

Estonian Growth Vision

GOALS AND ASPIRATIONS FOR THE NEXT DECADE



A yearlong strategic conversation "Estonian Growth Vision 2018" was seeking for answers to two questions: how would we like to see the Estonian economy in ten years, and what steps should we take to get there. A thousand creative and curious minds of diverse backgrounds were engaged in discussions through workshops, expert groups and forums. They were encouraged to think openly and were nourished with the analyses by the Estonian Development Fund, who summed up the results into this Policy Brief.

The future we are dreaming of

Participants all over Estonia got inspired by the future combining two dimensions: the pursuit of becoming **globally competitive** while also being **locally attractive**. This is the kind of future people are willing to contribute to and be proudly part of.

A reason to strive outwards is the small market size that makes the development possible only through export-based growth. To this end, Estonian companies need to succeed in markets and international value chains not only in the immediate neighborhood, but also in remote markets, figuratively speaking—in the world.

At the same time, outward and inward developments must be in balance. Only then will Estonia's success be sustainable, and economic growth will lead to higher prosperity.

Hence, the ambition to be globally competitive goes along with an aspiration to be locally attractive. Estonia as a working, learning and living environment must inspire not only Estonians, but also everyone else who would like to realize their own potential here.

Indeed, this kind of locally attractive Estonia will have a better chance to be globally competitive.

Changes we need

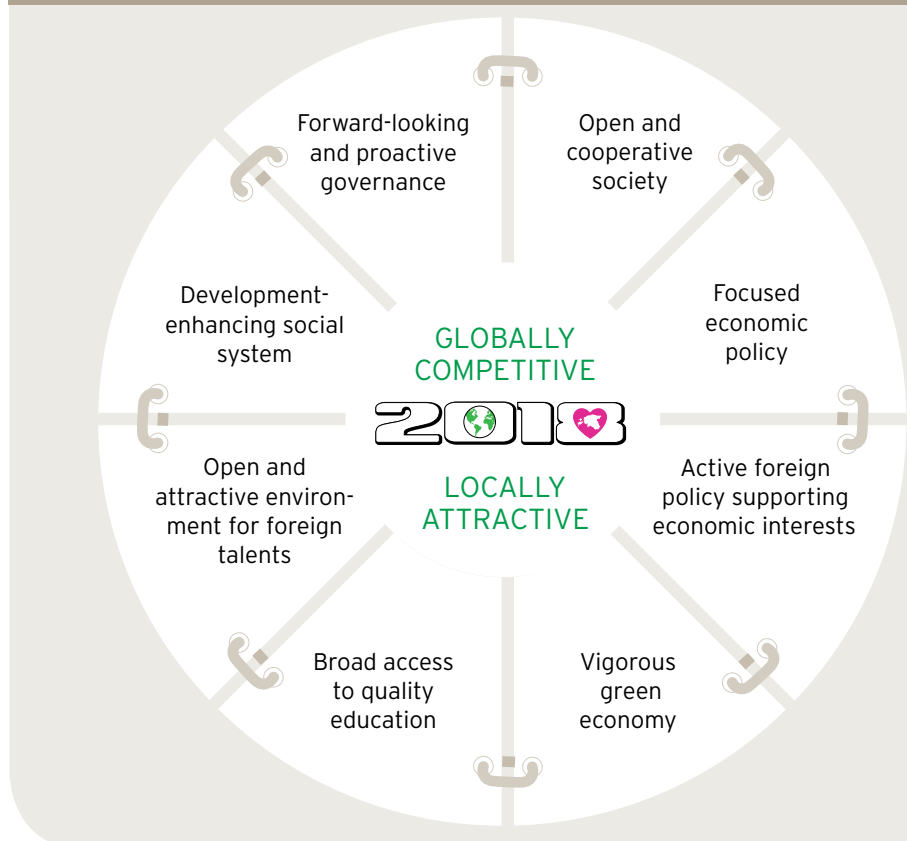
Taking into consideration Estonia's current situation, scenarios drawn from key drivers of change in the world economy, and the future goals, **key vision**

The question is straightforward: shall we remain a small fish in a food chain of the global economy, or shall we become something more? By redoing old things, even doing them a little bit differently, we are not protected against new setbacks.

President Toomas Hendrik Ilves
at the Employers' Confederation's conference
5/03/2010



8 changes leading to a globally competitive and locally attractive Estonia



choices in eight areas were identified where the decisions made today will influence the future of Estonia's economy most.

Throughout the discussions, the understanding prevailed that necessary changes **will not happen spontaneously**. Quite the contrary—in the short run, it is often more convenient to postpone important longer-term decisions. In many cases, standing still would even mean

a shift to the opposite direction from what was desired.

The year 2018 is symbolic for Estonia—the Republic of Estonia will celebrate its 100th anniversary and at the same time will hold the Presidency of the EU.

It is important that in eight years, looking back at today, we could be proud that we had enough wisdom and courage to make the hard choices and forward-looking decisions.

