

The Development and Dilemmas of Estonian Local Government from a European Perspective

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In this article, I try to give an overview of the development of Estonian local government as an institution of democratic politics and governance. As there is an abundance of literature on the development of the Estonian local government system,¹ I will only focus on those aspects of and pivotal events in the system's development that help us to better understand the background of the 2017 reform.

¹ See e.g. S. Ludvig (ed.), *10 aastat Eesti Omavalitsusliitude Ühendust*. Tallinn, 2003. S. Ludvig et al. (eds.), *Eesti kohalik omavalitsus ja liidud – taastamine ning areng 1989–2017*. Tallinn, 2017.

Any reform involves a fair amount of inconvenience (or even risk) and so should only be undertaken if avoiding it is not an option. Therefore, I will mainly focus on the tensions that justified taking this kind of ambitious decision (to initiate reform), setting aside the results, which may be considered satisfactory and which I have discussed elsewhere.²

Setting of the analysis

Local government is the most important aspect in the governance of unitary nation-state. It allows the central government to govern the entire territory relying on universal principles. At the same time, it allows the central government to delegate various administrative functions (ensuring local order and administration of justice, tax collection, education, statistical data collection and so on) to communities or local authorities.

Therefore, modern local government forms an interconnected system with the state, its authorities and other actors. Strong local authorities that trust the central government enable the state to focus on national development goals and leave most of the responsibility for the smooth running of day-to-day life to the institutions that are under the immediate oversight of the citizens. This idea is emphasised in the documents of the European Commission as the principle of subsidiarity.

As a result of exercising the principle of subsidiarity, it is possible to develop a complex system of multi-level governance, from supranational institutions (such as the European Commission) to the administrative levels within municipalities (villages, municipal districts³).

² G. Sootla, K. Kattai, 'Estonia: Challenges and Lessons of the Development of Local Autonomy' – *The Oxford Handbook of Subnational Democracy in Europe*. Oxford University Press, 2011. G. Sootla, S. Lääne, 'Keskkvalitsuse ja kohaliku omavalitsuse suhted' – *Eesti poliitika ja valitsemine 1991–2011*. Tallinn, 2012.

³ In English, the term 'neighbourhoods' is used for municipal districts.

The administrative division of Estonia in 1889 when the local government system was restored

