

Local governments in Estonia

estonia

Ministry of Finance
of the Republic of Estonia



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Republic of Estonia

AREA: 45,227 km²

POPULATION (2019, Population Register) 1,339,000

CAPITAL: Tallinn

CURRENCY: euro

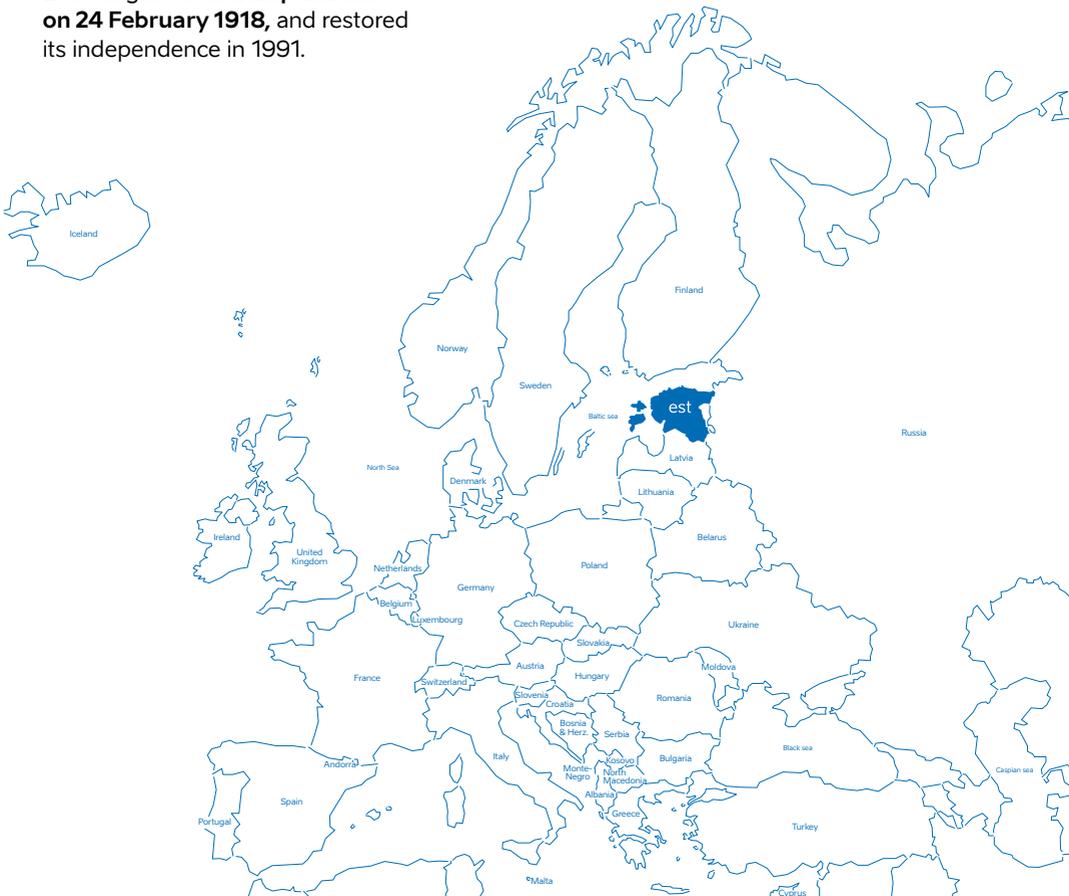
NATIONAL LANGUAGE: Estonian

LOCAL GOVERNMENTS: 79

The Republic of Estonia has been a member of the European Union and NATO since 2004.

Estonia gained its **independence on 24 February 1918**, and restored its independence in 1991.

Estonia is a parliamentary republic. The Riigikogu (parliament) is a legislative body whose 101 members are elected by citizens every four years in free general elections. The head of state is a president with limited power and who mostly performs a representative function and balancing role to the parliament. The Government of the Republic, appointed to office by the president, exercises the highest executive power, generally with the backing of the majority of the Parliament.



Overview of Estonian public sector

A photograph of two women in a dimly lit office environment. One woman, wearing glasses and a patterned blouse, is looking at a laptop screen. The other woman, seen from the back, is also working on a laptop. The scene is illuminated by blue ambient lighting, creating a professional and focused atmosphere.

There was 116,180 people in total employed in the Estonian general government sector in 2018, divided between central government, local governments and social insurance funds.

Local governments (and agencies under their governing influence) have the biggest number of employees – 61,820, which comprises approx. 53% of the total number of government sector employees.