Challenges in economy require answers that span outside the economy

In the course of a yearlong vision building, recognition sharpened that there is no single simple solution or silver bullet that would make Estonia globally competitive and locally attractive. **Holistic and cross-cutting approach** was considered feasible because, as a paradox, the solutions to the biggest challenges of Estonia's economy, i.e. structural change, lie outside the economy: in education, immigration policy, society's value system, etc.

Estonian enterprises have to **move up the value chains**. In addition, more vigorous and focused economic policy is needed to systematically develop new **knowledge-intensive growth areas**.

This requires both the government and the private sector to attract new capital and invest it in the economy in a smarter way.

First and foremost, it is the talented and the educated who create future economic growth and general welfare. Therefore, the ability to cultivate, retain and attract **high-value human capital** is crucial. For that, Estonia must approach both existing and foreign talents in a more integral way.

Achieving international success requires a **positive economic and political image** that reaches outside the country. This means a more active foreign economic policy is needed, including promoting Estonia's topics of interest in international organisations.

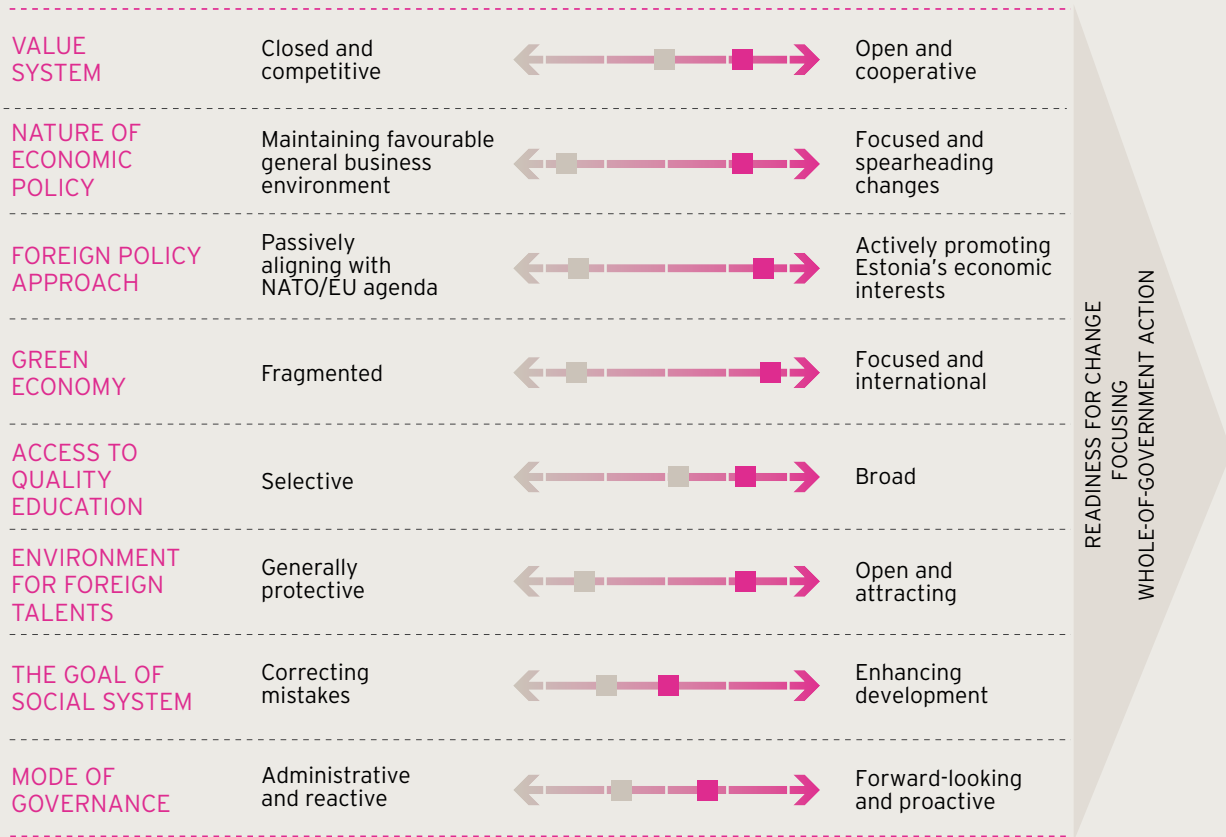
As part of the future economic development, the Estonian **social system has to be rethought**. Due to structural changes in economy, part of the society will have difficulties in adapting to new circumstances. On top of that demographic

changes will create significant headwinds for the economy regardless of future scenarios.

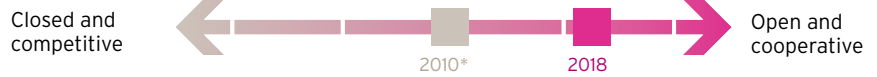
Proactive, flexible and creative decision making will be necessary to successfully manage an increasingly complex set of choices within the constrained set of resources at Estonia's disposal. Combating the challenges posed in the future will necessitate greater **issue-based, cross-disciplinary thinking and policy-making**. This is not consistent with existing fragmented, silo-structured institutions and mentalities.