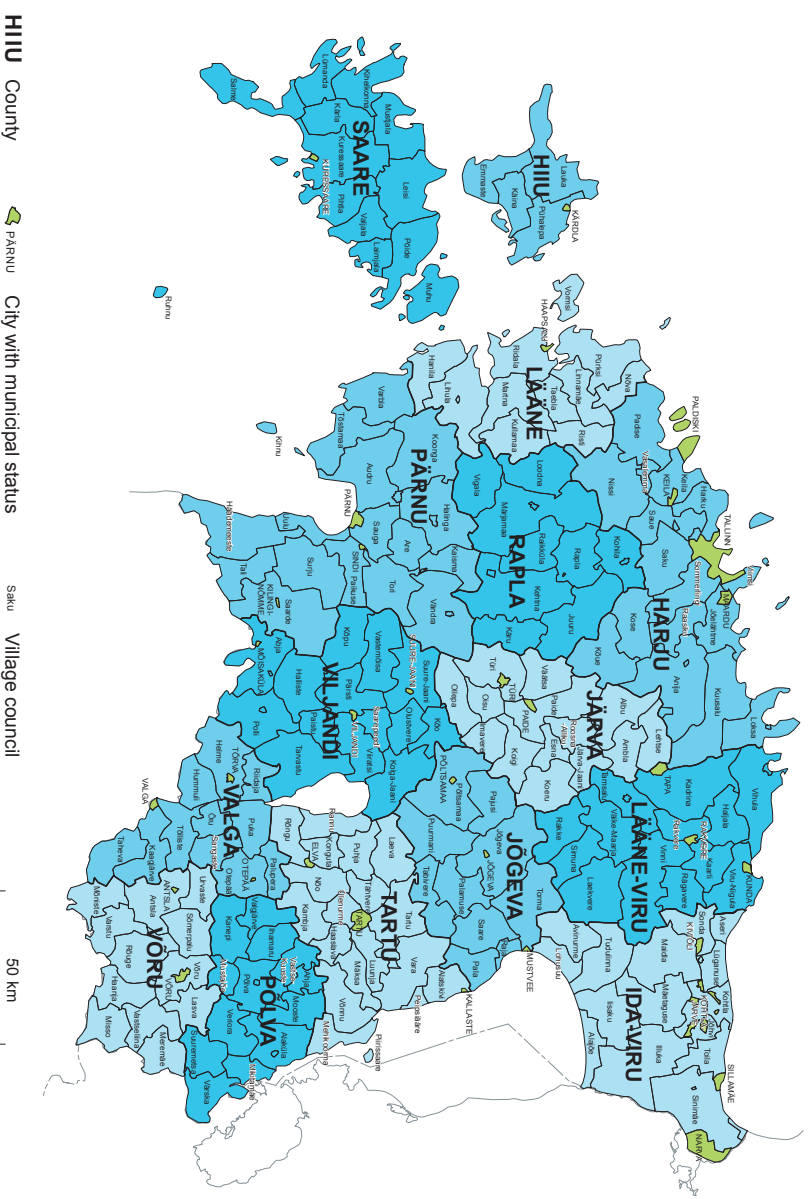


Figure 1.

Restoration of the local government system in 1989

The democratic system of local government re-emerged in Estonia as a result of a restoration process that started in 1989. The aim of the process was to counterbalance the authority of the already collapsing central government in Moscow by rebuilding the first tier of local government. Therefore, it was natural to use the classical system of mixed state and local authority at the county level.

During the four-year transition period, the local government functions were delegated to the first tier of government, except those that could have been performed at county level due to the small size of the municipality. The majority of local authorities remained within the domain of former village councils, as the local government reform was timed to take place during the regular local elections. Six of the larger urban municipalities also kept their status as a county and first tier of local government (which was typical practice for a mixed system found in continental Europe). To reduce the dominance of Soviet-era leadership in local life, the system of a committee was used for the municipal council-government balance, which meant merging the positions of the chairman of the municipal council and the chief executive of the local government. Because the elections did not have operating political parties, a unique method of single transferable vote was set up; that is, these were essentially elections of persons.

The driving force behind the reform was a department of the Presidium of the Supreme Soviet of Estonian SSR headed by Raivo Vare. They established the administrative reform expert committee, whose task was to grant municipal status to local authorities. Village councils and cities gained the new municipal status after the approval of their municipal statutes and development plans. This was an effective method of testing the new local leadership and competency at the very start of their role.

However, this vital process of assigning municipal statuses turned into a formality, particularly before the elections in 1993. This formality was reflected later in the different competency that local authorities had

in strategic planning. In 1991, during the restoration of independence, only 94 out of 244 village councils and cities had received the above-mentioned municipal status.

An important and very productive stage in planning the local government as an institution in Estonia was the discussions held at the Constitutional Assembly in 1991–1992. The seventh working group of local government of the Assembly had a pivotal role in detailing the safeguards of local autonomy in Chapter XIV of the Constitution of the Republic of Estonia. But with foresight, the Constitution left room for many issues to be resolved by future legislation.

Still, the subsequent system of local government began to turn political. Two main approaches were discussed, and in hindsight, they both had strengths and weaknesses. The first approach was to develop a one-tier system of local government, modelled after the local government system in Finland, and was justified by the need to shape the basis for a democratic first-tier local government in Estonia. Another thought was to establish local authorities within the old framework of parishes; this mostly gained the support of nationalist party politicians. At the time, this inclination to look back in history had an influence on determining the first tier of local government. During the 2017 administrative reform, the logic of defining municipalities according to historical parishes was also an important argument that was used to justify this system of merging.

The second approach was the system of a classical two-tiered system of local government where the second tier was the county executive agency of the central government, which was under the authority of the county council (a continuance of the 1989 model). However, after 1989, some county leaders cooperated with ministry officials at the time and stopped delegating tasks to the first tier of government. This behaviour spoke against the second approach.

