

# Estonia 2035

Adopted by the Riigikogu on 12 May 2021



**“Estonia 2035”  
is a national  
long-term  
development  
strategy**



# The essence, reasoning, and goals of “Estonia 2035”

On the basis of clause 65 1) of the Constitution of the Republic of Estonia and subsection 20 (1) of the State Budget Act, on 12 May 2021, the Riigikogu decided to approve the long-term development strategy of the Estonian state, “Estonia 2035”.

The “Estonia 2035” development strategy sets out strategic goals for the state and people of Estonia for the next fifteen years, and determines the changes necessary for achieving them. The strategy was agreed upon through joint discussions, analyses, workshops and opinion gathering between non-governmental partners, experts, researchers, politicians, entrepreneurs, officials and many other stakeholders. Almost 17,000 people from all over Estonia have contributed to the completion of “Estonia 2035” as a part of co-creation in 2018–2020. Out of these, 13,903 participated via internet or public libraries in the opinion gathering determining the values on the basis of which strategic goals have been formulated. Working documents co-created in the process have been published on the website of the Government Office.

In increasing the vitality of the Estonian nation, language, and culture, and developing a democratic and secure state, we need to take into consideration these five equal goals when making our everyday choices:



## People

Estonia’s people are smart, active and care about their health.



## Society

Estonia’s society is caring, cooperative and open-minded.



## Economy

Estonia’s economy is strong, innovative, and responsible.



## Living environment

Estonia offers a safe and high-quality living environment that takes into account the needs of all its inhabitants.



## Governance

Estonia is an innovative, reliable, and people-centered country.

# Overview of the strategy “Estonia 2035”



**A democratic and secure state  
that preserves and develops the Estonian nation, language, and culture**

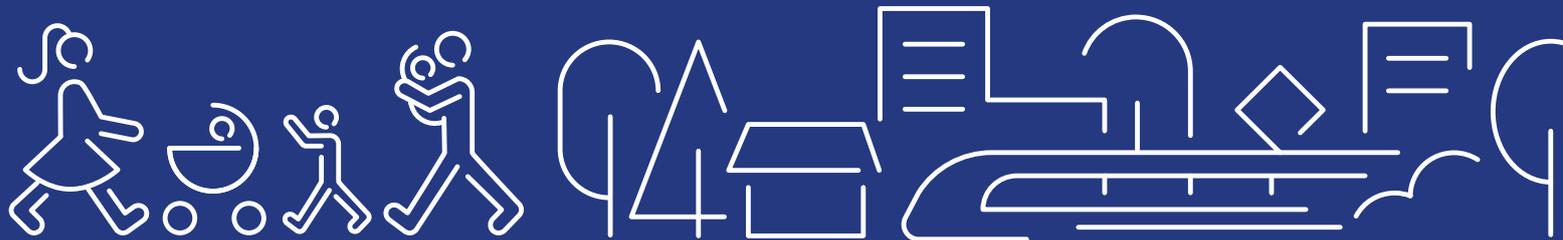
“Estonia 2035” is strategic management tool which enables the coordination of long-term strategic planning and financial management of the country, taking into account the possibilities of public finance. It is a strategy for the uniform management of Estonia’s development that facilitates cooperation between the Riigikogu and the Government of the Republic and strengthens the links between different types of strategic policy documents. Estonia’s strategic goals can be achieved when the agreements made in the “Estonia 2035” strategy are taken into consideration in the decision-making processes by the Riigikogu and the Government of the Republic. The general part of the strategy is approved by the Riigikogu at the proposal of the Government of the Republic.

The “Estonia 2035” strategy is carried out mainly via sectoral development plans and programmes in the respective fields. This can also be used as a basis for strategic planning by local governments and public, private, and civic sector organisations.

“Estonia 2035” is integrated with the economic coordination of the European Semester which serves as a basis for the planning of European Union (EU) funds and provides a direction for implementation of sustainable development goals in Estonia.

“Estonia 2035” takes into account the analysis of the most burning issues in Estonia and the world based on statistics, domestic expert assessments and reports by international organisations (Joint Research Centre of the European Commission, European Parliament, OECD, PriceWaterhouse Coopers, Ernst & Young, etc.). Based on the above, the document describes the most important development needs connecting different policy fields in Estonia – that is, the tasks that need to be fulfilled in the upcoming years and that need to be taken into account in policy making. The development needs have an impact on achieving Estonia’s five strategic goals, pointing out both the fields that need improvement and the possibilities of success. The strategic goals have been agreed upon in broad-based discussions and opinion gathering. The necessary changes help Estonia reach its strategic goals and take into account the obstacles and possibilities described in the development needs.

# Development needs influencing the most areas of life in Estonia



# Estonia's development needs

Based on the analysis of the situation in Estonia and the developments in the world, there is a need for important steps to be taken in almost all areas of life in order to improve the current situation or to take advantage of available opportunities. The strategy presents nine equally important development needs that must be taken into account when making decisions. The numerical data refers to 2019, unless stated otherwise.

## Population

The world's population is projected to grow to around 8.8 billion by 2035 (from 7.3 billion in 2015) and the global median age will increase to 34 (30 in 2015). The population is growing mainly in Asia and Africa. Population growth will likely to come to a halt in the European Union, with Europe outpacing most regions of the world in terms of aging.

Estonia is facing changes related to the aging of society. According to estimates, the natural increase of the population in Estonia will remain moderately negative until 2035, due to the fact that the smaller generations born in the 1990s and later have reached the age of starting families. Although the natural population growth of Estonians has been positive for the last two years (+348 people), among the total population, it remains negative (-1302 people). The change in the population of Estonia in the near future will largely depend on the relationship between immigration and emigration. According to the main scenario, the population of Estonia will be approximately 1.305 million in 2035; if migration flows are balanced, the number will be somewhat smaller. By that time, one out of every four people living in Estonia will be 65 years old or older, while the number of working-age people (15–74) will decrease by almost 35,000. This also means that the share of population that is at the age for starting a family will be smaller. Among the generations that have reached the end of their family-planning years in recent years, the average number of children per woman has been 1.82–1.86, i.e. lower than the population recovery level (2.1 children per women). The low fertility rate and a decrease in the number of children young people wish to have is worrying. Although the total fertility rate is on the rise (1.66), the average age of women giving birth is also increasing. In addition, it is estimated that up to 200,000 people of Estonian descent are living abroad, who need to be taken into consideration more in regards to carrying on and introducing the Estonian language and culture, as well as in their involvement in Estonian society, including addressing labour market needs.

These demographic changes require a sustainable population policy, a supportive environment for children, youth, education, family and health policies, development of indicators to promote a high level of employment, longer working lives for the elderly and support for dignified aging, targeted adaptation and integration of immigrants into the Estonian language and cultural space, participation of the people living in Estonia and our compatriots in social and cultural activities, and provision of appropriate health and social services. The changes caused by the decrease and aging of the population are having the greatest impact on Ida-Viru County, South-Eastern Estonia and Central Estonia, as well as regions further away from the centres. According to the forecast, the population of Tallinn and Tartu (and the respective counties) will continue to grow. A balanced knowledge-based approach that takes into account regional specificities and needs, reduces socio-economic inequalities in different regions, and supports rural liferegions will help to cope with the urbanisation and demographic changes.

## Health and life expectancy of people

Extreme weather events and the resulting crises are on the rise in the world, which makes it necessary to improve our preparedness to cope with the effects of climate change on human health, well-being, safety, and the living environment. There is an increasing risk of infectious diseases (including new and unknown ones) appearing, spreading and growing into epidemics and pandemics. In order to prevent the spread of communicable diseases and epidemics and pandemics, institutions in all fields, and society as a whole, need to be better prepared to prevent the spread of infectious diseases.

