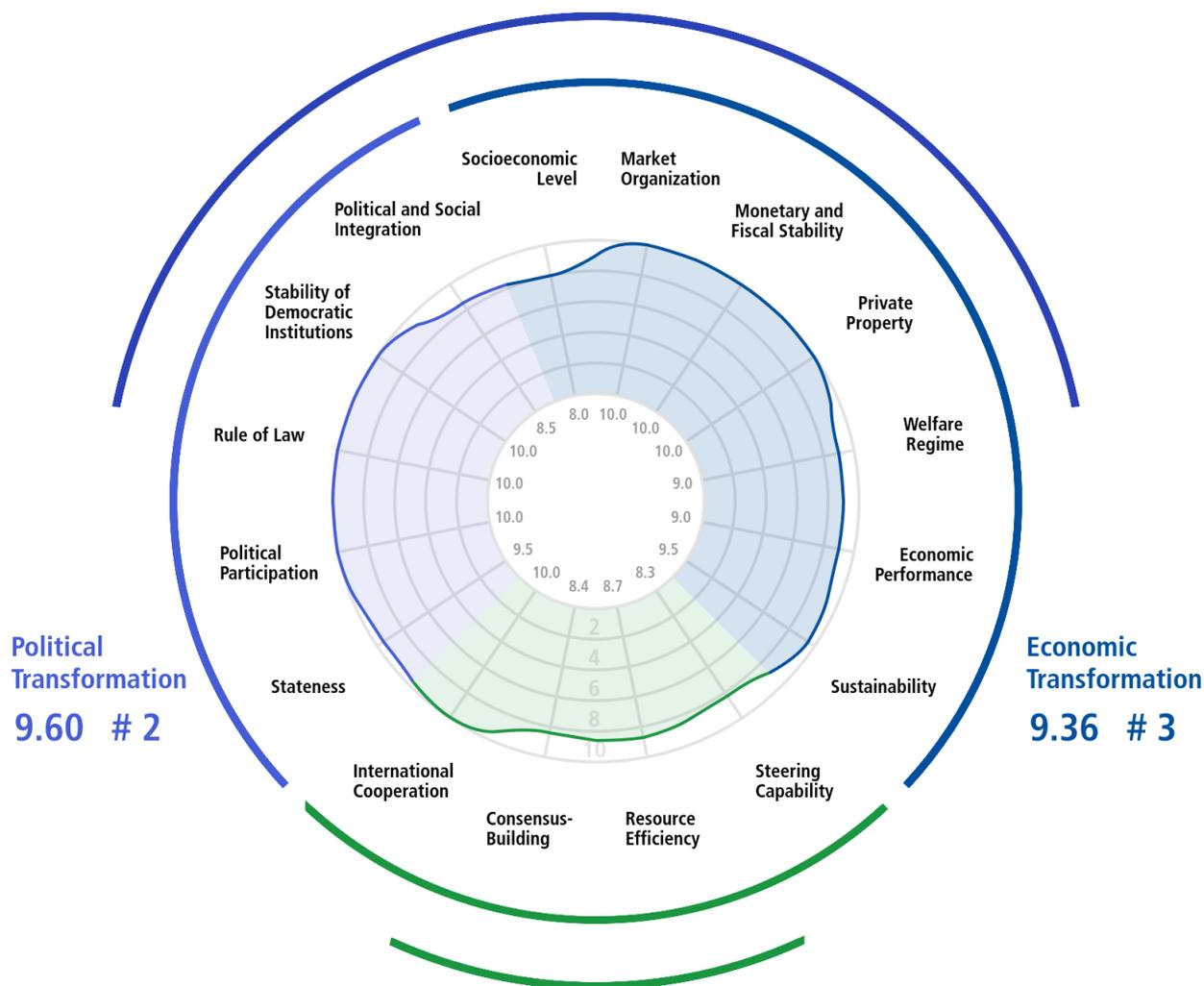


Estonia

Status Index

9.48 # 3

on 1-10 scale out of 137



Political Transformation
9.60 # 2

Economic Transformation
9.36 # 3

Governance Index

7.22 # 4

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	1.4	HDI	0.905	GDP p.c., PPP \$	49334
Pop. growth ¹	% p.a.	0.1	HDI rank of 193	36	Gini Index	30.7
Life expectancy	years	78.5	UN Education Index	0.896	Poverty ³	% 0.4
Urban population	%	70.0	Gender inequality ²	0.061	Aid per capita	\$ -

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Like many countries navigating the global polycrisis, Estonia faced a highly turbulent period shaped by war in Europe, hybrid security threats, climate change, and economic and social challenges.

The March 2023 parliamentary elections saw a record voter turnout rate of 63.7%. For the first time since e-voting was introduced in 2005, more votes were cast online (51%) than on paper (49%). The Reform Party – led by Prime Minister Kaja Kallas – emerged as the largest force in parliament with 37 of 101 seats, forming a coalition government with liberal Estonia 200 and the Social Democratic Party, with the coalition parties together holding 60 seats. After Kallas resigned to take up the position of high representative of the European Union for foreign affairs and security policy, her party colleague Kristen Michal was appointed prime minister, and the same ruling coalition continued in office.

Estonia remains a highly developed country, and general support for democracy is strong. Levels of public satisfaction with public services are relatively high compared with other highly developed countries. While Estonia performs well with regard to governance, levels of public trust in parliament (31%) are lower than the EU average (37%). Governments face growing criticism for making political decisions – including coalition agreements – without thorough policy analysis, public consultation and consideration of alternative solutions.

The country ranks among the least corrupt in the world. Civil rights are protected, and state institutions uphold them. In 2014, Estonia was the first former Soviet country to legally recognize same-sex couples, and marriage equality legislation was passed in 2023, taking effect in 2024.

As a small NATO member state, Estonia relies on its allies while contributing to collective defense. Donald Trump's return to the U.S. presidency in 2025 – along with his demand that Europe take greater responsibility for its own defense – has created a concerning situation for Estonia regarding NATO's principle of collective defense. President Trump has approached the Russia-Ukraine peace negotiations with evident intentions grounded in Russian narratives. This has further highlighted the need for enhanced regional cooperation in Europe to strengthen defense capabilities and ensure regional security.

The Estonian Internal Security Service has also warned of increased Russian intelligence operations. Estonia experiences continual cyberattacks originating from Russia. The 2024 damage to Baltic Sea cables by Russian-linked vessels and the 2023 damage to the gas pipeline between Estonia and Finland demonstrate that security risks remain high.

In 2024, Estonia's defense spending reached 3.43% of GDP – well above NATO's 2% guideline. This was the second-highest such figure within the alliance. However, the rapid increase in defense and other public spending has placed a significant burden on society. While there is broad consensus on security issues, the resulting tax increases have sparked widespread discontent.

About 82% of Estonia's population are citizens, and the country's identity as a nation-state is rarely questioned. However, state legitimacy tends to be stronger among ethnic Estonians than among Russian speakers, and the war in Ukraine has deepened this divide. Although integration is progressing, economic struggles and dissatisfaction fuel distrust toward the state, particularly among Russian-speaking communities. A 2023 study found that many Russian speakers share common values with ethnic Estonians. However, the ethnic divide is systematically evident in public opinion polls.

Especially since Russia's invasion of Ukraine, Estonia has implemented several measures aimed at reducing Russian influence, including restricting access to Russian media, removing Soviet-era monuments and symbols from public spaces, and transitioning all public schools and kindergartens to Estonian-language education. In 2024, the government also expelled Metropolitan Eugen of the Apostolic Orthodox Church because of his ties to Moscow, and proposed legislation to ban religious organizations that endorse military aggression. The parliament has also initiated a constitutional amendment to strip permanent residents with Russian citizenship of the right to vote.

Estonia's small, open economy has been heavily affected by the prolonged Russia-Ukraine war and broader geopolitical risks, with effects on public finances, economic growth and external competitiveness. The Estonian economy was in recession from the second quarter of 2022 through the third quarter of 2024. By the end of 2024, industrial-sector exports improved and expectations for business-sector growth gradually strengthened. Investment volumes declined, mainly due to reduced government spending, whereas private consumption increased. Although the economy has returned to growth, significant uncertainty remains, influenced by potential tariffs, trade restrictions and geopolitical risks. Economic inequality also remains a concern; for instance, in a public poll taken in 2024, 50% of respondents reported that they found it difficult or very difficult to make ends meet.

The green transition and energy security remain major challenges. Balancing sustainability goals with energy reliability requires careful policy planning. Estonia has focused on reducing dependence on Russian energy while promoting renewable energy development.

The government has received constant criticism for neglecting critical decisions and reforms in areas such as energy security, reducing societal inequality and fostering economic development. The government's policies, messages and actual decisions have been contradictory, for example by promising to reduce bureaucracy while introducing new regulations, or by pledging tax stability while proposing new taxes. Reportedly, these inconsistencies were attributable to disagreements and compromises between the coalition partners, which ultimately led to a coalition change in the spring of 2025.

History and Characteristics of Transformation

Estonia's history is marked by periods of autonomy and subjugation. The country declared its independence from the Russian Empire in 1918 following the Russian Revolution. However, that independence was short-lived, as the country was annexed by the Soviet Union in 1940 and alternately occupied by the Soviet Union and Nazi Germany during World War II, remaining under Soviet occupation until 1991.

During the 1980s, Estonia's national consciousness began to reawaken, and calls for independence grew louder. In 1988, the Estonian Popular Front was formed, playing a key role in the country's re-independence movement. In 1991, the Estonian Supreme Soviet declared the restoration of Estonia's independence on Aug. 20, 1991. This was subsequently recognized by the international community. The country has since become a member of various international organizations, including the United Nations, the International Monetary Fund (IMF), the World Trade Organization (WTO) and the Organization for Economic Cooperation and Development (OECD).

In 2004, Estonia joined the North Atlantic Treaty Organization (NATO) and the European Union. Accession to the European Union and NATO was strongly supported by elites, driving a determination to conform to the membership criteria. Despite euroskepticism among some groups, including hard-line nationalists, the public has expressed support for the country's EU membership at a level higher than that observed in most other new member states in Central and Eastern Europe. An annual population survey commissioned by the Government Office in December 2024 indicated that 77% of Estonian residents support Estonia's EU membership and 75% support NATO membership. The deteriorating geopolitical and security situation has underscored the importance of EU and NATO membership to Estonian independence and sovereignty.

The transition from Soviet Socialist Republic to independent democratic country was marked by widespread political and social change, including the establishment of new political parties, the adoption of a new constitution, and the holding of free and fair elections. In 1992, Estonia held its first post-independence parliamentary elections, and the country has since developed into a stable and prosperous democracy.