Readiness to make choices and take risks is needed, for instance, when targeting economic and educational policies more precisely. These conclusions drawn from the scenario set formulated the building blocks of the Growth Vision—the **key vision choices**.

8 key vision choices upon which the future of the Estonian economy is most dependent



2010 ■ and aspired goal for 2018 ■ are expert groups' assessments



Change is inevitable

A value system characterises the relations and communications in a society among people, enterprises, social groups and national authorities. The level of satisfaction of members of society and the newly arrived who wish to live here and realise their potentials, depends on this value system.

In closed and competitive systems, power structures and the rights of the strongest hold true. Individuals must earn respect. In such systems there are gaps between social groups, the atmosphere is terrifying and depressive, difference is punished and creativity is inhibited by condemning attitudes. On the other hand, open and cooperative systems boast the pursuit of a society

that respects an individual and supports creativity and initiative. Human dignity is natural and belongs to everyone. Activity is guided by a multi-voiced dialogue, people are listening to one another and respect one another.

It is hard to overestimate the importance of good social relations: an encapsulated, split, and hostile society is prone to conflicts and is unstable. Social attitudes that tolerate differences, may it be people or ideas, favour creativity and entrepreneurship. These are becoming increasingly important on the way toward the innovation-based development stage of an economy, where educated and self-realizing individuals will be most valuable.



Excerpt of a tag-cloud: How the creators of the Growth Vision see the future of Estonia

Estonia 2010

The Estonian society has an open economy and is open to foreign influences, but closed to foreign people and partly to new ideas. Differences are repelled. In general, the world of values is liberal, but the freezing to habitual ways and fears to be punished for differences, hinder creativity.

Estonia 2018

An inclusive and cooperative society; a value system that supports individuals. An open attitude to anything new and different from the conventional. National, status-related and other barriers do not impede communication; people are valued according to their contributions not to their positions or backgrounds.

Steps towards change

- The abandonment of labelling; debating with arguments as opposed to *argumentum ad hominem*.
- Value risk-taking, learn from mistakes, and use failures as lessons, in the start-up culture and outside it.
- Don't be afraid of strangers! More knowledge of different cultures and more tolerance of differences.

Highlights from Vision Forums

Youth Forum

- Discussions of media's responsibility—objective reporting on debates and their differences in the media that helps to avoid a blurring of political responsibility.
- Promotion of participatory democracy through cooperation between sectors and through distribution of resources—individuals should be able to decide which civil associations to support with up to 1% of their income taxes.
- A win-win attitude—getting rid of old survival fear dogmas; dialogue-based approaches; and finding common ground.

Futures Forum

- Learning from mistakes and valuing bankruptcy as a lesson to encourage people to express and implement their new ideas. Leaders talk openly about their failures.
- The development of cooperative skills and attitudes; the development of both technical and emotional skills; an aptitude for expressing and controlling emotions.
- Smile and say "Hello!"—the journey toward openness and cooperation starts with our basic interaction culture.
- In order to reduce xenophobia, attitudes and values in society must be changed under the leadership of opinion leaders and top politicians.

County Vision Days

- Shaping values through teaching and personal example.
- Increasing transparency of the decision-making process and establishing dialogue channels between the state and its citizens.
- Transforming civic education into a genuine part of schooling. Young people are taught the meaning of being a citizen, the social role of individuals, civic rights and responsibilities, and the meaning of civil liability.

Legally correct ≠ Morally correct

"At elementary school we start to kill creativity and cooperation; at university, we start to allow it; and at work, we are demanding it."

*The expert group estimated that, against the international background, Estonian society in 2010 is relatively free and in some areas, the caring and supporting attitude is present. But at Vision Forums the existing value system got a more negative appraisal, because primary instruction of values is poor, decision-making processes are not transparent, the society is rather closed and scared, more talk is going on about competition than cooperation, morality and behaviour are sidelined.

Maintaining favourable general business environment



Focused and spearheading changes

Change is inevitable

Estonia has not been able to translate its strong business environment into highly sophisticated and productive companies.

Christian Ketels
Professor, Harvard Business School
at Estonian Futures Forum
7/12/2010

The Estonian economy has been successful in using a competitive advantage based on cheaper inputs, but has remained unsophisticated in its nature. Price advantage is being exhausted and is not enough to compete in the market, not to mention catching up with the standard of life in developed countries. To move on into the next development stage of the economy, an innovation-based economy, structural changes are necessary. It requires developing new growth areas and moving towards higher value-added activities in traditional industries.

The formerly successful economic policy of creating a favourable business environment is still necessary, but insufficient to respond to diverse needs related to developing new knowledge-based business areas. A focused economic policy has a role in identifying strategically important fields and in driving their development. It requires maximizing existing strengths and experimenting in new growth areas by effectively mobilising resources throughout different policy areas and cooperating with the private sector.

Estonia 2010

Economic policy measures are large in quantity, fragmented and unfocused; links to other policies are weak. At the same time, the support measures have hidden focuses that are unacknowledged and do not coincide with desired objectives, deadweight is sometimes extensive.