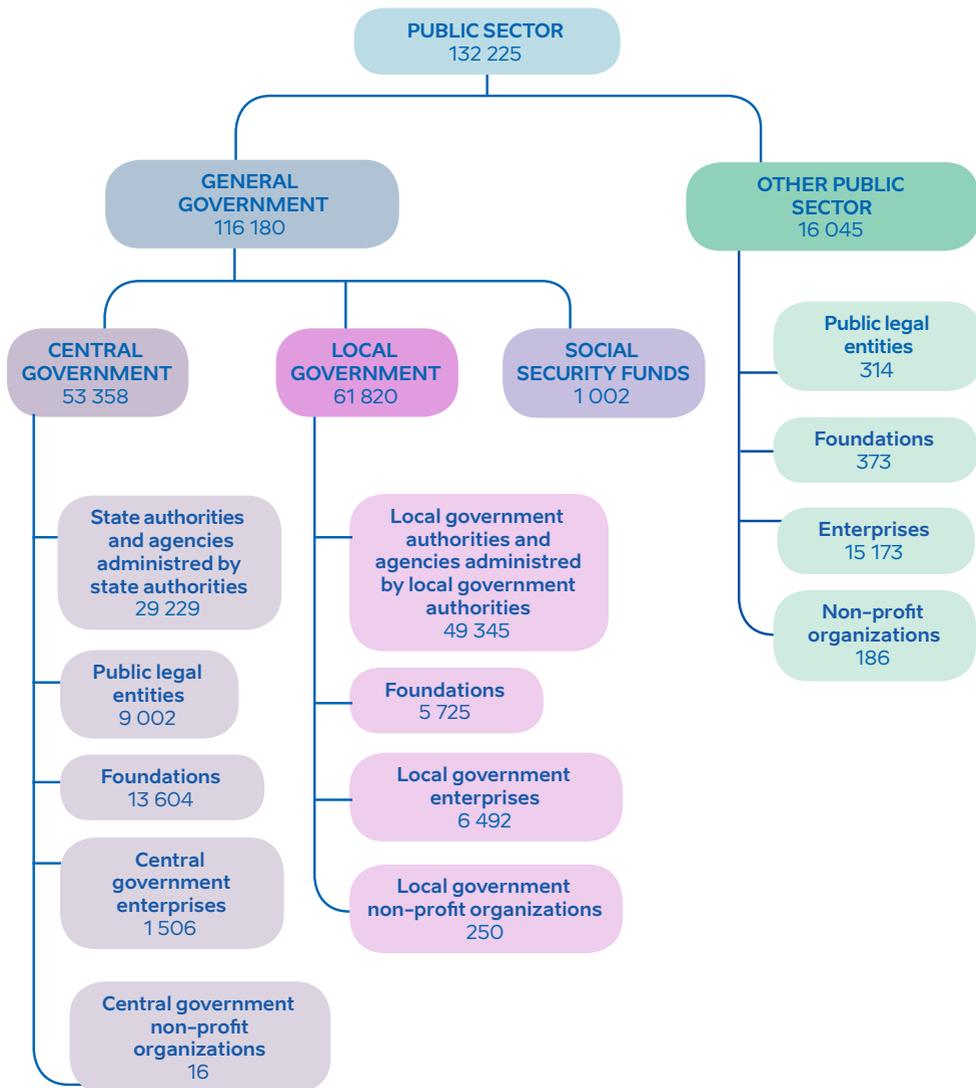


Figure 1. Overview of public sector employees by sector and legal form of authorities. **Data sources:** balance list system of the Ministry of Finance, payroll database of the state

EDUCATION AND RESEARCH
47,951 persons
(incl. 35,817 in local governments)

Main function groups:
14,330 general education
school teachers (incl. 13,450
in local governments)
7619 nursery school teachers

3936 lecturers at state institutions
of higher education
1945 vocational school teachers
(incl. 248 in local governments)

CULTURE
8891 persons
(incl. 4840 in local governments)

incl. 1529 in theatres
incl. 1521 in libraries
incl. 1216 in museums
incl. 1127 in community and
cultural centres

GENERAL PUBLIC SERVICES
8292 persons
(incl. 3849 in local governments)

SOCIAL AFFAIRS AND HEALTH
26,878 persons
(incl. 13,233 in local governments)

Main function groups:
2616 physicians
4967 nurses
2787 carers

ECONOMY
7527 persons
(incl. 3562 in local governments)

incl. 3003 in transport
incl. 1666 in agriculture, fishery, etc.
incl. 677 in housing and utility services

PUBLIC ORDER AND SECURITY
10,559 persons
(incl. 139 in local governments)

Main function groups:
3691 police officers
2196 rescue workers
717 prison officers

NATIONAL DEFENCE
4685 persons

2911 in active military service

ENVIRONMENTAL PROTECTION
**1396 persons (incl. 380 in
local governments)**

Figure 2. Overview of government-sector staff of Estonia by COFOG classification and larger function groups. **Data sources:** balance list system of the Ministry of Finance, payroll database of the state, HaridusSilm, National Institute for Health Development

Local governments in Estonia



Table. Estonian local governments before and after administrative reform of 2017 (population according to Population Register)

	2017	2019
Total number of local governments	213	79
Incl. fewer than 5000 residents	169	17
5000–11,000 residents	28	36
More than 11,000 residents	16	26
Average population of local government	6349	16,835
Median average population	1887	7558
Average area of local government	204 km ²	550 km ²

The first free local government council elections were held in autumn 1989.

The main principles of local government were developed and the Local Government Bases Act was enforced on 1 January 1990.

The tradition of Estonian local self-government in its present form dates back to the 19th century (Rural Municipality Act of 1866) and continued in the independent **Republic of Estonia until 1940**. This continuity was interrupted for half a century by the Soviet occupation, when no free elections were held and the actual decision-making rights of local administrative structures were minimal.

Conceptual work on the creation of the basic **principles of modern local government started in the late 1980s**. The first free local government council elections were held in autumn 1989. The main principles of local government were developed and the Local Government Bases Act was enforced on 1 January 1990. In order to acquire the status of local government with the legal rights and obligations arising from this, village councils, towns and boroughs had to draft statutes and development plans and develop a primary structure to be able to perform the functions assigned to them. Granting of the status of local government was decided by the administrative reform expert committee, which was formed for this purpose. All first-tier administrative units had acquired the status of local government by autumn 1993 and 255 local governance units were formed as a result.

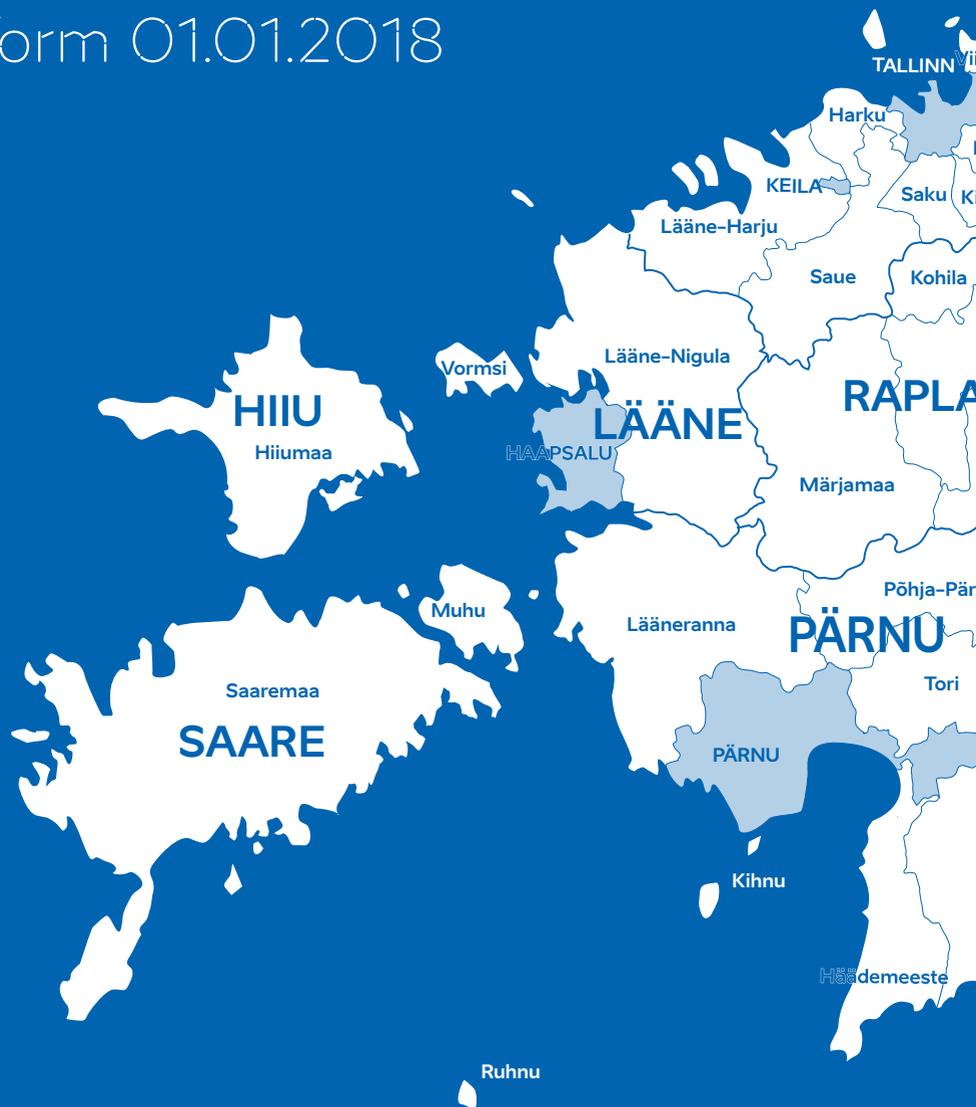
Local government in Estonia initially consisted of two tiers: counties at the second tier and cities and rural municipalities in the first tier of local government. The current **one-tier local government system** began in 1993 after the reorganisation of the legal grounds and revenue base of local government.

