumption and premature death (often a result of incidents related to alcohol consumption). She concluded that Estonia's exceptional level of alcohol consumption had a major impact on the labor force. Estonia had one of the highest alcohol consumption rates in the European Union. A 2011 study by the World Health Organization based on 2005 data showed that Estonians drank an average of 15.57 liters of alcohol per capita per year—more than double the world average of 6.1 liters.¹² Fifty-seven percent of the alcohol consumed was in the form of spirits such as vodka.¹³

Hoovelson and the team realized that problems stemming from alcohol consumption spanned a number of policy fields, including public health and regulations related to advertising and the availability of alcoholic beverages. Although the Europe 2020 guidelines did not directly cover public health issues, the Strategy Unit decided to include public health issues in its list of obstacles to competitiveness. In its initial Challenges Report, the core team noted as a national priority “increasing healthy life expectancy by improving health-related behavior and continuing to work toward reducing accidents.”

The Strategy Unit team also decided to specify workforce productivity as an obstacle. The Strategy Unit found productivity per employee in Estonia was just 65% of the EU average in 2009,¹⁴ yet as the size of the working-age population declined, it was important to ensure that productivity rose, if Estonia was to continue to grow. “As you have fewer and fewer people, to grow you need productivity,” Loite said. The country would have to undertake such measures as

boosting the value added by Estonian businesses, upgrading workers' skills, and increasing the volume of research and development in the private sector. Estonia set a specific target to achieve a level of productivity per employee that was 80% of the EU average by 2020.

Although the EU had included productivity as a goal in the Lisbon Strategy, that priority was not part of Europe 2020. "The Europe 2020 goals were not enough for us," said Loite. "I guess you could say we kind of fell in love with the productivity idea, so we decided to keep it."

Engaging the ministries

During the development of the Challenges Report in early 2010, the Strategy Unit team also organized a series of smaller meetings. Each focused on a different policy area. For example, the team divided the labor market field into three subgroups: employment, education, and health issues.

Once team members felt satisfied they had synthesized the major findings from data and reports, they held a series of meetings with ministry representatives—including the Ministry of Finance—to gather feedback, set initial targets, and brainstorm policy responses.

Not surprisingly, ministers sometimes had competing priorities. To reach agreement with ministry representatives, members of the Strategy Unit relied on evidence-based arguments and considerations of politically feasible measures. "We had to be quite convincing with all the ministries," Hoovelson said. "It took quite a bit of convincing and arguing to get ministries in the same line."

Nonetheless, there was room for compromise. The small and intimate nature of Estonian policy-making circles provided a relatively collegial atmosphere that supported consensus building. In addition, there was an understanding that even if certain initiatives or policies could not be pursued immediately, they

might be taken up in the future, Loite said. "Even if you don't get the thing that is needed done right away politicians are aware, and ministries are aware; and at some point, some solution will be provided," he said.

In May, the Strategy Unit convened a larger session—with about 50 participants from government, civil society, and academia—to review the proposed challenges and quantitative targets.

The following month, the unit submitted its statement of challenges and its targets to the European Council—composed of the heads of government of EU member states and the president of the European Commission—for approval. Both the council and the Estonian government signed off on the unit's initial work, and after a short summer recess, team members began meetings with ministries again in the fall and also presented the report on challenges and targets to a high-level inter-ministerial committee of deputy secretaries-general.

In late October, the Strategy Unit began to generate political backing for the plan by meeting with parliamentary committees that oversaw European affairs, economic affairs, cultural issues, and social policy.

By the end of 2010, the team had completed a relatively advanced draft of the Estonia 2020 National Reform Program.¹⁵ The draft outlined 18 major challenges to Estonian competitiveness, ranging from "bringing labor qualification into conformity with the needs of the contemporary labor market" to "reducing the general resource and energy intensity of the economy." The report also proposed policy responses and identified potential targets (see Box 1).

Formulating policy responses and the action plan

In early 2011, the core team organized more-extensive consultations to gather feedback and brainstorm specific initiatives for an action plan to accompany the strategy draft. The Strategy Unit

gathered 160 participants in 13 separate workshops to provide feedback on the Estonia 2020 strategy draft and to formulate concrete initiatives for an accompanying action plan.