The return to independence in 1991 was firmly grounded in restorationist ideas and centered on the principle of legal continuity with the interwar republic. In particular, citizenship was automatically granted only to the citizens of the interwar republic and their descendants. A significant portion of the population – mostly those who had moved to Estonia during the Soviet period – could obtain citizenship only through naturalization. Many instead chose to become citizens of the Russian Federation (open to all former citizens of the Soviet Union) or remained stateless. A special status of “aliens” was created by the Estonian parliament to reflect this. Even though the share of residents who are Estonian citizens has increased over time, about 10% of the population are citizens of a foreign country, mostly the Russian Federation, and 6% remain stateless. In 2024, 21.55% of permanent residents were Russians.

Estonia underwent significant economic changes as it transitioned from a centrally planned economy to a market-oriented one. As a result, Estonia now has one of the highest GDP per capita figures in Eastern Europe and has become a leading destination for foreign investment. The country also has a strong technology sector and is known for its advanced e-government and digital infrastructure. However, like other small, open economies, Estonia also faces challenges such as high levels of income inequality and dependence on foreign trade.

Despite overall economic growth, disparities between urban and rural areas and among different social groups persist. Low birth rates and persistent emigration have produced population decline, creating long-term demographic challenges. Bridging social and linguistic divides between Estonians and Russian-speaking minorities remains an ongoing challenge.

Government and party-system stability were generally low in the 1990s – early 2000s. Since then, the multiparty system has become more stable. Usually, nine to 10 political parties participate in general elections, including one or two newcomers. Thanks to the proportional electoral system, five to six parties typically gain seats in the parliament and must form a coalition government. The duration of coalition governments in Estonia is quite variable, with an average lifespan of 1.5 to 2 years. The longest-governing party has been the market-liberal Reform Party.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state maintains a monopoly on the use of force throughout its territory, with no domestic paramilitary groups or external forces claiming military power or threatening territorial integrity. Law enforcement (the Police and Border Guard Board) and defense forces operate under strict legal and constitutional mandates.

As a small NATO member state, Estonia relies heavily on its allies but also contributes to collective defense to the best of its ability. Data for 2024 show that Estonia's defense spending is expected to total 3.43% of GDP. This is well above the alliance's 2% guideline. Estonia's spending is projected to be the second-highest in the alliance. NATO has increased its military presence in the eastern part of the alliance. Finland's and Sweden's recent accession to NATO greatly enhances the security and defense of the Baltic Sea region.

Amid rising security concerns in Europe, Estonia is strengthening border defenses to maintain its monopoly of force. Recent hybrid threats challenge state control. This includes incidents in the Baltic Sea in 2024, when suspected Russian-linked vessels damaged cables, and a 2023 incident in which a Hong Kong-flagged ship tied to China through ownership and to Russia via operations damaged a gas pipeline. These maritime disruptions tied to China and Russia highlight the need for state authority over critical infrastructure and territorial security.

The Estonian constitution declares that the republic is founded on the inalienable right of the Estonian people to self-determination, thus ensuring the preservation of the nation, language and culture.

Estonian citizens make up 82% of the population, while about 6% are Russian citizens, 7% are citizens of other countries and 5% are stateless – primarily former Soviet citizens who did not qualify for automatic citizenship after independence. The legitimacy of Estonia's nation-state is rarely questioned, though its legitimacy is stronger among ethnic Estonians than among Russian speakers. Only 7% of residents identify solely as Russian, while 8% do so as other nationalities.

Question
Score

Monopoly on the
use of force

10



1

State identity

8



1

Citizenship is mainly acquired by birth or naturalization. Naturalization requires eight years of residency, proficiency in Estonian and passage of a constitution exam. With the aim of reducing the incidence of statelessness, citizenship is granted automatically to children of non-citizens, while language tests have been simplified since 2015. However, the naturalization rate remains low, though applications increased after Russia's invasion of Ukraine in 2022.

The war in Ukraine has deepened divisions among Estonia's Russian-speaking population, affecting their perceptions of the state's legitimacy. While many are strongly pro-Estonian or neutral, the influence of Russian media and the government's strong pro-Ukraine stance have fueled skepticism and a sense of marginalization within this community.

Attitudes toward the state largely depend on the information space in which people live. To promote integration and the development of a unified information space, the parliament decided in December 2022 to end the provision of Russian-language education and to transition fully to Estonian-language education starting in the 2024/25 academic year.

Estonia is one of the most secular countries in the world. The constitution makes no mention of a state church. According to Statistics Estonia, about 29% of people in Estonia consider themselves religious. Although over half of those identifying as religious are Orthodox – mostly members of the Russian-speaking minority – Estonia is more traditionally Lutheran. Even though Estonia is not a deeply religious country, Christian values are reflected in traditions, ethical and cultural norms.

After the Russian Orthodox Church offered rhetorical justification for Russia's invasion of Ukraine, the Apostolic Orthodox Church in Estonia condemned the invasion as an unprovoked war of conquest. The Estonian government urged the church to cut ties with Moscow and proposed banning religious organizations linked to military aggression. While respecting religious freedom, the Estonian government seeks to limit the Russian imperialist mentality and the justification of war.

The quality and accessibility of public services in Estonia are generally excellent. The OECD's Government at a Glance 2023 report indicated that Estonia performs relatively well with regard to public satisfaction with its services. Indeed, public satisfaction with administrative services is significantly higher in Estonia than in the broader group of states, with 75% of residents expressing approval compared with the OECD average of 63%.

The country is renowned for its e-government initiatives, branded as "e-Estonia," which ensure seamless 24/7 government operations. About 99% of all government public services are accessible online. According to the 2024 U.N. E-Government Survey, Estonia ranks among the top countries in the E-Government Development Index, alongside Denmark, Singapore, Iceland, the Republic of Korea and Saudi Arabia.

No interference of religious dogmas

10



1

Basic administration

10



1

Nevertheless, regional policy in Estonia presents a significant administrative challenge. Ensuring equal access to services across the country is difficult because of limited resources and varying levels of competence among local governments. Despite the large-scale amalgamation of municipalities in 2017, the size and capacity of local governments still vary considerably. Moreover, the population and business activity remain concentrated in the capital region.

The ongoing war in Ukraine has created additional administrative challenges and accelerated efforts to bolster security and achieve energy independence in the Baltic Sea region. The large influx of Ukrainian refugees has tested the government's administrative capacity and highlighted the importance of effective cooperation with local authorities.

The green transition and efforts to achieve energy security remain major challenges for the Estonian government, requiring a careful balance between meeting sustainability goals and ensuring reliable energy supplies.

2 | Political Participation

Estonia has a multiparty system, with nine political parties submitting slates for the 2023 parliamentary elections, six of which secured seats in parliament. In national elections, participation is limited to registered political parties and independent candidates. In local elections, citizen alliances also may field candidate lists. Voting rights in parliamentary elections are restricted to Estonian citizens. In local elections, all permanent residents, including non-citizens and EU citizens, have historically had the right to vote. However, in response to Russian aggression in Europe and hostile Russian propaganda targeting Estonia, the parliament initiated a constitutional amendment restricting voting rights in local elections to Estonian citizens, EU citizens, NATO member state citizens and stateless residents. This would mean stripping Russian and Belarusian citizens of the right to vote in local elections.

The OSCE Office for Democratic Institutions and Human Rights (ODIHR) election expert team reported that Estonia's 2023 parliamentary elections were competitive and pluralistic, and that the election process – including internet voting – was administered efficiently. The legal framework provides a solid foundation for the conduct of democratic elections and ensures equal participation for national minorities.

Internet voting was introduced in Estonia in 2005, and has since gained widespread acceptance and use.

In the 2023 parliamentary elections, for the first time since the introduction of e-voting, more electronic votes (51%) were cast than paper votes (49%).

Free and fair elections

10



1

While trust in internet voting remains high, concerns about its security persist. Some political parties and activist groups have publicly questioned the system's integrity, often as part of their campaigns.

In 2024, the cybersecurity commission established under the Estonian Academy of Sciences announced that it had not identified significant risks to the security and trust models of critical e-government services, including internet voting.

The Estonian government has also launched a mobile voting or “m-voting” system that enables voting in elections on mobile phones.

In Estonia, democratically elected politicians hold the power to govern effectively. Estonia is a pluralistic society. Financial donations to political parties are permitted only from private individuals. Such single donors may thus influence the exercise of power. This influence can shape policy through financial leverage and create dependencies that prioritize private interests over public needs. However, it is difficult to draw the line between acceptable and unacceptable influence in a democratic society.

Civilian control over the military is well-established and robust. The Lutheran Church participates in political discussions but does not hold veto power. Interest groups and business associations, as well as other individuals, corporate bodies and civil society organizations, are included in public policymaking through democratic participation processes.

The Estonian constitution guarantees civic groups full freedom of association and participation. Registration rules for associations are nondiscriminatory and clearly established in the Non-profit Associations Act. State fees for establishing and registering non-governmental organizations have increased somewhat, but the rise does not constitute an obstacle to the freedom of association.

A political party must have at least 500 members. Noncitizens are prohibited from joining political parties as formal members. Associations including political parties may be dissolved by a court if their aims or activities contradict the constitutional order, the law, morality or the association's declared aims, or if they carry on profit-making activities or face bankruptcy.

Public debate has emerged over whether and how the funding sources of non-governmental organizations that clearly influence politics – but are not currently subject to political party regulations – should be made public.

After the 2023 parliamentary elections, the Political Party Financing Surveillance Committee (ERJK) concluded that the Liberal Citizen Foundation (SALK) sharing its analysis with parties constituted a prohibited donation and ordered the parties to pay SALK the assessed amount for the service. The dispute over this issue is still ongoing. It has also been pointed out that conservative parties receive similar advice from the Institute for Societal Research (Ühiskonnauuringute Instituut).

Effective power to govern

10



1

Association / assembly rights

10



1

Citing security risks, the police have prohibited some small-scale public gatherings at which hostile Soviet-era symbols were likely to be used. Following the outbreak of the Palestinian-Israeli conflict, the police banned or terminated some pro-Palestinian demonstrations. Five individuals were removed from these events in November 2023. The police have stated that the slogan “From the river to the sea, Palestine will be free” justifies crimes against humanity. This judgment has sparked opposing interpretations.

Freedom of expression is protected under Estonia’s constitution, allowing for free speech, writing and communication without censorship or retaliation. Estonia’s media, including newspapers, television, radio and online outlets, are diverse and independent.

However, issues surrounding freedom of speech and the media have prompted active debate and several court rulings. There also are indications that lawsuits – regarded by critics as so-called strategic lawsuits against public participation (SLAPP) – are being used to intimidate and silence critics, forcing individuals, corporations or organizations into costly and time-consuming legal battles.

The media operate independently, allowing journalists to report on a wide range of topics without fear of censorship or retaliation. Concerns persist about the concentration of private media ownership and the impact of disinformation and fake news on the democratic process. Nonetheless, several smaller private media outlets such as Edasi.org and Levila.ee have secured their place in the media landscape alongside major newspapers and media houses.

Estonia has fallen slightly in international rankings of press freedom over the past year, but that does not necessarily indicate a deterioration in freedom of expression. The country remains highly ranked, placing sixth in the 2024 World Press Freedom Index by Reporters Without Borders. The decline is attributed to the risk of self-censorship among journalists, driven by legal regulations on defamation, and to restrictions on data access due to data protection considerations. However, Estonia offers a special process for appealing restrictions on access to information.