The Assembly did not declare itself in favour of either of these approaches. However, the Constitution established rural municipalities

and cities (and other municipalities established by law) as local government entities. In reality, because the city was interpreted as a settlement unit in administrative practice, establishing separate divisions of authority for urban municipalities began to hinder the mergers of larger county capitals and their hinterlands (for example, the cities of Viljandi and Paide). As a result of the 2017 administrative reform, some very large urban municipalities were established. This led to renaming urban municipalities with rural regions (somewhat paradoxically) as rural municipal districts. It is apparent that partial solutions to this terminological confusion (for example, defining the urban size in an urban municipality) can lead to even more peculiar results. Therefore, instead of distinguishing cities and rural municipalities, we should find one common definition for an administrative division with local government.

In 1993, during the discussions for the Local Government Organisation Act, the government did not have a consensus for the number of tiers in the local government system. And so, on 12 May 1993, the Estonian parliament made the decision to establish a one-tier system of local government, and this was followed by passing the Local Government Organisation Act in June of the same year. The Act established the Estonian local government system after the Nordic countries and their one-tier system of local government. This differed from the system of pre-war Estonia, as well as from the system that was developed in 1989.

Creating a one-tier system of local government was logical for various reasons. Most importantly, it was necessary first to establish a strong first tier of local government, and this was the right way of doing that. Most Central and Eastern European countries (aside from Lithuania, Bulgaria, and Romania) chose the strategy of strengthening the first tier of local government. However, they did not implement the one-tier system, but instead used a classical form of mixed governance. Second, there was a risk that many county local governments in Central and Eastern European countries (including Estonia) would organise a referendum for autonomy. And this actually took place in summer 1993.

Estonia's choice was mostly inspired and justified by the system of local government established in Finland. But there were some important prerequisites for establishing this system that had been developing over centuries. First, the local communities in the Nordic countries evolved as communities with municipal status; furthermore, they did not experience serfdom. Communities with municipal status started to emerge in Estonia only in the mid-19th century, and this development was interrupted by the Soviet occupation. Estonian politicians had a very brief experience with running a balanced democratic government (1918–1934). This also became evident in the heated discussions about the optimal system for central and local government in Estonia in the 1920s. Incidentally, the system of county governance established in Estonia in 1937 (Counties Act, *State Gazette* 1938, 43, 405) could be the model example of a well-balanced system of central and local government.

Second, the central and local government have to achieve a balance in which the local level has a significant say, as well as, in certain matters, the opportunity to halt any decision-making that would be damaging to the autonomy of local government or to the balance between state and local authority.

Third, in order to receive the best services, municipalities and their residents focus on improving the self-management and leadership of their communities. Therefore, the competition between local authorities is insignificant; few residents are voting with their feet in search of better services. This provides a premise for mutual cooperation and makes it possible to sort out common interests when shaping policies.

The Local Government Organisation Act of 1993 established these general prerequisites for the system to be successful. County governments were divisions of decentralised territorial government, and governed the counties on behalf of the state. Candidates for county governor as a career official were appointed by the Government of the Republic with the consent of heads of local authorities. County governments and local administrative authorities were quite successful in representing

local characteristics and needs, and the county governor was able to balance the various influencing factors within the county. The county governors also successfully represented local interests at the government cabinet meetings that shaped the decisions of central government. For example, until 1999, because of the management style of the ministry and the county government, decisions regarding the national investment programme on local government investments were made through a consensus between heads of local government and county governors. By contrast, in some counties up to one-third of the investments went into developing the county.

Yet the formal legal context in 1993 was still defining the basis for approach, and the legislative body included important prerequisites for establishing this system of governance.⁴ Above all, they were expecting the formation of larger and more capable municipalities with their important right of taxation.

The coalition in power was defeated in the elections of October 1993 (mostly due to the onset of recession), which resulted in a political divide between the tiers of central and local government. This divide started influencing subsequent laws that related to the competency of local government and transformed into political rivalry between the parliament and the city of Tallinn.

At the beginning of 1995, the Territory of Estonia Administrative Division Act was passed, which set the procedures for local government mergers. One restraint, but not a decisive variable, on the development of the local government system as a whole may have been the difference in and low levels of financial capacity of local authorities. The main factor was developing and shaping the balance between the central and the local government. This institutional balance is created through shaping policies in the government and the *Riigikogu* (Estonian Parliament)

⁴ K. Jürgenson, 'Põhiseaduse Assambleest ja kohaliku omavalitsuse süsteemi taasloomisest' – Polis Annual Conference, Tallinn, 19 August 2014.

with the clear and joint strategic input of local authorities. It is just as vital to coordinate the positions of relevant ministries and ministers in comparison to other sectors.

