

**Basic Principles of the Government Coalition
between the Estonian Centre Party, the
Estonian Social Democratic Party, and Pro
Patria and Res Publica Union (IRL) for 2016-
2019**

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Preface

The Estonian Republic is about to celebrate its 100th birthday. Our nationhood is based on the work and dedication of all of our people. We acknowledge each and every person who has contributed to the advancement of Estonia's affairs. Sadly, our state is at an economic standstill today and new ideas and solutions are needed for its governance.

Solving the population problems of Estonia is our main challenge. For the number of people in Estonia to start increasing again, we want to increase the welfare of all the people of Estonia, to lengthen their healthily lived years and to invite back everyone who has left. Every legislative bill and programmatic document must contribute towards solving the population crisis and slowing down emigration.

Estonia has been a member of the European Union for over 12 years, but the gap between us and the wealthier Member States is still considerable, and the inequality of income in Estonia is among the largest in Europe. It is our aim to enliven the economy and to bring economic growth to all inhabitants of Estonia. We are working hard towards increasing the quality of life of the inhabitants of Estonia in rural regions as well as larger centres.

To break the stagnation, Estonia needs a cooperative, trusting, broad-based and open-minded Government. We promise that we will not make decisions based solely on our own wisdom, but rather listen to entrepreneurs, experts, the third sector, and opposition parties. We wish to include and talk to everyone in Estonia, regardless of their gender, age, world-view or nationality.

We will not burden the Government coalition agreement with wordy promises and numerous details. It is our clear aim to achieve a lot more than we have written down. We will base our actions on the basic principles set forth in the contract, but also on the changes taking place in the world today, and first of all on the expectations of the people of Estonia. We are always open to new initiatives and solutions - no idea is redundant.

The main goal of the Government formed by the Estonian Centre Party (Eesti Keskerakond), the Estonian Social Democratic Party (Sotsiaaldemokraatlik Erakond) and the Pro Patria and Res Publica Union (Isamaa ja Res Publica Liit) is to safeguard and increase our security, to bring Estonia out of economic stagnation, to increase public welfare and cohesion, and to start an increase in the population numbers of Estonia.

I. Foreign and Security Policy, National Defence

Estonia's foreign and security policy is sustainable and based on a broad political consensus. Membership in NATO and the European Union, and the according partnerships and alliances form the most important guarantee for the security and welfare of Estonia.

- In the present security situation, the resources allocated to Estonia's foreign service are not sufficient. We consider it necessary to increase them. We will pay more attention to advancing and safeguarding the security and foreign trade interests of Estonia.
- We will immediately develop the priorities of Estonia's Presidency of the European Union, and we will guarantee a successful organisation of the Presidency.
- We will continue to value the Eastern Partnership policy of the European Union.
- We consider it important to maintain close partnership relations with Great Britain, after the United Kingdom has left the European Union as well.
- Bilateral relations with the United States of America plays a special role in guaranteeing the security of Estonia.
- Fostering security, stability and good neighbourly relations in the whole of our region is in the interests of Estonia.
- Estonia supports the joint policies of the European Union and NATO that are aimed at protecting the sovereignty and restoring the territorial integrity of Ukraine. The sanctions against Russia can only be alleviated when Russia returns to the generally accepted principles of international law.
- To strengthen our independent defence abilities, we will guarantee defence spendings on the level of at least 2% of GDP, plus additional investments needed for receiving the allied corps of NATO. We support the strengthening of NATO's deterrence measures and the continuous military presence of the allies in Estonia.
- We will instate an additional program of national defence investments.
- Estonia will continue to participate in international security and peace missions together with its allies and partners.
- We will increase the number of young people who pass military service, and we consider it important to develop the capabilities and increase the membership of the Defense League (Kaitseliit).
- We will adopt a concept of Civil Protection to ensure a public resistance capability in a crisis situation.

II. Economic Policy, State Investments and Taxation

It is our aim to achieve a faster economic growth that will reach all of the people of Estonia. We will increase state investments, in order to increase Estonia's competitiveness. We will foster the participation of more people in the labour market, and we will contribute to improving their skills. Our economy must make it easy to start a company and also offer better growth opportunities for enterprises.