The action plan would group initiatives into four areas determined by the Strategy Unit: “well-educated people and an inclusive society,” “a competitive business environment,” “an environmentally friendly economy and energy sector,” and “a sustainable and adaptive public sector.”

Those invited to participate in consultations had specific policy expertise and were drawn from ministries, academia, and civil society. Most had assisted in past policy discussions and demonstrated in-depth knowledge of particular areas. “Estonia is a small country, so the number of partners is not endless,” Hoovelson said.

Members of the core team organized the workshops based on theme, including such policy areas as energy, health, children, and quality of education. Participants received invitations for workshops a month in advance and materials for discussion a week beforehand, said Rainer Kattel, professor of innovation policy at Tallinn University of Technology and a participant in the consultations. Among the materials were fact sheets for each subject area compiled by members of the Strategy Unit team. For example, a fact sheet about the potential contribution of information and communications technology to the economy listed the relevant ministries (the Ministry of Education and Science as well as the Ministry of Economic Affairs and Communications), outlined measures to strengthen the sector that had been successful or unsuccessful to date, detailed the main financial trends of 2008 to 2010, and forecast growth in relevant sectors for 2011 to 2013. The fact sheet also included current statistical indicators such as number of companies in different sectors, numbers of employees, total revenue, share of GDP, and rate of growth in recent years. Finally,

the fact sheet gave a summary of the policy area and the Strategy Unit’s evaluation of the importance of the particular area to Estonia’s economy.

This time the focus was on the best way to meet the policy goals framed earlier. Workshop discussions focused on specific targets and initiatives, and participants did not have a significant opportunity to discuss the general strategic goals, according to Tiit Elenurm, a professor at Estonian Business School who participated in the consultations. Workshop facilitators asked discussants to specify what was wrong with, or missing from, the draft document—with greater emphasis on the latter. Participants could follow up by e-mail with additional thoughts after the workshops.

Based on the workshops’ ideas and conclusions, the unit’s core team compiled an action plan of nearly 300 initiatives. The core team divided the four main initiative areas into subsections and designated the ministry responsible for implementing each initiative. The final plan was a companion to the Estonia 2020 strategy document (see Box 2).

Inclusion and consultation

Although the Strategy Unit did not consult Russian speakers as a separate interest group or stakeholder, several initiatives in the action plan aimed to expand opportunity in Russian-speaking areas—for example, launching an industrial area in Ida-Viru County, where about 80% of residents were Russian speakers.

Two measures addressed competence in the Estonian language, which the country required for citizenship and public-sector employment. As a legacy of Estonia’s Soviet heritage, many Russian speakers attended publicly funded Russian-language primary schools. At the secondary-school level, 60% of instruction was in Estonian, and 40% in Russian.¹⁶ To strengthen early instruction in Estonian, the action plan included

teaching some subjects (history and geography from fifth grade) in Estonian in Russian-speaking primary schools and paying a 30% bonus to teachers who used the Estonian language in Ida-Viru County.

The Strategy Unit did not enjoy much success in its bid for input from average Estonians. The unit held its only consultation with the general public through the government's online participation portal in January 2011. Staff posted a draft of the strategy—but not the action plan—on the portal *osalee.ee* (*osalee* is Estonian for “have your say”).

Estonia was a pioneer of e-government, and its citizens used electronic systems for a wide variety of services. In the abstract, it was plausible to think that the citizen consultation method used would elicit participation. Hannes Astok, a member of the board of directors at the eGovernance Academy, said Estonians usually felt more comfortable interacting with strangers via electronic communications than face-to-face. “For Estonians, online is much better, because we are still a kind of shy nation,” he said, explaining that this element of the national culture derived from low-density settlement patterns. “We would much rather send to each other e-mail, or short messages, or Facebook messages than meet each other.”

However, the portal did not generate much engagement. Hille Hinsberg, a government communication officer who worked on the portal, considered the lack of public response predictable. In her view, the portal was not easy to use, and the government had never invested significantly in publicizing the site. Most of the documents posted on the portal were “very dry, very formal,” she said, and it was difficult for the average citizen to “go deep into the language and the style of documents that are already ripe enough to be decided by the government.”