There have been 15 cities and 64 rural municipalities in Estonia since the administrative reform of 2017, all of which have the same legal status. Irrespective of their size and name, local governments perform similar functions throughout Estonia and have to offer the same services to their residents.

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Local Governments in Estonia after Administrative-Territorial Reform 01.01.2018





Local governments may form **rural municipality and city districts** in their territories for the decentralisation of power. The formation and competence of a district is regulated by the statutes of the respective local authorities and is approved by the local council. Separate districts have been formed in Tallinn and in at least eight local governments.

Despite the relatively small size of the country, the various regions of Estonia differ from one another in terms of geography, economy, history and culture. The territory of **Estonia is divided into 15 counties**, which are state administrative units (not local governments) without separately elected representative bodies or any other significant independent competence. Hiiu County overlaps with Hiiumaa Rural Municipality in terms of territory. There are three to 16 local governments in other counties (as of 2019).

Although the administrative reform of 2017 resulted in certain convergence, the sizes of local governments still vary. The capital, Tallinn, is the biggest in terms of population; Saaremaa Rural Municipality is the largest in terms of territory. The local governments with the smallest population are located on the small islands in Western Estonia.

→ **Although the administrative reform of 2017 resulted in certain convergence, the sizes of local governments still vary.**









Three local governments with largest populations (January 2019, Population Register)

1. Tallinn 438,930
 2. Tartu 95,334
 3. Narva 56,459
-

Three local governments with smallest populations (January 2019, Population Register)

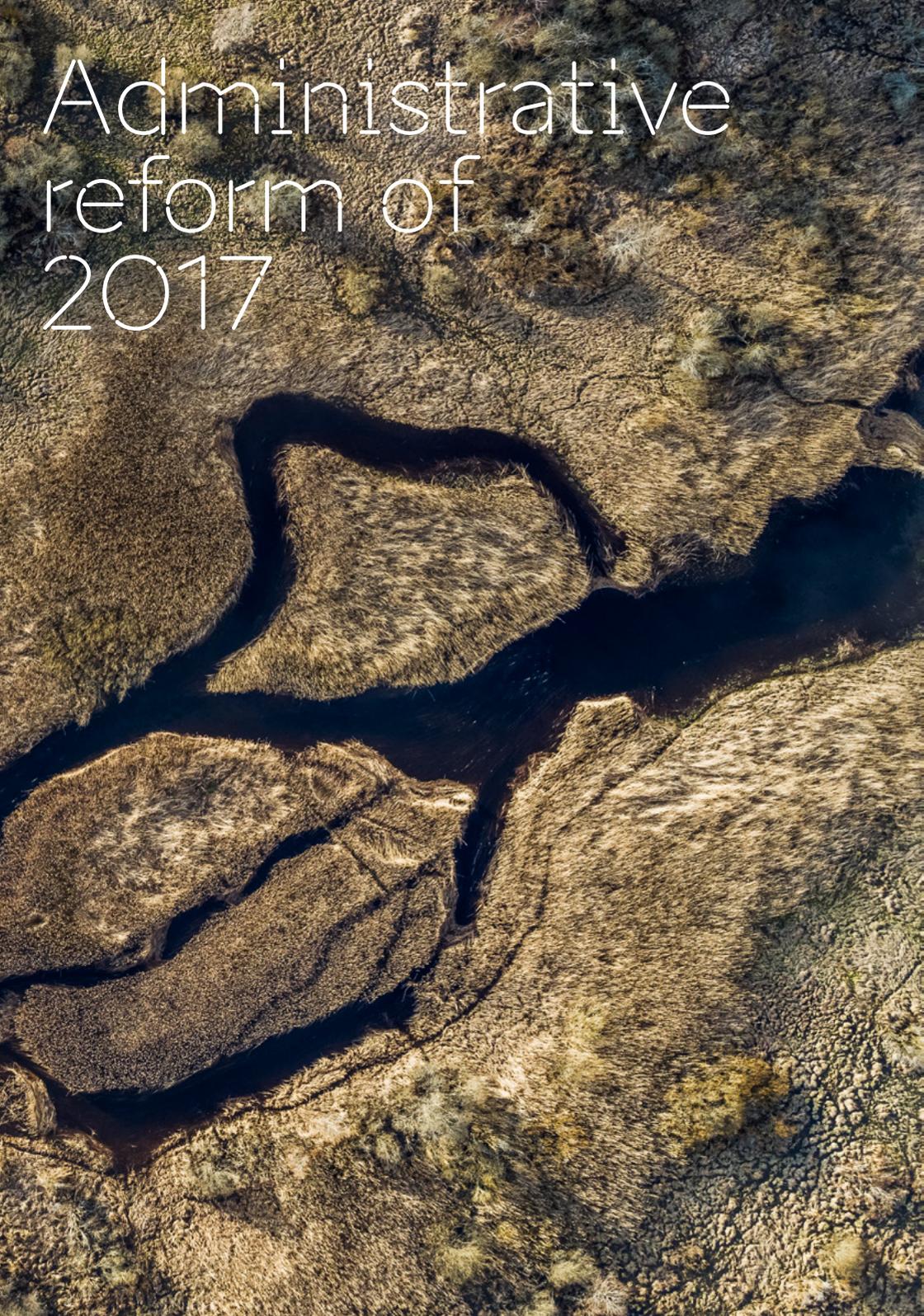
1. Ruhnu 159
 2. Vormsi 400
 3. Kihnu 701
-

Three largest local governments in terms of territory, km²

1. Saaremaa Rural Municipality 2718
 2. Alutaguse Rural Municipality 1459
 3. Lääne-Nigula Rural Municipality 1449
-

According to the Eurobarometer confidence survey, local governments are one of the most trusted institutions in Estonia (2016 – 53%, 2017 – 57%, 2018 – 63%). Local Government Day has been marked throughout Estonia on 1 October since 2018.