- We will decrease company income tax (to 14% instead of the present 20%) from regular dividends paid to legal persons.
- We will instate a refunding of labour taxes or a tax credit to temporarily decrease the labour tax burden of starting and quickly growing companies.
- We will implement a zero bureaucracy programme.
- We will create a bureaucracy-free form of entrepreneurship for small businesses - an entrepreneurship account for the sale of goods and services to physical persons or for selling goods to legal persons in the amount of up to €25,000 per year.
- We will simplify the taxation and reporting procedures for self-employed persons.
- We will guarantee a competitive taxation and regulation environment for the significant and potentially growing industrial and service sectors of the Estonian economy, including the adoption of an ICT sector development programme and conditions for freight ships to sail under the Estonian flag.
- We will release minority shares of the following state enterprises to the stock exchange:
 - AS Tallinna Sadam (up to 30% of shares);
 - The renewable energy company Enefit Taastuenergia, part of AS Eesti Energia (up to 49% of shares).
- We will foster competition on the pension funds market and the investments of pension funds into Estonia.
- We will form a naming committee that will appoint supervisory board members of state-owned companies. Ministers will not appoint members of Riigikogu to the supervisory boards of state-owned companies and foundations.
- We will instate a procedure for larger state-owned companies to follow the information publication rules of the OMX Baltic Market stock exchange.
- We will not sell shares in companies where the transfer of shares may increase security risks and threaten the functioning of vital services where there is no competition.
- We will enable state-owned companies to pay support sums only to research and development activities in their own sector.
- We will set it as our goal to sell the state's holdings in AS Eesti Teed and a minority share in AS EVR Cargo, and we will start preparations for the sales process.

- We will renew the employment market and the laws regulating labour taxes on the basis of the changed nature of employment relations (remote working, workforce “renting”, having multiple jobs, the sharing economy).
- We will enable companies to cover employees’ expenses related to the improvement of health of the employees in an amount of up to €100 per quarter, to foster health improvement.
- We will alter the social supports system to make being employed more motivating than receiving support.
- We will widen workplace training opportunities in companies and increase the participation of employers in the composition and evaluation of study plans.
- We will propose an increase in minimum wages to partners of the employment market, taking into account the additional steps taken by the state to increase employment rates and the qualification of workforce.
- We will carry out important public investments, including:
 - We will cooperate with the city of Tallinn to develop the Tallinn City Hall into an international tourism and conference centre.
 - We will implement a measure to support investments into the residential housing means of local governments.
 - We will develop a broadband distribution network in a partnership between the state, local governments and the private sector.
 - We will carry out large-scale investments into infrastructure.
- We will carry out an income tax reform that will enliven the economy and decrease inequality:
 - We will significantly decrease the income tax of people who receive a low or medium-range salary. To achieve that, we will increase the monthly non-taxable income of persons earning up to a median salary to €500.
 - The non-taxable income of persons earning more than a median salary will gradually decrease as the income grows, and non-taxable income will no longer be applied if the salary exceeds €2,100.
 - We will retain the income tax exemption related to children, and we will terminate the opportunity to submit joint income declarations.
- We will implement the following changes in tax policy:
 - We will cancel the VAT increase for accommodation establishments for 2017 and the excise tax increase for diesel fuel in 2018. We will increase the excise tax for natural gas.
 - We will limit the amount of tax deductions for housing loans and savings interest.
 - We will impede the hidden extraction of profits from Estonian companies (in the form of loans).

- We will simplify the use of company cars for private purposes. Payable tax amounts will be in relation to engine capacity and the age of the car, and driving diaries will be abolished.
- We will instate electronic tracking documents to help avoid unfair competition.
- In order to decrease the excessive consumption of alcohol and sugar, we will increase the excise taxes for beer, fermented beverages and wine, and we will tax beverages with high sugar content.
- To foster the use of cars with lower fuel consumption and environmental impact, we will instate a one-time registration fee dependent on a vehicle's engine capacity.
- We will implement a bank tax for financial institutions, taking into consideration their general payment burden and its possible restructuring.
- We will maintain an average structural balance in the state budget. When using an earlier structural surplus, the deficit of the budget must not exceed 0.5% of GDP per year. If needed, we will use additional foreign capital to finance infrastructure investments with a long term of profitability.