As in many other countries, an increasing number of people in Estonia are relying on social media as their primary news source, contributing to encapsulation and fragmentation of media consumption, often along ethnic lines. Disinformation and fake news are becoming more prevalent on social media, creating confusion and undermining public trust.

Russian propaganda remains a concern in Estonia, particularly for the country’s sizable Russian-speaking minority, which exists in a media environment distinct from that of ethnic Estonians. Following Russia’s invasion of Ukraine, Estonia restricted access to Russian media, a measure deemed appropriate given the context.

Freedom of expression

10



1

The country has a high internet penetration rate, and citizens are free to access and share information online without government interference. However, concerns have been raised about potential online censorship, particularly regarding hate speech, disinformation and cyberattacks.

Hate speech promoting or inciting discrimination against specific groups based on race, religion, ethnicity, sexual orientation or other characteristics is illegal and punishable under the criminal code, but enforcement is rare. The question of whether Estonia needs additional regulations to criminalize hate speech – particularly in connection with European Union Framework Decision 2008/913/JHA on combating racism and xenophobia – has sparked disagreements and widespread public debate.

3 | Rule of Law

A clear separation of powers and a system of checks and balances among the branches and other independent institutions prevent the concentration of power and ensure that no one institution can dominate the others. Legislative power belongs to the parliament. The government and its agencies exercise executive power, and the judiciary holds judicial power. Additionally, independent constitutional institutions such as the presidency, the Chancellor of Justice and the National Audit Office help maintain the balance of power. Vertical separation of powers exists between the central government and local authorities.

However, because of a tradition of strong governing coalitions and party discipline, executive and legislative powers converge. This convergence also reflects a disparity in available resources, both financial and human, that leads to the dominance of the executive branch in governance. The government and its subordinate agencies formulate most of the policies, strategic documents and legal acts.

Estonia's judiciary is independent and operates separately from the legislative and executive branches of government. Judges in the first and second instances are appointed for life by the president. Supreme Court justices are appointed by parliament. All judges are appointed for life.

Estonia has a simple three-tier court system. County courts and administrative courts serve as first-instance courts. Circuit courts function as second-instance courts, reviewing decisions of the first-instance courts on appeal. The Supreme Court is the highest cassation court; its decisions are final. It also serves as the court for constitutional review.

Once all domestic legal remedies in Estonia are exhausted, individuals may submit a separate complaint to the European Court of Human Rights. The European Court of Justice oversees the application of European Union law.

A survey conducted at the end of 2023 found that 71% of respondents trust the courts, which is higher than the average level of trust in state institutions.

Separation of powers

10



1

Independent judiciary

10



1

The administration of first- and second-instance courts in Estonia is handled by the executive branch through cooperation between the Ministry of Justice and the Council for the Administration of Courts. The Supreme Court, which is an independent constitutional institution, manages its own administration and is financed directly from the state budget.

Because of general austerity measures in Estonia, budget cuts are being applied to the courts, a process that has included the merging of some courthouses. The Council for the Administration of Courts has protested the budget cuts, arguing that they should be abandoned unless accompanied by legislative changes that proportionally reduce the courts' workload.

Estonia has adopted comprehensive anti-corruption laws, strategies and integrity standards.

The effectiveness of anti-corruption measures is evident in the fact that several high-profile cases have been brought to court.

In the fall of 2024, a member of parliament was convicted of fraud. According to the charges, the lawmaker falsely claimed reimbursement for law firm invoices, citing consulting services unrelated to her parliamentary duties. The parliamentarian contested the charges, but in January 2025 the circuit court upheld the sentence.

In 2024, a long-running trial involving a former minister of education and research reached a verdict. The court found the former minister guilty of embezzlement and fraud for using ministry funds to pay personal expenses unrelated to official duties.

Corruption in local governments in Estonia remains a significant concern. According to a 2017 audit by the National Audit Office, two-thirds of the examined municipalities and their affiliated organizations had violated anti-corruption laws. The Estonian Internal Security Service (KAPO) has also emphasized the need to focus on combating corruption, particularly in larger municipalities, as a deeply and systematically corrupt, influential local government could pose a threat to Estonia's democracy and security.

However, there have been cases in which the charges brought have not held up in court. For example, a former judge was accused of accepting bribes and unlawfully disclosing special-category personal data for personal gain. The case went through two levels of court, and the defendant was acquitted.

Prosecution of
office abuse

10



1

Civil rights are enshrined in law and upheld by state institutions. The constitution prohibits discrimination based on nationality, race, sex, language, religion, political opinion or social status. These rights are effectively protected by the courts, the Chancellor of Justice (CoJ) and the Gender Equality and Equal Treatment Commissioner (GEETC). The CoJ oversees fundamental rights, acts as an ombudsman and protects children's rights, while the GEETC ensures compliance with gender equality laws. Both bodies remain independent and effective, functioning alongside active human rights NGOs.

Civil rights

10



Same-sex partnerships have divided society. Estonia became the first former Soviet republic to legally recognize them in 2014. Marriage equality legislation was approved in 2023 and took effect on January 1, 2024. While legal advancements have been significant, societal acceptance has been mixed. Discrimination and prejudice against LGBTQ+ individuals persist in certain segments of society. For instance, in June 2023, a homophobic attack occurred at a gay bar in Tallinn, highlighting ongoing challenges.

4 | Stability of Democratic Institutions

Democratic institutions are robust and adhere to the procedures established by the constitution and other legal acts. Tensions between different branches of government occasionally surface.

Performance of democratic institutions

10



Estonia is a parliamentary representative democracy in which the parliament (Riigikogu) enacts laws, oversees the work of the government and appoints some senior officials, including the heads of other constitutional bodies.

The most recent election results were a disappointment for several parties that ended up in the parliamentary opposition, and some (primarily the Conservative People's Party, or EKRE) even refused to acknowledge the outcome. Consequently, early in the review period, the opposition initially resorted to widespread obstruction in the Riigikogu, leading to very tense relations between the coalition and the opposition. Later, a more work-focused atmosphere was restored.

The judiciary is independent and operates under the constitution and the country's laws. Seventy-nine municipalities are autonomous democratic constitutional institutions responsible for providing public services and implementing policies at the local level. However, the division of tasks and responsibilities between the central and local governments remains a subject of ongoing debate.

The fact that the country's population and economic activity are both concentrated in the capital region leads to regional inequality, affecting the quality of and access to public services. To address this, the government and local authorities are using technology and remote work opportunities.

Although democratic institutions are regularly criticized for failing to meet high-performance standards, their legitimacy and the democratic process as a whole are not generally questioned. There are no significant examples of political actors questioning democratic procedures.

A prolonged economic downturn and the complex security situation in Europe have undermined public trust in democratic institutions. However, in international comparisons, Estonians express relatively strong trust in democratic institutions.

Commitment to democratic institutions

10



1

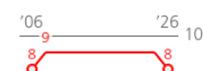
5 | Political and Social Integration

Estonia has a stable multiparty system, with most of the political spectrum represented. Major parties have strong organizational structures, but internal democracy is limited, and party central offices dominate parliamentary groups. Intraparty conflicts occasionally lead to defections. Party politics evolve through new party formations and coalition-building, influencing voter perceptions. The role of ethnic and regional factors in voting is debated, though differences persist.

Typically, nine to 10 parties compete in general elections, with one or two newcomers. Estonia has 14 registered parties, with two new additions during this period. The Right party (Parempoolsed), formed due to a split in the Pro Patria party, received 2.3% of the vote in 2023, missing the threshold for parliamentary entry. However, later polls showed support rising to 6%. In 2022, the pro-Kremlin KOOS movement was established. Its members ran on the list of Estonian United Left Party in 2023. Its leader, Aivo Peterson, later faced treason charges for allegedly assisting Russia in influence operations.

Party system

8



1

Nine parties contested the 2023 general election, with six entering parliament. While electoral volatility was moderate, a new party entered parliament, with the liberal Estonia 200 crossing the threshold after failing to do so in 2019. The long-established Estonian Reform Party (RE) won decisively with 31.2% of the vote, securing 37 of 101 seats, and Kaja Kallas remained prime minister. Estonia's governments are always coalitions; in this case, the Reform Party allied with Estonia 200 and the Social Democrats (another traditional party). The conservative Pro Patria, an established party with roots in the early 1990s, is the main opposition party.

Disappointing results in 2023 sparked internal conflicts, resignations and party-switching, particularly with opposition party circles. Political rhetoric is often conflictual, but levels of polarization are moderate and have somewhat decreased after the far-right Conservative People's Party (EKRE), once polling at 30%, secured only 16.1% of the vote.

Sixteen of 101 parliamentarians left their original parties within the two years after the 2023 election, including a former speaker and prime minister, three former ministers and a member of the European Parliament. Two parliamentary parties, the Center Party and the Conservative People's Party, have essentially split. However, the party landscape has largely remained unchanged. Most who have left their parties have tended to go on to join existing ones, mostly Pro Patria and the Social Democrats.

The freedom of association is constitutionally guaranteed, but interest representation in Estonia is often fragmented and resource-limited. By early 2025, Estonia had 23,415 registered nonprofits, though the overall rate of active participation remains low. Within this small, close-knit society, political lobbying is primarily interpersonal.

A 2024 self-assessment by the Network of Estonian Non-profit Organizations found that advocacy groups strategically represent interests but require support in the areas of engagement methods, goal setting, impact evaluation and the development of realistic metrics. Although these groups have strengths in policymaking, coalition-building and communication, organizations without dedicated advocacy teams struggle to gain access to opportunities and support. Effective advocacy requires strategic leadership and balanced organizational development.

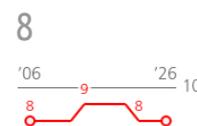
The Estonian Trade Union Confederation (EAKL) represents 17 sectors but has limited policy influence compared with its counterparts in Western Europe. The Estonian Employers' Confederation (ETKL) is more proactive but does not possess significantly greater institutional capacity.

Pressure groups have become more active, especially in the case of environmental organizations that are pushing for climate action and opposing forestry and energy policies. The non-governmental organization Meie Nursipalu has emerged to support residents affected by defense forces training area expansions.

The citizen initiative portal [Rahvaalgatus.ee](https://rahvaalgatus.ee), which enables organized and ad hoc groups to submit proposals and petitions to parliament and local governments, has gained popularity. Since 2016, more than 530 appeals have been submitted.

Concerns have grown about political parties and businesses financing NGOs to promote their agendas, raising questions about transparency. Civic organizations stress the need for funding integrity with respect to interest-group activities.

Interest groups



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Estonia's democratic institutions remain strong. There is considerable discontent over government actions and the economy. The approval ratings of the coalition parties had declined substantially by the beginning of 2025. In the elections, the coalition parties collectively received 53.8% of the vote, whereas by early 2025 their ratings had dropped to 30%.