Estonia 2018

The economic policy is well targeted and therefore, more effective. Focuses have been selected on the basis of analysis and they are vigorously developed in cooperation between private and public sectors. Policies in the field of education, R&D, immigration, etc. support the focuses of economic policy.

Steps towards change

- Focusing on new growth areas: environment and renewable energy, health and wellness products and services, financial services, international supply chain management, etc.
- Integrating economic policy with other policies and activities.
- More emphasis on ambitious start-up businesses and smart foreign direct investments.

Highlights from Vision Forums

Youth Forum

- Designed in Estonia, not Made in Estonia—everything is produced in China anyway.
- Decent and frequent transport links with the rest of the world, so that at least twice a day, three to four destinations could be reached from Tallinn and Tartu.
- Estonia as a testing lab—we experiment with ideas, models (in economy, society), etc. Estonia is small enough to carry out these experiments. We are initiators, the first ones to test new ideas in reality.
- Groundwork at new, remote, and fast-growing markets to lower entry barriers for Estonian enterprises.

Futures Forum

- Supporting upward movement of exporting companies along the value chain. In order to restructure the economy, it is important that existing businesses move from the current simple functions based on cost advantage (e.g. assembly work) to high value-added activities (e.g. R&D, design, marketing, management of value chains).
- Systematic cultivation of new knowledge-intensive growth areas—attracting foreign direct investments and providing the best environment for start-ups of global ambition (including venture capital, dynamic working and living conditions).

- Actively attracting foreign direct investments focusing on, for example, Scandinavian small and medium-sized enterprises that bring high-tech manufacturing industries and knowledge-intensive services to Estonia.
- Strengthening analytical capabilities and foresight activities needed for more focused economic policy throughout public administration.

County Vision Days

- Prefer domestic products!
- A legal environment that would be more favourable to small businesses.
- Business/entrepreneurial training from elementary schools to universities and as part of lifelong learning.

* The expert group placed the current situation quite on the left end of the axis. At the Futures Forum, the slider was moved absolutely to the left end of the scale, because no-one could find a country with a more uniform and less focused economic policy approach than Estonia.

Passively aligning with NATO/EU agenda



Actively promoting Estonia's economic interests

Change is inevitable

Growing competition between countries has increased the role of foreign policy in standing for countries' economic interests and competitive advantages. Estonia is a member of influential international organisations, such as the EU, WTO, and OECD, but a mere membership does not benefit the economy. Only active leadership in topics of interest makes it possible to influence international economy and circumstances un-

der which Estonian businesses also compete in international markets. Foreign policy approach characterises Estonian activity in the international arena. On the one hand, foreign policy may passively align with agendas of international organisations. On the other end of the scale is an active foreign policy that promotes Estonian economic interests and that makes Estonia stand out in its interest areas in the whole world.



Estonia 2010

Although due to the economic crisis, foreign economic policy and business diplomacy have become more active, Estonia does not use diplomacy sufficiently to advance its economy. Taking into consideration changed circumstances and Estonian economic interests, the network of Estonian representations abroad built in the 1990s requires updating. Foreign economic policy is scattered along the different authorities, and coordination among them is insufficient.

Estonia 2018

Foreign economic policy is more proactive—on the level of bilateral as well as multilateral relations. The network of Estonian representations abroad meets Estonian needs and allows Estonia to promote its foreign economic interests abroad. Estonia is an international opinion leader in some focus areas. Cooperation among public authorities, organisations, and the private sector is coordinated from policy design to its implementation.

Steps towards change

- Foreign economic policy that supports priorities of economic policy.
- Different authorities must speak with one voice and act coherently.
- The network of Estonian representations abroad must follow emerging markets.

Highlights from Vision Forums

Youth Forum

- Lobbying and sales teams at the government level who would increase the awareness of Estonian good business climate, cooperate closely with entrepreneurs, and bring home investments.
- A region-wide centre for start-ups that would concentrate knowledge, skills and resources from Finland, Estonia, Latvia and Lithuania would transform the whole region into an attractive investment environment.
- Establishing operational bases, so-called high-tech Estonian Houses for Estonian enterprises in main destination regions (e.g. Nordic Countries, UK, USA) that would decrease market entry costs for businesses.

Futures Forum

- Shaping the network of representations abroad according to priorities of economic policy and business needs.
- Entering foreign markets with national and regional strategies, including economic plans and export interests of Estonian enterprises and the priority areas of Estonian economic policy.
- Speaking with one voice and acting coherently in foreign economic policy issues. To promote economic interests successfully, we need a common and strong message that is delivered by all authorities involved in foreign economy, starting from the president and ending with government officials. Fragmentation and communication of controversial messages must be avoided.