Administrative reform of 2017

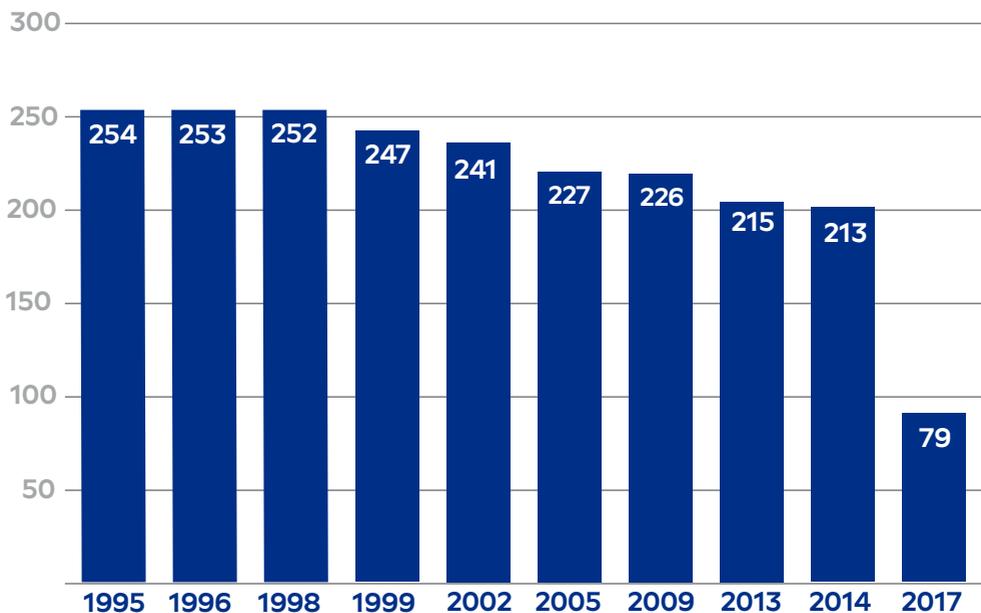


The Estonian government has been promoting the merger of local governments since the 1990s in order to achieve the formation of capable towns and rural municipalities with larger territories and populations. Adopted in 1995, the Territory of Estonia Administrative Division Act stipulated the necessary regulations for mergers, on the basis of which the first mergers took place in 1996.

The Promotion of Local Government Merger Act, which stipulated the payment of merger grants to those who merged voluntarily, was adopted in 2004. Some mergers did take place in the years that followed, but the aim was to implement a broader, comprehensive administrative reform, the need for which had been identified and publicly discussed for nearly two decades.

The local government reform was implemented on the basis of the Administrative Reform Act adopted by the parliament in 2016. **The act stipulated that the minimal size of a local government should be 5000 residents, with a recommended size of 11,000 residents, but permitted certain justified exceptions for small islands in the Baltic Sea.**

The reform took place in two stages: as voluntary merger decisions initiated by the councils themselves (until 1 January 2017) and then as mergers initiated by the central government (until 15 July 2017). All of these mergers entered into force after the regular local council elections held in autumn 2017.



Change in number of local governments in Estonia, 1995-2019

The purpose of the administrative reform of 2017 was to support a rise in the capability of local governments in regard to the provision of public services, the use of the development opportunities of regions, increasing competitiveness and guaranteeing more even regional development.

During the reform, approximately 80% of small local governments merged with neighbouring local governments with whom they shared a border. The terms and conditions of the merger were established in the merger agreements, which remained in force for four years. The Government of the Republic initiated the mergers of local governments that still failed to meet the requirement of at least 5000 residents. The Government carried out 26 mergers on its own initiative, but also waived some of the proposals made after considering the reasons presented by the local governments.

Conducting a survey among the residents of the local government was mandatory in respect of all mergers, but the results of the surveys were non-binding on decision-makers. Most local governments made use of the assistance of the merger consultants provided by the state. Their role was to advise the merging local governments during the merger process.

The act prescribed a **merger grant** for local governments that merged voluntarily (to which more than 64 million euros was

paid out from 2017-2019), which certainly contributed to the positive voluntary merger decisions. Approximately 50 million euros of the total amount of merger grants paid out was spent on local government investments, 8.6 million euros was used for severance pay and 6 million euros was used to cover other expenses.

The heads of local governments who resigned after the merger were paid compensation in the amount of up to one year's salary. No merger grants were paid upon mergers initiated by the Government of the Republic and the state only compensated them for the direct expenses of the merger.

The operations of county governments that represented the central government were terminated in parallel with the local government reform on 1 January 2018, and their functions were transferred to other state authorities or local authorities. The local authorities acquired a larger role and greater responsibility in planning the development of their counties.

A thorough collection of analytical articles about the aspects of the administrative reform of 2017 can be found on the website of the Ministry of Finance at fin.ee

Legal basis of local government

An aerial photograph showing a large-scale construction project, likely a dam or reservoir. The central feature is a long, narrow body of water (the reservoir) surrounded by high, light-colored earthen embankments. The surrounding landscape is a mix of green forests, open fields, and some industrial or construction structures in the distance under a clear blue sky.

In the development of its local government system, Estonia followed the Nordic model of local governments with extensive autonomy. The share of Estonian local governments in government-sector expenditure today is 23% and continuing decentralisation is the goal of the development of the local government system. The European Charter of Local Self-Government, which was fully ratified by Estonia in 1994, determines the general democratic framework for the operations of local governments.

Local governments have a constitutional guarantee, the principles of which are stipulated in Chapter XIV of the Estonian Constitution:

§ 154. All local matters are determined and administered by local authorities, who discharge their duties autonomously in accordance with the law.

Obligations may be imposed on a local authority only pursuant to the law or by agreement with the local authority. The funds to cover expenditure related to duties of the national government which have been imposed by law on a local authority are provided from the national budget.

§ 155. The entities of local self-government are rural municipalities and cities. Other entities for the realisation of local self-government may be formed in accordance with the law and pursuant to a procedure provided by law.

§ 156. The representative body of a local authority is its council which is elected in a free election for a term of four years. The term of office of a council may be reduced by law due to a merger or division of local authorities or to inability of the council to act. Elections of local authority councils are general, uniform and direct. Voting is secret. In elections to local authority councils, the right to vote is held,

under conditions established by law, by persons who reside permanently in the territory of the local authority and have attained at least sixteen years of age.

§ 157. A local authority has an independent budget which is drawn up in accordance with the principles and procedure provided by law. Local authorities have the right, on the basis of the law, to establish and levy taxes, and to impose encumbrances.

§ 158. The administrative area of a local authority may not be changed without hearing the opinion of the authority.

