

# About Regional and Local Government Policy in Estonia

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## Abstract

Issues of regional and local government are very topical in Estonia as problems often lie in the administrative reform which has been dragging on in the recent years. This is also related to the insufficient level of development of rural life in Estonia, scattered settlement pattern characteristic of Estonian village, low population numbers and the resulting rather low settlement density. In comparison with the settlement density of other EU countries on the Baltic Sea, the indicator in Estonia is even several times lower.

Major aspects influencing the Estonian regional and local government policy are discussed in the article. Several main issues which need solutions, such as employment and the related unused opportunities (above all from the aspects of social and not economic efficiency) are treated. A question arises – maybe social and not economic efficiency is more important for the achievement of a higher level of employment? That would be necessary to reduce the proportion of passive persons in the society, particularly in a small country like Estonia. It is quite possible that by setting social efficiency as the aim, we eventually achieve also economic efficiency in the country as a whole (including for instance more economic and efficient use of budgetary resources).

Issues of acceleration and improvement of the administrative reform which is carried out to support regional and local government policy constitute a separate circle of problems. Including above all strengthening of cities as gravity centres and joint coordinated and harmonised activities with near-by rural municipalities. Also a number of suggestions for possible changes are made here. Merging a city (above all a county centre) and the surrounding rural municipalities into a joint administrative unit could be an important orientation here. This certainly assumes improvement of the legal regulation of the status of cities to retain their status as cities also as a result of a future merger of cities and municipalities.

**JEL Classification numbers:** H – Public Economics: General; State and Local Government, Intergovernmental Relations; J – Labor and Demographic Economics: General; R – Urban, Rural and Regional Economics: General; General Regional Economics.

## Keywords

Regional and local government policy, vertical development, horizontal development, complex approach; relocation of population from rural areas to cities or to their surrounding areas; ageing of the population; strong and weak municipalities; work quality; free movement of labour; pressure for salary increase; increase in labour productivity; strong cities and hinterlands of cities; concentration of population; development of rural municipalities; conflicts between the development of cities and rural municipalities; contradictions between private and municipal property; Estonian problems; mergers of cities with rural municipalities; towns without municipal status; adjustment of the boundaries of municipalities; specific exceptions; balancing of regional development; inadequate speed of the administrative reform; need for rural development; need for complex cooperation between state and local government agencies.

## Introduction

Issues of regional and local government are topical both in the European Union and in the developing Republic of Estonia. We cannot state in the current Estonian society that everything is in order in these areas although important positive developments

have taken place during the period after regaining of independence of the Republic of Estonia (since 1991, i.e. in the course of more than 15 years). There are certainly many shortcomings and a lot of scope for development. We can state that in the current situation complex and interrelated treatment of these issues is becoming important as any different approach would not ensure the required development or success. In the current situation in Estonia each institution is increasingly trying to act as independently of others as possible.

The aim of this article is to treat above all major problems which impede development, including to describe the background. It often consists in raising problems and in the need to point out the respective studies (and the related accessibility of statistics).

The following research tasks have been treated in this article to achieve this aim:

- brief evaluation of the Estonian regional and local government policy;
- pointing out more important opinions prevalent in the European Union in connection with developments related to regional and local governments;
- pointing out more important problems in Estonia in the area of regional and local government;
- making suggestions for the development of the Estonian regional and local government policy and suggestion of alternatives for making the Estonian local government structure more rational.

The author has written this article on the basis of both experience and evaluation of the situation in the Estonian society, and opinions and experience from other EU Member States which support the development of Estonian regional and local government policy.

## **1. Major aspects influencing the Estonian regional and local government policy**

The regional and local government policy in Estonia as a whole is considerably more modest than it should be, i.e. it is quite a lot talked about but has actually received little attention. The Estonian regional and local government policy is very much focused on the capital Tallinn and primarily contributes to the development of the capital and its immediate surroundings. This is evidenced by almost all statistical parameters influencing the economic environment which the author will not present here, however.