Among other things, in situations in which society is unable to function normally in order to save human lives, and there is a growing pressure on the social and healthcare systems. Human activity will reduce natural diversity, increase extreme weather conditions, oceans will acidify and the food on our tables will also change. Water and air quality and unprecedented climate conditions cause health issues for humans. The main health risks in Europe continue to be rising levels of obesity and excessive use of tobacco and alcohol.

The increase of average life expectancy (78.82 years) in Estonia is the fastest in the European Union, but remains below the average indicator. The healthy life years, however, has not increased within the last ten years (55.9 years). There is both a large gender gap (men live 8.4 years less than women, and have 3.5 years less of healthy life) and regional differences (in South-East Estonia, healthy life is considerably shorter than in North and West Estonia). Health related behaviour differs vastly among levels of education: men with basic and lower education live, on average, 10 and women 8.7 years less than representatives of their gender who have a higher education.

Almost 53% of health loss was due to risk factors or risk behaviour (in 2017). The leading risk factors and behaviours that cause health loss in Estonia are high blood pressure, unbalanced eating habits, nicotine and tobacco consumption, excess weight and low physical activity, use of alcohol and drugs. It is important to significantly reduce the consumption of nicotine, tobacco, alcohol, and drugs in the society. Although tobacco and alcohol consumption has decreased in recent decades, there are still many people each year who die of diseases caused by alcohol and as a result of narcotics overdoses. Obesity is on the rise in Estonia: more than half of the population is overweight, including one in four first graders. The mental health situation is also an important factor in health loss. Mood and anxiety disorders are on the rise and suicides make up almost 27% of injury deaths. Thanks to detecting and preventing dangers and changing attitudes, skills, and behaviour, the number of injury deaths has decreased by more than 40% compared to 2007. This means that in order to improve the health of people and lengthen the healthy life years, we need to continue to shape the attitudes and behaviours of people to become more health and environmentally conscious. Estonia contributes 6.7% of its GDP to healthcare, but this is almost three percentage points lower than the European Union average. If the current level of services continues, by 2035 the expenses of the Estonian Health Insurance Fund will grow almost 24% faster than its income. In addition, the health care system is constantly under pressure from the increase of expenses on health interventions due to changes in the salaries of health care workers, and the development and rise in price of health technology. The share of elderly people and patients with multiple illnesses will start to have a more noticeable impact on health care system expenditures after 2035, leading the government sector into an up to 1% deficit (by 2070, the deficit will fall to 0.6% of GDP). This, in turn, will worsen the availability of health care services.

The share of the elderly in the population is increasing and the number of people with disabilities is rising. There is a need to improve the accessibility of the living environment, find new solutions, and update the long-term care system in Estonia which currently fails to sufficiently take account of the demographic changes and provide sufficient support for those in need. The burden of care of the family members of people reliant on care affects approximately 47,000 people in Estonia and a gender gap can be observed: of all the caretakers of family members, women make up 60%; as many as 80% of the people who are unable to be active in the labour market due to taking care of someone are women. Another issue regarding long-term care is the remarkably high share of own contribution, which has increased in recent years. A person under care or their family member pays 79% of the total cost of general care services provided in a care home. The average net old-age pension is 41% of the average net salary. The theoretical net replacement rate of old-age pensions was 40% in 2017, which makes it the lowest in the European Union. The relative poverty rate of people above 65 years is also the highest in the European Union in Estonia (43.1% in 2018). Therefore, improving people's ability to cope in their old age inevitably requires them to have savings of their own.

## Society and opportunities

New patterns and directions of migration are emerging in the world (instead of the previous south-north movement, south-south migration is on the rise). In the next decades, Europe will face large-scale migration flows from its unstable neighbouring regions, and this will require a smart migration policy. Forced migration due to climate change (including natural disasters) is increasing, which requires resolving both legal and other societal issues related to the provision of humanitarian aid and resettlement aid. At the same time, Europe is facing an increasing threat of falling behind in the global race for talent.



Due to the constantly evolving and more widespread use of technology, it is important to prepare people for the use of technologies and to improve their digital competency. In Estonia, nearly 100,000 people aged 17–74 do not use the Internet; most of them are elderly, with lower income and/or lower levels of education.

## Business environment

The interval of technological changes is growing shorter in the world, as a result of which new business and life-style models are emerging and new ways of working and living are being shaped. If international institutions also weaken and positions of countries in international relations change, there is a potential for an increase in protectionism which will significantly change the way undertakings can sell their products and the conditions in which they compete.

As a member of the European Union, the Estonian economy is strongly integrated into the European Union's single market in both the product and service sectors, which is why we must actively work to ensure its even better functioning. When developing the business environment, it is necessary to find a balance between stability and changes to prepare us for the future. Estonia's rise in the World Economic Forum's competitiveness ranking confirms that our business environment is generally competitive, but the low 18th place in the World Bank's Doing Business list highlights several fields in which we have room for improvement. Estonia has weaker positions in the area of protection of the interests of minority shareholders. For example, insolvency solutions need improvement. At the same time, the precondition for Estonia's success is the effectiveness of its basic education. We have seen an increase in the number of top performers in the international PISA test (for example, over 12% of the top performers were in natural sciences, which is almost twice as many as the OECD average). The number of start-ups and the ability to attract investments has increased. Thanks to the e-residency programme, Estonia also has a unique global competitive advantage which should be further developed to become an international hub for talent and business.

The labour productivity of Estonia has increased (78.6% of the European Union average), but slower than expected (incl. the manufacturing industry in Estonia where, unlike the rest of Europe, productivity is lower than other sectors) and regionally unevenly. The introduction of new technologies has increased productivity; however, integration of digital technologies in the business sector in Estonia is poor (15th place in the European Union). In general, the share of research and development expenditures of Estonian companies in GDP (0.59% in 2018) is well below the European Union average (1.45%). In the development of high-quality new products and services, as well as in modernising existing solutions, research and development activities and co-operation between researchers, enterprises, and other institutions must increase significantly in Estonia. Despite the high quality of Estonian science, we do not have many new knowledge-based solutions that help to improve the society and the economy. Also, the capacity to implement research and development activities varies from region to region. Estonia's regional development is also hampered by large regional differences in job supply, entrepreneurial activity, knowledge intensity and added value of enterprises, and the location of productive jobs.

In Estonia, the resource productivity of local resources is very low (EUR 0.56 per kg in 2017). Greater emphasis must be placed on environment-friendly technologies and business models and on greater and greener valorisation of local resources and secondary raw materials. Special attention is paid to areas of activity and technologies that have growth potential. These development needs require long-term investments, for which enterprises are often not ready due to the high risks involved. Investments are also heavily dependent on economic developments and global impacts. The state can help by sharing the risks of companies' long-term investments and planning state investments, especially when the investment activity of enterprises has suffered setbacks. Development activities are supported by the availability of a workforce with the relevant knowledge and skills. Estonia is a small country with an open economy, which makes it vulnerable to developments in the economies of its neighbouring countries and the world in general. In order to ensure economic security, we must not let the country become technologically, economically or financially dependent on some other, unfriendly, country.

## Biodiversity and the environment

The world is facing climate change, environmental degradation and loss of biodiversity due to human activity, among other things, and this also has an effect on the quality of life of Estonians, our nature, and the economy. Biodiversity is under threat in the world, with almost a million species, or one in eight, at risk of extinction. Every year more and more plant and animal species are lost and the rate of extinction is thousands of times higher than the average of the last ten million years.