However, approval of democratic and liberal values remains strong. The Globsec Trends 2024 report revealed that 83% of Estonian respondents say they live in a liberal democracy that protects individual rights and freedoms, and believe that these conditions should be upheld. Estonia boasts one of the highest levels of satisfaction with democracy in the region.

The undemocratic, aggressive influence of neighboring Russia has compelled the Estonian government to strongly advocate for democratic values worldwide, and the Estonian people recognize the importance of democracy. Russia's actions continue to play a significant role in reinforcing the Baltic states' commitment to democracy. However, there is a significant ethnic divide with regard to trust in democratic institutions. The parliament is trusted by 37% of Estonians but by only 26% of residents holding other nationalities (mostly Russian speakers). The government's trust rating stands at 46% among Estonians, but is 25% among non-Estonians.

Estonia has the highest levels of interpersonal trust in Central and Eastern Europe, although younger people (15 – 29) tend to trust others less than their older peers. In a recent survey, 38% of Estonians indicated that they felt high levels of interpersonal trust, compared to an average of only 22% in the 12 post-communist countries included in the survey (European Social Survey, round 10).

Cultural participation is high, with more than 79% engaging in cultural life. Choir singing remains the most popular cultural activity (Statistics Estonia 2023).

Historically, rates of volunteering and charitable giving have been low, but have increased in both cases. Estonia ranked 84th in the 2024 CAF World Giving Index, down from 64th in 2019. The incidence of social activism is rising, with the number of protests, petitions and demonstrations on the increase.

The 2023 Integration Monitoring report revealed that 39% of resident non-Estonians feel able to protect their interests and 67% feel able to influence decisions. Estonians' results are 11 to 12 percentage points higher. Additionally, 33% of resident non-Estonians report facing intolerance, a result that has been influenced by the war in Ukraine.

Many Estonians expect that a full transition to Estonian-language instruction in public schools will improve integration. Russian speakers are less optimistic, but nearly half believe the transition will reduce mistrust and foster unity.

Approval of democracy

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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Estonia ranked 31st on the U.N. Human Development Index in 2022, surpassing all Central and Eastern European nations except Slovenia. The incidence of extreme poverty, based on global standards, is low, with only 0.4% of the population living on less than \$3.65 per day (on a purchasing-power parity basis) in 2021.

The relative poverty rate – defined as the percentage of people with incomes below 60% of the national median – stood at 20.2% in 2023. Compared with 2022, the proportion of people living in relative poverty decreased by 2.3 percentage points (Statistics Estonia). However, in 2023, the percentage of people at risk of poverty or social exclusion was 24.2%, exceeding the EU average of 21.4%. Estonia also has one of the largest disparities between adults and children in this regard.

The country's 2023 score of 31.8 on the Gini index, a measure of income inequality, was slightly higher than the EU average. On the Gender Equality Index 2024, Estonia was ranked at 21st place in the European Union, scoring 10.2 points below the EU average. The gender pay gap in 2023 was 13.1%, a notable improvement from 17.7% in 2022.

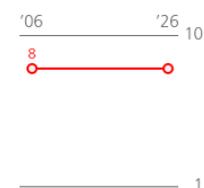
The elderly population (over age 65), particularly those people living alone, faces the highest risk of relative poverty. Ethnic minorities, who made up 26.5% of the population in 2023, experienced a higher incidence of relative poverty (26.5%) than ethnic Estonians (17.5%). Significant regional disparities in economic well-being persist, with northern Estonia including Tallinn reporting a relative poverty rate of 15.1% compared with 35.0% in northeastern Estonia and 26.7% in southern Estonia (Statistics Estonia).

Statistics Estonia also measures perceived deprivation, which refers to the proportion of people unable to afford various widely available benefits in society. In 2024, 7.7% of the population reported feeling deprived, an increase of 1.5 percentage points compared to the previous year. Perceived deprivation is notably more common among single-parent households and individuals aged 65 or older living alone.

Question
Score

Socioeconomic
barriers

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Economic indicators		2021	2022	2023	2024
GDP	\$ M	37204.6	38376.0	41291.2	42764.9
GDP growth	%	7.2	0.1	-3.0	-0.3
Inflation (CPI)	%	4.7	19.4	9.2	3.5
Unemployment	%	6.2	5.6	6.4	7.8
Foreign direct investment	% of GDP	20.3	4.9	13.0	-8.1
Export growth	%	22.1	5.0	-9.0	-1.1
Import growth	%	22.7	5.0	-6.7	0.0
Current account balance	\$ M	-1387.2	-1495.9	-722.7	-577.9
Public debt	% of GDP	18.4	19.2	20.1	23.4
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-2.1	-0.7	-2.3	-
Tax revenue	% of GDP	21.7	21.0	21.4	-
Government consumption	% of GDP	19.8	19.3	20.6	-
Public education spending	% of GDP	5.2	5.2	-	-
Public health spending	% of GDP	5.7	5.2	-	-
R&D expenditure	% of GDP	1.8	1.8	-	-
Military expenditure	% of GDP	2.0	2.2	2.9	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Estonia is known for its competitive market economy and high levels of economic freedom. It consistently ranks among the top performers globally with respect to the ease of doing business. In 2024, Estonia topped the International Tax Competitiveness Index for the 11th year running, and was recognized for its business-friendly tax system. Key features include a 20% corporate tax on distributed profits, a flat 20% individual income tax and a territorial system exempting foreign profits from domestic taxation.

Market organization

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The informal economy remains moderate, with informal employment accounting for 2.6% of all employment in 2022, concentrated in the construction, accommodation and entertainment sectors. World Economics estimates it accounts for 22.5% of GDP, aligning with the European average.

Estonia offers a streamlined business environment, allowing quick online company registration and equal protections for foreign and domestic investors. However, tax reforms set for 2025/26, including increases in income tax (from 20% to 22%) and VAT (to 24%), as well as new motor vehicle and defense taxes, may impact competitiveness.

Geopolitical tensions, including Russian aggression and hybrid attacks, have also weakened Estonia's appeal to foreign investors.

As an EU member state, Estonia has developed a comprehensive legal framework to prevent monopolistic economic structures and activity. It is one of the few European countries to impose criminal sanctions for some antitrust infringements. Regulations are enforced by the Estonian Competition Authority, which has divisions handling competition (including mergers) and regulation (including railways, postal services, heating, energy and water). The Estonian Competition Authority has recently been active in processing cases from a wide range of areas. Part of the authority's budget is financed through supervision fees paid by monopolistic companies with regulated prices. The purpose of this regulation is to ensure the authority's ability to perform its tasks and to strengthen supervision with additional funding.

Estonia has delayed transposing the European Parliament and Council's Competition Directive (ECN+ Directive). The changes to competition supervision entailed by this directive have drawn significant public criticism, raising concerns that they would excessively restrict the fundamental rights of individuals and businesses. As of January 2025, the draft legislation remained under parliamentary review, and no final agreement had been reached.

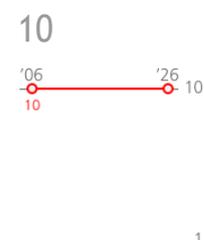
Estonia's foreign trade is highly liberalized. The country has been a member of the WTO since 1999 and the European Single Market since 2004. Non-tariff barriers have largely been eliminated within the internal market and are aligned with those applied by the European Union in relation to third countries. Since joining the European Union in 2004, Estonia has implemented a unified foreign trade policy, adhering to restrictive measures imposed by the United Nations, the European Union and other international organizations that are binding on Estonia. Currently, the European Union has imposed extensive and unprecedented sanctions against Russia, covering over 60% of the prewar trade between the European Union and Russia.

As a small state, Estonia relies heavily on imports. As of November 2024, Estonia recorded a trade deficit of €166 million, an improvement compared with the same month in the previous year, November 2023, when the trade deficit was €219 million.

Competition policy



Liberalization of foreign trade



In 2023, Estonia's top imports included cars, refined petroleum products, electricity, communication equipment and packaged medicaments. The top exports were cars, communication equipment, electricity, prefabricated buildings (whether complete or assembled) and refined petroleum products.

Estonia's main trading partners for both imports and exports were Finland, Germany, Latvia, Lithuania and Sweden (Statistics Estonia). The significant share of cars in both imports and exports is likely influenced by the introduction of a vehicle tax starting in 2025.

Sanctions against Russia have significantly reduced Estonia's trade with its eastern neighbor, forcing businesses to find alternative markets and suppliers, particularly in the European Union. Before the war in Ukraine, Russia was among Estonia's top trading partners. Estonia was heavily reliant on Russian energy, especially natural gas. Logistics and transport companies, particularly those handling transit trade through Estonia, have faced challenges due to the reduced flow of goods between the European Union and Russia.

At the end of 2024, 13 credit institutions operated in Estonia, of which four are branches of foreign credit institutions. Around 320 EU financial institutions offer cross-border services. Estonia has no state-owned commercial banks, and its highly concentrated market is dominated by subsidiaries of foreign companies. Estonian-owned LHV Pank, the country's fourth-largest bank, is publicly listed. High regulatory compliance costs create barriers for new banks.

Banks hold 70% of Estonia's financial assets, with banking-sector assets amounting to 136% of GDP in 2023. Their conservative model emphasizes household loans (45%) and corporate loans (41%). Real estate and construction account for 42% of corporate lending. Deposits fund 81% of liabilities.

Regulatory measures include a 1.5% countercyclical capital buffer, a 15% mortgage risk weight and housing loan limits. Capital adequacy is high at 22.6% and the non-performing loan ratio is low at 1.2% (data from 2023). Rising interest rates have slowed lending, especially with regard to housing and business investment.

The Bank of Estonia warns that a prolonged downturn could weaken businesses' and households' ability to make payments, increasing loan losses, particularly deriving from real estate and construction activities. Estonia's banking sector is influenced by monetary policy, market conditions and risk perceptions, and recent dividend payouts have reduced capitalization, potentially limiting banks' ability to absorb future losses.

Banking system

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8 | Monetary and fiscal stability

Estonia has been a member of the eurozone since 2011 and uses the euro as its currency. The European Central Bank is responsible for monetary policy in the eurozone, and the Bank of Estonia implements that policy in Estonia. The primary goal of the Eurosystem's monetary policy is to keep prices stable in the euro area. According to the European Central Bank (ECB), price stability is achieved when annual inflation is no more than 2% over the medium term.

As a result of economic sanctions imposed on Russia following its military aggression in Ukraine, as well as the associated high energy costs, Estonia's inflation rate spiked to 19.4% in 2022. That was by far the fastest price increase this century and one of the fastest in more than 30 years. The eurozone's average inflation rate at the time was 9.6%. This rapid rise in prices reduced the competitiveness of Estonian companies. Inflation declined to a rate of 9.2% in 2023 and was predicted to fall to 3.6% in 2024, but remains significantly higher than the eurozone average or the level desired by the European Central Bank.

Inflation has further undermined the economy's competitiveness, which has been one of Estonia's significant weaknesses in recent years.