County Vision Days

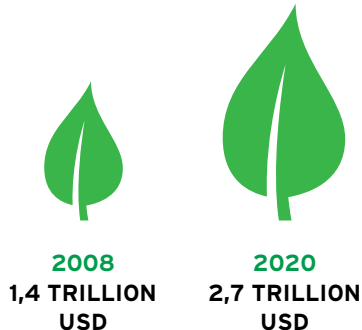
- Internal and foreign policy must be coordinated, and foreign policy must be cross-party.
- Foreign policy and diplomacy support entrepreneurs in target markets and bring investments into Estonia.
- Deliberate efforts in standing for Estonian topics of interest at international organisations (the EU, OECD).

„A prerequisite for success of Estonian missions abroad is a solid backup insuring that established contacts would not die in Estonian domestic bureaucracy.”

* Growth Vision workshops as well as expert groups placed Estonian current foreign policy approach on the left side of the scale and it is characterised by passiveness and alignment with NATO/EU agenda. At the Futures Forum, the rating declined even more, the reason being that Estonia's capability to put forward its agenda at the international organisations is minimal.



THE GLOBAL MARKET VOLUME FOR ENVIRONMENTAL PRODUCTS AND SERVICES:



Source: Green Jobs: Towards Decent Work in a Sustainable, Low-Carbon World
UNEP/ILO/IOE/ITUC, September 2008

Change is inevitable

Green economy is a globally fast growing area. It is boosted by environmental problems and agreements between countries and their commitments trying to find solutions to these problems; and by changes in consumer values as well. The EU has set green economy as one of its priorities for the next decade. This area also holds ample new business opportunities and jobs in manufacturing and services both in export and domestic market oriented activities. These opportunities have not been fully acknowledged; so far, "green" has been treated as a noble planet-saving mission, life-

style or as an obstacle to economic growth. In the context of the Growth Vision, green economy is treated as a business opportunity for Estonian enterprises.

The current fragmented activity indicates a lack of a common concept of green economy and therefore making it difficult to exploit possible opportunities. Taking advantage of the global trend of green economy requires that enterprises actively explore business and export opportunities in this field while the state undertakes a role in stimulating growth of green business.

Estonia 2010

In the society at large, green economy is not perceived as a cross-sector economic category of its own. Enterprises are not yet aware of many opportunities related to it; activities in green economy are fragmented. Green economy as a real policy focus is absent; the readiness of the state apparatus to seize opportunities on the EU level in the near future is weak.

Estonia 2018

Estonia has clear priorities in green economy that are implemented by stimulating policies. The public sector acts as a pioneer in following the principles of sustainability and resource efficiency, thus creating a market for related products and services. Estonian enterprises understand the opportunities of green economy and exploit them actively.

Steps towards change

- A 360° look at growth potential of the Estonian green business, and defining focuses.
- National CleanTech Programme to foster the development of green solutions and their export.
- The public sector acting as a pilot customer for green solutions.

Highlights from Vision Forums

Youth Forum

- Adding information on environmental impact to product price labels: information on energy consumption, factor cost, transport, impact of chemicals, fertilizers and subsequent waste management.
- Better energy-efficiency related education for architects, customers and builders.
- Estonia as the Nordic leader in developing energy-saving solutions.

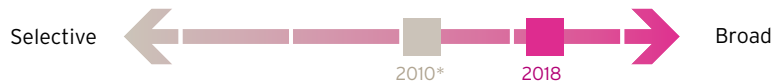
Futures Forum

- The public sector takes the lead in green economy; the government provides an example by its activities and creates the market—for instance, directed purchases, weighing the public procurement system against "green".
- Developing innovative products and technologies in different areas of green economy, keeping in mind export opportunities.
- Shaping the image of an organic country, and exploiting Estonian clean natural environment in public marketing.

County Vision Days

- Export to the markets receptive to green solutions where consumer purchasing power and mentality support green consumption.
- Developing local biofuels.
- First and foremost, channelling agricultural subsidies into organic production that would support health, environment and preserve land resources as well.
- Raising green awareness of Estonian consumers.

„Estonians are the aborigines of Europe, however, not redskins but greenskins.“



Change is inevitable

The Estonian economy is on the threshold of an innovation-based development stage. Entering this stage requires that the education would meet the requirements of a new economy as well as individual expectations and preferences. In Estonia, about one third of the population does not continue studies after finishing basic or secondary school; the unemployment rate for young people is one of the highest in Europe.

Broad access to quality education necessitates that there are no external barriers. Everyone has an opportunity to acquire high quality education, skills

and knowledge, regardless of place of residence, nationality, or income. By contrast, selective access to education depends on the circumstances not related to personal capabilities, such as place of residence, economic conditions, etc.

At the same time, it is well known that higher educational levels result in higher employment rates and income, improved health behaviour and life expectancy, increased tolerance and decreased corruption; and it prepares the ground for individual self-realization. Therefore, a prudent management of human capital is the key to the Estonian future.

Changes in education should lead to the situation where an educated Estonian will no longer be a smart nerd, but a happy and competitive leader.