In the interests of human well-being and the survival of Estonian culture, it is important to pay attention to the availability of different cultural fields among Estonian and non-Estonian communities. At the same time, cultivation of one's own culture – which lays the foundation for people's identity and love for their homeland, and the availability of world culture in different languages – must be supported.

Both personal and public space form an integral part of a valuable living environment. The number of dwellings that are unoccupied or in poor condition outside the centres is increasing in Estonia (one third of Estonia's construction heritage is in emergency or poor condition). Nevertheless, almost 91% of households are satisfied with the condition of their dwellings (in 2008, the corresponding indicator was less than 80%). Where possible, historic city centres should be compacted. This would allow us to preserve Estonia's heritage, facilitate walking, and be environment-friendly. Greater state competence is needed for integrated spatial planning in order to ensure, among other things, coherence between state and local government investments, and to adapt to demographic changes and other development needs. To make better spatial decisions, we need to increase everyone's spatial planning competence, supported by high-quality spatial data and smarter services.

Although public transport is available to 76% of the population, the share of public transport users, pedestrians and cyclists has decreased in recent years (in 2018, respectively 20.7; 15.1 and 2.7%) due to the excessive amount of time that is needed to cover the distances and the complexity of combining and connecting different means of transportation and the lines. We need to make living, studying, leisure and working environments and the movement between them more healthy and supportive of environment-friendly and safe choices, as well as more accessible to all members of the society. A good example is domestic rail traffic: the number of passengers has doubled in six years (8.37 million journeys per year). In addition to reducing the time spent on covering distances within the country, in order to improve the competitiveness of regions, it is important to develop Estonia's connections with other European regions, both in terms of transport and energy infrastructure. The development of external land transport connections must continue in line with the European Union's plan to build a core transport network (including Via Baltica and Rail Baltic). In the case of energy infrastructure, energy security and security of supply issues need to be addressed. Development of high-speed Internet access must continue.

## Security and safety

According to international studies, the downward trend in the number and extent of international conflicts in the world in recent decades has taken an upwards turn. In the coming decades, the risk of inter-state conflicts and Proxy wars increases mainly due to conflicts of interest between the major powers, the continuing threat of terrorism, and political and economic instability. In addition to the conventional threats, hybrid threats have increased (e.g., subversion, interference in democratic processes, cyber-attacks). The fragmentation of common value systems weakens the role of International institutions.

Estonia is considered a safe country by 92% of the population (in 2020). Confidence in the Rescue Board is the highest (97% trust it completely or rather trusts it), followed by the Emergency Response Centre (94%) and the Police and Border Guard Board (88%). The level of trust is similar among Estonians and residents of other nationalities. Among people of other nationalities, NATO, the Defence Forces, the Defence League and the European Union earn less trust than on average, but the level of trust is growing for most institutions. Membership in NATO is still considered to be the main security guarantee for Estonia (53% cite it as one of the three most important factors). The residents' will to defend (41%) and the development of Estonia's independent defence capability (31%) are named second and third. There is a need to increase people's awareness of their role and responsibility so that they can act wisely in the event of various accidents (including crisis situations) and thus reduce the risk to their lives and health.

It is also important to raise the awareness of state authorities, local authorities and vital service providers about potential threats and to improve their preparedness for crises. The Estonian population is unevenly distributed and there are areas where ensuring the availability of public safety services is effective only in closer cooperation with the community and by using smart solutions. Among other things, ensuring a strong cultural space that promotes cohesion and knowledge-based public space that supports communication decreases the probability of value conflicts in society. In order to ensure security and safety, the broad security concept needs to be implemented further, close relations with the allies and partner countries need to be maintained, and, in cooperation with them, functioning of international organisations and efficacy of international law must be ensured. Further cross-sectoral cooperation is also important for security.

## Governance

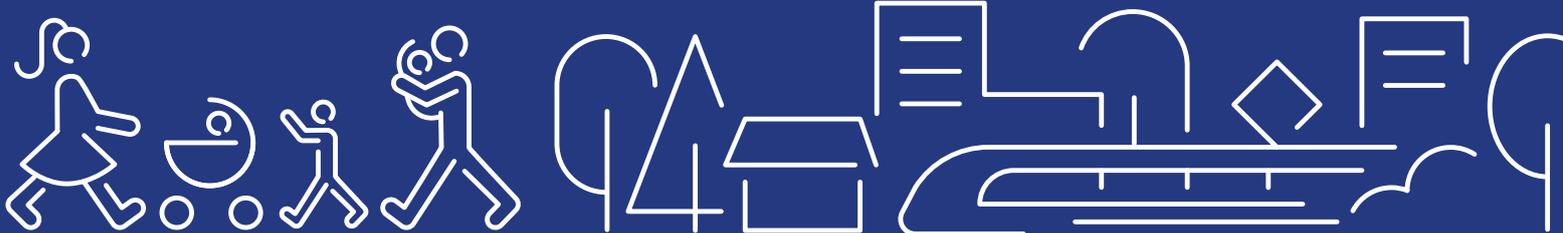
In the world, governance is becoming more flexible and diverse, and public service companies and NGOs are playing a growing role.

Governance must be guided by the rule of law and people-centred approach, and the protection of fundamental human rights and freedoms must be guaranteed. One of the important mechanisms for strengthening civil society and building a cohesive society is the wider spread of participatory democracy. Since the working age population is expected to decrease, the public sector will also need to target its labour resources wisely and work with the private and civil sectors because the need for public services will not diminish. The tax burden in Estonia is 34% of GDP (in 2020) and will decrease, reaching 32.7% by 2035 (the assumption is that the current situation will continue). The decline in the tax burden is due to the slower-growing consumption tax burden on GDP. This requires, among other things, the reduction of bureaucracy, co-creative policy-making with people and civil society, and an agreement on the role of the state, local governments and the community in the provision of public services (including ensuring a safe living environment). In addition to the participation of the elderly and young people in social life, the social activity of non-Estonian-speaking residents is problematic. Russian-speaking young people are even more involved in civil society than Estonian-speaking young people, but the rate of participation in voluntary activities among Estonian-speaking people is still much higher (52% vs. 44%) than among Russian-speaking people. Also, 45% of new immigrants have not volunteered, but would like to do so.

According to the OECD, Estonia does not use enough research and field experts in making decisions and, compared to other Member States, the efficiency of government agencies is only average. The country's capacity to use research to bring about the necessary change and to involve researchers in policy-making needs to be improved. At the same time, it is important that research stems more from Estonia's development needs than before. There should be a clear preference for innovative solutions and technologies and for more efficient communication between authorities (and enterprises), based more on real-time data exchange and greater use of open and large data. The basic infrastructure for e-services and the tools for using e-services are well developed, and e-services are well advanced in a number of areas (e.g., tax collection and administration), but the quality of services is uneven and the sustainability of digital solutions needs to be strengthened. In order to ensure the preservation of the infrastructure of e-services and the security and development of electronic means, we must constantly contribute to the development of the basic infrastructure and create new alternatives to the existing solutions in case of technological possibilities. At the same time, the constant development of technology (including the use of artificial intelligence) opens up new opportunities for the state to provide existing services more efficiently and to make decisions in a smarter way.

Achieving major strategic goals requires consensus between different groups in society. When planning state activities, it must be taken into account that currently most of the state budget (about 80%) is already related to statutory expenditures. Cooperation between the central government, local governments, and communities and wider public consultation in finding solutions based on people's needs, a clear division of roles in their implementation and ensuring the financial capacity of local governments will help to bring governance and the quality of public service provision in line with people's expectations. One of the mechanisms for empowering Estonian people, communities, and civil associations, and building a cohesive society, is organizing more extensive public initiatives and surveys at the initiative of both the state and citizens.