The subsequent process indicated that the initial balance in power resources started to tilt more and more towards the central government and its agencies. In my opinion, the biggest issue was not recognising that the main cause of the problems, such as the small revenue base, the allocation of responsibilities between tiers of authority, the tendency for centralisation in governance and so on, was the imbalance of power.

Subsequent development of county governments

The Government of the Republic Act⁵ was passed at the end of 1995, and it significantly changed the role of the county government and the governor. This Act reduced the role of the county governor to a representative of state in the county and the county government was changing from the administrative authority of a territory into an office that serves the county governor and coordinates sectoral management.

In the mid-1990s, the prevailing view was that the county governor could not represent local interests and be the state supervisor at the same time. As a result of this, the lower tier administrative responsibilities of counties were delegated to the local administrative agencies of ministries. At the same time, it was presumed that the responsibilities of local authorities and determining regional interests at the county level would be delegated to the county associations of local authorities.⁶ County governments as autonomous centres of authority, which at the time were mostly led by Soviet-era leaders and specialists, were an inconvenient intermediary for the local and central government elites.

⁵ <https://www.riigiteataja.ee/akt/111062013007>

⁶ See 'Principles for the Development of Public Administration', an explanatory statement submitted to the Government of the Republic by a committee chaired by Minister Peep Aru, 18 February 1999.

Throughout the era of the democratic Republic of Estonia (until 1934), as well as in the 1990s in many countries in Eastern and Central Europe that were democratising, the state attempted to neutralise the role of the county government.

The new political leaders with little experience in democratic governance did not realise that the key to the balance of power between central and local government lay in the balancing role of the county governor and the county government as an autonomous authority (see Hesse 1998). Instead, the politicians attempted to tilt the balance in their favour and saw an easy shortcut in just pushing out one player. This also explains why leaders in the Nordic countries who start out at the local level continue to defend the interests of their local government in the central government. By contrast, in Estonia, former mayors and heads of rural municipal governments who are elected to the *Riigikogu* are quick to forget local interests.

In 2004, county governments were moved to the administrative division of the Ministry of the Interior. The appointment of the county governors started to be based on informal political agreements between political parties, which the government then merely ratified. This meant that the administration of tiers lower than the state was entirely taken over by ministries. It was probably an effective solution, but the scope of local and regional policies, especially in development, was reduced in public administration. In this context, the dissolution of county governments by the 2017 decision was just a legal formality for a long process.

Administration became more centralised and fragmented with agencies on tiers lower than the state. At the same time, the other side of the strategy – assigning local government functions and regional development plans to county-level associations of local authorities – was largely not introduced.

Yet, as local authorities basically do not have their own tax base (the input of local taxes is the lowest in Europe, below 1 %) and the divided state tax (including individual taxes on income) is viewed as general

purpose state allocations by European research, the local authorities became both politically as well as administratively more dependent on resources that they received from the central institutions of state (parties, ministry departments). The local authorities became competitors in the fight for resources that were in the hands of the central government.⁷

This reduced the willingness of local authorities to cooperate on administrative or organisational tasks that smaller municipalities could not manage on their own (e.g. support counsellors for schools or social workers) and that might have had a regional impact (e.g. reshaping upper secondary school education) through cooperation. The main issue was that local authorities and their associations could not make clear and substantial inputs to policy development, and because the central government sensed its growing power, it was unwilling to take them seriously.

A one-tier system of local government had developed that did not balance the power of the state and local authority; instead the power began to shift to the hands of the central government, as a void had appeared at mid-level administration.

The side effects of this unique system became strikingly apparent when applying the European Union structural funds for regional development. For these funds to be implemented, there has to be a connecting link of (regional) territorial governance that can join the sectoral preferences with local and regional needs. This enables the government to make strategic and regionally balanced decisions. Regional policy has been treated as a key issue in Estonia. The position of Minister of Regional Affairs existed for over 20 years, but there was still no agency for regional planning and coordination or even clearly defined regional areas. Therefore, there is a serious contradiction between political rhetoric and actual public policies.