Mati Heidmets
Professor, Tallinn University
in the report
Access to Quality Education,
the Estonian Development Fund 2010

Estonia 2010

Estonian pupils' level is one of the highest in the world; and as to the proportion of university graduates, we are at the forefront. At the same time, only one fifth of academic positions in Estonian universities are filled through competitions with more than one candidate applying. Estonia is a donor country of students; regional, economic, and language barriers are affecting the access to higher education. Continuing education and retraining are often not reaching the target groups. Teacher and student satisfaction at schools is low and the drop-out rate is high.

Estonia 2018

The only barrier to accessing quality education is intellectual capability and performance. The drop-out rate is minimal; Estonian schools have become pleasant places. Universities are internationally competitive. The education sector has changed from an adaptor to a leader that does not merely react to economic and social changes but also generates them. The higher education sector is the main importer of talents.

Steps towards change

- Education system from reactor to driver.
- Creativity and social skills developed already in school.
- A quality leap in higher education starts from actual competition for academic positions and internationalisation of universities.

Highlights from Vision Forums

Youth Forum

- Import of knowledge: bringing academic staff, managers and businessmen from abroad.
- Joint curricula with foreign universities—education could be provided in the framework of international integrated programmes, e.g. Tallinn-Tartu-Helsinki.
- Valuing teaching profession more than before.
- Language learning—high school graduates speak four languages at a good level: Estonian, English, Russian, and in addition, Mandarin, Spanish, French, or some other language.

Futures Forum

- Entrepreneurship training into every school, walk of life, and research area—establishing student enterprises is part of education, and practitioners share their experience.
- More university programmes are delivered in English—doctoral studies, the vast majority of Master's studies, and Bachelor's studies with international bias will be in English.
- Abolition of fringe benefits tax on degree studies, which would motivate enterprises to see higher education as a tool to enhance human capital. Doctoral and Master's thesis to be more linked to companies' needs.

County Vision Days

- Creativity and social skills into study programmes, including interdisciplinary and team-based work.
- Assessment system at schools takes into account students' individual development.
- Training of motivated and mission-oriented teachers.

„If one cannot get into a UK or Scandinavian university, one will be able to get into Tartu University anyway.“

* The expert group placed the current state of Estonian education in the middle of the scale. Vision Forums could not find consensus concerning the current state of Estonian education. On the one hand, it was considered that Estonian education is not of high quality and does not meet the labour market expectations, and therefore the lower estimation was given. On the other hand, if compared to educational systems of other countries, Estonia would get a higher rating.

Environment for foreign talents



It should be considered how society could be more open to educated specialists. Like elsewhere, there are mental barriers in place that work against the new and different.

Iivi Anna Masso
Social Scientist
Postimees, 17/06/2010

Change is inevitable

Estonia is a country of declining population while aspiring to be among the best in the world by its economic development and quality of life. Estonian population has decreased by about 200,000 people within last two decades, and by 2050, the permanent population is projected to decrease by another 100,000 people. It is estimated that every year 5 to 8 thousand people leave Estonia while 2 to 3 thousand arrive here.

Openness to talents demonstrates that Estonian society is ready for bringing foreign talents into the country and adopting respective immigration poli-

cies. An open and attractive environment encourages the return of talents of Estonian origin, and a selective immigration of educated and well paid foreigners preferably from regions culturally close to Estonia. A protectionist environment means a rigid immigration policy and a negative attitude towards immigration-related issues.

Knowing that the global competition for bright people is getting severe and headhunting has become a national strategy in many countries, Estonia has no choice either: it is necessary to consider pros and cons for immigration and to find our own smart path.

Estonia 2010

A negative attitude to immigration predominates, there is no reliable picture of cross-border movement of people, English-speaking families find it difficult to adapt to Estonian everyday life, introduction of university programmes in English is slow. In its attitude to those who are "different", Estonia stands out with relatively exclusionary attitudes in Europe. At the same time, Estonian elite have a clear expectation of the Estonian society becoming more open and tolerant.

Estonia 2018

A major step has been taken towards openness—Estonia has its talent policy in place, targeting young people of Estonian origin who have studied abroad and foreign specialists working in new growth areas of economy. Estonian universities successfully deliver international programs in English, and English-speaking families are coping well in Estonia.

Steps towards change

- Lifting barriers to foreign talents by selective immigration policy.
- Universities as gateways to Estonia for foreign talents.
- More English environment for foreign families: public and local government services, schools, etc.

Highlights from Vision Forums

Youth Forum

- Get educated and come back! Allocating scholarships for studies at recognised foreign universities on condition of returning to Estonia, while generating attractive conditions in Estonia for those who obtained education abroad.
- Fostering cross-border talent mobility by targeting young well-educated people who are still seeking opportunities for self-realisation all over the world.
- Establishing a talent agency that would implement a purposeful and conscious policy focused on selected regions and people with certain levels of education, and enhance the image of Estonia as a destination country for talent.