The Strategy Unit was disappointed by the low level of response, but Kasemets said that the

unit did consider the few responses in its subsequent action plan workshops.

Aligning strategic priorities and budgets

The Strategy Unit set a deadline to complete comprehensive drafts of the Estonia 2020 strategy document and action plan before elections for a new government in March 2011. Kasemets said the goal was to “enable main conclusions to be picked up by political parties” to frame policy initiatives during the campaign.

In the election of 2011, incumbent prime minister Ansip formed a new coalition government, again led by his Reform Party. After the election, members of the Strategy Unit held additional discussions with the ministers of the new government to harmonize Estonia 2020 with the coalition's political agenda. In fact, the Estonia 2020 action plan made note of which initiatives were also included in the coalition agreement.

At the same time, the Ministry of Finance worked from March to April 2011 to assemble the financial framework for the next four years and the coming year's state budget. Ministry representatives consulted regularly with the Strategy Unit to coordinate planning and spending priorities. “It was a big effort in the past two months,” Kasemets said.

But for the first time in Estonia, all of the planning for the competitiveness strategy, the government's coalition agreement, and the state budget took place simultaneously in order to align policies with budget realities and create a realistic framework for implementation.

The Strategy Unit completed a final draft of Estonia 2020 on April 21 and then held one last meeting with representatives from relevant ministries on April 25—before the government adopted the plan the following day.

Throughout the last phases of the process, the Strategy Unit gradually worked to make sure the coalition agreement (approved by the parties of the ruling coalition) included measurable

targets that matched those in Estonia 2020. That step transformed the strategy into something more than a “wish list,” Loite said.

OVERCOMING OBSTACLES

Follow-through was one area where improvement was limited. One reason for including ministers in the planning process was to increase ministerial ownership of implementation. The action plan designated which ministries were responsible for specific initiatives. Progress was uneven, however. It tended to be greatest where there was strong overlap between the coalition’s political priorities and the goals set out in Estonia 2020.

The strategy team updated the action plans annually following discussions among members of the inter-ministerial working group and based on requests to other stakeholders for proposals and feedback. However, ministries often fell behind schedule in communicating progress in key areas, which complicated creation of the update. For example, in March 2012, the Strategy Unit was working to adjust the action plans of Estonia 2020 to fit with the new government’s coalition agreement and four-year financial framework. It proved hard to do so. “Too much flexibility was built into the system,” Tender said, explaining that reporting by the ministries was voluntary—or at least not on a firm schedule.

In 2014, the Ministry of Finance also worked to revise those rules so that ministries would have to issue their reports by the beginning of March. The finance ministry and Strategy Unit wanted to “get the best information available before decision making was done in April,” Tender said, referring to the annual April budget discussions. A more complete picture of progress in completing action plans would enable the government to reach better-informed decisions about which priorities to emphasize and which policies to revise.

Oversight of implementation remained weak because the Strategy Unit had to rely on so-called

soft power, or informal influence, to keep ministries on track toward implementing Estonia 2020 priorities. The unit’s political clout depended largely on the dynamism of its leader and support by the current prime minister. Both of those factors were variable.

ASSESSING RESULTS

With six years still to go on the 2020 actions plans, the 2014 EU Commission staff’s review of progress found that Estonia had made progress in achieving some of its targets but lagged behind in others.¹⁷ For example, it had reduced the proportion of population at risk of poverty, though it still needed to make some progress in that area. With respect to education and employment, the country performed well in enrolling children in primary school and in ensuring that more than 30% of the population had earned degrees at the tertiary level. It had passed a vocational education act and a life-long learning program to help people adapt to changes in the labor market. It had also increased incentives for labor market participation. At the same time, the share of people aged of 20 to 64 years who were in the labor market was still slightly below the target, and efforts to provide child care for parents who wanted to work or efforts to invest in regional economic development also lagged.

The government had to move forward in other policy spheres as well. For instance, it was one of the most energy-intensive countries in the EU. Although it had made improvements in waste management and landfills, it still had to improve energy efficiency in transportation.