All public institutions (here the author bears in mind government ministries and other agencies subordinated to each ministry) should implement regional policy and do it in mutual cooperation. Developments in regional policy and in the local government structure can be observed in three directions:

- the so-called vertical complex activities and development in the cooperation between ministries, directed to all Estonian counties;
- the so-called horizontal complex activities and development on the level of local governments (and their associations);
- complex mutual interrelations between vertical and horizontal activities and developments.

These activities are unfortunately episodic in real life and often also not coordinated between different institutions. Particularly if we take into account regional policy in municipalities and outside the capital Tallinn and county centres.<sup>1</sup>

It is relevant here to point out certain more important so-called underlying problems:

- The population of Estonia is decreasing (the population growth is not high enough), the population is gradually moving from rural areas (villages, towns) to larger towns and cities or to municipalities adjoining to cities. What will happen to Estonian villages and to the traditional scattered settlement pattern?
- The Estonian population is becoming older (like in Europe as a whole), which means that the gradually decreasing Estonian working-age population has to pay increasingly more social taxes (in essence has to work more and with higher productivity), in order to ensure the necessary financial resources for the state budget to pay/cover pensions and other social needs. There will be, true enough, a certain partial alleviation for that in the future (considering the so-called I, II and III pillars of the Estonian pension system), which means that working people are already gathering financial resources for themselves for additional payment of pensions.
- Most local governments (above all municipalities) in Estonia are financially too weak to ensure their own development independently. The proportion of own resources is often very low in the budgets of local governments (e.g. the proportion of local taxes is often less than 1–2%). Resources for local budgets are mainly obtained from the state budget through redistribution of resources.
- The quality of work is often low in Estonia (and has often even deteriorated in the recent years in the conditions of free movement of labour within the European Union, for instance particularly in construction activities), as the number of qualified skilled workers is gradually decreasing and their work is instead performed by people with low qualification, if any (very many qualified builders have, for instance gone to work above all in Finland, but also in other countries).
- While free movement of labour is humanly understandable (people wish to earn higher salaries), it solves primarily the labour problems of countries with a higher standard of living. In countries with a lower standard of living (including Estonia) the free movement of labour has put a strain on labour problems (e.g. cf. the ratio between the salary and labour productivity, work quality, incl. poor use of working time). Movement of qualified labour out of Estonia means that many jobs are not done, are done poorly and unreasonably high rates are charged for the poor work.
- There is a lot of pressure on raising salaries (salaries are increasing, however, faster than labour productivity in Estonia). Here we have to take into account that it is not so easy to catch up with the prosperity and also

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<sup>1</sup> There are 15 counties in Estonia but 227 municipalities after the elections of local councils in October 2005. There are 33 administrative units, i.e. towns and cities (the number of towns and cities which are administrative units, i.e. municipalities was 39 before the elections) and 194 rural municipalities (one of them is actually a small town – the town of Vändra).

salary level of developed EU Member States. There are namely signs of expectation of faster salary increases also in other countries. For instance in Germany, discussions about raising salaries in 2007 started in the fourth quarter of 2006.

- Increase in labour productivity does not receive sufficient attention in Estonia, which is inadmissible. In developed EU countries the accounting of the actual ratio between labour productivity and the increase in salaries is traditionally transparent (like national accounting in general) and maintenance of the growth of labour productivity in advance of the increase in salaries is very carefully monitored. In Estonia the accounting of labour productivity and comparison of its growth with the increase in average salary does not unfortunately receive much attention. For instance, Statistics Estonia does not calculate labour productivity indicators (at least the indicator is not officially presented in statistics publications).
- Accessibility of the required information is often inadequate in Estonia. In order to increase entrepreneurship activity necessary for economic development it would be necessary to know the potential labour, its qualification and existence of several resources required for business development in the territory of each municipality. That would be required for the adoption of decisions on each sphere of administration of municipalities (central decisions to support local activities are required).
- Neither is it possible to perform complex evaluations – economic and social analyses – characterising the situation, as there is no statistical overview or database on different municipalities (towns or rural municipalities) with information about business development in their economic sectors (primary, secondary and tertiary sector) and branches and the number of companies in each branch (including concrete employment figures, qualification of labour, existence of and need for additional labour, etc) and their specific fields of activities.