III. Democracy, Governance and Civil Society

- We will carry out a state reform.
- We will decrease the volume of legislative activities and bureaucracy.
- We will decrease governance expenses in order to increase cost-efficiency and transparency. We will endeavour to decrease redundancy of governance.
- We will abolish county governments, transferring their essentially local-government functions to local governments and their joint organisations, and their state monitoring functions to state agencies. We will relocate state agencies to various counties.
- We will instate changes to the system of presidential elections.
- We will analyse the opportunities to implement citizen initiative and to extend referendums.
- We will instate the hearing of candidates for the European Commission before the plenary assembly of Riigikogu.
- We will alter election campaigns into idea-based campaigns, not money- or volume-based.
- We will increase the transparency of the funding of political parties, and increase surveillance.
- We will equalize the period of electronic voting with the period of advance voting in the local voting districts. We will guarantee the security and transparency of electronic voting.
- We will work towards creating technical solutions to bring the advance voting period closer to election day.
- We consider it important that the share of women in state governance should be increased. We will facilitate gender-equal election lists for the elections of Riigikogu, local governments and the European Parliament.
- We will diminish salary inequality between genders.
- We will ratify the Istanbul Convention and implement it quickly.
- We will form an ownership reform committee to analyse the impacts and unsolved issues of the reform.
- We will rectify the funding of NGOs, making it more stable and purposeful.
- We will formulate a clearer policy for inclusion and participation of NGOs. We will facilitate social entrepreneurship.

IV. Education and Research Policy

- We will motivate local governments to increase the salaries of kindergarten teachers to the minimum level of school teachers.
- We will set as a state-level priority the increasing of the quality of teaching of the Estonian language in kindergartens, ensuring the required study aids as well as additional training for kindergarten teachers.
- We will raise the median salary of teachers to 120% of Estonia's median salary by 2019.
- We will increase the support of the according specialists to local governments in order to make needed support services for children more accessible.
- We will create the opportunities and the transition system for children of families returning to Estonia to start their education.
- We will raise the school alimention support to €1, and stipulate an obligation to all school keepers in the Basic School and Gymnasium Act to provide free school lunches to all pupils, so that the food offered in schools is healthy and accessible.
- We will intensify and fund anti-bullying measures in schools.
- We will continue the development of state gymnasiums, the organisation of the gymnasium network and we will allow local governments to keep gymnasiums after 2023 as well. We will ensure better funding to rural gymnasiums located further from county centres.
- We will guarantee activity support on the average level of the local government to private schools. We will develop a sustainable funding plan for private schools for the years 2020+.
- We will guarantee the obtaining of at least secondary education or a vocational qualification for all young people.
- We will continue the harmonisation of the skills obtained in vocational education with the needs of the employment market. To achieve that, we will continue the transition to output-centred study plans, increase workplace training opportunities and increase the share of employers in the composition and evaluation of study plans.
- We will harmonise the activities of the Unemployment Insurance Fund with those of the Ministry of Education and Research in offering employment market and apprenticeship-training. We will harmonise the employment market supporting activities of various institutions and end the duplication of activities.
- We will implement a youth hobby activities support concept.
- We will increase the opportunities of young people to participate in working life, including summer work camps, by creating additional motivation mechanisms for employers and by decreasing limitations imposed on youth employment.
- We will motivate employers to hire young specialists.
- We will broaden the opportunities for IT education in various levels of education.

- We will aim to bring the financing of research and development activities up to 1% of GDP.
- We consider it important that the share of research and development activities carried out on the request of, or in partnership with the private sector should be increased. We will develop proposals for stimulating the research and development activities of companies and for a more significant inclusion of the means of the private sector.
- In the funding of research, we will aim at achieving a 50/50 balance between basic financing and project-based financing.
- We will increase study grants for doctoral studies in order to ensure a high-quality continuation of research and development activities.

V. Culture and Sports

- We will guarantee an opportunity for all inhabitants of Estonia to create culture and to participate in it, regardless of their regional, social, cultural, ethnic, age, gender-related or other individual characteristics and needs.
- The maintenance and development of the Estonian language is a value set forth in the Constitution.
- Top level specialists working in the fields of culture and sports must be appropriately remunerated. We will continue the rise of salary for cultural workers and the creation of social guarantees for creative persons.
- We will not alter the basic principles of the Cultural Capital.
- We will support export and internationalisation of creative fields in the cultural sector, increasing the opportunities of Estonian creative works on the international scene and thus contributing to the international recognition and reputation of Estonia. We will increase the capacity of Film Estonia.
- We will create a cross-ministry body of experts to establish a state spatial planning competence in cooperation with the Estonian Association of Architects.
- We will protect the heritage of Estonia and reform the organisation of heritage protection.
- We will continue the sports funding reform in order to create a transparent and firm financial base for sports organisations. This includes the improvement of the social guarantees system for sportsmen, trainers and referees as well as the decreasing of bureaucracy in the mutual relations of the state and sports organisations.
- We will improve the level of elementary swimming training.
- We will continue supporting the cultural societies of ethnic minorities as well as the Sunday schools.