# Estonia's strategic goals



# Five strategic goals



## People

Smart, active, and caring for one's health



## Society

Open, caring and cooperative



## Economy

Strong, innovative, and responsible



## Living environment

Considerate towards everyone's needs, safe, and high quality



## Governance

Innovative, reliable, and people-centered

### Objectives of global sustainable development



### A democratic and secure state that preserves and develops the Estonian nation, language, and culture

The “Estonia 2035” strategy sets out five long-term strategic goals that are based on the base principles. The goals were agreed upon at discussions that took place across Estonia over a period of two years, and on the basis of opinion gathering (almost 17,000 people have contributed).

Strategic goals are value-based goals that are the basis for making the country's strategic choices and to the implementation of which all Estonian strategic development documents contribute. They are also taken into account in the state budget strategy and in the preparation of the government's action programme.

In order to reach the goals, it is necessary to take into account Estonia's development needs, global trends, the policy framework of the European Union, and the global objectives of sustainable development.

**Maintaining of base principles is monitored with the following indicators:**

- cohort fertility rate
- size of population, including the share of people living outside Harju County and Tallinn
- share of people who speak and use Estonian as their mother tongue
- participation in cultural life
- share of people who consider Estonia safe
- risks that matter
- gender equality index
- net emissions of greenhouse gases in CO<sub>2</sub> equivalent tons (incl the LULUCF sector)
- Estonia's place in the Global Sustainable Development Goals Index

## People



**Achievement of the goals is monitored with the following indicators:**

- healthy life years left
- participation in the labour market, culture, sports, and volunteer work
- participation rate in lifelong learning activities among adults (incl. informal learning)

## Base principles

The basis for achieving the goals is a democratic and secure state founded on freedom, justice and the rule of law, where the principles of the rule of law and the social state are respected, and which preserves and develops the Estonian nation, language, and culture. This is ensured by a creative, responsible society that values openness and communities, preserves and promotes Estonia's identity and ensures a diverse, accessible and up-to-date vibrant cultural space. For the survival of the Estonian population, children must be valued and having children must not worsen the social status of families or cause economic difficulties. Estonian must remain viable, including as the main language of information, education, and work. Everyone must have equal opportunities for self-fulfilment and participation in society, regardless of their individual characteristics and needs, belonging to different social groups, their socio-economic capacity, or place of residence.

Estonia's security is guaranteed by membership of and contribution to NATO and the European Union, as well as close cooperation with allies and other international partners. It is in the interests of Estonia that the European Union would be influential in the world and united, value-based, solidary and effectively functioning as an association of nation states based on the treaties. Estonian national defence is ensured by independent defence capability and collective defence, which is supported by a strong will to defend. Defence expenditure is at least 2% of the GDP and is based on the current threat situation. The basis for the organisation of Estonian national defence is a broad concept – everyone must contribute to national defence.

By 2050, Estonia will be a competitive, climate-neutral country with a knowledge-based society and economy and a high-quality and species-rich living environment, willing and able to reduce the adverse effects of climate change and make the best use of its positive aspects. Coordinated development of the cultural, social, environmental and economic fields is a prerequisite for achieving the goals of sustainable development. In Estonia, knowledge-based decisions are made, with effective and innovative approaches being preferred when choosing solutions.

## Strategic goals

### Estonia's people are smart, active and care about their health

**Smart people** value knowledge, protect themselves, others and the (living) environment, and has a supportive attitude towards all groups in society. They are curious, creative and entrepreneurial, eager to learn and are ready for the nature of their work to change.

**Active people** can handle their life well and are socially active and responsible, contributing to the development of themselves, their family and the community, as well as the state, throughout their life.

**People who care about their health** are health-conscious, behaving in a way that protects the lives of themselves and others, and the environment. They take care of both their mental and physical health.

## Society



**Achievement of the goals is monitored with the following indicators:**

- measuring caring and cooperation in society
- contacts between different groups in society
- the level of relative poverty

## Estonia's society is caring, cooperative, and open

**A caring society** is attentive and helpful. Here, everyone has the opportunity for self-realisation throughout their life cycle, and the necessary support network is provided. Combining work, family and private life is supported, everyone contributes to social and cultural activities regardless of their age, and people's well-being has improved.

**A cooperative society** is based on a sense of belonging and a willingness of the people to actively contribute to the achievement of common goals and the creation of benefits. Each and every person, family, community and non-governmental organisation can and wants to get involved in the organisation of society and work together.

**An open society** supports change that creates common value and meets the challenges that the state and its people are facing. At the same time, Estonian culture and communities are strong, caring and cooperative, and people are culturally aware.

## Economy



**Achievement of the goals is monitored with the following indicators:**

- labour productivity as a share of the European Union average
- GDP per capita created outside Harju County compared to the EU-27 average
- research and development expenditure in the private sector
- resource productivity

## Estonia's economy is strong, innovative, and responsible

**The Estonian economy is strong** and internationally competitive and finds new business opportunities. The Estonian economy is flexible and ready for structural changes, offering development opportunities in all its regions.

**The Estonian economy is innovative and knowledge-based**, using new technologies and business models and flexible forms of employment. Favourable conditions have been created for R&D and innovation in private sector, and researchers and companies are co-operating. The Estonian business environment attracts people to work here, start companies or engage in virtual business, invest, and create and test new solutions that benefit society at large.

**The Estonian economy is responsible** towards people and nature. It's secure economic environment favours flexible, innovative and responsible entrepreneurship and fair competition. Valorisation of local resources has increased and the use of natural resources takes into account both biodiversity conservation and the socio-economic impacts.

## Living environment



### Achievement of the goals is monitored with the following indicators:

- satisfaction with the living environment
- environmental trend index
- number of people who have died from poisoning, injuries, and certain other external causes per 100,000 inhabitants

## Estonia offers a safe and high-quality living environment that takes into account the needs of all its inhabitants

**The living environment is designed with the needs of all people in mind**, and decisions are based on the basic principles of high-quality space planning and the principles of inclusive design to ensure that everyone has access to, and finds comfort in, the mental, physical and digital space. Innovative technologies and nature-based solutions are used, reducing the time spent covering distances and ensuring a good living environment in every part of Estonia.

**The living environment is safe**, and when planning public space, preference is given to solutions that promote safe and secure and health-promoting behaviours that ensure accessibility. A safe living environment is created in cooperation with everyone.

**The living environment is of high quality** and it is planned in a way that preserves the heritage and biodiversity of nature. People are space-conscious and spatial planning decisions improve their opportunities for joint action and participation.

## Governance



### Achievement of the goals is monitored with the following indicators:

- position in the global presence index table (Elcano)
- good governance index
- trust towards state institutions
- share of investments of local government units in administrative sector expenditures

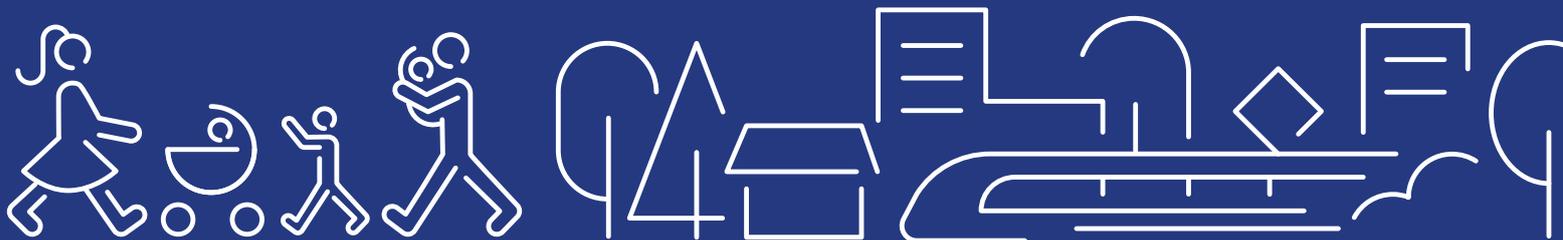
## Estonia is an innovative, reliable, and people-centered country

**Estonia is an innovative country** that values the creation and use of knowledge, where social life is organised with the help of new, people-centred and efficient technologies. The legal and tax environment and the organisation of governance foster social cohesion, the adoption of new solutions, innovation, and flexible public administration. Public services function in the background and are predictable, and the data space is protected. Organisation of the state and people's participation therein is both trend-setting and exemplary for other countries.