Estonian public figures, also members of the parliament – the Estonian Riigikogu – have often stated that every individual is important in Estonia. This is not, however, reflected in reality, as the state does not take sufficient care of ensuring welfare to all people. Many people have lost their jobs after the regaining of independence of Estonia and not always through their own fault but due to half-hearted or hasty decisions made by the state. We can bring the conduction of the privatisation process as an example here as many people lost their jobs as a consequence because the state either did not create conditions for finding new jobs or did not complete their creation process. It had a particularly negative effect on the part of the population who live outside towns which are administrative units (i.e. people living in rural municipalities, above all in small towns and villages but partly also in towns without municipal status).

The background described is surely not exhaustive but still sufficient to understand – development and implementation of regional and local government policy is not easy in Estonia and is very problematic.

## **2. Positions on regional and local government policy in literature on economics concerning shortcomings in Estonia**

There are opinions according to which the European Union needs strong cities, including the hinterlands of the cities, for the further development of regional and local government areas (Collomb... 2005: 77-88). At the same time there are also opinions according to which also the development of rural municipalities is important in European development, i.e. the existence of rural municipalities is an inevitable precondition for development (Häupl ... 2005: 89-102). In other words: cities and rural municipalities should form a harmonious co-existent system. In the opinion of Gerard Collomb, the Mayor of Lyon (France), future local government and regional policy can only be successful if there is systematic dialogue between cities on the one hand and hinterlands of cities and regions on the other hand. (Collomb ... 2005: 80)

On the basis of literature there are several conflicts in local government policy, and the following are the most important of them:

- between cities and rural municipalities (on the one hand, the aim is to have stronger cities, but it impedes and at least does not favour the development of rural municipalities and rural areas);
- an increasingly stronger conflict between economic activities and ecology (Floting, Hollbach-Grömig .... 2005: 25);
- often conflicts between private and municipal property are amplified (economic practice has shown that there are many shortcomings and defects in the competition between private service companies operating in urban economy and they often cause additional problems to the population). (Häupl... 2005: 96)

For instance, in Vienna, capital of Austria, people think that most services should be provided by municipal enterprises as private ownership creates many problems which do not help to provide utilities to the population with required standards.<sup>2</sup> Liberalisation and privatisation of public services is not a topical subject among the inhabitants of Vienna as municipal enterprises fulfil their role well. (Häupl... 2005: 96)

Strengthening of cities is also accompanied by the concentration of people to the cities. For instance according to some information already 80% of the population of Europe lives in cities<sup>3</sup> (Huttenloher 2004: Figure 5; Jakoby, Schmolinsky 2005: 40). We have to note here that in European countries the concentration of the population in cities is considerably higher than in Estonia.

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<sup>2</sup> We could mention general cleaning works here, i.e. garbage removal (in Estonia we can bring Tallinn as an example of a conflict situation as the aim of private companies is clearly to earn as much profit as possible, not to provide as favourable and flexible services to the population as possible). For instance according to the procedure effective in Tallinn since June 2006 every household (including one-family houses) has to pay for emptying the garbage container even if they do not generate periodically enough garbage and there is no need for emptying the container.

<sup>3</sup> The proportion of urban population was 69,3% in Estonia in 2006 (Rahvastik 2007)

### 3. Some major problems which require solutions

If in the European Union the aim is to have stronger cities, what are the problem and the solutions for Estonia? Estonia has a small population, the territory is not large, thus the population density is one of the lowest in Europe (only 30 people per km<sup>2</sup>).

The population of the Republic of Estonia is small, only 1.345 million people at the end of 2005 (1.361 million people at the end of 2001). Population growth is relatively modest – in 2005 the crude birth rate was 10.66 (9.26 in 2001), the crude death rate 12.86 and 13.57, respectively. (Maakonnad arvudes ... , 2006: 205)

There are also few cities and towns in Estonia and the cities are generally small and therefore also weak compared to European cities (only the two largest cities in Estonia, Tallinn and to some extent also Tartu may be exceptions here<sup>4</sup>). There is a continuing trend in Estonia for the relocation of the population above all to larger cities and to municipalities around cities, i.e. to the hinterland of cities. Some people still move to cities for a certain period before they start living in the hinterland of cities.