VI. Integration

- We will guarantee the availability of tutelage in the Estonian language needed for fulfilling the linguistic requirements imposed by the state, on a sufficient quality level. We will establish Estonian Language Houses in Narva and Tallinn where courses of Estonian will be offered for free, and study aids and methodological materials will be developed, etc.
- We will set as a state priority, an improvement of the quality of teaching Estonian in kindergartens, basic schools, gymnasiums and vocational education establishments, ensuring the required study aids and additional training for teachers.
- We will start a pilot programme allowing for pedagogically justified flexibility in language and content learning in specified multilingual gymnasiums along with an intensified learning of the Estonian language, so that gymnasium graduates can achieve the C1 proficiency level in Estonian in six years.
- We will provide a contract for persons seeking the citizenship of the Republic of Estonia, offering free courses of the Estonian language to everyone wishing to apply for the citizenship and providing them with paid study leave for language learning.
- We will retain the basic principles of the present citizenship policy.
- We will provide the opportunity to obtain Estonian citizenship, upon application, to persons born in Estonia and younger than 15 years, whose one or both parents have either undetermined citizenship or are the citizens of third countries and were living in Estonia steadily before August 20, 1991, if the parents or a parent raising the child alone, or the child upon becoming an adult, submits an application to waive the citizenship of third countries.
- We will increase the Russian-speaking population's awareness of the legal environment and guarantee state-sponsored legal advice for them.

VII. Environment and Energy

- In developing environmental policy decisions (related to environmental protection, forestry, hunting, fishing, waste, air pollution, natural resources, recycling) we will adopt a knowledge-based approach as well as the principles of sustainability and prudent use.
- We will implement measures that will ensure the recycling of domestic waste in the minimum amount of 65% by the year 2030. We will determine the responsibilities of the state and the local governments in recycling waste, in organising waste disposal and in meeting the recycling targets.
- In forestry, harvesting volumes may not exceed the growth volumes of forests in Estonia.
- We will ensure a fair compensation system for privately owned lands within the framework of the rural development plan, and also for lands outside Natura areas and we wish to hasten the buying of environmental protection areas from landowners.
- Leveraging the competitive advantage of Estonia arising from its pristine environment, we will develop the export of ecological products and services, creating new jobs in various regions of Estonia.
- We will adopt an energy sector development plan for Estonia stating that by 2030, the share of renewable energy in end-consuming must reach a minimum of 50%, and 80% of consumed heat energy must be produced from biofuels.
- To ensure energy security, we will:
 - Make preparations for synchronising the Estonian power grid into the European frequency range by 2025,
 - support the building of the Balticconnector,
 - and place a consideration of importance on the establishment of a regional LNG terminal in Estonia.
- To ensure a stable and justified taxation of the energy sector, we will establish a relationship between resource fees for oil-shale and the market price of products produced from it (shale oil, electricity).
- For a sustainable and efficient use of natural resources, we will establish a Geology Service within the governance area of the Ministry of Economic Affairs and Communications that will research and map the mineral resources of Estonia.
- We will support the reconstruction of homes with the aim of achieving better energy efficiency.

VIII. Local Governments and Regional Policy

- We will carry out an administrative reform to increase the decision power and responsibility of local governments in managing and organising public life.
- We will increase the income basis of local governments, compensating for the lowering of personal income tax percentage during the crisis.
- We will increase the financial autonomy of local governments. We will transfer some state functions to local governments, along with the corresponding financing.
- We will transfer the organising of county transport along with the present subsidies and additional means to local public transport centres or local governments.
- We will speed up the transfer of non-reformed state-owned land to local governments.
- We will implement a measure to support investments into the residential housing means of local governments.
- We will develop a programme for Ida-Virumaa that will include required investments into infrastructure and the improvement of the quality of life of the population. We will relocate the Academy of Security Sciences to Narva.
- We will change the defence and security related ownership restrictions imposed on real property, making them object-based.
- We will foster the creation of regional jobs and we will develop a corresponding programme.
- We will increase state investments into road construction.
- We will develop a development plan for the regional railway network.