⁷ J. Hesse, 'Rebuilding the State: Administrative Reform in Central and Eastern Europe' – OECD 1998, 'Preparing Public Administrations for the European Administrative Space', *Sigma Papers* No 23, OECD Publishing, Paris, pp. 41–63.

Many EU regional development programmes are focused on increasing the capacity of state institutions (e.g. state upper secondary schools, Estonian Unemployment Insurance Fund) at the county level, even though the local authorities already have this capacity and it only requires further development. A new wave of centralisation started with the programmes of European regional development funds.

However, because of fragmentation and a lack of regional cohesion, the tier of local government has been unable to introduce relevant inputs of regional priorities for the EU programmes⁸. Therefore, despite the inclusive administration process of the EU Regional Development Fund, the role of local authorities has been minimised in the phase of planning the measures of regional policy (e.g. the role of county development plans). The role of local government development plans in long-term strategic planning has also decreased. These plans have mostly become as broad as possible to be applicable to a wide range of external financing programmes (Praxis Centre for Policy Studies 2015).

For some local authorities, the motivation for choosing voluntary merging was the dispersed outlook of these strategic plans.⁹

One of the goals of the administrative reform was to reintroduce the strategic perspective to local government policies.

Input of local interests into policy-making

Another measure in the one-tier system of local government that empowers local authorities is the substantial input that local authorities give to policy-making on state level, especially on issues that infringe the interests (autonomy) of local government.

⁸ Praxis, The impact of structural fund programs (2007–2013) on regional development. Praxis/Centrar, 2015.

⁹ 'Kohalike omavalitsuste 2005. a ühinemiste ja selle tagajärgede analüüs'. A report for the Ministry of the Interior. Tallinn University, Tallinn, 2008.

Associations of local authorities. In May and September 1990, respectively, the Association of Estonian Cities and the Association of Municipalities of Estonia were re-established with the restitution. The first county-level association of local authorities (in Raplamaa) was established in January 1991, and to coordinate these associations, the National Association of Local Authorities was created in 1993. In February 1994, the Co-operation Assembly of Association of Local Authorities was established after it was realised that the growing number of associations would probably undermine local authorities in relation to the state. This association was to begin annual negotiations with the state on matters related to the budget.

These negotiations have been the only effective and regular means of consultation between the state and the local authorities. However, they mostly have been focused on consultation and details of implementation and have not been binding. Therefore, the associations of local authorities have not become a significant balancing force in the process of furthering local government policies.

Civil service input into government policy. The Constitutional Assembly aimed to form a government that would coordinate strong policies but would have a Prime Minister who would have less authority (Constitutional Assembly 1997). At the time, it was a new approach to governance in the Central and Eastern European countries. But this meant removing all administrative functions and coordination from the Government Office.

In October 1993, the Local Government Organisation Act was introduced, which dissolved the Department of Local Government and Regional Development from the State Chancellery. The Local Government and Regional Development Agency was established, whose contribution to government was weak because of its status. In the 1990s, the Minister of the Interior, who was responsible for the area, was often replaced (between 1993 and 2004 there were 13 ministers), and these ministers focused on matters related to internal security (with the

exception of Minister Tarmo Loodus). The Minister of Regional Affairs without portfolio (since 1994) was working with a few advisers in the administration of the Government Office. However, the influence of this position was largely dependent on the personal and political competency of the minister in the hierarchy of their party. On occasion, their role was remarkable (e.g. during the tenure of Minister Peep Aru), but overall, the Minister of Regional Affairs remained without a portfolio until 2004. In 2004, the Minister of Regional Affairs became the second minister in the Ministry of the Interior, but none of them had a significant influence in the party or in cabinet. Therefore, it is not surprising that from 1998 to 2014, most initiatives on the administrative reform did not make it to government. Two initiatives gained formal support but failed to go further.

We cannot underestimate the impact that failed administrative reform efforts had on heads of local governments, as well as on central government politicians. A few important and probably not coincidental processes that started in autumn 2010 highlight these trends.

Discussion of partnership between the state and local authorities in the *Riigikogu*

In late autumn 2008, preparations began for a deliberation on a matter of significant national importance concerning the partnership of the central and the local governments ('*Riigi ja kohaliku omavalitsuse partnerlus-est*'). As a result of the cooperation between the associations of local authorities and universities (under the auspices of MTÜ Polis), and the Constitutional Committee of the *Riigikogu*, the discussion was held on 23 September 2010 in the *Riigikogu*.