Estonia has traditionally had one of the most prudent public finance systems in the European Union. State budgets have generally been balanced and often in surplus, with a low public debt burden. However, recent governments have significantly loosened fiscal discipline. Since 2020, following multiple crises, government expenditures have increased by 70%, while the economy has grown by only 45% over the same period. The largest increases in government expenditures compared with the pre-crisis period have been in the areas of social expenditure (31%) and health care expenditure (17%). Social expenditures have risen primarily because of pension increases resulting from indexation, and sustainability has been further undermined by extraordinary pension hikes.

The main drivers of the additional deficit have been the rapid rise in prices, economic recession and increased public spending. The budget deficit has been addressed through loans and tax increases. The government often justifies the rise in the tax burden by pointing to increased defense spending, but this accounts for only about 12% of the overall increase.

In 2024, because of economic, fiscal and security risks, credit-rating agency S&P Global lowered Estonia's long- and short-term foreign- and local-currency sovereign credit ratings from AA-/A-1+ to A+/A-1 while assigning a stable outlook to the long-term ratings.

Monetary stability

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Fiscal stability

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At the end of 2023, Estonia's government debt-to-GDP ratio of 20.2% was still the lowest in the European Union. With this ratio projected to reach 25.4% by 2026. In the broader euro area, the government deficit-to-GDP ratio increased from -3.5% in 2022 to -3.6% in 2023. In Estonia, the government deficit rose from 1.1% of GDP in 2022 to 2.8% in 2023.

To cover the state budget deficit, the government has had to borrow for several years. According to the Bank of Estonia, earlier fiscal policy decisions have resulted in a persistent budget deficit of 3% to 4%. While interest costs accounted for almost nothing in government-sector expenditures a few years ago, they could reach up to 3% of all government expenditures within five years. The Bank of Estonia has repeatedly recommended striving for a balanced budget to avoid a debt spiral.

Estonia has been a low-tax country compared with other European countries, with relatively few opportunities to reduce expenditures. Consequently, to improve the budget balance, the government has reviewed revenue sources and significantly increased the tax burden.

Although most taxes and state fees will rise in 2025 and 2026 and new taxes will be introduced, Estonia's overall tax burden will remain relatively low compared with other European countries. According to Eurostat, the average EU tax burden in 2023 was 40% of GDP, while Estonia's was 34%. Based on preliminary, unofficial estimates, Estonia's tax burden could rise to around 35% in 2024 and reach approximately 36% by 2026.

9 | Private Property

Estonia has a well-established system of property rights that is protected by the constitution, the Land Act and the Cadastral Act, among other legislation. These laws provide protection for private property and establish procedures for registering and transferring property.

Estonia's property rights system is considered transparent and efficient by international organizations.

In the International Property Rights Index (2021), Estonia ranks first in the Central Eastern Europe and Central Asia region and 24th in the global ranking.

The country's digital land registry system, which allows for online property transactions, has been cited as a key factor in this ranking.

In Estonia, private individuals, legal entities and the state can own property. There are some restrictions on foreigners acquiring land, especially in border areas, to protect national security, prevent foreign influence, safeguard rural land and align with similar policies in other countries. For the same reasons, the government is preparing a bill that would bar third-country nationals from buying land near strategic facilities.



The state has the right to expropriate property for public use, but it must provide fair compensation to the owner. The compensation mechanism has recently been used in response to the much-discussed expansion of the military training area.

Estonia has a well-developed private enterprise sector. The country has a market-based economy, and the government's role is mainly to create a favorable environment for businesses through policies such as low taxes, minimal regulation, effective administrative processes and an open trade regime. Since gaining independence from the Soviet Union in 1991, Estonia has undertaken significant economic reforms, including the privatization of state-owned enterprises and the liberalization of trade and investment. These policies have led to the development of a dynamic and competitive private enterprise sector.

The Commercial Code establishes a broad range of business entities, including private limited companies, public limited companies, general partnerships, limited partnerships, commercial associations and sole proprietors.

Estonia's private enterprise sector is diverse but largely dominated by small and medium-sized enterprises. Over 90% of Estonian companies employ fewer than 10 people, and only around 0.1% employ more than 150 people. The main employers are wholesale and retail trade companies, manufacturing companies and firms engaged in professional, scientific and technical activities.

10 | Welfare Regime

Estonia has developed a comprehensive welfare system based partly on cash transfers from the state budget and partly on insurance payments. Health care and most pensions are funded by a 33% social tax on payroll paid by employers. Health care is provided through the Estonian Health Insurance Fund (EHIF), which also covers the cost of services for most nonworking people (e.g., children, seniors, mothers raising small children at home, the unemployed and pregnant women). A health insurance system built on the principle of solidarity means that everyone covered by public insurance is entitled to the same quality health care, regardless of whether or not they pay the health insurance tax and regardless of their health risks. However, there are some issues with the coverage of health services, as some groups are not insured (e.g., most adults who are out of work but who are not receiving a pension or social benefit, which amounts to 5% of the population). Emergency medical care and private health care are available to uninsured groups.

Total public spending on health, amounting to 6.0% of GDP in 2022, is much lower than the EU average of 7.7%.

Satisfaction with the quality of health care is high, but challenges remain, particularly with regard to access, waiting times and inequality (fast-access and high-quality private medical services are available only to higher-income residents). A 2023 study by the Estonian Health Insurance Fund found that levels of patient satisfaction with

Private enterprise

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Social safety nets

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specialist medical care services remain high, with 91% of patients who visited specialists indicating that they were satisfied with their experiences. By 2024, the Health Insurance Fund's budget was in deficit, leading to a reduction in contract volumes with health care service providers.

The pension system is based on three pillars: 1) state pensions, 2) mandatory funded pensions (2% of gross salary, topped up by 4% from national insurance payments) invested in private pension funds; and 3) private supplementary pensions supported by tax incentives. After a pension reform in 2021, contributions to the second pillar became voluntary, and former members could leave the scheme and claim their accumulated shares in cash. The average monthly old-age pension payment was €774 in 2024. The Ministry of Finance and the Ministry of Social Affairs have determined that inequality in the pension system is increasing. Most people's salaries are below the average salary, and more people are working part-time, while pensions depend increasingly on salary size. Those with below-average salaries will thus begin receiving pensions smaller than the current average. The unemployment insurance benefit is paid for up to one year at an initial replacement rate of 60% that drops to 40% after 100 days. Other social benefits are less generous but have experienced significant increases.

Parental and family benefits in Estonia are very generous. Parents who work full-time are eligible for seven types of parental leave and six types of allowances or benefits financed by the state and through the National Health Insurance Fund. There is paid maternity and paternity leave. Maternity leave can begin as early as 70 days before the expected birth and is paid for a total of 100 days for a working mother. The shared parental benefit guarantees the recipient's previous income, is payable for up to 475 days, and can be used until the child is three years old. Following the birth of a child, families are eligible for a one-time benefit of €320, which is topped up by some municipalities.

Estonia has a universal family benefits system, but the child benefit amount of depends on the number of children in the family. In addition, there are various allowances for families with many children, a single-parent child allowance and more variations. Families with three to six children receive €450 per month. Families with seven or more children receive €650 per month. Despite very generous benefits for families with children, total public spending on social protection (12.7% of GDP in 2022) remains lower than the EU average (19.5% of GDP).

The Estonian constitution ensures equal opportunities for all, regardless of social status, religion and ethnicity. An independent Equal Opportunities Ombudsman offers guidance and investigates claims of discrimination based on gender, age, nationality and other factors. Notably, the majority of complaints lodged with the Ombudsman pertain to gender discrimination. Women in Estonia have higher average levels of education than men. In 2023, 52.8% of women aged 25 to 64 held tertiary degrees, well above the EU average of 38.0%. Among men in this age group, 30.4% had completed tertiary education, compared to the European average of 32.2%. However, the situation is less optimistic for younger age groups. In the 20 to 24 age group, 80.1% of Estonian men and 86.3% of women had completed at least an upper secondary education, compared to the EU averages of 81.6% for men and 86.7% for women.

The PISA 2022 survey found that socioeconomic background plays a significant role in Estonian students' educational attainments. In 2023, a more detailed study, led by the Foresight Center, found a strong correlation between students' educational outcomes and parental income, with the mother's income serving as a particularly strong indicator. The median income of students' mothers is positively correlated with final mathematics exam results; that is, wealthier mothers tend to have children with higher math scores. Educational disparities are also significant across regions, both in general education and, more prominently, in opportunities for further studies.

Russian-language schools in Estonia have been a persistent source of political controversy and of unequal future opportunities for students. Among the 514 general education schools in Estonia, 20 were Russian-language and 56 were Russian-Estonian bilingual schools. In 2022, the parliament passed a law mandating a full transition to Estonian as the language of instruction. This process began in 2025 and is planned to conclude by 2030. The reform aims to improve equal opportunities for students from Russian-speaking families. Insufficient Estonian-language instruction has historically limited their access to further education and employment opportunities.

The employment rate for both men and women in Estonia is higher than the European Union (EU) average. Women's labor force participation rate in Estonia is among the highest in Europe, reaching 76.1% in 2023, well above the EU average of 68.6%. Despite these achievements, the gender pay gap in Estonia remains the highest in the European Union. According to Eurostat, the gender pay gap in Estonia was 21.3% in 2022, compared to an EU average of 12.7%. Encouragingly, Statistics Estonia reported significant progress in 2023, with the gender pay gap narrowing to 13.1%.

In Estonia, the constitution guarantees equal access to public office, stating that all citizens have the right to participate in governance and to hold public positions based on merit, qualifications and equal opportunity. As of January 2025, 28.7% of parliamentarians and 50% of cabinet ministers were women. The Civil Service Act ensures recruitment for government positions is based on competence and transparency, with open competitions for most roles.

Equal opportunity

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11 | Economic Performance

Estonia has experienced more than two years of economic recession. The real GDP growth rate was -3% in 2023 and -0.7% in 2024. In 2023, Estonia's GDP per capita (PPP) was \$48,992, representing a decline of 4.2% relative to the previous year, reflecting economic challenges during the period. The increasing tax burden and rising prices are harming the competitiveness of the Estonian economy and increasing uncertainty for businesses, investors and consumers.

The Bank of Estonia estimated that the economy showed little growth in 2024, with GDP remaining at approximately the same level from the first quarter onward. Significant changes have occurred across sectors, and an improvement in economic prospects is evident in a rebound in export volumes. Much of the previous economic downturn had been linked to setbacks in the export sector, and the revival of exports is a necessary condition for sustained economic growth.

Although budget indicators are solid compared to those in other countries, and some economic indicators are improving, public perceptions of the economy remain negative. Studies by the Estonian Institute of Economic Research show that consumer confidence continues to decline, economic confidence is falling, price increases are expected across all business sectors, and households' financial situations and outlooks for the future are worsening.