§ 159. A local authority has the right to form associations and establish joint agencies with other local authorities.

§ 160. The organisation of work of local authorities and oversight of their activities is provided by law.

COOPERATION BETWEEN STATE AND LOCAL GOVERNMENTS

The **Local Government Organisation Act** determines the functions, responsibility and organisation of local government and the relations between local and state bodies.

The **Territory of Estonia Administrative Division Act** provides the administrative division of the territory of Estonia, the alteration of administrative-territorial organisation and the basis and procedure for the alteration of boundaries and changes to the names of administrative units.

The **Local Government Council Election Act** determines the detailed basis for the election of local government councils.

The **Local Government Financial Management Act** provides the principles of preparation, adoption, implementation and reporting of local government budgets, measures for ensuring financial discipline and principles for eliminating the risk of difficult financial situations.

Local governments can go to court for the protection of their rights, including to the Supreme Court for the purposes of a constitutional review.

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The cooperation between central government and local governments takes place in the manner stipulated by law as well as in the format of unofficial cooperation. The following cooperation opportunities and obligations arise from legislation:

- Rural municipality and city councils and associations of local authorities have the right to submit proposals to the Government of the Republic for the passing or amendment of Acts and other legislation (§ 65 of the Local Government Organisation Act).
- Local executive bodies are consulted in a timely and appropriate manner in the planning and resolution of issues that directly pertain to the bodies (§ 65 of the Local Government Organisation Act).
- A drafter of legislation concerning the general interests of local government must have the draft approved by the national local government association before it is presented to the Government or signed by the minister (Rules of the Government of the Republic).
- Representatives of the national local government association and the Government of the Republic hold annual negotiations in order to agree on the size and division of the allocations made to local governments from the equalisation fund and the state budget in the draft state budget act (State Budget Act) and discuss sectoral policies that directly concern local governments.
- Assessment of the impact and expert analysis of legislation (rules of legislative drafting).

The following opportunities for cooperation between the state and local governments also exist:

- Best practice in inclusion calls, for the inclusion of local governments and their associations in the early stages of legislative drafting.
- Local government representatives are included in the work of government committees and the working groups of ministries when legislation or other measures concerning local government are being developed.

STATE SUPERVISION

Local governments are autonomous in their activities, but in certain issues their activities are supervised by ministries, offices and inspectorates that check compliance with the law and draw attention to potential problems.

- The Ministry of Justice carries out supervision over the legality of the administrative acts of local governments.
- The Chancellor of Justice carries out supervision over the compliance of the legislation of local governments with the Constitution and laws.
- The National Audit Office carries out supervision, within the scope of its competence, over the use of the specific allocations made from the state budget, grants and money allocated for the performance of state functions and the lawfulness of the performance of functions.
- In addition, the activities of local governments are framed by various national sector-specific regulations and sectoral supervision (e.g. participation of the state in certain spatial planning proceedings).

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Internal structure of local government



COUNCIL

The activities of a city or rural municipality are organised and managed by a council (*volikogu*). The municipal council is the legislative body of a local authority.

The council, which is **elected at general, uniform and direct elections** by secret ballot for a term of four years, appoints the executive body or board (*valitsus*) to office. Elections of local councils take place according to the proportional election system, in which political parties and election coalitions can take part. A citizen of Estonia or the European Union with the right to vote who is at least 18 years of age and whose permanent place of residence is in the respective city or municipality may stand as a candidate in council elections.

Permanent residents registered in the territory of the local government (including those who reside in Estonia on the basis of a permanent residence permit) who are at least 16 years of age have the right to vote in council elections.

1,729 city or municipal council members were elected from among 11,804 candidates in the local council elections held in 2017. The average age of the elected candidates was 49.5; 1,234 (71%) were men and 495 (29%) were women. The national average turnout at the elections was 53%.

The current council determines the number of members in the next council. The local government council must have at least seven members and an odd number of delegates. The minimum size of the council depends on the number of residents of the respective local government.

Sizes of local government councils at elections held in 2017:

- 7-20 members: 31
- 21-30 members: 43
- more than 31 members: 5

The biggest council (as at 2019) is in Tallinn with 79 members; the smallest one is in Ruhnu with seven members.

The role of the council mainly entails the strategic management of the local government and the issue of legislation. Pursuant to law, the local government council has the sole competence to:

- decide on issues related to the preparation and adoption of the town, city or municipality budget, the establishment of taxes, the taking of loans and municipal property;
- apply for amendment of the borders of the local government unit from the state;
- form city or rural municipality districts;
- adopt the statute, development plan and comprehensive land use plan of the city or rural municipality;
- elect or dismiss the city or rural municipality mayor, appoint the city or rural municipality board to office or dismiss them from office;
- form, reorganise and terminate local agencies (incl. joint agencies) and establish the structure, composition of positions and salary guidelines.

Permanent residents registered in the territory of the local government (including those who reside in Estonia on the basis of a permanent residence permit) who are at least 16 years of age have the right to vote in council elections.

Council legislation

- The council has the right to issue regulations (*määrus*) as legislation of general application and adopt resolutions (*otsus*) as legislation of specific application.
- Council legislation is generally valid within the administrative territory of the given local government unit.

The council may form both **standing or ad hoc committees** (*alaline/ajutine komisjon*) as determined in the statute of a local authority. The law requires the establishment of a revision committee (*revisjonikomisjon*) consisting of at least three council members. The chairmen of all standing committees of the council and all members of the revision committee must be elected from among the council members; other residents may also be included as ordinary members of the committees.

The work of the council is managed by the chairman (*volikogu esimees*). The majority of the council elects the chairman of the council by secret ballot. The chairman organises the work of the council, represents the council and fulfils other duties imposed by law or the municipal statute. In some cases, the position of chairman may be a full-time remunerative one (primarily in larger local governments), but the chairman may also manage the work of the council in addition to their principal job outside of the local authority.

Council meetings are generally held once a month. As a rule, the meetings are open and anyone can come and listen to what is discussed at the meeting. Council meetings are often broadcast online as well.

MUNICIPAL BOARD (MUNICIPAL GOVERNMENT)

The council appoints a **municipal board** (*valitsus*) as a collegiate executive body for the duration of its authority and determines the number of board members. **The head of a board is the mayor** (*linnapea, vallavanem*), who is elected and removed by the council.

The members of the board are appointed to office on the proposal of the mayor. The board may include municipal employees or political appointees. Board members may not belong to the council at the same time, as they must report to the council. Members of the council cannot be members of the board. The council has the right not to confirm the members of the board but it may not make, however, make alterations to the membership of the board on its own initiative.

The board is responsible for the resolution of current tasks and manages the everyday work of the authorities of the town, city or municipality. The board members coordinate the areas of activity of the local government within the scope of the authority granted by the mayor, organise issues of municipal administration and its structural units within their field of responsibility and perform other functions assigned by the mayor.