On the one hand, the representatives of local authorities and universities showed a willingness to discuss a 'national reform of municipal mergers under the coordination of the central government when the merged municipalities are established as a result of discussions held between local authorities and when it delegates more competencies and resources to the local authority.'

On the other hand, the representatives sought to establish a permanent committee on public administration in the *Riigikogu*, a permanent think tank for local government and regional development, and to transfer the coordination of local government policy under the administration of the Ministry of Finance, as well as to develop one strong association of local authorities¹⁰. This was one important aim for the 2017 administrative reform.

The local government think tank and the reform model based on local commuting centres

One of the terms of the government coalition that took office in 2011 (the third government of Andrus Ansip) was the establishment of local government think tanks. This was also suggested during the deliberation on the matter of significant national importance in the *Riigikogu*. Establishing the think tank as an independent and all-encompassing arena of participants under the patronage of the *Riigikogu* was unsuccessful. Despite that, on 31 October 2011, Minister of Regional Affairs Siim Kiisler formed a think tank as an advisory committee for the minister.

Although preparing a draft for the local government reform was not the purpose of the committee, year-long consultations led to presenting a plan for the reform in 2012, which had important distinctions. First, it was not a finished product that was prepared by experts. It was an assignment that suggested analysing six potential scenarios for the local government reform, including the pros and cons of preserving small municipalities. Second, following the recommendation of the think tank, the ministers abandoned the idea of passing the draft act in January 2013 and trying to implement it with the 2013 election. Instead, the scenarios were put up for general discussion for all parties who were connected with the matters of local government. As the participants of the discussion

¹⁰ Verbatim record of the 23 September 2010 session of the *Riigikogu*; <http://stenogrammid.riigikogu.ee/et/201009231000> (27.6.2017).

preferred the local commuting centre scenario, the association of local authorities, in cooperation with county governors, had to analyse the county local commuting centres based on specific criteria. The draft for the administrative reform was officially circulated for approval at the end of January 2014 after consultations that lasted for 14 months. In March 2014, the coalition collapsed, and this process faded.

The issue was no longer about what to do, but rather how to find the appropriate political measures for organising the local government reform.

Systems of municipal councils and governments

In 1989, a system of municipal councils and governments was chosen that ensured maximum control in local governance. Without a doubt, one of the aims of the government coalition at the time was to neutralise the heads of collective farms and organisations as well as specialists, who had strong positions of authority and who could stop the reforms that had a radical impact on regional areas.

In 1993, a less-used system for governance, known as the cabinet model, was chosen. According to this model, the head of a municipal government who is politically elected by a municipal council majority would establish his/her own team (a collegial government as the decision-making body) for local governance. The term for 'government' loosely equates to administrative-political guidance. Because this term has been too widely used in Estonia, the local administrative system, or administration, is also called a 'government'¹¹.

In a comparative study of the local government system in Central and Eastern European countries^{11 12} (Soos, Zentai 2006), the municipal council and government system in Estonia was the most successful in

¹¹ This was debated in Estonia as early as the 1920s (see Sootla and Laanes 2015).

¹² G. Sootla, K. Grau, 'Institutional Balance in Local Government: Council, Mayor and City Manager in Local Policy Making' – *Faces of Local Democracy: Comparative Papers on Local Governance in Central and Eastern Europe*. OSI/LGI, 2004.

furthering strategic management and at the same time basing decision-making on policies. This means a clearly structured municipal council (political groups), substantial and well-prepared deliberations, effective political oversight of the municipal government by the municipal council and extensive autonomy of the head of the municipal government through political trust. The Local Government Organisation Act leaves enough freedom to independently make decisions on the local administrative organisation of local authorities.

However, these strengths became apparent only with larger municipalities (of at least 5,000 residents). The strength of this system of municipal council and government in Estonia was confirmed by another one of our studies¹³, which was also used to justify the establishment of administrative reform goals and indicators.