This makes one think that it would also be necessary to strengthen cities effectively in Estonia. How to do it? Probably partial integration of the city and the rural area (hinterland of the city) should be carried out. This has been actually functioning for a long time already for many people. But the integration should have also institutional and administrative support and support from the aspects of economic policy and administrative-territorial aspects. That way the people would be integrated also with respect to the national and local government, would have mutual cooperation and be more united in a more specific space, location.

Proceeding from the challenges facing the Republic of Estonia – comprehensive development of the Estonian society and national economy (incl. setting things right in the entire territory of Estonia) and achieving an as high standard of the welfare and quality of life as possible, it is necessary to perform a lot of different kinds of work everywhere. We can certainly state that we do not have enough people in Estonia for doing all the necessary work. Here we do not mean just the need for the work of highly-qualified specialists. Also the work which does not require highly-qualified specialists but just labour and application of labour for simple jobs should be performed. And concerning this work we should not aim for high labour productivity or considerable profits but just that the work should be done. Here we need not always bear in mind economic efficiency but often just the social aspect (employment of population and through that the necessary social recognition).

For the performance of such work we probably cannot rely on private companies (if we aim for as high as possible, i.e. maximum employment) but often have to use the municipal ownership form instead.

The question arises: Is it effective from the aspect of the development of the state to have the work that should be done performed at high prices by private companies or at

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<sup>4</sup> On 1 January 2006 the population of Tallinn was 396.2 thousand and the population of Tartu 98.2 thousand (Maakonnad arvudes ... , 2006; web sites of cities and calculations of the author)

a lower price by municipal companies. In municipal enterprises the labour productivity and efficiency are probably lower. At the same time, work and more normal living conditions would be ensured additionally to many more people and the state budget would be less burdened with the payment of benefits. At the same time we should bear in mind the following factors: *There is not enough labour for the work that needs to be done in Estonia* (including besides work which requires highly-qualified labour also less complicated work which requires lower qualification) *and some of the labour is still unemployed.*

Maybe working should be made mandatory in Estonia for those who do not wish to work (but at the same time use and accept services from the society)?

NB! An interesting fact: the population of Estonia is small (at the beginning of 2006 the population of the Republic of Estonia was 1,344,684), therefore the proportion of labour actively participating in the economy is also low (unemployed and employed in total: 659,600 persons, i.e. 49.1% of the population). The number of working-age population was 1,048,600 in Estonia at the same period, thus the rate of participation in labour was 62.9% (the employment rate was 57.9% and the unemployment rate 7.9%). The economically passive, i.e. inactive population (i.e. persons who do not wish to work or are not capable of working) was 389,000 persons (i.e. 37.1% of working-age population) at the beginning of 2006.<sup>5</sup> This is almost equal to the population of the Estonian capital Tallinn (396,193 persons) (all figures: Maakonnad ...2006: 197;205 and the author's calculations). It is not quite clear how much attention is paid to that group on the level of national and local government for the purpose of their employment. This is a considerable waste of resources and a burden on the society and on state budget. What should be done?

While 29.5% of the Estonian population and 33.8% of labour lives in Tallinn, only 24.4% of inactive population lives in Tallinn. Thus 75.6% of inactive population in Estonia lives outside the city of Tallinn. If we take into account the city of Tallinn together with the Harju County, their inactive population accounts for 32.6% of the total inactive population of Estonia. Thus we can state that in the city of Tallinn the proportion of inactive population is considerably lower than in counties. This in its turn refers to the general weakness of cities and rural municipalities also in increasing employment. Consequently Tallinn is in a somewhat better situation also in this respect compared to other regions of Estonia.

#### **4. Suggestions for the development of the regional and local government policy**

The administrative-territorial reform and the solution of related issues should be completed in Estonia as soon as possible. This has been under way in Estonia for ten years soon. Voluntary mergers of administrative units (rural municipalities, cities and towns) have had unfortunately very modest results up to now and have been going on very slowly. Public institutions probably have to make a rather strong contribution to the reform.