In 2005, the European Commission had highlighted the need to stimulate research and development activities and innovation and improve cooperation among scientists and entrepreneurs. Estonia had set goals for investing a share of GDP in research and development activities. By 2014, the government was still below

its target spending level, a problem caused in part by difficult economic circumstances.

Rate of progress in completing action plans and achieving goals was not the only metric for assessing the strategy process, however. Effective strategic planning requires thorough assessment of a country's political, economic, and social context; rigorous prioritization; goals and aspirations that are somewhat reflective of the society as a whole; the ability to adapt to changing circumstances; and mechanisms for implementation.¹⁸ The process of crafting Estonia 2020 succeeded by some of those measures but not others.

The document's developers, workshop participants, and partners in the implementing ministries generally agreed that the strategy rested on a thorough and objective assessment of the challenges Estonia's economy and society faced. We "clearly analyzed what was wrong with our system, how we could make it change, how it could work better," Loite said.

The process produced a large number of goals, however—possibly too many to accomplish within the time frame. Although Strategy Unit members attempted to winnow priorities through multiple meetings with relevant representatives from ministries, academia, and civil society, they were not entirely successful in putting together a tight, focused list. The strategy process produced 18 different challenges, and the action plan listed nearly 300 different initiatives. "You could say, 'Is it really strategic if you have 300 things?'" Loite said. "But the challenges are huge, and you can't have one or two things." He added that the Strategy Unit might consider reducing the number of priorities in an upcoming 2015 revision of the strategy.

Kasemets agreed that Estonia 2020 may have included too many challenges and action-plan initiatives, but he said the Strategy Unit needed to generate political support and "didn't want to just push our things through." That meant including challenges and priorities that were important to

the ministries. It was the first time the unit had undertaken such extensive cooperation with the ministries, and because "ministries didn't have so much experience in joint policy development, it didn't seem possible to decrease the number of challenges even more. . . . At the end of the day, it was balanced between the interests and needs of the ministries and external stakeholders," Kasemets said.

The Strategy Unit's efforts to include government and civil society in strategy development had other weaknesses. Elenurm, the business professor who participated in planning workshops, criticized the exercises as being technocratic rather than substantive. He said there was little debate over actual goals and priorities, and that participants focused mostly on proposing specific initiatives and helping pinpoint what was missing from the document.

In addition, consultation and communication with the general public was limited. The only attempt to solicit feedback from the citizenry took place through the government's online portal, which received little response. Loite said that communication with the public was a work in progress and that he constantly strove to "make [the strategy] an even better, readable, and explanatory document for everyone." He suggested it might be worthwhile to create different versions of the document for different audiences, including one that would be digestible by average Estonians.

Despite a lack of overt consultation with Russian speakers as a distinct group, the strategy included several measures that specifically targeted improvement of the economic standing of the minority population, particularly with regard to Estonian-language instruction that could lead to citizenship and better employment opportunities. That approach reflected the government's official policy on the integration of Russian speakers.¹⁹ It was in keeping with the guidelines of Europe 2020, which framed inclusiveness predominantly

from the standpoint of alleviating poverty and integrating underrepresented groups into the workforce. However, there was no effort to rethink the philosophy behind the policy approach Estonia had favored since its break with the Soviet Union.

Finally, Estonia 2020 incorporated sufficient flexibility so that action plans could evolve over time as more information became available. For example, despite the startling analysis the Strategy Unit had conducted before the consultations began, the initial plan did not include specific measures related to alcohol, tobacco, and nutrition under the healthy-workforce initiatives. The following year's action plan did outline such measures, however, including the preparation of green papers—the first step in policy proposal in the European Union—to reduce alcohol-, tobacco-, and diet-related harm to health and society.

REFLECTIONS

Estonia used the European Union's requirement to create a competitiveness plan as an opportunity to develop a national development strategy outlining policy and economic goals for the country.

Critics argued that the plan adhered too closely to the European Union's dictates and would have little influence over national priorities. Rainer Kattel, professor of innovation policy at Tallinn University of Technology, who participated in several of the Estonia 2020 workshops, said the consultations the unit conducted were not genuine. "The consultation processes are in most cases kind of fake processes," he suggested. "They're sort of informational processes. 'This is what we're going to do. Yes, you're unhappy with what we're going to do, but

because these are the EU rules, we're going to do it anyway.'"

