

**Activity report
2000-2002**



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Foreword

In the more than ten years, which have passed since Estonia restored its independence, dramatic changes in Estonian society have taken place. While Estonia has earned much praise for its steady course of market and social reform, it is equally obvious that long-term growth and success will require a new and deeper level of policy-making – one which will demand more nuanced policy analysis and more sophisticated policy solutions.

It is this second-stage challenge of development, which the PRAXIS Center for Policy Studies was designed to address when the Center was founded in 2000. Hitherto there had been no institution in Estonia devoted so singularly to policy analysis and research. Our aim was to develop a new policy culture in Estonia, based on quality information and honest scrutiny. Our principles were independence, openness, and excellence.

In this Activity Report, we detail our initial achievements toward reaching these goals. We are proud of these accomplishments and look forward to further strengthening this work in the future.

Vello Pettai
Chair of the Supervisory Board



Although two years is not a long time for any single organization to exist, it is certainly an important period for any young organization to prove itself and present its first results. PRAXIS came into being in the middle of 2000 with a pledge to change the decision-making process in Estonia, to make it more open, and to promote high quality analysis as a norm in modern policy-making. We sought to build academic expertise and analytical skills, but we also realized the importance of communicating our results in practical and useable ways. These two dimensions, of course, required unique qualifications from our staff. Not only should they have a strong academic background, but they should also have practical experience working within the public sector.

Today I am proud to say that the mission of the organization and the quality of our work have attracted a great many professionals to work with us from Estonia and from all over the world. Our work is regularly cited by policy-makers and the media; our publications are well respected. These successes gratify us as well as inspire us for the future. On behalf of the staff of PRAXIS, I would like to thank all of our partners and friends for their continuing support in achieving these objectives.

Ruta Kruuda
Executive Director



Introduction

The PRAXIS Center for Policy Studies was established in 2000 as an independent, non-profit policy research center with the support of Mr. George Soros and the Open Society Institute. PRAXIS was created in response to three essential needs in the Estonian public policy environment:

- lack of analytical knowledge and training in the policy-making process;
- insufficient public participation in the policy-making process;
- shortage of independent policy research.

With these goals in mind, the mission of PRAXIS has been:

- to improve public policy in Estonia by identifying crucial public policy problems in society;
- to carry out innovative and quality policy analysis and research;
- to build policy-making capacity within public sector institutions; and
- to foster public policy debate and civic participation.

In order to achieve these objectives, PRAXIS has devoted its efforts during these initial years to achieving credibility among policy-makers (both in Estonia and abroad) as a reliable provider of quality analysis and to showing what the role of a think tank is in a modern society. Since the beginning of our first projects in late 2000, PRAXIS has published over a dozen policy analyses and books, which have received wide attention among policy-makers, the Estonian media and international organizations. We have organized over 20 conferences, roundtables and training courses, which have brought together policy-makers, civic groups and other stakeholders around key public policy issues. Because of this wide range of activities, PRAXIS has been referred to or cited in Estonian media or other published reports a total of over 40 times.

Needless to say, with Estonia preparing for membership in the European Union, the EU dimension has been a central backdrop for all of our policy analysis and research. In addition, PRAXIS has been able to establish lasting partnerships with numerous public, international and non-governmental organizations, including the Estonian Riigikogu (or parliament), the Estonian Ministry of Social Affairs, the Estonian Ministry of Economic Affairs, the Estonian Supreme Court, the Bank of Estonia, major Estonian universities, other independent research institutes, the World Bank, the International Labor Organization, and the United Nations Development Program.

We are proud to say that in its first years PRAXIS has been able to achieve substantial recognition among decision-makers in Estonian society and has been a strong partner in improving the country's policy-making process. Among other achievements, PRAXIS's analyses and recommendations have figured prominently in the Estonian government's recently adopted National Employment Action Plan. In addition, PRAXIS research results will be included in Estonia's EU Country report on Sustainable Development. On the international level, PRAXIS has been commissioned by the Council of Europe to oversee a report on economic transformation in Central and Eastern Europe. All of this impact has been further underscored by the participation of a number of PRAXIS team-members in various Estonian government and international policy commissions.