This trend can be explained by the fact that various very different systems have been used for the government as the body for decision-making in the judicial area of the Local Government Organisation Act. In small municipalities, the head of the municipal government usually forms the government from key municipal officials. This significantly extends the decision-making power of the officials and the *status quo* policies and decreases the capacity of the municipal council in complex matters. It may be the optimal solution for small communities that lack sufficient competency. Sometimes the members of the municipal government are the local opinion leaders, and so the government becomes an open consultation body.

In the third system, the elected politicians and the deputy heads of municipalities are, at the same time, also departmental heads and top officials. This version can reduce the consistency of sectoral development in counties and minimize the strategic direction of development in areas where the government is unstable. Therefore, larger counties use

¹³ R. Noorkõiv, G. Sootla, K. Kattai, M. Lõhmus, 'Ühinemiste mõjude analüüs Märjamaa valla ja Türi valla näitel'. Tallinn, 2015.

The percentage of total votes in different size municipalities for the winning list of candidates.

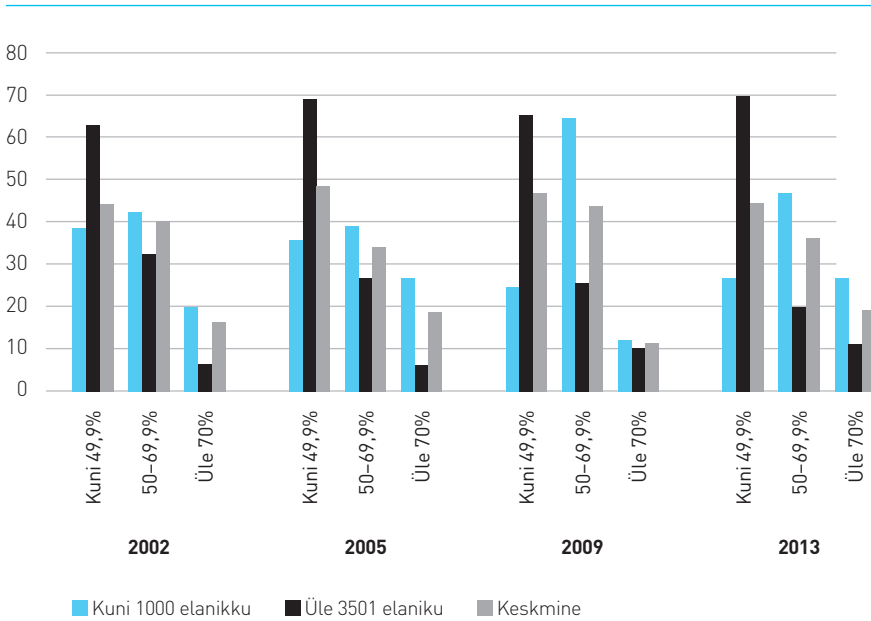


Figure 1.

what is known as the clean cabinet system, where the political leaders are members of the government and the public officials lead the administrative agencies. The same studies have indicated that the municipal councils of larger municipalities give more productive input to substantial decision-making. This takes place mostly through competent committees who are able to constructively assess government proposals.

Therefore, with a purposeful strategy, the administrative reform can significantly broaden the strategic capacity of local authorities, as well as distinguish the governance of the municipality as a whole from the everyday administrative/organisational activities.

The dominance of winning list of candidates in different size municipalities.

Aasta	2002			2005			2009			2013		
Number of residents in municipality / % of votes for winning of candidates	Up to 49,9%	50–69,9%	Over 70%	Up to 49,9%	50–69,9%	Over70%	Up to 49,9%	50–69,9%	Over 70%	Up to 49,9%	50–69,9%	Over70%
Up to 1000 residents	38,5	42,3	19,2	35,5	38,7	25,8	23,7	65,8	10,5	26,3	47,4	26,3
Over 3501 residents	64,1	31,3	4,7	70,1	25,4	4,5	66,2	25	8,8	71	18,8	10,1
Average	44,8	40,2	14,9	48,8	33,9	18,1	46,9	43,8	9,3	45,1	37,2	17,7

Table 1.

Elections

The procedure of local government elections supports the development of the aforementioned relationship between the municipal council and the government. However, we cannot conclude that the expectations for the development of local democratic policies would have been met by establishing that system of local government. The main reason for this is that some important measures of local policies (policies on local tax system, entrepreneurship, land ownership and so on) remained marginal in local policies.