While council sessions are generally open, board sessions are closed. Working procedures are determined by the municipal statute.

The competence of the board includes guaranteeing the everyday functioning of the local government and the performance of public functions, the implementation of the functions assigned by the council, preparation of the issues to be discussed by the council, organisation of the provision of services by municipal institutions

and the resolution of other local issues that the board is required to resolve. As the division of work between the council and the board is largely an issue of the internal organisation of local authority, it may vary between local authorities (differences between larger and smaller local governments).

Although the European Charter of Local Self-Government and the Estonian Constitution both stipulate that the council is the only mandatory local government body and that the formation of a board is for the council to decide, the Local Government Organisation Act of Estonia stipulates both councils and boards as local government bodies. This approach is based on the principal of internal separation of powers and balance of local government.

Government legislation

- The board has the right to issue **regulations** (*määrus*) as legislation of general application and **issue orders** (*korraldus*) as legislation of specific application.
- Council legislation is generally valid in the administrative territory of the given local government unit.

ADMINISTRATION

The mayor is also the head of the municipal administration in addition to the council-approved board as a collegial management body, i.e. its employees and officials. Usually, the **administration consists of departments and the office** (*kantselei*). The organisational structure of a municipal administration is determined by the municipal council. Municipal staff are employed by the mayor.

The administration of each local government must include the position of a **city or rural municipality secretary** (*linnasekretär, vallasekretär*). The city or rural municipality secretary is the head of the office. The main tasks of the secretary are to prepare the materials for the sessions of the government and the council. The secretary is also responsible for ensuring that the regulations to be passed are legally correct. The council office is separated from the government office in Tallinn and other larger local authorities.

ROLE OF COUNCIL:



development of local policies



establishment of strategic goals
(development and budget strategies, planning, direction of spatial development)



development of legal environment
(regulation of activities of local government, regulations aimed at residents)

ROLE OF MUNICIPAL BOARD AND ADMINISTRATION:



solves and organises daily matters of local life based on legislation and to the extent indicated by the council

OPPORTUNITIES AVAILABLE TO CITIZENS TO PARTICIPATE IN DECISION-MAKING

One of the most important principles of local self-government is the right of the residents to participate in the exercise of local government. Residents of a municipality can participate in the exercise of local government at three different levels:

1. using the right to vote or participate in elections according to the principles of representative democracy;
2. participating directly in the decision-making process according to the principles of participatory democracy, which may include different types of participation: information exchange and consultations, participation in the decision-making process or in the phase of implementation of decisions;
3. participating in the activities of a political party.

Direct participation can be exercised by:

1. Participation in the activities of the council or board committees, representative bodies of town and rural municipality districts and the boards of trustees of schools/preschools.
2. Participation in public discussions (e.g. during the preparation of spatial plans and development plans) and the participatory budgeting process.
3. At least 1% of municipal residents with the right to vote are entitled to launch initiatives for the adoption, amendment or annulment of municipal board or council legislation in matters concerning local life, which must be taken up for discussion within three months.
4. Participation in village movements, i.e. in the activities of local NGOs, village societies and other citizens' associations.

A head of village is elected in many (not all) local governments and serves as the local partner to the heads of local governments. Whether and how the heads of villages are to be elected is a decision of local council.

The law prescribes the possibility for the election of a head of village and approving a statute for activities, and grants their right to participate in council meetings with the right to have a say. In other places, a role similar to that of the head of village may be carried out by the village society, for example. The 'Kodukant' Estonian Village Movement acts as the nationwide organisation representing the interests of villages.

All local government legislation and other important information concerning local life must be accessible to residents. As a rule, the local government website and free newsletter are used for this purpose. Local government legislation, which includes important regulations, is published in the official online national legislation publication *Riigi Teataja*.

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Powers and responsibilities of local government authorities



According to the Constitution, functions may be assigned to local authorities only by law or mutual agreement. All local issues are dealt with and resolved by self-governing local authorities unless assigned to other persons according to law. **The main tasks of local authorities are stated in the Local Government Organisation Act.** These tasks are more specifically regulated by at least two hundred acts and regulations, which is why providing an exhaustive list of the functions of local governments is not easy, and this list changes to a certain extent according to the decisions made as new legislation is adopted.

According to the Local Government Organisation Act the main function of local government is to organise the following in the city or municipality in question:

- social assistance and services;
- welfare services for the elderly;
- youth work;
- housing and utilities;
- water supply and sewerage;
- provision of public services and amenities;
- waste management;
- spatial planning;
- public transport within the town, city or municipality;
- maintenance of town or city streets and municipality roads;
- maintenance of preschool child care institutions, basic schools, secondary schools, hobby schools, libraries, community centres, museums, sports facilities, shelters, care homes and health care institutions if they are in the ownership of the local authority.

Rural municipalities and cities must have development plans, budget strategies and comprehensive plans that are updated on a rolling basis. Development of different fields of local life is planned and carried out based on these basic strategic documents.

The main functions of local governments in Estonia are as follows:

Education. Local authorities are responsible for the maintenance of preschools, primary and basic schools and hobby schools, covering their operating expenses (renovation of buildings, acquisition of supplies and textbooks, etc.). Primary and basic schools, and in many cases also secondary schools, are institutions administered by local governments. The salaries of municipal school teachers are paid from the local government budget using funds allocated from the state budget for supporting the performance of these functions (educational support). State upper secondary schools also operate in addition to municipal schools. Local authorities organise school transport for students.

Culture and sports. The functions of local authorities include the organisation of culture, sports and youth work. Local authorities are responsible for the maintenance of libraries, cultural centres, museums, sports facilities and other institutions in the field if they are in the ownership of the local authority. Most local cultural institutions are in municipal ownership. Local authorities exercise supervision over the monuments. Within their territory and are responsible for compliance with heritage conservation requirements. In the fields of culture, youth work and sports, the local government supports active local cultural and sporting activities and the pursuit of hobbies, which includes supporting events that are organised.

The functions performed jointly by local authorities in the field of culture are the development of the cultural policies of counties, the organisation of activities related to the nationwide song and dance celebrations at the county level and the preservation of the continuity of county and local identity.

Social welfare. Local authorities are responsible for the organisation of social assistance and welfare services for the elderly, the disabled and other people in need of help (incl. assisted living) and the maintenance of nursing homes, shelters and other social welfare institutions.