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<sup>5</sup> Here it would be necessary to identify in the Estonian statistical accounting the actual distribution of inactive population, i.e. how many people in Estonia do not wish to work and how many are incapable of working.

The current Estonian administrative-territorial reform should be now considerably sped up to achieve the following results:

1. The number of towns with a municipal status and above all rural municipalities would considerably decrease as a result of their mergers.
2. Subordination of most, if not all Estonian towns (administrative units, towns with municipal status) to municipalities should be considered.<sup>6</sup> This will bring about the need to adjust the boundaries of many municipalities and even cities and towns. According to the above-mentioned principle a county centre would be above all the centre of a municipality, which is an administrative unit, and on the other hand a town without municipal status, or in other words – after the suggested change a current county centre would be the centre of a rural municipality and a town without municipal status, in which the former administrative unit (town) has merged with the surrounding rural municipality (or municipalities). Similar mergers should be carried out also with other Estonian towns (it has also been done already in certain cases).<sup>7</sup>

Only the following counties (due to their specific situation) should be deemed as exceptions:

- Harjumaa (which includes Tallinn, the capital of the Republic of Estonia, and Paldiski as an ice-free port with two near-by islands, in addition a number of other towns),
- Hiiumaa (special situation: if the second largest Estonian island retains the status of a county also in the future, the future of administrative units will require special studies) and
- Ida-Virumaa (a somewhat special situation with its rather scattered industrial and mining enterprises and therefore a relatively large number of small towns; will probably also require special studies).

3. The above-mentioned mergers would make it possible to alleviate the situation of many administrative units (towns with municipal status and rural municipalities), i.e. strengthen their financial situation for making important and larger investments.

4. As many people who work in cities and towns live in the surrounding rural municipalities, the homes and working places of people would be within the same administrative unit, which could facilitate the provision and accessibility of several

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<sup>6</sup> Some of the towns should be afforded a dual status (as this is also related to the issue of power), i.e. a town would both be an administrative unit with municipal status and a centre (of rural municipality) for the surrounding municipality or municipalities.

<sup>7</sup> This is not a new approach in the conditions of Estonia as 5-7 years ago (when mergers of administrative units and particularly rural municipalities were very topical) an analogous approach was suggested in the Viljandi County in the form of the merger of the town of Viljandi as the county centre with the four surrounding rural municipalities (Paistu, Pärsti, Saarepeedi and Viiratsi). In the subsequent years and after the most recent elections of local councils in 2005 several towns have merged with municipalities surrounding them as circles. In the case of county centres two such mergers have been performed – merger of the town of Rapla as the county centre with the surrounding rural municipality in Raplamaa (after the election of local councils in 2002) and merger of the town of Jõhvi as the county centre with its surrounding rural municipality in Ida-Virumaa (after the election of local councils in 2005). After the elections, both towns are towns without municipal status and administrative centres of the new rural municipalities.



services to inhabitants (ensuring the accessibility of services currently often depends on bureaucracy caused by the boundaries of administrative units).

5. Towns and also the surrounding rural municipalities would become stronger, their activities would become more flexible, active and operative also in cooperation; that in its turn would make the merged towns and rural municipalities more attractive for investors. In other words, Estonian cities and towns with their hinterlands (the current rural municipality or municipalities surrounding the cities or towns) would become stronger and more sustainable. Also the rural municipalities and towns without municipal status which are located further from the hinterlands of cities and towns would become stronger as certain adjustments should be made at any rate to make administrative changes and change the boundaries of administrative units in Estonia, considering future developments.

6. The above-mentioned changes can in their turn make people more settled in one place (as the areas will become more attractive), which may improve the employment situation.

7. As a result of such mergers preconditions would be created for improved balancing of regional development as people would be relocated less to the capital Tallinn and to other larger Estonian cities and towns. Also the life in rural municipalities, small settlements and villages may become more attractive and satisfying.

With the completion of the administrative-territorial reform also other measures should be taken, such as improving the motivation of people, raising the efficiency of the educational system, including taking local conditions more into account and improving further training and retraining, motivation of investors, improvement of roads and opportunities for mobility, contribution to the solution of social issues, improved functioning of health care and communication systems, etc. Here it is expedient to talk about complex development of the entire infrastructure.