**Estonia is a reliable country** for its citizens and a valued partner in international relations. The governance of the state is open, i.e., power is exercised in the public interest in an honest and transparent manner, observing the principles of the rule of law and guaranteeing the fundamental rights and freedoms of the people. Estonia is guarded and defended, we are well-known in the world and the country's international position is strong.

**As a country, Estonia is people-centred**, where policy-making is co-creative and people can participate in making important decisions. Public services are of high quality and accessible to people, regardless of where they live, and increase people's well-being and security.

# Necessary changes in Estonia



# Necessary changes in Estonia



**Skills and  
labour market**



**Sustainability of the  
nation, health and  
social protection**



**Economy  
and climate**



**Space  
and mobility**



**State  
administration**

Changes in various areas are needed to maintain Estonia's basic principles, achieve the strategic goals and meet the development needs. Targeted and coordinated cross-sectoral cooperation is important. The changes that need more attention than the proposals presented and negotiated during the preparation of the strategy are tied into five thematic bundles. Their implementation is monitored on the basis of a more detailed action plan each year and, if necessary, adjustments are made based on domestic events affecting the development of Estonia and changes in the foreign environment.

## Skills and the labour market

### Making the education system learner-based and flexible

We will ensure the abundance and availability of learning opportunities, smooth and flexible movement between levels and types of education, and the application of the principles of the modern learning approach to ensure as far as possible, a learner-centred approach that supports the development of a self-directed learner and the maximum application of each person's potential. To this end, we will integrate formal and non-formal education and general and vocational secondary education and develop a common secondary education standard. We will continue to optimise the school network, and create regional education centres with the aim of providing new forms of learning and opportunities for connecting general, vocational and higher education and non-formal learning, including youth work, and facilitating such transitions. We will link regional education centres with regional and local stakeholders to support the development of a regional business environment and the preparation of the workforce. We will increase the teaching of general and future competencies in the curricula of different levels and types of education, and integrate more practical experience and skills into them in cooperation with employers. We will guarantee high-quality youth work available throughout Estonia, which creates opportunities for all young people to gain diverse development, success, experience, and independence. We will support teaching in Estonian, while developing digital teaching materials in Estonian at all levels of education and in lifelong learning. We will support evidence-based development and implementation of diverse learning methods and techniques (including digital pedagogy) in order to personalise and individualise learning and enrich it with technology (learning analytics, kratts, etc.). We will ensure that the learning movement in the European education area is free of obstacles. International mobility and cooperation are enhanced by the population's knowledge of foreign languages, which is why the learning of languages is supported. At the same time, we will provide opportunities to learn the Estonian language and (digital) solutions for compatriots living elsewhere and other interested people.

## **We will bring people's knowledge, skills and attitudes in line with the needs of the labour market and structural changes in the economy**

We will modernise the adult education system (incl. development of a combined funding model and quality assurance principles, changes in tax and support systems, involvement of a network of cultural institutions) to prepare people for future work and adaptation to structural changes in the economy. We will develop a skills and needs forecasting system (OSKA) and will be able to use big data to better match education and labour market needs. In higher and vocational education, we are developing a system of certification of partial qualifications and expanding the target group and specialties of the workplace-based study form. The focus is on more effective support for the return to the labour market of unskilled and inactive people (including the elderly, young people not in education, training or employment, people with a care burden) and the prevention of older people leaving the labour market. This is especially true in the regions of North Eastern Estonia and South Eastern Estonia, to ensure regional balance of the labour supply and demand throughout Estonia. We will also expand learning opportunities for people with higher skill levels and education, paying attention to areas of smart specialisation and general and future competencies.

## **We are preparing for future work**

Changing business models and forms of work require society's willingness for the necessary changes in regulatory framework for future work. To this end, we will design the tax system, labour law and social protection rules to comply with the new forms of work, so that they will also ensure equal treatment for, for example, creative freelancers, workbits and via platforms (including cross-border employees) employees. The spread of non-traditional forms of work is accompanied by the need to support teleworking opportunities, modernise the working environment (including digital infrastructure) and ensure safety regardless of the form of work. We will develop curricula to shape the knowledge and skills needed for future work, increase the readiness of teachers, lecturers and trainers, and modernise learning environments for the implementation of updated curricula.

## **We will improve the quality of higher education and increase the efficiency of its funding**

In order to improve the quality and international competitiveness of higher education, we will expand work-based learning, industrial PhD and master's degree studies in business, and improve the internship system. We will strive for gender balance in higher education. We will support the preservation and development of Estonian-language curricula in higher education and the development of Estonian professional and research languages. We are reviewing the funding model for higher education, including updating the system of student loans, study grants and scholarships. At the same time, access to higher education must not be impaired. We will ensure that education will respond to the needs of the society and the labour better, and higher education and research and development will be better integrated.

## **We will create a talent-friendly environment**

To encourage the development of talents, we create a whole system for noticing and supporting a talented learner. It is important to expand and promote integrated learning opportunities in science, technology and creativity, and to ensure the proliferation of teachers needed to teach them at all levels of education, as well as in hobby education. We will develop a legal space that advances the skills necessary for smart entrepreneurship and, if necessary, helps to attract talent to Estonia from elsewhere. Attention needs to be paid to the development of talent policy programmes, including measures for international students.

## **We will increase social cohesion and equal opportunities in education and the labour market**

The shrinking working-age population will lead to changes in the balance between the local and foreign workforce. By creating equal opportunities in education and the labour market, we will modernise adaptation and integration services, organisation of education and language learning for learners with a mother tongue other than Estonian, and develop solutions that would keep the local population active in the Estonian labour market. We will also pay greater attention to facilitating the return to Estonia. To promote equal opportunities, we will develop inclusive education, integrate educational, social and health care, cultural and labour market support services, develop measures to support the minimisation of the pay gap, and reduce gender segregation in education and the labour market.

## **Sustainability of the nation, health and social protection**

### **We will develop a comprehensive population and family policy to ensure the sustainability and well-being of the Estonian people**

In order to ensure a sustainable population, we are developing a comprehensive population and family policy that supports births and parenthood, which aims to increase the well-being of families and thereby reduce the difference between the desired and the actual number of children being born. When designing policy measures, we will take into account the diversity of families' needs and preferences throughout the period of raising children. We encourage the change of societal attitudes to value intergenerational cohesion and support the social activism and dignified aging of older people (for example, their greater contribution to volunteer work). To ensure the well-being of children, we are working with state and local government entities to create solutions that support positive parenting and prevent child abuse, update child protection arrangements and support systems for children with special needs, develop services for children with complex problems and continue the transition to family-based care.