Pursuant to the Social Welfare Act, a local government is required to provide the following basic social services:

1. Domestic service, the objective of which is to ensure the independent and safe coping of an adult in his or her home by maintaining and improving his or her quality of life. Assistance is provided in relation to activities such as heating, cooking, buying food and household items and running other errands.
2. General care service, the objective of which is to ensure a safe environment and coping of an adult who is unable to cope independently at home due to his or her state of health or other reasons.
3. Support person service, the objective of which is to support the ability to cope independently in situations where a person needs significant personal assistance due to social, financial or health problems.
4. Curatorship of an adult who needs assistance due to a mental or physical disability.
5. Personal assistant service, the objective of which is to increase the independent coping ability of an adult who needs physical assistance due to a disability.
6. Shelter service, the objective of which is to provide a place of temporary overnight stay to an adult who is unable to find a place of overnight stay.
7. Safe house service.
8. Social transport service, the objective of which is to enable a person whose disability hinders his or her use of a personal or public transport vehicle to use a means of transport that corresponds to his or her needs.

9. Provision of a dwelling for a person who due to his or her socio-economic situation is unable to provide a dwelling that corresponds to the needs of the person and his or her family.
10. Debt counselling service.
11. Childcare service to support the ability of a person raising a child to cope or work or to reduce the care burden arising from the special needs of the child.
12. Alternative care service to ensure family-like living conditions for a child for the satisfaction of the basic needs of the child.
13. Continued care service, the objective of which is to support the ability of a person leaving alternative care and guardianship to cope independently.

A local authority is obliged to identify the need for assistance of a person who requests assistance and determine corresponding assistance. Local authorities may organise social services and pay supplementary social benefits from a local authority budget under the conditions and pursuant to the procedure established by the local authority.

A local authority is obliged to identify the need for assistance of a person who requests assistance and determine corresponding assistance.

JOINT FUNCTIONS OF LOCAL AUTHORITIES

Utilities and infrastructure maintenance.

Local authorities are responsible for the organisation of housing and utilities and the provision of the relevant services (water, heating, sewerage, etc.). The area of responsibility of a local authority includes the maintenance of a local roads and streets. Many towns and rural municipalities have established companies that provide utility services. The local authority is responsible for the functioning of waste management in its territory.

Planning and construction. Pursuant to the Planning Act and the Building Code, local authorities are required to prepare comprehensive plans, detailed spatial plans and local government-designated spatial plans in their territories, to issue design specifications, building permits and use and occupancy permits and to exercise state construction supervision.

Population Procedures. Local authorities are responsible for registration of residence and births. Since 2018 (after the dissolution of county governments) local authorities in the center of the county are also responsible for registration of divorce, contraction of marriage, name related procedures, change of gender etc.

Since the termination of county governments (*maavalitsus*) in 2018 local authorities have received new functions for joint implementation. Pursuant to law, **the local authorities in each county must jointly plan the development of the county.** Regional development strategies for the county or the territories of several counties are jointly prepared and implemented for this purpose. In addition, coordination of security councils, health promotion and organisation of culture are also joint functions of local authorities. In most counties, these joint functions are performed by county local authority associations (see also 'Cooperation between local authorities').

One of the joint functions of local governments since 2018 has been the **organisation of public transport (bus and ferry traffic) in counties in cooperation with the national Road Administration** via the regional transport centres formed for this purpose. As an exception, local public transport in Saaremaa and Hiiumaa rural municipalities, which cover all or most of the territory of the county, is organised by the local authorities itself.

Pursuant to law, the local authorities in each county must jointly plan the development of the county.

One of the joint functions of local governments since 2018 has been the organisation of public transport in counties.

IT DEVELOPMENTS OF LOCAL GOVERNMENTS

Estonia has been a forerunner in the development of the information society. The more e-services the state provides, the more e-services people expect local governments to provide. Local governments are increasingly moving from physical services to digital ones. Developing e-services and boosting democratic participation (e-participation and e-inclusion) are important in this process. The central government's ICT policy has had an important role in this by establishing the secure infrastructure needed for this (x-tee, central information systems) and coordinating the development of e-solutions for the universal use of local authorities in Estonia.

Various tools have been developed, one of which is the council information system (VOLIS). It allows people to read materials and watch local council sessions online. It also enables citizens to be included in the decision-making processes of the council and the board via e-inclusion channels. Another tool is the service portal (KOVTP) and procedural environment (KOVMEN) of local authorities, the former of which allows them to use website services with a universal information structure, and the latter of which allows them to use electronic pre-filled forms to implement fully digital procedures in providing local services. There is also the 'Anna teada' ('Let us know') environment for reporting visible problems in public space via e-channels, mainly via an app. Local authorities

use electronic document management and many other inclusive solutions. Many local authorities use online tools that allow them to inform residents about pending plans. They often use electronic information systems to accept and process applications (preschools and hobby education), which form is also a self-service environment for residents. Local authorities also use the electronic pet register and the electronic database of cemeteries, while school students/teachers/parents use various e-school solutions (where the daily learning tasks and learning outcomes of students can be viewed). Similarly to national and European Parliament elections, e-voting has been used in Estonia in addition to ordinary voting in local council elections since 2005.

The share of e-votes among all people who participated in local council elections has increased with each election:

2005 1.9%

2009 15.8%

2013 21.2%

2017 31.7%

Financing of local governments



Each city and rural municipality has an independent budget. The revenue of local authorities consists of taxes, grants, sales of services and other income. The purpose of tax revenue (income tax and land tax) and the equalisation fund and the earmarked block grant is to guarantee that local authorities have adequate funds for the independent organisation of local life.

Annual negotiations about the funds to be allocated to local authorities from the state budget have been held between the nationwide association of local authorities and the central government since 1994. Sectoral working groups consisting of representatives of local authorities and ministries have been formed for this purpose. They discuss the proposals and suggested amendments concerning the budget made in various fields and the functions of local authorities.

More than half of the total income of cities and rural municipalities consists of the **personal income tax** paid by their residents (paid at the rate of 20%, which is divided between the central government and local governments, local governments receiving 11.93% of the gross revenue of residents (2019); local governments received more than 1.1 billion euros from personal income tax in 2018). Land tax, the rate of which can be determined by the local authorities within the established limits, is paid fully to local budgets, but its amount is considerably smaller (ca 57 million euros in total in 2018).

In addition to national taxes, a local government may establish **local taxes** within its territory (such as advertising tax and parking charges), but their share in the consolidated budgets of local governments has been very small to date (up to 1%).

The equalisation fund is designed to harmonise the budgetary opportunities of municipalities with different revenue levels (the equalisation fund in the budget for 2019 being 102 million euros).

The earmarked block grant consists of sectoral specific-purpose support, which makes it possible to cover the labour costs of teachers, provide school lunches, pay subsistence benefits, maintain local roads, etc. The amount of the block grant in the state budget for 2019 is 417 million euros (incl. 314 million euros for educational expenses).