In 2024, Estonia ranked 33rd in the IMD World Competitiveness Ranking, which compares 67 countries. This represents a drop of seven positions compared to 2023. Among EU countries, Estonia's position fell by two places. Estonia's competitiveness has declined in the rankings for two consecutive years. Previously, the decline could have been attributed to the war in Ukraine. However, that conclusion is now much harder to justify, since Latvia climbed six places and Lithuania two places in the same ranking, despite being similarly affected by the situation in Ukraine. Moreover, the assessment of the economy's condition has remained at the same level for two consecutive years.

In 2023, the unemployment rate increased to 6.4%, slightly above the EU average of 6.1% and up from 5.6% the previous year. By November 2024, the unemployment rate was estimated to have risen to as high as 7.5%, while the EU average was 5.9%. Nevertheless, considering the economic recession and the country's declining competitiveness, the labor market has remained relatively resilient. This resilience may have been supported by a significant decline in real wages during the early stages of the crisis, when businesses temporarily benefited from accelerated price growth as wage growth lagged. The decline in employment rates and rise in unemployment rates may also have been mitigated by the labor shortages experienced by companies before the crises and the lessons from the COVID-19 crisis, which demonstrated that it was difficult to quickly recruit new employees once demand recovered.

Output strength

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12 | Sustainability

The primary priorities of the government that took office after the 2023 parliamentary elections have been the green transition, the circular economy and reducing carbon emissions. However, its ambitious goals in these areas have created tensions with regard to balancing economic and environmental interests. One of the government coalition's major initiatives has been drafting a climate law. However, both the process and the content of the draft have faced significant criticism. Environmentalists argue the draft is not ambitious enough, while the public – particularly in the context of a prolonged economic downturn and a security crisis – feels that overly ambitious goals are unrealistic.

The green transition presents a series of social and economic challenges, particularly with regard to phasing out oil shale use. The government has committed to transforming its relatively carbon-intensive economy by achieving climate neutrality by 2050. Achieving these goals will require reducing oil shale dependency and diversifying renewable energy sources, which already account for one-third of Estonia's energy supply. The decoupling from the Russian energy system in February 2025 has expedited the shift to renewables, but it has also delayed significant reductions in domestic oil shale consumption. Phasing out oil shale will have a significant impact on the northeastern Estonia region and its residents, the vast majority of whom are Russian-speaking. The government has addressed the need for retraining a large workforce and creating new jobs through the transition fund.

Despite having one of the highest per capita CO₂ emission rates in Europe due to the economy's reliance on oil shale, Estonia is witnessing a significant decline in emissions, estimated at approximately 55% since 1990. Several factors contribute to this trend, including the expansion of district heating, increased renewable energy capacity, and efforts to improve energy efficiency through building renovations. However, emissions from the agricultural sector are gradually increasing, and the transportation sector requires greater attention. With one of the highest car ownership rates in the European Union, Estonia has seen this last trend intensify in recent years. This reliance on private cars was one reason the government introduced a motor vehicle tax.

Estonia's education system operates under a shared governance model, balancing state regulations with local authority oversight and school autonomy. Although education spending represents a comparatively high share of all government expenditures, challenges such as shortages of qualified teachers, low salaries and an underfunded, insufficient R&D sector persist.

Local authorities oversee early childhood education and care, while the state establishes national standards, funding principles and regulations for quality assurance. However, schools enjoy substantial autonomy with regard to resource

Environmental policy

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Education policy / R&D

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allocation. The country has also seen a growing number of private schools. Estonia's government allocates a significant portion of its budget to education, with spending amounting to 5.8% of GDP, one of the highest such figures in the European Union, exceeding the EU average of 4.7% in 2022.

Estonia's commitment to education is evident in its universal literacy rate and its high ranking in the U.N. Education Index, as well as in its consistent outperformance of most countries on PISA assessments. In the 2022 PISA evaluation, Estonia ranked at the top in Europe and among the top eight globally. A substantial proportion of the adult population has completed both secondary and tertiary education, with only a small fraction having less than primary education or holding at least a master's degree.

Estonia faces challenges deriving both from its aging workforce and a teacher shortage. The government has made raising teacher salaries a priority, but the average teacher salary remains lower than the average pay for other professionals who have completed higher education, making the profession less attractive.

In 2022, government spending on higher education amounted to 1% of GDP (down from 1.6% of GDP in 2013, for example). University programs taught in Estonian are free for full-time students. Universities can charge tuition only to part-time students and for English-language programs. To increase funding, there have been discussions about transitioning to tuition-based or partially tuition-based higher education.

Although various government coalitions have promised to increase R&D funding, the area has often been among the first to be deprioritized when budgetary constraints arise. As a result, while the EU average for R&D spending was 2.22% of GDP in 2023, Estonia spent significantly less, at 1.84% of GDP, with the business sector accounting for a share amounting to 1.06% of GDP.

Governance

I. Level of Difficulty

Estonia stands out for its high level of educational attainment, minimal instances of extreme poverty and robust employment rates. However, the country faces significant structural challenges linked to its small size, particularly a limited pool of human resources. Its geographical proximity to Russia and the ongoing geopolitical tensions in Europe further exacerbate these challenges.

With a population of just 1.33 million, Estonia must shoulder the same responsibilities as larger nations but with far fewer resources. The constraints of being a small state are evident in its ability to deliver public goods and services given that it is hindered by limited capacity and the absence of economies of scale. Furthermore, the small talent pool poses difficulties with regard to facilitating specialization within the public administration and beyond. Estonia's territory of 45,228 square kilometers and its low population density of 31 people per square kilometer present additional obstacles to regional development. The population is increasingly concentrated in the capital city and its surrounding areas, creating disparities with regard to infrastructure, rural development and access to public services.

Demographic trends also pose pressing challenges. Estonia is grappling with an aging population and a low natural birth rate; its total fertility rate was 1.31 in 2023. Efforts to preserve its national identity through strict anti-immigration policies have further limited the country's human capital, complicating the labor market and economic growth.

Despite its geographic distance from the major population centers of Western Europe, Estonia benefits from coastal access and proximity to affluent Nordic countries, particularly Finland. However, one of Estonia's most significant threats to security and social cohesion stems from its strained relationship with Russia. For years, Russia has employed hostile propaganda and pursued imperialist ambitions designed to sow division within Estonian society. Before the invasion of Ukraine and the resulting economic sanctions, Russia was a key trading partner for Estonia, ranking as its eighth-largest export destination and second-largest source of imports. Since the invasion, however, Russia's aggressive rhetoric, propaganda and hostile actions have deepened the rift between the two nations, posing ongoing challenges to Estonia's regional security and stability.

Structural
constraints

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Estonia began building a modern civil society in the 1990s after more than five decades of communist rule that prohibited free civic associations. In 2002, the Estonian parliament adopted the Estonian Civil Society Concept, which outlined the roles of public authorities and civic initiatives, established principles for cooperation, and laid the foundation for the development of civil society. Subsequently, the NGO Code of Ethics and Codes of Good Practice were introduced to guide civic engagement, public service delivery, funding and volunteerism.

As of early 2025, there were 23,400 registered associations and foundations in Estonia. This represents a decrease of approximately 1,500 entities and 0.5 percentage points over the last four years. While sustainable organizations are spread across the nation, a significant concentration is found in and around the capital city, Tallinn. Recreational activities remain the most common focus area for civic organizations.

Estonian civil society is regarded as competent and reliable, providing support to both the government and those in need through campaigns, fundraising efforts and volunteer work. Estonia also boasts the highest level of interpersonal trust among Central and Eastern European countries. General trust levels do not vary significantly by age, although the youngest age group (15 – 29 years old) tends to trust others less than older individuals (European Social Survey, round 10).

The level of volunteering in Estonia is below the European average. In 2023, 21% of the population participated in voluntary activities, while 58% engaged in broader charitable efforts. Estonia was ranked 49th out of 142 countries that year on this measure, a 15-place improvement compared to 2022 (World Giving Index). The Estonian NGO Network has organized donation campaigns for six consecutive years, encouraging people to contribute to various initiatives across the country. This initiative has been popular among both donors and the projects receiving funding.

Social activism is on the rise in Estonia. There has been an increase in signing protests, appeals and petitions. Additionally, the proportion of people participating in protest actions, demonstrations and pickets has grown.

By the end of 2024, the sense of belonging to Estonian society among residents had dropped to its lowest level in recent years, with 79% of residents reporting that they felt they belonged to Estonian society (compared with 84% to 87% in 2022 – 2023). However, the sense of belonging to Estonian society remains consistently highly valued, with 87% of residents considering it to be important. The decline was primarily observed among residents holding non-Estonian nationalities; the share of this population who reported feeling a sense of belonging fell to 59% in December 2024. Similarly, the share indicating that they felt the sense of belonging to Estonian society to be important, which had increased in June, saw a slight decline to 79% in December 2024. In contrast, ethnic Estonians' attitudes have remained more stable, with 89% feeling a sense of belonging and 90% considering this to be important.

Civil society traditions

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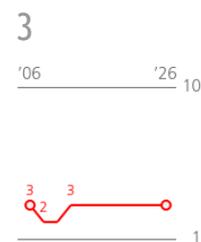
While the tone of national and local politics in Estonia often leans toward confrontation, the country has experienced few instances of violent political conflict in recent history. A notable exception was the “Bronze Night” incident in 2007, when riots erupted among Russian-speaking groups following the government’s decision to relocate a controversial World War II monument, the Bronze Soldier, from the center of Tallinn to a military cemetery.

Estonian political culture became increasingly polarized after the rise of the far-right Conservative People’s Party of Estonia (EKRE). EKRE entered parliament in 2015 and was part of the governing coalition from 2019 to 2021. The party gained support through the use of polarizing rhetoric, particularly on issues such as immigration, same-sex partnerships and abortion. However, the 2023 parliamentary elections were a significant disappointment for EKRE, as voter support fell short of expectations based on pre-election polls. The party responded with destructive parliamentary obstruction, including provocative statements and conflict-promoting behavior during legislative sessions. Despite this, the confrontational tone did not spill over into public demonstrations to any significant degree. EKRE’s divisive influence on society has also been tempered by internal party conflicts and the resignation of several prominent members.

Russian media, known for its aggressive propaganda, has historically influenced Estonia’s Russian-speaking population. However, an ethnic divide also remains, partly due to the parallel network of Estonian and Russian-language primary and secondary schools, which is a remnant of the Soviet era. In 2022, the Estonian parliament approved a transition to full Estonian-language instruction in historically Russian-language schools, which was set to begin in 2024. Additionally, Estonia banned the broadcasting of Russian and Russia-sponsored television channels as a means of countering propaganda aimed at Russian-speaking residents reducing the risk of ethnic conflicts.

While recent protests in Estonia have largely been driven by ideology or ethnic identity, a deteriorating economic situation could spark public demonstrations motivated by economic hardship and residents’ concerns about their personal financial well-being.

Conflict intensity



II. Governance Performance

14 | Steering Capability

Estonia's long-term governance objectives are outlined in the Estonia 2035 strategy adopted in 2021. This strategy sets forth five key goals that reflect Estonia's developmental needs, global trends, the European Union's policy framework and global sustainable development objectives.