The administrative-territorial reform should also be accompanied by a review and assessment of the functions of the national local and government functions and affording more rights to local governments. This also means more trust and imposing additional functions on local governments.

More compact (concentrated) administrative units would probably also make it possible to have more control over real estate developers in Estonia. Real estate companies should also take into account the orders of local governments and not dictate their visions to local governments (which we can constantly currently observe and as a result of which we have often obtained only such real estate developments and solutions in Estonia which have satisfied almost nobody and been only objectionable, considering the future).

Also difficulties and problems related to the above-mentioned suggestions should be taken into account. It is namely obvious that many politicians and representatives of towns and rural municipalities (in councils, in rural municipality governments and town governments) probably do not want the mergers because:

- A considerable number of municipal officials employed and members of councils in power should find a new job with the merger of administrative

units. They would then lose their power and probably quite a few advantages and would also need retraining or further training. They often probably do not want that.

- The second reason here is more broadly political: As a result of massive mergers of municipalities several Estonian political parties would lose a large number of supporters and electors as some of the officials of local governments currently depend on the subjective wishes of leaders of political parties (it has been discussed for a long time and repeatedly in the Estonia media and also several members of Riigikogu have pointed out the problem). (Surely none of the presumed persons involved admits it.)

As voluntary mergers of administrative units have not given the expected results, another way should be chosen: administrative units should be merged regardless of their own wishes but rationality should be taken into account that would ensure as high administrative capacity as possible to administrative bodies after the mergers. Otherwise (by expecting voluntary mergers and continuing the current situation) the Estonian society will be at a dead end after some time.

The next elections of local councils will be held in the autumn of 2009 (since the elections of local councils which took place in October 2005 the period between elections has been four years, the period between earlier elections of local councils was three years, namely, earlier elections took place in 1993, 1996, 1999 and 2002). By that time (2009) the administrative-territorial reform should be completed and the related problems solved. Otherwise it is very questionable whether Estonia is a developing country and an equal partner to other EU countries. Otherwise Estonia may have be on its way to losing its existence as a nation state. And there is no way back from here, however.

A paradoxical situation may develop: the Estonian government will do with the support of its politicians, officials and business people who are not interested in the future of Estonia as a nation state (obviously also with the support of passive electors as the Estonian legislation even supports here and there the current irrational situation) what the Soviet occupation and Russification policy could not accomplish in Estonia in the course of fifty years.

The situation of Estonia as a small nation state should also be viewed from the aspects of globalisation. While globalisation which is often talked about is on the one hand a progressive development trend, on the other hand, many nations and states (including surely small nations) can find themselves in a poor situation – they will lose their identity in the long term, including often gradually also their culture (including the peculiarities of their national language and in the long term also their national language) and other characteristics of their nationality.

## **5. Assessment of possible mergers of Estonian county centres with the surrounding rural municipalities, and alternatives**

The possible further development of the 15 above-mentioned Estonian counties can be classified into four directions on the basis of comparisons:

- in the case of a merger of a county centre with the surrounding municipality (municipalities) after changes have already taken place (with partial changes at places): two counties belong to this group, above all Rapla, but also the Ida-Viru County (at the same time it is necessary to perform special studies in the interests of the further development of the Ida-Viru County since the structure of locations and settlement structure are relatively complicated; the changes made have been probably only partial);
- simpler merging solutions, i.e. the county centre borders on just one rural municipality, a so-called circular municipality: this group includes five counties – Jõgeva, Lääne, Põlva, Saare and Võru counties;
- more complicated merging solutions, i.e. the county centre borders on territories of from two to four (concerning direct effects even on five or six) municipalities: this group includes six counties – Järva, Lääne-Viru, Pärnu, Tartu, Valga and Viljandi counties;
- at places even more complicated situations compared to other counties (or solutions which require other decisions), which require additional studies and after these also the respective decisions: this group includes three counties – Harju, Hiiu and Ida-Viru counties. The situation will be probably complicated above all concerning the Harju and Ida-Viru (here not as to the county centre, though) counties. The solution with regard to the Hiiu County will be relatively simpler if the county is retained and Hiiumaa (i.e. the Hiiumaa Island) is not subordinated to the Lääne County.