The table above shows a clear trend that the system of election by list only works partially in municipalities with less than 3,500 residents. For example, in 2013, close to three-quarters (73.7 %) of municipalities with up to 1,000 residents had the absolute majority of one list and over

half of municipalities (57.9 %) had two or even one list of candidates. At the same time, one list had an absolute majority in only a third (28.9 %) of the municipalities with over 3,500 residents, where only two lists were in every tenth (11.6 %) municipality. These previous election results show a lack of choice in local authorities and were one important argument for justifying the democratic objectives of the administrative reform.

Residents and local authorities

The local authorities in Estonia are open, and they provide their residents with different means of communication with the local authorities. But a stable democracy requires that the engagement of residents take place mainly through organised associations. At this point I will justify two important ways of development.

Studies indicate¹⁴ (SIMDEL 2009) that local authorities are not active enough in delegating public services to civil associations and inevitably see these associations as buffers when delegating smaller and more inconvenient services if the budget allows them to. However, a study by Praxis Centre for Policy Studies showed that in many municipalities, the residents have sufficient interest and professional capability for engagement.

Unfortunately, Estonian legislation on public procurement prevents delegation based on relational partnership¹⁵, which is the main way to shape the sustainability of local civil associations as well as local service providers. The local government administration in Estonia has less means for the board of trustees of institutions at local level for the schools, kindergartens, libraries and so on compared to the Nordic countries. Therefore, the citizens in the Nordic countries do not fear

¹⁴ 'Kohaliku omavalitsuse üksuste avalike teenuste lepinguline delegeerimine kodanikeühendustele'. Praxis, 2009.

¹⁵ R. H. DeHoog, 'Competition, Negotiation, Or Cooperation: Three Models For Service Contracting' – *Administration & Society* 22 (3), 1990, pp. 317–340.

losing services as a result of merging, because these institutions are self-governed in the literal sense of the phrase. It is true that during the administrative reform, many municipalities in Estonia also developed important mechanisms of decentralisation (service centres) and participation (council of a rural municipal district) ¹⁶.

Conclusion

I focused mostly on those aspects and explanations of local government development in Estonia that can illustrate the necessity of the 2017 administrative reform. The majority of explanations are supported by studies and comparative experiences of Europe, and based on this, the growth of Estonia is more remarkable.

I hope that the decision-makers and new municipal leaders realise that the question of resources available to municipalities, their capacity to provide services and the consideration of the interests of municipalities when developing national policies has to do, above all, with **how the resources of power are allocated between the central and local government**.

How the resources are divided depends on the synergy between and investment into strategic priorities of local authorities.

The reform does not need to repair, broaden and so on, but needs to restore the equal partnership in central- local relations. This was promised at the deliberation of the *Riigikogu* in 2010.

Second, I hope that most of the new heads of local government understand that the merging of municipalities was only the beginning of vital changes in the entire system of local government. If this start does not have enough impact to soften old behaviours and attitudes, and cannot restructure the inner organisation of local authorities, then

¹⁶ G. Sootla, K. Kattai, V. Pihele, An analysis report for the project 'Suure territooriumiga ühinenud omavalitsuse mitmetasandilise haldusorganisatsiooni kujundamine Saaremaa vallas'. Tallinn, 2017.

the benefits that come with mergers will not be established, and the negative aspects of having large municipalities and a one-tier system of local government may emerge.

I would like to summarise the overview of Estonia's development with the conclusion of a well-respected practitioner and researcher of the local government system, Harald Baldersheim:

*The local government reforms have often aimed at two myths: finding the ideal size of a municipality and the ideal allocation of responsibilities between different tiers of governance. [...] The most appropriate conclusion is that efficient governance is not dependent on the size of a municipality or on the allocation of responsibilities. The variety of local government systems in Europe shows that modern societies can be happy with local government systems that have different sizes and different functions. The most important thing is the system of coordination between different tiers of governance, that is, the way in which multi-level governance is organised.*¹⁷

¹⁷ H. Baldersheim, 'Subsidiarity at Work: Modes of Multi-Level Governance in European Countries' – J. Caulfield, H. O. Larsen (eds.), *Local Government at the Millennium*. Leske + Budrich, Opladen, 2002.