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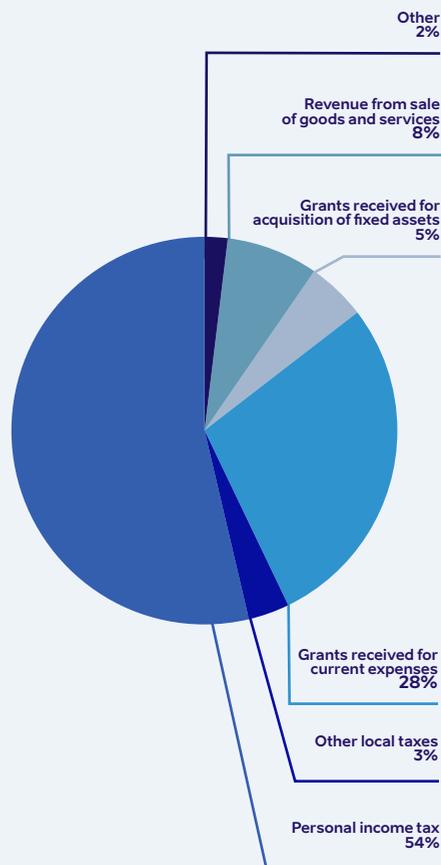
The city or rural municipality board prepares the draft budget for the following year and submits it to the council no later than a month before the start of the financial year. If the budget has not been adopted by 1 January, the board may incur expenses in the amount of one-twelfth of the expenditure prescribed for the year ended. The budget must be adopted within three months of the start of the financial year, or the council will be dissolved.

The Financial Management of Local Governments Act stipulates the following principles:

- **preparation** of a budget strategy for the following four years;
- **publication of the development plan**, budget strategy and budget documents on the website;
- **compliance with the requirement of balance between operating revenue and expenses**;
- **compliance with the maximum net debt burden**; as a rule, the net debt burden may be 60% to 100% of the operating revenue of the local government in the respective financial year depending on their financial capacity;
- acquisition of shares only for the performance of public functions.

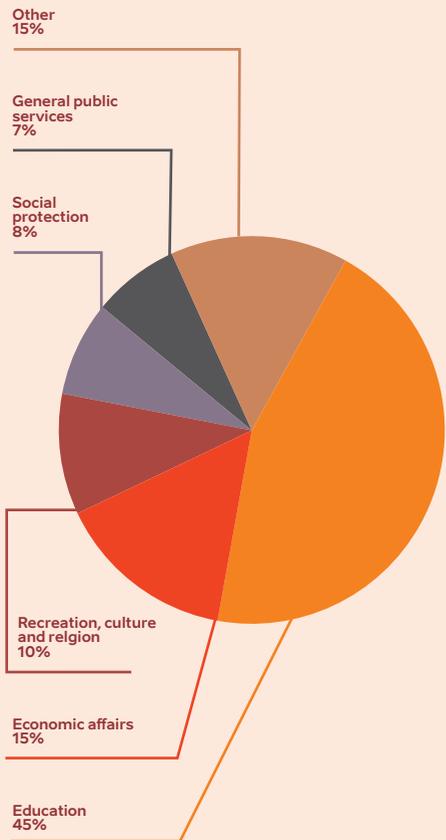
→ **The city or rural municipality board prepares the draft budget for the following year and submits it to the council no later than a month before the start of the financial year.**

Figure 1: Revenue of local authorities in 2018



Income in 2018	mln euros:
Tax revenue	1171
Equalisation fund	90
Block grant	418
Grant received for investments	107
Sales of goods and services	158
Other revenue	115
TOTAL	2059

Figure 2: Expenditure of local authorities in 2018



Expenditure in 2018	mIn euros
Education	972
Economy (incl. housing and utility services)	412
Recreation, culture and religion	219
Social protection	170
General public services	158
Other	238
TOTAL	2169

Local authorities in financial difficulties are given the opportunity to prepare a four-year plan to resolve the situation. If this fails, rehabilitation proceedings overseen by the state are implemented.

Participatory budgeting

Participatory budgeting is used to improve citizens' understanding of the local authority's budget and to increase inclusion in decision-making in local authorities. Tartu was the first municipality to start using participatory budgeting in Estonia in 2013, allocating 1% of the city's investment funds (i.e. 140,000 euros) to a project selected by citizens by way of a public vote. An increasing number of Estonian local governments are following the example of Tartu and using participatory budgeting.

→ **Participatory budgeting is used to improve citizens' understanding of the local authority's budget and to increase inclusion in decision-making in local authorities.**

Cooperation between local authorities



For the expression, representation and protection of common interests and for the performance of common functions, cities and rural municipalities may:

1. cooperate by forming joint agencies for the performance of joint functions based on a contract under public law;
2. grant authority to another city or rural municipality for this purpose;
3. form associations of local authorities and other organisations.

Associations of local authorities are an important form of cooperation between local authorities and their activities are regulated by the Local Government Associations Act. At the national level there is an association which represents the common interests of local authorities: **the Association of Estonian Cities and Municipalities**. It was founded in 1920 and re-established in 1990.

The main function of a **county association of local authorities** is to contribute to the balanced and sustainable development of the county via cooperation, the preservation and promotion of the county's cultural traditions, representation of the county and its members and the protection of the common interests of its members. The association's roles and tasks may differ from county to county depending on the number of local governments

and local agreements between them. Belonging to an association is voluntary for local authorities. Following the administrative reform, some county associations of local authorities terminated their activities due to the reduction in the number of local governments. Other forms of cooperation are used in the regions, such as county development centres.

→ **In addition to associations of local authorities, local authorities can cooperate via the establishment of joint companies or non-profit organisations, the performance of functions jointly on the basis of contracts and the establishment of joint agencies (since 2018).**

Associations of local authorities are an important form of cooperation between local authorities and their activities are regulated by the Local Government Associations Act.



International cooperation of local authorities

Most municipalities in Estonia have relations and friendship agreements with local authorities abroad, the majority of which are in the Baltic States and Nordic countries. Estonian local authorities are represented, via the national association, on the **Committee of the Regions of the European Union** (full membership since accession in 2004).

The Congress of Local and Regional Authorities of Europe (CLRAE) is another important international forum for Estonia's local self-governments. The Association of Estonian Cities and Municipalities is a member of the **Council of European Municipalities and Regions** (CEMR), **United Cities and Local Governments** (UCLG) and **Conference of Peripheral Maritime Regions** (CPMR).

The AECM is also actively involved in Baltic Sea States Sub-Regional Co-operation (BSSSC).

→ **Most municipalities in Estonia have relations and friendship agreements with local authorities abroad, the majority of which are in the Baltic States and Nordic countries.**

Useful links

Eesti.ee

www.eesti.ee/en/

Association of Estonian Cities and Municipalities

www.elvl.ee/web/eng

Statistical Office of Estonia

www.stat.ee/en

Estonian Legislation in English:

www.riigiteataja.ee/en/