Futures Forum

- Developing a favourable environment for start-up enterprises of global scope.
- Attracting R&D units of international firms to Estonia—global enterprises also bring global talents and know-how.
- Unconditioned opportunity to come and work in Estonia for everyone who has a doctoral degree or who would be paid at least double Estonian average wages.
- Opportunities for English every day life so that the language environment would not be a problem for people from abroad and that they could cope well at doctor's offices, kindergartens, schools and elsewhere.
- Proactive immigration policy (taxes, image, living environment) to invite up to 5000 professionals and entrepreneurs to work in Estonia.

County Vision Days

- Becoming aware of and valuing local talents.
- Making opportunities available for foreigners to learn Estonian.
- Introducing a ceiling to the social tax to be paid, because this would create smart jobs for talents.

„We want badly to be open, but only among ourselves.“

* The expert group placed Estonia's current situation quite on the left end of the axis. The participants of the Futures Forum were yet more critical of the openness of Estonia related to talent issues; they moved the slider still closer to the left end, justifying this with a too-strict immigration policy even involving highly educated specialists.

So

The goal of social system

Change is inevitable

Taking into consideration demographic trends in Estonia, its social system needs to be rethought. A social system is traditionally considered as an expenditure area or responsibility (liabilities), through which the state intervenes ex post. Instead, it should be considered as a resource or opportunity (assets) that lets us to convert trends in our favour, including in economic development.

A social system that furthers development would provide support and assure a lifelong normal coping, at the same



time encouraging people to manage on their own. A greater emphasis is on proactive activities, such as prevention and retraining.

In the context of the Growth Vision, the social system is a lever that enables society to indirectly increase employment among older people and the unemployed (retraining); furthermore, to deal with prevention and raising awareness, not correcting errors post factum (health care). This approach to the social system will create new export opportunities as well.

2010 4 PEOPLE AGED 15-64 PER ONE 65 AND OVER



2010 2.4 PEOPLE AGED 15-64 PER ONE 65 AND OVER



Source: Statistics Estonia

Estonia 2010

The social system is mainly functioning as a corrector of mistakes; there is very little of preventive activities and those that tend to create added value. Problematic areas are education and health care which have very little or nothing to do with the future and adaptation to it; social mobility is low.

Estonia 2018

The social system supports people throughout their lives; the social activity and involvement in the labour market of older age groups, as well as people with disabilities, are higher. The system of social benefits (alleviation) has become more effective.

Steps towards change

- Providing flexible work and (continuing) learning opportunities throughout one's lifetime.
- In health care, from treatment to prevention; and in social services, transition from rights-based to needs-based principles.
- Social innovation and public-private partnership (PPP) for creating new services.

Highlights from Vision Forums

Youth Forum

- In health care, prioritising prevention and early intervention and influencing individual health behaviour through economic incentives, e.g. tax policy.
- Working homes for elderly. An opportunity for elderly people to work and interact!
- More effective usage of human capital—the society and economic environment must support the possibility to work and rest alternately (e.g. receive pension by instalments earlier) and thus, perform more efficiently.

„Form 84b—lifelong learning.“

Futures Forum

- Retraining, continuing education and flexible employment opportunities (including remote working, part-time jobs) for older people, the disabled, and parents with small children to increase employment in these groups.
- Social innovation and new service models in social welfare. Stimulating social innovation and public-private partnership to develop and provide community-based new service models, e.g. in the care of the elderly and children.
- Healthy and sportive society—raising health awareness already at elementary schools.

County Vision Days

- Making extracurricular activities available for all children; developing their social skills.
- The government in cooperation with local municipalities ensures that people have the access to necessary services regardless of where they live.
- Linking unemployment benefits with participation in different activities, for example, with studies or voluntary work for community.

„Today the social system is seen as a burden that keeps us from taking off.“

Mode of Governance

Administrative and reactive



Forward-looking and proactive

In good times, the political elite tend to confuse governance with property management. Political leadership *per se* is not administrating, reacting, nor making agreements /.../ but visionary establishment of new values and attitudes.

Ott Lumi
Lecturer in Public Policy,
Tallinn University
Sirp 13/03/2009

Change is inevitable

The quality of governance should be considered as a necessary prerequisite for Estonia's continuous development. As such, a smart and active state is a precondition for the success of other vision choices.

Active state denotes proactivity, ability to initiate substantial processes and to make important decisions promptly and the idea that governance must actively support the integral development of the

society. Under an innovative and proactive governance mode, the vast majority of politicians and officials clearly perceive their roles and responsibilities. NB! An active role of the state does not necessarily mean a bigger interference in the economy.

A reactive and administrative governance is rather a passive responder who reproduces existing patterns of behaviour.

Estonia 2010

Estonia performs most public functions successfully, acting trustworthily and in a more and more citizen-friendly way. There has been progress in strategic planning, but not enough integration with budget processes so far. The weaknesses of governance include silo-structured institutions, lack of vision, growing bureaucracy, and apparent inability to see the big picture. On the level of local governments, the capability of implementing policies and providing public services is very disparate.

Estonia 2018

Citizen-centred, inclusive and whole-of-government governance. Rigid boundaries between public authorities have been eliminated, and instead, more horizontal policy programmes and cross-ministerial coordination are used. Majority of political leaders have professional competence in their fields. While drafting and implementing national budgets, the focus is not on the management of expenditures, but on increasing public revenue.