The Estonia 2035 strategy emphasizes enhancing the vitality of the Estonian nation, language and culture while promoting a democratic and secure state. It identifies equally weighted five themes to guide daily decision-making: people, society, living environment, economy and governance. The vision is for Estonia to be home to intelligent, active and health-conscious individuals. With the document, the country aspires to a society that is caring, cooperative and open; a safe, high-quality living environment that accommodates everyone's needs; a strong, innovative and responsible economy; and governance that is innovative, trustworthy and people-centered.

Despite this comprehensive vision, the strategy has been criticized for its broad and general nature, a quality that has led to less consensus on the specific pathways to achieve these goals compared with the first three decades of re-independence.

Estonia has consistently demonstrated a commitment to advancing liberal freedoms, fostering an open and knowledge-based economy, embracing digital transformation, and enhancing both internal and external security. However, in recent years the worsening geopolitical situation and evolving political trends have shifted the focus toward security, the green transition and energy independence as the most pressing priorities.

The Government Office and various ministries have established strategy units and strategic planning systems, with regulatory frameworks requiring impact assessments. Nevertheless, improvements are needed with regard to conducting thorough impact assessments and prioritizing initiatives based on expected outcomes. Challenges such as rushed decision-making and resource constraints including limited expertise and skills often hinder these processes, with political aims and ambitions frequently taking precedence.

Question
Score

Prioritization

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Throughout its history of independence, Estonia has operated under coalition governments composed of multiple political parties. This governance model relies on consensus-building and has generally prevented radical policy shifts. Coalition partners typically adhere to policies outlined in coalition agreements and benefit from a parliamentary majority and strong party discipline. However, in coalition settings in which each party seeks to advance its own agenda, priorities often broaden to reflect the diverse political spectrum of voters.

Governments change frequently, even between elections. Since the 2023 parliamentary elections, more than one government member has been replaced on three occasions within two years, and there have been two different prime ministers during this period. This dynamic can also affect the efficiency and effectiveness of policy implementation.

Periods of crisis have provided opportunities to implement long-overdue reforms that were previously stalled by administrative or political obstacles. Examples include the full transition to Estonian-language education in all public schools and the decoupling of energy systems from Russia. At the same time, crises have highlighted the neglect of critical decisions and reforms in areas such as renewable energy development, reducing societal inequality or fostering economic development. The consequences of long-unresolved problems have become evident.

As a member of the European Union and the OECD, Estonia is deeply integrated into international networks for policy exchange and learning. The country has actively drawn on national models and best practices from abroad, both in response to emerging needs and through proactive efforts. This approach has played a significant role in shaping Estonia's central and local government structures since regaining independence. For example, when the motor vehicle tax was introduced, one of the central arguments was that Estonia was one of the few highly developed countries without such a tax.

While thorough policy analysis is a mandated component of the policymaking process, political priorities are often set in coalition agreements without the benefit of comprehensive analysis. In such instances, critical steps in the policymaking process, such as stakeholder engagement and policy analysis, are sometimes overlooked. Consequently, many political priorities are expedited through the policy process without sufficient consideration of potential alternatives or long-term impacts. For example, when the Ministry of Regional Affairs and Agriculture proposed that restaurants be required to list the origin of the meat on their menus, and critics labeled it as excessive bureaucracy, it was simply argued that some other countries had implemented a similar requirement.

Implementation

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Policy learning

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15 | Resource Efficiency

The challenge of limited resources in a small state has driven the Estonian government to seek efficient and effective administrative solutions. In 2022, public expenditure on general public services amounted to 3.9% of GDP, below the European Union average of 5.9%. Despite increased public spending and borrowing in recent years, Estonia still has the lowest level of government debt in Europe.

Total government expenditure amounts to approximately 39.8% of GDP, below the EU average of 49.4%. This indicates a remarkably efficient use of resources; given that a small state must perform the same functions as larger counterparts, one might expect a higher share of GDP to be allocated to public spending. However, the proportional size of the public sector is a concern. Government employment figures reveal that more than 20% of total employment is in the general government sector. That is a considerably higher proportion – approximately 5 percentage points higher – than in EU or OECD states overall. Because human resources are especially critical for a small country, the public sector workforce must be utilized with a high level of efficiency.

Although government expenditure as a share of overall spending is low compared with other countries, which would suggest an efficient use of resources, there are sectoral efficiency problems. For example, despite the large share of public funding that is allocated for education, challenges such as teacher shortages, low salaries, and underfunded and insufficient R&D persist.

Estonia has earned recognition for its adept use of technology, for instance by employing e-services, e-voting and digital signatures to streamline administrative processes and enhance efficiency. The government has also implemented measures aimed at simplifying regulations and procedures while reducing bureaucratic complexities. The digitalization of administrative procedures has contributed to increased transparency.

The National Audit Office, which is an independent constitutional institution, plays a crucial role in monitoring the use of budgetary resources by both state and local governments. This oversight includes financial and performance audits, ensuring accountability and the responsible management of resources.

Efficient use of assets

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The Estonian government facilitates policy coordination through a range of mechanisms, including regular interagency meetings, cross-ministerial working groups, and synchronized planning and implementation processes. The government actively engages with stakeholders including businesses, civil society organizations and local governments. Responsibilities for policy coordination are divided between the center of government and other relevant bodies.

Like many countries, Estonia has a hybrid governance structure that combines vertical and horizontal arrangements with numerous informal networks and personal connections. However, the need to invest in coordination efforts and develop coordination skills has not been sufficiently recognized.

Critics frequently highlight the lack of cooperation and coordination within the Estonian public sector. Ministries and other government agencies often function in isolation, with inadequate efforts to adopt a holistic “whole-of-government” approach. There is a failure to unite various government bodies and stakeholders in aligning and integrating policies aimed at achieving shared objectives. It is often unclear how the perspectives and needs of different stakeholders are incorporated into policy development and implementation. Also, the precise content of a number of political initiatives (such as the concept of a personalized state, climate law or reductions in bureaucracy) has remained unclear, making it difficult to coordinate necessary actions among institutions. Rather frequent changes in ministerial responsibilities, along with constant structural reforms and the merging or separation of organizations, have amplified confusion and reduced institutional accountability and continuity, as well as creating issues with coordination and effectiveness.

The Estonian government has achieved notable success in curbing corruption by implementing a range of integrity mechanisms and corruption prevention regulations. These measures include the Anti-Corruption Act, which delineates the responsibilities of public servants and imposes penalties for corruption-related offenses. The Public Procurement Act aims to prevent corruption in the allocation of public contracts, while the State Assets Act focuses on averting corruption in the management of public assets. Additionally, the Political Parties Act is designed to deter political corruption.

In its 2023 compliance report, the Group of States against Corruption (GRECO) acknowledged the progress made in implementing guidelines for ministers and advisers, including conflict-of-interest management, communication with lobbyists and risk mapping. Declarations of interest requirements now extend to all politically exposed top executives, but further efforts are needed to establish an effective compliance monitoring mechanism, strengthen post-employment rules and include political advisers. Whistleblower awareness has improved, though stronger legal protections are still needed.

Policy coordination

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Anti-corruption policy

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Estonia was ranked 10th out of 142 countries in the 2024 WJP Rule of Law Index, published by the World Justice Project. In terms of the absence of corruption, it ranks 15th globally. The country performs significantly better than the regional average, with particularly low levels of corruption reported in the judicial branch, police and military.

16 | Consensus-Building

Representative democracy is broadly supported by all major political stakeholders in Estonia, and there is consensus on overarching long-term societal and statehood goals. Nevertheless, opinions differ on how best to achieve prosperity, with a general preference for fostering a free and pluralistic society. The security challenges arising from Russian aggression in Europe have fostered significant levels of unity among otherwise divergent political actors, encouraging consensus-building as a means of securing democracy in Europe. In public opinion polls conducted at the end of 2024, 81% condemned Russia's military actions in Ukraine and 52% supported providing military assistance to Ukraine. However, while public opinion polls indicate general support – 63% in December 2024 – for the government's plan to revoke the voting rights of Russian and Belarusian citizens in Estonia's local elections, a number of experts have publicly and vocally opposed the measure.

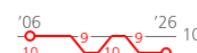
The once-dominant ideology of a liberal market economy centered around balanced budgets, minimal public borrowing and a flat income tax no longer enjoys universal support among all major political actors. However, a strong consensus on these principles remains among the governing parties. Reaching consensus on long-term goals for the green transition has been particularly difficult, especially amid a worsening economic situation. In 2022, 60% of the population supported the transition to a green economy, but by 2024, that support had declined to 45%. Experts have warned that the goals of the green transition should not be pursued at the expense of the rule of law and fundamental rights.

There are no significant domestic anti-democratic political, military or economic actors in Estonia. The democratic framework is upheld by strong institutions, the rule of law, and a system of checks and balances, ensuring the smooth functioning of the democratic process. However, the far-right Conservative People's Party (EKRE) has pursued a populist strategy aimed at undermining democratic institutions, questioning the rule of law and eroding public trust in these institutions. Following the 2023 general elections, EKRE has faced internal conflicts.

External anti-democratic actors remain active in Estonia, employing hybrid attacks that target the fundamental values and attitudes of society and sow insecurity, dissatisfaction and fear. The Estonian Internal Security Service has warned that Russian intelligence services have stepped up efforts to create chaos in Estonia and neighboring countries. In December 2023, property belonging to Estonia's interior

Consensus on goals

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Anti-democratic actors

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minister and the editor-in-chief of a major Russian-language media outlet was vandalized as part of those efforts. Russia has also used the Moscow Patriarchate of the Estonian Orthodox Church to spread propaganda. In January 2024, the leader of the church, Metropolitan Eugen, was expelled from the country.

In Estonian society, both historical and emerging sources of conflict persist, including ethnic divisions, environmental disputes, migration and economic polarization. These issues produce opposing viewpoints and affect social cohesion, especially through differences in media consumption and social media influence.

According to surveys conducted at the end of 2024, 31% of residents perceive themselves as belonging to a group that is treated unfairly in Estonia. The perception of unfair treatment is more common among people of ethnicities other than Estonian, residents of northeast Estonia, and those with Russian or undefined citizenship. This sense of unfair treatment is also linked to the experience of economic hardships and low levels of trust in state institutions.

Historically, Estonia's primary social division has been between the ethnic Estonian majority, which makes up 69% of the population, and the sizable Russian-speaking minority, which comprises 25%. For years, Russia has attempted to exploit Russian-speaking residents in Estonia with the aim of creating or maintaining tensions. The government's plans to transition to fully Estonian-language education, end state funding for Russian-language general education and deprive people with Russian citizenship of the right to vote in local elections have further increased distrust among this group.

Over time, external efforts to alienate the Russian-speaking population have become increasingly ineffective. According to Estonia's 2023 Integration Monitoring Report, the proportion of that population that is integrated into Estonian society continues to grow, even if the process remains slow. Many permanent residents of other ethnic backgrounds or with different native languages share values with ethnic Estonians. However, individuals with negative attitudes toward Estonia often dominate public discourse.

