

What Was Achieved with the Administrative Reform and What Remains to Be Done?

The ministers who were in office at the time and led the administrative reform look back on the process.

ARTO AAS

Minister of Public Administration 9.4.2015–23.11.2016

The administrative reform initiated in 2015 to increase the capacity of local authorities is undoubtedly among the changes with the greatest social impact of the past 15 years. What makes the completion of the reform even more astonishing is the fact that all previous attempts had failed and this had caused quite a bit of scepticism in many stakeholders. While the reform was formally completed with the 2017 local elections, its actual impact will be with us for decades to come.



Minister of Public Administration Arto Aas (right) and professor of civil law Paul Varul (left), a spokesperson for the municipalities that filed actions against the Administrative Reform Act, in a studio interview for the newspaper *Postimees*. Photograph: Erik Prozes / *Postimees*.

With a change as large and complex as this, it is not surprising that there were numerous opponents, acting on the basis of both political and personal motives. The municipal mergers really shook the well-established positions of power and forced many out of the habitual comfort zone. Despite that, the reform was realised, thanks to a very clear political will, social maturity and professional execution.

The opponents of the reform tried to stop the process both at the government level and in the *Riigikogu*, not to mention the complex court disputes that went all the way to the Supreme Court. Personally, I felt the most relieved and confident of the success of the reform at the moment when, in late 2016, the Supreme Court declared the Administrative Reform Act constitutional. That moment was probably even more important than the adoption of the Act by the *Riigikogu* six months earlier, which had been politically predictable despite the difficulties. In the Supreme Court, however, political predictions do not matter. Therefore, the approval of the Supreme Court justices was recognition of the work of numerous officials, experts and politicians who had long struggled with the content of the draft act and related problems in constitutional law.

We should certainly be pleased that the change of government at the end of 2016 did not slow down the administrative reform, and it continued according to previous plans. Discarding all the work done and repealing the Administrative Reform Act would again have pushed the long-awaited reform into the next decade. The municipalities and the credibility of the entire Estonian political system would have suffered as a result.

The sad part is that the new government did not maintain its resolve until the very end of the marathon. Making party-politically motivated exceptions for municipalities that failed to meet the criteria during the government-initiated mergers was definitely a step in the wrong direction. This behaviour caused great injustice to other municipalities and many unnecessary court disputes.

Of course, in order to promote the administrative and investment capacity of local authorities as well as the professionalism of the officials, it is necessary to improve the financing of municipalities and reconsider local government functions in addition to municipal mergers. The vision for the administrative reform was that strong and capable local authorities should have a larger role in Estonian public administration. Fortunately, this position was supported by the governments of both Taavi Rõivas and Jüri Ratas.

Several proposals that have strengthened local authorities have already been legislated, many are still under consideration. A key issue is finding a municipal financing model that would help alleviate, rather than exacerbate, problems related to regional disparities, low population density and urbanisation. It is clear, however, that without a forceful wave of municipal mergers, all of these changes would only be superficial. The municipal mergers formed the basis upon which to build these new layers.

How the next generation will assess the administrative reform will already largely depend on the new municipal leaders, rather than the government or the parliament. Seizing the new opportunities and shaping the identities of the local communities is in the hands of the municipal leaders elected in 2017 in particular. The future of local government in Estonia is in the hands of the Estonian people.

MIHHAIL KORB

Minister of Public Administration 23.11.2016–12.6.2017

When I took office as minister, the framework for the administrative reform was largely in place and a number of decisions had been taken by my predecessor. However, neither the local authorities nor the new government were really satisfied because, as we had said while in opposition, we still found that the reform should have more content than just changing the boundaries and population numbers.

I am happy that the new government was able to contribute to assigning new functions to the local authorities and allocating additional funding for performing these. We also increased the revenue base for the municipalities. As a result, the capacity of municipalities to provide public services and perform statutory functions was increased, and most importantly – regional development will be more stable. In addition to all this, county governments, whose role had diminished over the years, were abolished.



Minister Mihhail Korb on a visit in Viljandi presenting a symbolic name sign for the new merged municipality of Põhja-Sakala.
Photograph: Elmo Riig / Sakala.

What had been put on paper by several governments at Stenbock House and by the *Riigikogu* was finally put into action by local government leaders themselves. It is them that I wish to thank. No merger negotiations were easy. The wishes of the local population had to be accommodated and political consensus found both at the level of local authorities and between political parties. Immediately after the reform,

some voiced the opinion that counties should have become the new municipalities. I wish to compliment the county of Saaremaa for achieving this and the others who tried, but I believe that the way the boundaries are now drawn on the map was the only possible way to implement the reform.

The fact that we still see municipalities with a population of just under 5,000 is also important. It shows that the government listened and was open to compromise. The map of Estonia was changing and all the exemption requests made by the local authorities could not be taken into account, but in the case of larger municipalities, we did consider the logic of neighbourhoods as well as present and future capabilities. The exceptions and government-initiated mergers stirred up heated debate and emotions not only among the local population, but also in the government. Keila and Paldiski or Jõhvi and Alutaguse are just a few examples. We can now say that the final solution was suitable for most.

Personally, I consider the establishment of the historical region of Setomaa as one municipality to be my greatest joy and achievement. There was criticism on this subject, but supporting historical heritage, in my opinion, outweighed all counter-arguments. I hope that the locals are happy and the region can continue to develop. This reassures me that the right decision was made.

The administrative reform is completed. Hopefully, power is now even closer to the individual in all the municipalities, the future of the municipalities is more secure and their development will be faster and stronger. Did we achieve the ideal for Estonia? Probably not, but we did achieve what was best at that moment.