### **We will shape the living environment and people's attitudes and behaviour to be more protective of health and the environment, and reduce risk behaviour**

In order to prolong both people's life expectancy and healthy life years, people's attitudes and behaviour need to be made more health-conscious and considerate towards oneself, and risk behaviour needs to be reduced, accidents prevented, and the environment protected. To this end, we plan both integrated prevention measures and counselling services for people in a cross-sectoral and inclusive manner. We will use permanent forms of cooperation based on a community-based approach and networking. Improving the health education of the population and reducing risk behaviour is also supported by the development of digital solutions. In addition to promoting healthy lifestyle choices (including a balanced diet, adequate physical and mental activity and social interaction), we will increase people's awareness of the living environment starting from primary education because it directly affects people's health in society at large. We will ensure the safety of products and chemicals, drinking water, medicines and improve the availability of high-quality food.

## **We will support mental health and reduce mental and physical violence**

In order to develop a comprehensive mental health support system, we will agree on common principles and measures and ensure the availability and quality of necessary services throughout the person's life cycle. We will develop an early detection system and enhance the role of the family and community as a preventive and supportive response to both mental health problems and violence, so that people have the knowledge and skills to reduce mental health risks and recognise risks (e.g., risk of a burnout) and mental health problems as they arise and know when and where to seek help. We are expanding our various evidence-based prevention and social programmes to help prevent and reduce bullying at school or work, harassment in the workplace and other communities, domestic and sexual violence, as well as reducing risk behaviours, raising awareness, and preventing extremist behaviour and radicalisation. We will develop network-based assistance for victims of violence and measures to help prevent the recurrence of violence. We will also pay attention to solving the mental problems that cause illegal behaviour, including in prisons.

## **We will modernise the occupational health system to support health and reduce people's incapacity for work**

In order to prolong people's healthy years of life and reduce their incapacity for work, we will develop innovative and effective occupational health and safety services, including targeted information and counselling services and information technology solutions that promote occupational health and safety. We will also improve the quality and availability of occupational health services. We will develop a system to help people with temporary incapacity for work to remain in the labour market, to prevent their permanent incapacity for work. We will increase the awareness of labour market participants about various risk factors (incl. mental health risk factors, work bullying, and harassment).

## **We will integrate health and social services in a people-centered way**

A key factor in the provision of people-centred welfare services is the integration of health and social services, supported by good leisure time possibilities. For that, we will create a functioning coordination system based on a partnership between the state and local governments, which will ensure that people's needs are approached in a uniform manner. In the provision of integrated services, we will design services based on new foundations, modernise and integrate the existing ones, and invest in infrastructure that supports the provision of services (we will modernise both the network of community services and the network of hospitals and health care institutions). In the social, health and work fields, the aim is to move to services that take into account a person's life path and needs and operate in the background, supported by the introduction of evidence-based digital solutions and the integrated use of data.

## **We will integrate personal medicine solutions into the daily activities of the healthcare system**

In order to prolong healthy life years, we will integrate personal medicine solutions into the daily activities of the healthcare system, including the inclusion of human genetic and health data in evidence-based decision-making processes in both treatment and prevention.

We will develop services that take into account human health behaviour, environmental and genetic data, and therefore enable individuals, including doctors, to better prevent disease, monitor health and treatment. In order to make personal health services more efficient, we will support the development of appropriate digital solutions, enhancing data exchange (including between countries), research in the respective field, updating the legal environment, regulating data use, training health professionals and raising awareness among people and within society.

### **We will modernise the organisation of social protection, taking into account the changes in the society**

We will ensure that people have adequate health insurance coverage and the sustainability of health care financing, which supports the availability of health care services and medicines and medical equipment, as well as the reduction of waiting lists. We will guarantee the sustainability of the pension system and the well-being of pensioners. For that, we will change the system of old-age pensions on favourable terms and the system of earned pension years, promote saving for pension, promote the use of occupational pensions, and increase people's financial awareness. The wider spread of changed forms of work requires more flexible unemployment and redundancy benefit schemes and the adjustment of social protection schemes. We will agree on the division of responsibilities between the individual, the state and local government entities, which will support needs-based social protection, and we will update the financing model for long-term care.

### **We will improve the well-being and social activity of people with special needs and improve the efficiency of the long-term care system**

Health, employment and social protection and services in the cultural sector (e.g., provision of technical aids, rehabilitation and support services, information services, access to cultural and sporting events) must be coordinated and connected in order to improve, *inter alia*, the well-being of people with special needs. To prevent the need for long-term care, we are developing a system of appropriate services, including the introduction of the principle of early detection and the creation of assessment systems and tools. We will develop care services that enable to care and support services to be received mainly at home and in the community, invest in the modernisation of infrastructure, and support the use of technology and innovative solutions in the social sector. To this end, we will increase the number of employees in the field of long-term care and improve their qualifications through training and work-based learning.

## **Economy and climate**

### **We will introduce new solutions to encourage research and development and innovation in business sector**

The goal is to improve the innovation and research and development capabilities in Estonian enterprises, which contributes to the growth of productivity and international competitiveness. To achieve that, we will develop new support services to encourage innovation in all stages of the business and technology development, such as market monitoring of new technologies and advice on the engagement of intellectual property, new business models and creative competencies. We will also reorganise support for applied research and increase investment in research and development by state-owned companies. We will facilitate the scientific knowledge created in Estonian research institutions to advance to business use faster and we will encourage collaboration between research institutions and entrepreneurs.

We will shape the Estonian research and development and innovation system into a well-functioning integrated whole, where the research and development activities of private and the public sector are closely intertwined and support each other. Considering that the integration of digital technologies in the business sector is poor in Estonia compared to other European countries, we will support the digitisation and automation of enterprises and ensure data quality that enables real-time data exchange between enterprises and in communication with the state. Also, in business diplomacy we will focus on knowledge-intensive enterprises. In order to reduce regional differences in the business sector, we will facilitate the acceleration of structural changes in the economy outside Harju County.

### **We will increase the capacity of fields of activity important to the Estonian economy**

To ensure R&D collaboration between research institutions and enterprises in areas that are important for the Estonian economy and its regions (including rural and coastal regions) (e.g., technologies supporting environmental protection, more efficient use of local resources, information and communications technology), we will develop sectoral research programmes, rethink smart specialisation priorities, provide support for participation in the European Union's strategic value chains, and promote a sustainable bio-economy. The aim is to become a successful promoter, implementer and tester of R&D in selected areas worldwide, and hence become an attractive destination for foreign investment and an exporter of technology-intensive goods and services.

### **We will create a secure economic environment conducive to flexible, innovative and responsible entrepreneurship and fair competition.**

Although the business environment in Estonia is currently generally competitive and stable, we need to improve our ability to adapt to changes ahead. Estonia's international strength is the wide use of digital technologies in the public sector and the resulting simple administration. We will turn Estonia into a digital hub to which people from all over the world will come both virtually as e-residents and physically to offer their services to the world and establish enterprises. At the same time, we will create legislation and a tax environment that enables the implementation of new business models (e.g., platform economy, social entrepreneurship) and new forms of work, both in Estonia and in the European Union, support R&D and innovation at all stages of business and technology development, and take into account the regional differences. We will promote environment-friendly and sustainable entrepreneurship through new legislation and other activities needed, ensuring a balance between the expectations of entrepreneurs and consumers. We will reduce bureaucratic obstacles to businesses. We are further developing the banking and capital markets in order to improve the ability to cope with crises and provide better financing opportunities for companies in all regions. We are raising public and private awareness of the threats to economic security.

### **We will introduce the principles of the circular economy**

In order to increase the recycling of materials and the use of secondary raw materials, we will encourage the introduction of sustainable production and consumption patterns. Enterprises need to improve resource efficiency, including energy efficiency, for example, through industrial symbiosis, digitisation and support for more resource-efficient technologies. We are reorganising waste management based on the waste hierarchy and introducing innovative solutions to reduce waste generation and increase material recycling and separate waste collection.