Steps towards change

- Introducing cross-cutting work practices, so that major challenges would not fall between the silos.
- Shaping the Parliament from being a mere "law machine" into a centre of futures debates; reinforcing analytical and foresight capabilities.
- Cultivating a new generation of progressive leaders.

Highlights from Vision Forums

Youth Forum

- Identifying barriers and bottlenecks that prevent achieving the vision goal.
- Forming foresight units that would help understand what is taking place in the external environment, and form discussion and activity arenas for decision-makers of all levels.
- Turning parties' back offices into think tanks involving relevant specialists. Ministers should be competence-based.

Futures Forum

- Coherence of strategies and their compliance with national budget: long-term strategies should be approved by the Parliament and linked to the budget.
- Implementing administrative reform of local governments
- To get rid of the silos, introducing work practices to be used between authorities, and using more work formats that are versatile and strategic change-oriented (networks, working teams, project-based task forces).

County Vision Days

- "Grow the country as the forest!": drafting and implementing long-term plans spanning election periods.
- Allow the members of local councils to hold office for only two consecutive terms.
- Public institutions must be motivated to include experts in the preparation of decisions.
- Emphasising the regional level, including direct democracy(polls).

„Grow the country as the forest!“

* The workshop in 2010 placed Estonian governance on the left end of the axis, but the expert group corrected this estimation. The Futures Forum considered that because of excessive bureaucracy, the current location on the axis could be even more to the left.

Strategic agility for implementing changes

Estonia as a small country is greatly affected by developments in the external environment. Global developments are shaping the playground, where we must resolve our problems and realise our future aspirations. The aim is not only to survive, but to be successful as well.

The vision building was based on the underlying assumption that instead of simply reacting to whatever the world brings us, **a more proactive attitude in shaping our future is needed**, including ability to seize emerging opportunities and anticipate possible drawbacks. For that, it is necessary to step out of the shadow of being small and learn to use the country size as a competitive edge, being quicker, smarter and more flexible than larger competitors.

Future scenarios that were built within the framework of the Growth Vision are unfolding into the present. The outcome of how well Estonia plays off against more or less favourable external conditions will greatly depend on decisions we are making today or choose to procrastinate. The eight key vision choices summed up in this Policy Brief point out the changes needed for the most

preferred scenarios—Hanseatic League II and Skype Island—to materialise. The role of the state is to induce and spearhead these changes in economy and society.

The state as a leader of strategic development can lay foundations for a wider change, because it is the only entity that has the levers of required content and scale, and the power to balance different interests and needs. For that, governance must become **strategically agile**: looking ahead, acting across policy domains and calling for constant innovation and experimenting.

The strategic agility requires going beyond the existing fluency in administration and developing additional capacities.

Being ready for change means an ability to systematically scan external developments, identify driving forces and to interpret their meaning for Estonia. It also means leadership and courage to make decisions—exploiting the opportunities arising from external environment quickly and flexibly and preventing problems that might occur.

Focusing means making conscious choices to prioritise and invest for the

We must get used to the idea that the world is much bigger than Estonia; and that our problems cannot be resolved within Estonia alone, but they need to be resolved by coupling with global challenges. Estonia's success can be realised by smart integration with realities of the global economy.

Endel Lippmaa, Academician in the video interview given to the Development Fund, May 2010

future under conditions of increasing competition and constantly limited resources. It is always accompanied by boldness to risk and experiment.

Whole-of-government response includes the ability to mobilise resources in line with the focuses and across authorities and policies. Apart from that, it also means building partnership with the private sector. If the public sector fails or ignores the need to develop such capacities, it will start to impede the development of the entire country.

Foresight by the Development Fund in 2008-2010 to identify new growth areas of the Estonian economy

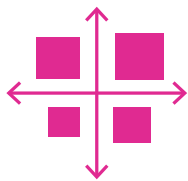


www.arendufond.ee/eng/publications/

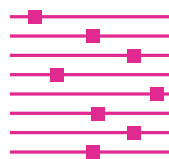
Journey towards the Growth Vision



Learning the future environment: spotting and analysing global, regional and local trends and drivers affecting the development of the Estonian economy.



Envisioning the alternate futures for the Estonian economy: deriving critical uncertainties and drafting a set of divergent and plausible scenarios.



Identifying the key vision choices: deducing common themes and implications from the different scenarios.



Steps towards change

Preparing for change: defining the steps towards change and creating alignment of policies.

“The Growth Vision is an excellent example of participatory democracy. From the Futures Forum a strong emotion remained that society understands the need for change and wants to carry it out as well.”

Andres Sutt, Senior Advisor at the International Monetary Fund, in the Futures Forum feedback



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The Estonian Development Fund is established by the Parliament to identify new sources of economic growth through foresight and to invest in knowledge-intensive and ambitious Estonian start-ups.

See also:

Additional reading related to the Growth Vision:
<http://www.arengufond.ee/eng/foresight/growth/>