Katrin Hoovelson, who had served as head of the Labour Market Department for the Ministry of Social Affairs and was a European Commission advisor on economic governance and Europe 2020 after leaving the Strategy Unit, disagreed.

"Especially now that I work for the commission, I can see that how this is seen is very different in different countries," she said. "For some countries, it's really something that's done only for Brussels, and at the national level not much attention is paid to it. But in Estonia, we have taken a different approach."

Estonia's small size and tight-knit community may have helped account for the disparate perspectives. Karin Rits, head of the Information Society Division at the Ministry of Economic Affairs and Communications, said, "It is definitely easier for us to engage stakeholders and to get wider consultation going on when you really know people." She added that Estonia's social and vocational networks made consensus building easier than in other countries. People often strive to maintain good relationships with others "because at some point you may need them for work processes or other endeavors."

However, the pressure for amiable solutions within Estonia's societal context may have contributed to the inability to make tough decisions regarding priorities, as, for instance, when the Strategy Unit settled on 18 challenges and nearly 300 action-plan initiatives. Kattel said consultative discussions were often superficial for similar reasons. "Estonia in that sense is a strange environment because you know everybody," he said. "You also know with whom you disagree, so the disagreements can actually be very vocal, but then you go for a coffee break and there's no problem."

Box 1: Eighteen Policy Challenges

1. Improving the quality of the educational system and adapting it to demographic changes.
2. Bringing labor qualification into conformity with the needs of the contemporary labor market (among other things, making better use of the opportunities in the EU internal market and other policies) and increasing the number of people with professional education at the vocational or higher education level.
3. Increasing the international competitiveness of higher education.
4. Increasing the impact of active labor market policy and sustainability of financing.
5. Increasing healthy-life expectancy by improving health-related behavior and continuing to work toward reducing accidents and improving health-care infrastructure.
6. Shaping a policy that promotes long-term growth in the international competitiveness of companies.
7. Creating an environment for higher export potential, higher-value-added sectors, and foreign direct investment in Estonia.
8. Creating preconditions for increasing the volume of research and development in the private sector and raising the number and quality of innovation outputs.
9. Encouraging broader use of the potential of the creative industries, information and communication technology (ICT), and other important technologies for raising other sectors' value added.
10. Developing human resources engaged in research and in ensuring a future supply of engineers and top-level specialists.
11. Bringing to an international level the areas of transportation, ICT, and other public infrastructure and institutions that support business.
12. Implementing long-term structural changes in the energy sector in harmony with Estonia's energy security and energy efficiency objectives.
13. Reducing the general resource and energy intensity of the economy.
14. Reaching a government sector budget surplus by 2014 and maintaining that position for the long term.
15. Improving the sustainability of social expenditure in the public sector in the face of decreasing working-age population and aging populations; and ensuring effective health care and well-oriented and effective social policy, including the necessary support services.
16. Continuing a budgetary policy that supports competitiveness (high level of productive expenses, increased flexibility, controlling public sector wage costs, planning the local-government revenue base in state budget strategy).
17. Continuing the gradual reduction of taxes on labor and profits so as to increase taxes on the consumption and use of natural resources.
18. Avoiding macroeconomic imbalances.

Box 2: Example of an Action Plan Subsection

Policy challenge

Increasing healthy-life expectancy through improvement in health-related behavior and further reduction in the number of accidents.

Subsections

Reducing the numbers of injuries and deaths from injuries and improving health-related behavior.

Introducing the topics of health awareness, traffic safety, and risk behavior in national basic school and upper secondary school curricula (Ministry of Education and Research).

Preventing injuries under a coordinated, interministry policy aimed at reducing the number of deaths from injuries—to at least the European average (Ministry of the Interior, Ministry of Social Affairs).

Developing and improving additional light-vehicle roads, recreational sites, tracks, trails and related infrastructure to support active lifestyle (Ministry of the Interior, Ministry of Culture).

Creating an occupational accident and disease insurance system to ensure a healthy work environment (Ministry of Social Affairs).

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