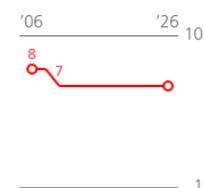
The war in Ukraine has also sharpened societal divisions. The apparent success of anti-Ukraine and pro-Russian candidates in the last parliamentary elections was surprising, even though they were not elected.

The integration study also highlights economic well-being as a critical factor in fostering connections with Estonia. Dissatisfaction and economic hardship provide fertile ground for conflict and mistrust of the Estonian state.

Other issues that have polarized society, such as migration, gender equality and LGBTQ+ rights, continue to cause divisions. However, the challenging security and economic situation has temporarily shifted the public's focus to more immediate concerns.

Cleavage /
conflict
management

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A set of best practices for state institutions' engagement with civil society was introduced in 2005. Consultations with unions and employers' associations are obligatory in the context of various social protection and industrial policy regulations. However, the government is often criticized for allowing too little time for public feedback during the engagement process or for involving stakeholders too late in the stream of decision-making. Sometimes the reason for superficial engagement is poor planning within government agencies.

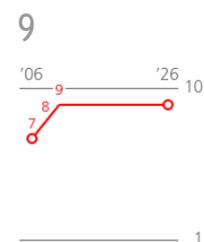
The Government Office has funded several projects aimed at enhancing the capacity of government departments to engage with social partners in policymaking and at strengthening the capacity of social partners to contribute to these processes. Additionally, to promote participation in civil society organizations, the government has established the National Foundation for Civil Society (partially funded by Switzerland) and the Active Citizens Fund (financed by the European Economic Area and Norway Grants framework), which regularly provide grants to NGOs.

The right to collective petition exists at both the national and local levels. A collective initiative submitted to the parliament must be endorsed by at least 1,000 citizens. For local governments, the initiative must be supported by at least 1% of the registered population. Since 2014, Estonia has had an e-participation portal, The Citizen Initiative Portal (Rahvaalgatus.ee), for submitting proposals, conducting discussions, and creating and sending digitally signed collective addresses to the parliament and local government. The latter capacity has been available since 2020. The progress of initiatives can be tracked on the portal, which has gained popularity, particularly for addressing proposals to local governments. As of January 2025, The Citizen Initiative had garnered a total of 836,000 signatures, processed around 566 initiatives, and forwarded approximately 286 initiatives to the parliament or local governments.

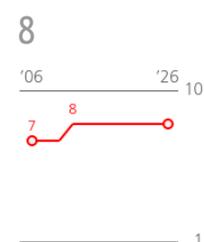
In the OECD Infrastructure Governance Index (IGI), Estonia scored slightly below the OECD average in the category of stakeholder participation. However, the OECD Government at a Glance 2023 report pointed out that 34.1% of Estonian citizens believed that governments would adopt opinions expressed in a public consultation, compared to an average of 32.9% across all OECD countries.

The interpretation of historical events and periods, such as World War II, the Soviet occupation and collaboration with Soviet power structures, remains politically relevant today. Disagreements often arise between the ethnic Estonian majority – particularly the political elite – and many Russian speakers, especially regarding World War II. While many in the Russian-speaking community take pride in the Red Army's role, ethnic Estonians view it as an occupying force that refused to leave Estonia after the war. Russia's invasion of Ukraine and its aggressive propaganda efforts have further highlighted the need to address these long-standing gaps in historical interpretation.

Public consultation



Reconciliation



There are an estimated 200 – 400 monuments or grave markers in Estonia’s public spaces that bear symbols of the occupying regime. In 2022, the government decided to remove Soviet occupation-era monuments from public spaces in order to end the glorification of Estonia’s occupiers. The removal was carried out in accordance with general public order regulations. However, parliament also introduced a separate bill aiming to prohibit publicly visible buildings, monuments, sculptures, statues or other structures from inciting hatred or supporting or justifying an occupation regime, acts of aggression, genocide, crimes against humanity, or war crimes. Parliament passed this law in 2023, but the president refused to promulgate it, arguing the regulation was unclear and thus unconstitutional. As a result, the law did not take effect, and parliament has not pursued amendments. In 2024, the coalition agreement in the capital city of Tallinn also stipulated that Soviet symbols would be removed from city-owned properties. The difficulties of reconciliation are clear, as many Russian-speaking people view these Soviet memorials with pride, seeing them as symbols of victory and as a way to honor a victory that, for Estonia, meant occupation.

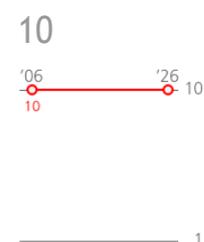
17 | International Cooperation

Estonia continues to be a net beneficiary of generous assistance from the European Union’s Structural and Cohesion Funds. The Estonia 2035 strategy is integrated with the European Semester economic coordination framework, serving as the basis for planning the use of European Union funds and guiding the implementation of global sustainable development goals in Estonia. During the 2021 to 2027 implementation period for European Union structural funds, the use of support funds has thus far proceeded as planned. By the end of 2024, 68% of the funding budget had been allocated to commitments, while 11% had been disbursed. The State Shared Service Center, which acts as the managing authority for EU structural funds in Estonia, has calculated that during the last implementation period, Estonia spent €0.0252 on technical assistance for every €1 allocated. That is considered a very good result and indicates the country is absorbing the support efficiently.

Rail Baltica, the largest infrastructure project in the Baltic region in the last 100 years, is part of the European Union’s North Sea-Baltic TEN-T corridor, which seeks to integrate the Baltic states into the European rail network and is funded by the Connecting Europe Facility. However, the project has faced escalating costs, a funding shortfall and delays.

The high level of EU support in past years has left many sectors and activities dependent on EU funding instead of developing long-term capacity for self-sufficiency.

Effective use of support



Estonia is a member of various international organizations, including the UN, the IMF, the WTO, the OECD, the OSCE, the Council of Europe, the European Union and NATO. Estonia has also joined institutions such as the European Court of Human Rights and the International Criminal Court, and has held rotating membership on the U.N. Human Rights Council, among other such bodies. Estonia is committed to upholding international agreements, including the Universal Declaration of Human Rights, the Paris Agreement on Climate Change, various ILO conventions and the UNESCO World Heritage Convention.

Estonia takes its international obligations seriously, and adherence to those agreements is a powerful argument in domestic political discussions. Estonia is among NATO member states whose defense spending exceeds the agreed-upon threshold of 2% of GDP, reaching 3.43% in 2024. The country has played a leading role in security-related dialogues and has provided substantial military aid to Ukraine. Estonia's Prime Minister Kaja Kallas in particular became an informal spokesperson for Ukraine in international circles after the war broke out, and the country's government has strongly advocated for providing aid to Ukraine and holding Russia responsible through trade bans, sanctions and other measures.

Kallas's appointment as the European Union's high representative for foreign affairs and security policy in 2024 served as recognition for Estonia and as a significant indicator of its credibility in foreign and security policy.

After regaining independence, Estonia's international cooperation was primarily focused on the other Baltic countries, but the country's attention has shifted over time toward the broader Baltic Sea region, to the Scandinavian countries as important trading partners, and toward the European Union as a whole. Estonia actively participates in various regional cooperation formats, including the Baltic Council of Ministers and the Baltic Assembly, the Nordic-Baltic cooperation (NB8), the Council of the Baltic Sea States, the Three Seas Initiative, and the Nordic Council of Ministers. While this regional cooperation remains important, Estonia places a high priority on engagement within various EU frameworks.

Estonia's relations with neighboring Russia have been strained due to historical and geopolitical tensions, particularly since the launch of Russia's war in Ukraine. In 2023, the Estonian government asked 13 diplomats and eight technical staff members to leave the country to equalize the size of the Russian embassy in Estonia with that of the Estonian embassy in Moscow. In response, the Russian government downgraded diplomatic relations with Estonia and asked the Estonian ambassador to leave Russia. Consequently, the Russian ambassador left Tallinn.

The current security situation in Europe has underscored the importance of Estonia's cooperation with NATO and its allies. Estonia has played a leading role in rallying EU member states and NATO allies to impose economic sanctions on Russia and to provide military support to Ukraine. Efforts to enhance regional energy security have also gained increased attention and importance.

Credibility

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Regional cooperation

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Strategic Outlook

Today's turbulent geopolitical, security and economic environment also affects Estonia's outlook in the coming years. Russia's hostile propaganda and aggressive imperialist ambitions aim to divide Estonian society and undermine the credibility of the Estonian state. The security situation in Europe has worsened following Donald Trump's return as U.S. president in 2025, especially given his policy of scaling back involvement in European defense and his positioning as a mediator of Russia's interests. As a NATO ally, Estonia must rely more on its European allies, and it must continue to encourage other European countries to invest more in defense.

Estonia must also be prepared for ongoing hybrid attacks, including those targeting critical infrastructure. In 2024, the Estonian Internal Security Service warned that the threat level of terrorism in Europe has increased, and that Estonia is likely entering a new phase of rising threats tied to terrorism and Islamist extremism.

Beyond security concerns, economic and energy issues will remain central. Estonia's economic outlook for the coming years is moderately positive. After nearly three years of decline, the economy returned to growth at the end of 2024. The economic cycle is expected to enter a recovery phase, but this process will be slow and highly dependent on external factors. Foreign demand and exports are expected to improve, though at a slower pace than previously anticipated. However, significant tax hikes planned for 2025 and 2026 will put a brake on economic growth. The labor market remains strong, and inflation is expected to slow, but household confidence remains weak. Due to the combined effect of rising income taxes and inflation, real net wages will decline in 2025. At the same time, falling interest rates will have an increasingly positive impact on the purchasing power of households with loans and leasing obligations. By the end of 2024, survey results indicated that 59% of the population felt economically uncertain.

The Estonian government's role is to improve the economic environment and enhance the competitiveness of Estonian businesses, ensuring that factors such as energy prices and availability become competitive advantages while maintaining a stable security, tax and regulatory environment.

It has proved easier to incite conflict and distrust toward the Estonian state among segments of the population that are dissatisfied or facing economic hardship. This is particularly concerning given that economic disparities in Estonia partially align with ethnic divisions. To mitigate the security risks arising from this, Estonia must continue collective societal efforts to promote social cohesion and economic inclusion.

Parliament and the government face a major challenge in convincing society of their ability to effectively manage multiple crises simultaneously – that is, ensuring security, revitalizing the economy, implementing the green transition and maintaining social stability all in parallel.

Following disappointing results in the 2023 parliamentary elections for several parties, severe parliamentary obstructionism persisted for several months. Internal disputes, resignations and party-switching disrupted all opposition parties. The 2025 local elections will serve as a test of how the reshuffled party landscape has influenced voter support.

Additionally, cooperation between the parliamentary majority and minority, as well as the effectiveness of both the government and parliament, will be crucial to strengthening public trust and social cohesion.