IX. Rural Life

- We will increase the funding of the agricultural sector in the maximum amount of transitional support.
- We will increase the means for crisis support in 2017.
- We will increase breeding support for pig farmers because of the crisis.
- At the talks over the Common Agricultural Policy of the European Union, we will support the retaining of a common and pan-European CAP and a common market where all states would be guaranteed equal competition conditions. We will abstain from imposing unjustified requirements that are stricter than those of the EU.
- We will create better opportunities for agricultural producers to increase their growth capabilities in the food product supply chain.
- We will develop a bio-economy development plan for Estonia.
- We will stipulate legal protection for fruitful farmland.

X. Internal Security and the Legal System

- We will strengthen community-based police work and regional police networks, especially in rural areas.
- We will increase the opportunities of local governments to ensure public order.
- We will increase the state's crisis-solving abilities and the rapid reaction capabilities of the police.
- We will improve the protective equipment of emergency workers and bomb squads as well as upgrade emergency response equipment.
- We will support the increasing and strengthening of the network of volunteer emergency rescue units, and we will ensure social guarantees for the rescue workers.
- We will decrease the number of emergency deaths and situations through well-considered prevention activities and more efficient surveillance.
- We will guarantee sufficient means to security institutions to thwart any activities threatening the security of Estonia. We contribute to cooperation with our allies in countering terrorism and maintaining an efficient forewarning system.
- We will complete the construction of the eastern border.
- We will direct misdemeanour prevention activities to children and parents first of all, carrying out proof-based prevention programmes meant for them. We will prefer family-based intervention methods in reacting to juvenile delinquency. We will increase the specialisation of judges in civil and criminal courts in cases related to children and families.
- We will prevent and diminish domestic / partner violence by systematically mapping and guiding at-risk families, and by cross-agency cooperation. We will ratify and implement the Istanbul Convention.
- We will increase the confiscation of criminally obtained assets.
- We will establish a relation between the fines for serious traffic offences (drunk driving, speeding over 40 km/h) and the offender's income.
- We will increase opportunities for legal counselling and carry out a reform of first-level legal counselling.
- We will continue supporting the repressed and their representation bodies.
- We will review the principles of debt restructuring and reorganisation, with an emphasis on increasing the protection of home loan borrowers.
- We will continue the present migration policy of Estonia. We will not support the mandatory quota system for relocation and redistribution of asylum seekers.

- We will maintain awareness of the crimes of totalitarian regimes by establishing an international centre of the crimes of communism in Tallinn, and a memorial complex to the victims of communism at Maarjamäe.

XI. Social Policy and Healthcare

- We will increase the base aspect of state pensions and decrease the share of the salary component, with the aim of turning the first pension pillar into a more solid, and fair income source for the elderly.
- We will carry out a pension reform that takes into consideration the decreasing workforce numbers in Estonia and the growing number of elderly people. In the future, we will establish a relation between the pensions and the average life expectancy, enabling people to choose the optimal time for retiring, to receive a partial pension or to stop payments of pension.
- We will ensure a clear system of special pensions and guarantee everyone access to the second pension pillar.
- We will implement a maternity pension in order to value child-raising parents.
- We will create a system of parental leaves and supports flexible enough to offer parents a variety of choices, to support the participation of parents in the employment market and the sharing of child-raising duties between parents. We will set a maximum limit to parental supports.
- We will increase the support for multi-children families (3-6 children) to €300 per month.
- We will cancel the student loans of parents of children with severe disabilities.
- We will decrease the burden of family caregivers, taking into consideration the suggestions of the care burden task force.
- We will reinstate a €250 funeral support for everyone, directing the corresponding funds to local governments.
- We will guarantee the better availability of medical care to the people of Estonia as well as the sustainability of the healthcare system. We will take steps towards increasing the efficiency of the expenses of the Health Insurance Fund and increasing the revenues of the Fund from alternative sources.
- We will not decrease the health insurance part (13%) of social tax.
- We will increase the compensation of expenses on medicine for people with higher therapeutic needs.
- We will support the further improvement of the accessibility of first-level healthcare services.
- We will enable companies to cover employees' expenses related to the improvement of health of the employees in an amount of up to €100 per quarter, to foster health improvement.
- We will develop a system for occupational accident and occupational disease insurance.

- To improve the accessibility and quality of healthcare services, we will invest into e-health solutions and carry out a personal medicine pilot project.
- We will aim at decreasing alcohol consumption and related health risks. We will impose additional legal limits on the advertising and sales of alcohol.
- We will fund vaccination against cervical cancer.
- We will increase the efficiency of prevention and treatment of HIV and AIDS.