## **We will move to climate-neutral energy production, ensuring energy security**

The transition to climate-neutral energy production, which ensures good air quality, requires considering the possible alternatives and making choices. We must ensure the continuity of energy security and security of supply, both during and before the transition to climate-neutral energy production. In order to increase the share of renewable energy, we will find a solution that takes into account security, environmental protection and the interests of the population. We are open and support new solutions, such as offshore wind energy. In order to abandon electricity production from oil shale, we will support the mitigation of the socio-economic impacts of reduced electricity production from oil shale during the transition period, and develop and implement a package of services and investments for Ida-Viru County that will help its people, enterprises and local governments benefit from the changes and ensure a fair transition to the new economy.

## **Space and mobility**

### **We will ensure a viable cultural space**

We will ensure participation opportunities, joint activities and the availability of various cultural events both for Estonians and people with other mother tongues, promoting cooperation, flexibility and creative solutions of various institutions and organisations, such as job offers, flexible transport, teleworking, cooperation with the private sector, etc. We will create opportunities for maintaining and developing our own culture and acknowledge the leaders in the field of culture. We see culture as a platform for collaboration that connects people. We will adopt new technologies to improve the quality of the creation, preservation and accessibility of digital culture, diversify business services and facilitate the new and cross-use of digital content.

### **We plan and renovate the space comprehensively and with high-quality, while also taking into account the needs of society, demographic changes, health and care for the environment**

In spatial planning decisions, we will follow the principles of high-quality space creation: high-quality space combines artistic, technological and economic solutions and the natural environment into a balanced whole. We will guarantee accessibility to all people throughout their life cycle. This covers rural and urban spatial planning, architecture, outdoor and indoor space, and is the basis for creating a sustainable and integrated living environment that prevents segregation. We will ensure comprehensive and regionally balanced spatial planning development of the state, where the investments of the state and local governments are in harmony. We will introduce well-thought-out spatial solutions to adapt to population changes, and in the conditions of a shrinking population, we will adjust the settlements to be more compact. We respect cultural heritage and create new cultural values with good spatial solutions. When planning public space, we are broadly introducing the principles of creating a safe space to promote safe and secure behaviour, and we will support solutions that increase physical activity, promote health and ensure accessibility. Among other things, we will increase the competence of space creation, improve the quality and availability of the building stock through a long-term national renovation plan, introduce solutions that increase the resilience of urban settlements to the effects of climate change, and develop sustainable waste management, public water supply and sewerage infrastructure. We will also map and sustainably use mineral resources.

## **We will provide a needs-based interoperable transport service that includes all means of transportation**

When designing a needs-based, flexible and user-oriented transport service, we proceed from the wise use of mobility data. To ensure the integration and mobility of transportation across Estonia, we will develop and implement a model that takes into account the socio-economic and environmental factors. At the same time, we will promote the use of public and shared transport and a healthy and sustainable means of mobility.

## **We will implement a safe, environmental-friendly, competitive, needs-based and sustainable transport and energy infrastructure**

In the transport sector, actions to reduce greenhouse gas emissions play an important role. We are creating the infrastructure to switch to clean vehicles, increasing the use of clean vehicles in the public sector, developing international and national connections to reduce the time required to cover distances, and increasing road safety and accessibility. We are open and support new technologies, such as the use of hydrogen. The transition to climate-neutral energy production also requires the construction of supporting infrastructure. To this end, we will synchronise the electricity grid with the continental European frequency band, create the necessary grid connections for renewable energy production, and deploy smart grids, short-term and long-term storage options.

## **Governance**

### **We will increase the unity of governance and ensure the smooth functioning of the state**

The efficiency of governance must rise due to the aging and decreasing population, because with an ever-shrinking administration there is a need to provide increasingly high-quality public services that are available regardless of where the person lives. For this, we will make governance more needs-based and flexible. We will ensure staff and officials (e.g., teachers, health workers, rescuers, police officers, prison officers, legal professionals) possessing the necessary skills for the state, taking into account regional needs (including remote and declining areas). We develop organisations and people to adapt to changes in global trends, but also strategic planning at both the state and local government entity level. We will also promote Estonia as a digital country, and develop data economy. Considering the growth of cyber threats and geopolitical changes, we will develop cyber security in various areas both in Estonia and in the European Union as a whole, introduce sustainable solutions to increase the detection of cybercrime and process it more efficiently, and improve the viability of critical services and infrastructure. We will support young people's active civic participation and their connection to the Estonian state.

### **We will improve the quality and availability of state and local government entity services and review the division of responsibilities**

All public services must be available, accessible and of high quality in the physical and/or digital space, regardless of the place of residence, age, special needs or other characteristics. To this end, we will review the division of responsibilities between the state and local levels in the provision of services. At the same time, we will strengthen the partnership between the state and local governments and increase the role of local governments by promoting decentralization and regional cooperation. We will also develop public sector cooperation with the private sector, NGOs and communities.

When designing public services, we will aim to make the user experience as simple and supportive as possible (incl. by offering user support in Estonian and, if necessary, in other common languages). We will make the services as functional and predictable as possible in the background, using all the data available in the state securely and taking into account the human will and fundamental rights. We will apply the principle of a single place of business in both physical and digital space. We will develop the justice system and improve the enforcement of rights based on the rule of law.

## **We will increase the impact and diversity of science while maintaining its high level**

Science is at a high level in Estonia, but the use of research results in society has so far been modest. We need to better coordinate both formal and informal communication between researchers, the public sector, business and the civil society, so that science better meets the needs of society. To ensure a high-level, evolving, and multidisciplinary research system, we will ensure the strategic development of research institutions, including continuing to fund basic research for new knowledge, technologies, and ideas, advocating for the growth of the research community, and enabling high-quality research infrastructure and participating in the international knowledge community. We will provide competitive working conditions and career opportunities for researchers, so that Estonian research institutions are attractive employers and researchers are valued partners in society for both private and public sector. We elaborate an academic career model that supports researchers' diversified development and offers greater stability (incl. completing the reform of doctoral studies). We will facilitate the labour mobility between universities, business and the public sector, open up research infrastructure for both enterprises and the public sector, and improve the quality of university knowledge transfer services. We will improve the wider availability and use of research results (incl. development of open science) and support the spread of knowledge-based thinking in society, including civil science. We will support Estonian research and scientific work that deals with the study of the Estonian nation, language, culture, identity, and self-awareness, as well as topics necessary for the functioning of the state. We will ensure the development of language technology solutions and encourage their widest possible implementation.