The current municipal map will remain with us for years and it will take decades for everything to settle into place. Big changes will be off the agenda for a long time. It will be up to the coming generations to assess this work, to which contributions were made by all the Estonian political parties, several ministers of public administration and municipal leaders.



Minister Jaak Aab in a meeting at the Tartu County Government in August 2017.
Photograph: Kristjan Teedema / *Tartu Postimees*.

JAAK AAB

Minister of Public Administration 12.6.2017–2.5.2018

The administrative-territorial reform has been completed. I emphasise the word 'territorial' because the administrative reform is in fact still ongoing. Looking at the bigger picture, the administrative reform consists of two stages. The first, implemented with the 2017 local elections, was the reform involving municipal mergers, which replaced 213

municipalities with 79. The second, substantive stage is still ongoing and the process is far from completed. The second stage cannot have a specific deadline, as it covers many fields and related negotiations.

Local authorities now have more money to provide better services

The substantive changes related to the local authorities' decision-making power and finances are still ongoing. Even so, that stage has also been completed to a certain extent. For example, we increased the municipal revenue base by almost 200 million euros over four years, without assigning additional tasks. The additional funds can be used to improve the performance of the existing tasks.

The overall approach is that the funds allocated to municipalities by the state are not earmarked for a specific purpose; they simply make up a revenue base whose use can be decided locally.

Of course, minimum requirements for services will remain in place, but the local authorities themselves know what and how much their people need.

After the reform, many state roads are now located entirely within one municipality, and the idea is to next give these roads to the municipalities, along with the accompanying funding, of course. Then the municipalities will be able to decide for themselves which roads need frequent maintenance and which do not, how the buses should move and so on.

We gave more decision-making power to the local level

More decision-making power can now be given because the administrative reform increased the size and capability of the municipalities – in terms of both human and financial resources. People are very important. The main thing that I have seen locally is that now good specialists can be hired for each particular field, unlike before, when one municipal official would be responsible for five different areas without having enough time for any of them.

We want good-quality municipal services across Estonia, but this requires sufficient resources and competent people. Unfortunately, there are not always enough competent people for very small municipalities. I am not saying that small municipalities are poorly managed. I can give an example where the head of a rural municipality who had been in office for 25 years, was using his own car to drive people with disabilities and schoolchildren – there was this community model at work. Perhaps these services were closer to and better for the people there, but some areas were still uncovered.

The second stage of the administrative reform, or the strengthening of local authorities, will certainly take a few more years; it is a work in progress. The world is changing so much that we do not even know exactly where the process will end up. Perhaps we will think of other functions that the state could transfer to the local authorities or functions that could be performed jointly – just as the task of ensuring the development of counties is now performed in a joint manner. We will also transfer several national financial measures, for joint decision-making.

Most of the assessment work should be done locally. We do not need to direct it from Tallinn, but we can verify that all requirements are met. The decisions must, however, be taken locally – it is there that the stakeholders can argue what the priorities are.

The reforming of county governments also gave additional decision-making power and funds to the local authorities. As the functions of county governments were gradually removed, it was no longer reasonable for the state to dictate through the county government what should happen in the county. The state should definitely express its strategic goals, but the way a county is to develop should be up to the local authorities.

Communities need to be heard

The rights of villages and peripheral areas should have been legislated more forcefully, at least for some time, but this was not done. Traveling around Estonia, I still always say to the municipal leaders that they

should look beyond their local centres because that is where the key to their development lies. If they fail to do so, people will be disappointed and leave, but instead of the local urban centre, they will head to Tallinn or Tartu, or Finland.

The whole community must feel that its voice reaches the council of the larger municipality. I very much hope that all the municipalities will use these opportunities. Admittedly, only very few formed municipal districts, but there are also community boards and village elders. Even if a municipal council does not have members from a particular village, it is still required to hear the village elder or administrative council to prevent small communities from being ignored and new peripheries created.

The state is also trying to help. We have adjusted the equalisation fund calculations so as to allocate more funds per capita to municipalities with a low population density. The state's regional policy should clearly be more supportive of business development. This is a broader topic, but it must go hand in hand with administrative reform, which also includes regional entrepreneurship. What is needed is creating favourable conditions, connections and a road network. All this helps to improve life in the different regions of Estonia.

Urbanisation has been too fast in Estonia

Urbanisation is a global trend, but here it is too fast. Finland has huge low-density areas, but it has taken measures to balance the situation. Otherwise everyone would have crowded around Helsinki a long time ago. The property prices in Helsinki are three times as high as in Lapland, while the difference between Tallinn and Valga is 10 to 15 times. This is not normal.

A lot remains to be done but increasing the revenue base of the municipalities would be the first major regional policy measure in this direction. With more resources, the local authorities can deal with the things that it has previously not been able to address. The state will provide support in terms of building the infrastructure needed for

entrepreneurship, as well as other development activities; for example, by developing the living environment, be it a park or a playground. Currently, the state sells land to municipalities, but really we are one country.

What was not achieved with the administrative reform?

The schedule for the reform was very tight and many were struggling. Had there been more time, then perhaps there would have been more voluntary mergers – everyone was moving in this direction, with the exception of some heads of municipal governments who were opposed to the reform and would not have merged under any conditions.

Then there were the criteria, which were ultimately reduced to an oversimple mechanical formula. Then again, maps have been drawn in Estonia for two decades without ever reaching a consensual solution. Due to its compactness and location alone, a municipality with 3,500 residents may have more administrative capacity than a municipality with 5,000 residents. It is very difficult to assess.

All told, we can be happy with the administrative-territorial reform in most areas. As a result of the reform, municipalities are on average four times larger in terms of population and three times larger in terms of territory. In fact, this is precisely the reason why several tasks could not be transferred to municipalities before the reform.

We could have done better, had there been more time. However, substantive work in cooperation with the municipalities and associations of local authorities continues.