Obviously, if the hinterlands of county centres are to be used both for the development of towns and cities and rural municipalities, it will be necessary to adjust also the boundaries of the rural municipalities (why not also those of towns and cities, if appropriate). The existing boundaries of rural municipalities are largely inherited from the Soviet period and should be changed soon if required (the requirement is, however, very probable!). During the Soviet period neither urban development, hinterlands of cities or towns or competition between administrative units or their sustainability were important enough. Centrally planned economy was functioning at that time.

Certainly, in addition to the strengthening of county centres also opportunities for the strengthening of other towns should be reviewed, i.e. other towns could exist not as administrative units but as towns without municipal status, being at the same time centres of rural municipalities. It is not excluded that also certain small towns will remain centres of rural municipalities. There are surely certain exceptions here due to the location of towns (e.g. the town of Võhma, etc.).

Strengthening of cities and towns is not, however, a separate process or aim in Estonia. Besides that and for the purpose of balanced regional development it is important also to develop the so-called rural life in Estonia, which is currently far from required standards (therefore also people often wish to relocate from rural areas to cities and towns to find better work and improve their living standards).

When the President of the Republic of Estonia Toomas Hendrik Ilves met with Estonian county governors on 7 December 2006 (it was covered by almost all Estonian media channels – in printed press, radio and TV), the President expressed the following position:

- There is a common misconception in Estonia that people living in rural areas are of secondary importance and such an opinion has to be changed. Rural people are not second-rate people and people should be attracted back to live in rural areas.

At the same meeting the county governors evaluated the pain spots of Estonian counties as follows:

- infrastructure has not been adequately developed (incl. the hospitals do not function according to required standards, the educational system is not adequate, the roads are in a poor condition, there are many shortcomings in the organisation of public transport, etc.).

The county governors mentioned the increased activeness of the population above all in social activities, positive growth of population in certain counties and improvement of general living standards in rural areas as positive factors. Thus Estonian rural areas have a hope if also the state and municipal institutions support their development.

## **Conclusion**

Although Estonia has been independent again for more than 15 years, the development of regional and local governments has not been adequately favoured. Differences between the level of prosperity and opportunities in the capital and in other areas, and conditionally also between the so-called urban and rural life have often increased. This has given an impetus to the movement of population from rural areas to cities or towns or relocation to their surroundings. The current settlement structure (population density) in Estonia is scattered as it is and the scattered locations of villages are becoming even more sparse as a consequence of that process.

Many researchers in the European Union have the opinion that it is necessary to strengthen cities and involve also the hinterlands of cities for the development of regional and local government policy. At the same time also the development of rural municipalities is supported, otherwise the development of cities and rural municipalities will come into conflict with each other. Consequently, cities and rural municipalities should form a harmonious co-existent system. At the same time the economic activities performed in cities and rural municipalities increasingly come into conflict with ecology. It is gradually becoming obvious that private ownership does not always allow to provide the best municipal services to the population. The question is not about the economic efficiency of the company which provides the services but about better satisfaction of the population and flexibility of the provision of services. Here the needs of the population should surely have primary importance.

The number of unemployed people in Estonia is currently equal to the population of the capital Tallinn (the official statistics do not unfortunately reflect the part of passive population who is not capable of working; the national statistics should also be specified in that respect). Involvement of people capable of working for the solution of the problems facing national economy and their employment should be one of the major challenges facing the Republic of Estonia.

The administrative-territorial reform has been going on very slowly in Estonia and should be considerably accelerated. Most Estonian municipalities (administrative

units – rural municipalities, cities and towns) are relatively weak economically and from the aspects of sustainability. The voluntary mergers of municipalities performed until now have not yielded expected results, therefore it is necessary for public institutions to undertake a more vigorous intervention in the reform process. It would be expedient to strengthen county centres and cities and towns by merging them with the surrounding rural municipalities. This assumes the specification and development of the current statuses of cities and towns. Also the boundaries of rural municipalities and towns and cities should be adjusted to ensure rational functionality to the administrative areas created as a result of mergers.

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