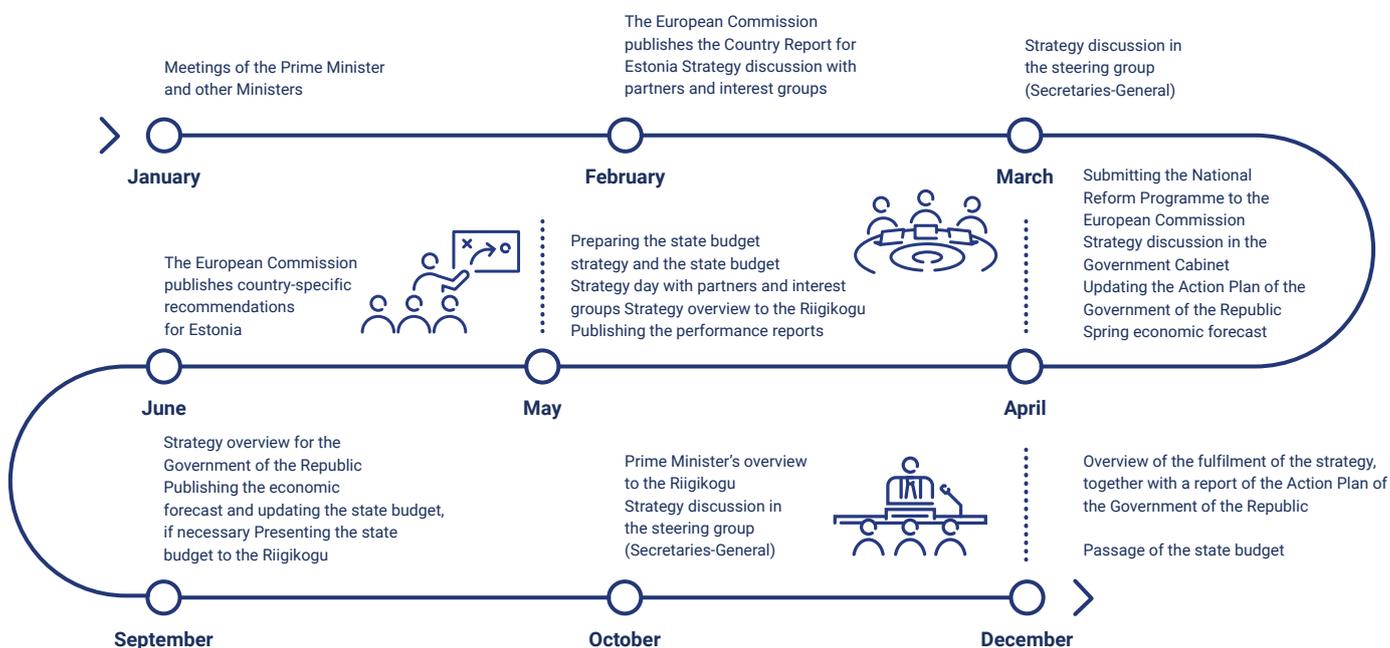
## **We will improve the country's international position and ensure security and safety**

An important direction is the integrity of Estonia's foreign policy in order to ensure Estonia's prominent position in the world and to maintain strong relations with its allies. We will focus on sharing Estonia's strengths with the world, building on Estonia's achievements in digital, cultural, sports and other fields, while providing a positive experience for Estonian guests and using the balanced impact of tourism on the local culture and environment. In order to ensure Estonia's economic security and stability, we conduct more in-depth screening of significant foreign investments quickly and transparently. Improving Estonia's international position is supported by the foreign language skills of the Estonian population, which facilitates international communication and gives a competitive advantage to both entrepreneurs and employees. We will increase the effectiveness of development cooperation in order to build peaceful societies in the world. We will develop the broad concept of security and improve society's crisis preparedness and resilience to hybrid threats. Estonia will do its utmost to develop treaty-based international relations, strengthen the European Union and NATO, and develop friendly relations with allies in order to ensure the comprehensive security of both Estonia and our allies. We will develop the necessary infrastructure for the presence of our allies and make the organisation of military service more responsive to people's abilities. In cooperation with the private and civil sectors, we will improve the prevention, detection and processing of illegal migration. We will increase our resilience to threats to the constitutional order, including hybrid threats and subversion. We will secure the functioning of vital services and increase the responsibility of communities in ensuring security and preventing crime (including increasing people's awareness of their role in national defence and ensuring community security). In order to keep the response capacity of law enforcement agencies and the rescue network at a level commensurate with the threats, we will make security-enhancing services more effective through technical and innovative solutions. We will ensure that the cyber risks of the digital society are well managed and that Estonian cyberspace is highly reliable.

# The future of Estonia relies on everyone's contribution



# Implementation of the strategy



The Government Office is responsible for coordinating the preparation, implementation and amendment of the strategy “Estonia 2035” in cooperation with the Ministry of Finance. “Estonia 2035” is carried out mainly via development plans and programmes in the respective fields. Achieving Estonia’s strategic goals also requires the contribution of local governments and public, non-governmental and private sector organizations, as well as the knowledge of the Estonian people in making everyday choices.

In the framework of the country’s strategic planning and financial management, “Estonia 2035” plays a central role as a tool for the country’s long-term development strategy and cross-sectoral coordination. All development plans in the field approved by the Government of the Republic and programmes approved by the Minister follow the goals and necessary changes agreed upon in the strategy “Estonia 2035”. When reporting on the implementation of the strategy, we consider it important that the load is as light as possible for the parties involved and in accordance with the state budget strategy and activity-based budget.

In the future, the development plans and programmes prepared on the basis of “Estonia 2035” will also reflect Estonia’s sectoral policy goals of the European Union and issues related to the implementation of global sustainable development goals. In terms of the European Semester’s economic coordination process, the “Estonia 2035” strategy is our National Reform Programme. The annual Estonian state report, to be completed within the framework of the European Semester and the published country-specific recommendations, will be an input to the reviews of the implementation of “Estonia 2035”.

Achieving the strategic goals of “Estonia 2035” must be supported by the country’s fiscal policy decisions. The Estonian state budget is sustainable and aimed at macroeconomic balancing. The outlook for economic growth is modest in the coming years, falling below 2% over the next ten years due to, among other things, a decline in the working-age population (estimates assume that the current situation will continue). On the one hand, the budgetary position has been close to and stable in nominal terms in recent years, on the other hand, rapid revenue growth in the state budget is not expected and, as a result, new investment opportunities may decrease and existing budgetary agreements may be more difficult to maintain.

Estonia is a thin small country with general government expenditure (39.3% of GDP in 2018) lower than the European Union average (45.7%). In terms of the cost of general government services, Estonia ranks 4th from last in the European Union. Since Estonian general government expenditures are already lower than in the European Union and public administration is quite frugal, in order to achieve the long-term goals of "Estonia 2035", Estonia's financial situation must be taken into account and national strategic expenditures or tax policy decisions must be made. One possibility is closer cooperation between the private and public sectors.

"Estonia 2035" is a strategy supporting the co-operation of the Riigikogu and the Government of the Republic to achieve Estonia's long-term goals. At least once a year, each member of the government shall give a presentation in the Riigikogu, providing an overview of the activities in his or her area of responsibility. This enables the member of the government to discuss important trends and strategic choices in the field and gives the members of the Riigikogu the opportunity to obtain an overview of the trends in all policy areas during the year.

The Prime Minister will give a presentation in the Riigikogu after submitting the state budget strategy and the state budget to the parliament, giving an overview of the connections between the changes necessary to achieve the strategic goals of "Estonia 2035" and the planning of state funds. The review of the state budget is preceded by the introduction of its main theses in the committees of the Riigikogu.

Thus, "Estonia 2035" at the level of the Government of the Republic is closely related to the process of the state budget strategy. Meetings of the Prime Minister and ministers take place every year, where the achievement of the strategic goals of "Estonia 2035" is discussed and the solutions for the necessary changes are discussed. Prior to the state budget strategy meetings, the Strategy Director of the Government Office will give an overview of the state of implementation of "Estonia 2035" at a meeting of the Cabinet of Ministers, highlighting possible bottlenecks in the implementation of the strategy. Prior to the discussions on the state budget in the autumn, the Government Office will provide feedback to the members of the government on how the bottlenecks or changes in the strategy discussed in the spring have been resolved and which of them need to be addressed in the state budget.

Once a year, a strategy day is held with key partners and stakeholders, where an overview of the achievement of the strategy's goals is provided, the best experiences in addressing development needs are shared and proposals for the implementation of the strategy are made.



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