Currently, PRAXIS has developed its expertise and opinion-leader status in six main research areas, each of which has been designated as a program with individual sub-projects:

- Innovation Policy
- Labor and Social Policy
- Modernizing Public Administration and Regulatory Reform
- Public Finance and Economic Development
- Health Policy
- Education Policy

Each of these areas reflects a key public policy issue, which Estonia faces as part of its current reform process and long-term development. Together our programs cover fields, which in some cases reflect Soviet-era legacies (such as education or economic restructuring), but in other cases look to the future in identifying new growth potentials for Estonia (such as information technologies and modern public administration). It is a fine-tuned perception of what Estonia needs to keep developing during its second decade of independence that we have sought to achieve in our research areas.

Governing Bodies

Supervisory Board

The Supervisory Board is the highest governing body of PRAXIS. It is responsible for planning strategy and organizing the management and supervision of PRAXIS's activities. In order to achieve an important balance between both academic expertise and practical policy impact, the Board consists of people from academic and public sector fields. In the interest of political independence, no member of the Board may be simultaneously a member of the Riigikogu, Government of Estonia, or on the board of a political party. As of August 2002, the members of the Supervisory Board included:

Vello Pettai (<i>Chair</i>)	<i>Lecturer and Chair of the Department of Political Science, University of Tartu, MPhil</i>
Heli Aru	<i>Head of the Higher Education Division, Ministry of Education of Estonia, MA</i>
Wolfgang Drechsler	<i>Professor and Chair of Public Administration, University of Tartu, Ph.D</i>
Julia Laffranque	<i>Head of the Department of European Union Law, Ministry of Justice of Estonia, MA</i>
Toomas Palu	<i>Health Insurance Fund of Estonia, Member of the Managing Board, MD, MPA</i>
Peep Pruks	<i>Lecturer in Criminal Process Law at the Faculty of Law, University of Tartu, PhD</i>
Tiina Randma-Liiv	<i>Associate Professor and Chair of the Department of Public Administration, University of Tartu, Ph.D</i>

Advisory Board

As part of its founding charter, PRAXIS included a provision for the creation of an Advisory Board, which is meant to assist the organization in the long-term planning as well as for the coordination of its goals. It would help PRAXIS improve its work in areas such as:

- how to identify new policy areas that need to be studied in Estonia or in Central and Eastern Europe,
- how to improve links between policy officials, research organizations and societal actors in Estonia,
- how to integrate PRAXIS research more into the policy-making process,
- how to build international networks of policy analysis.

Its membership includes a broad spectrum of outstanding people in order to assure Board's advice to PRAXIS in all named fields.

Pertti Ahonen	<i>Professor, University of Tampere, Department of Administrative Science</i>
Jose de Barros	<i>Program Manager, Open Society Institute/Local Government Initiative, Public Policy Initiative, Budapest</i>
Walter Beach	<i>Senior Fellow, Helen Dwight Educational Foundation</i>
Jüri Engelbrecht	<i>President, Estonian Academy of Sciences</i>
Michael Gallagher	<i>Director, EuroCollege, University of Tartu, and Foreign Advisor, Estonian Law Centre</i>
Pavel Ivanov	<i>Head of Russian Program, Estonian Television</i>
Karin Jaanson	<i>Head of the Department of Research and Development, University of Tartu</i>
Marju Lauristin	<i>Member of Parliament, and Professor of Mass Communication, University of Tartu</i>
Peter Lõhmus	<i>Economist, International Monetary Fund</i>
Renaldo Mändmets	<i>Vice Chancellor, Ministry of Finance of Estonia</i>
Siiri Oviir	<i>Minister of Social Affairs of Estonia</i>
Juhan Parts	<i>Auditor General</i>
Toomas Paul	<i>EELK (Estonian Evangelical Lutheran Church) Tallinn Jaani congregation, Tallinn deanery</i>
Marko Pomerants	<i>County Governor, Lääne-Virumaa County</i>
Erik S. Reinert	<i>Chairman, The Other Canon Foundation, Oslo</i>
Lembit Rägo	<i>Coordinator for Quality Assurance and Safety: Essential Drugs and Medicines Policy, World Health Organization, Geneva</i>
Lilia Sokolinskaja	<i>Commentator, Russian Service of Estonian Radio</i>
William Squire	<i>Chairman, Grenzbach Glier Europe; Former Ambassador of the United Kingdom to Israel and Senegal</i>
Tarmu Tammerk	<i>Managing Director, Estonian Newspaper Association,</i>
Henning v. Wistinghausen	<i>Former Ambassador of the Federal Republic of Germany to Estonia, Kazakhstan and Finland</i>

Organizational structure

Directorate

Ruta Kruuda *MD, MPH (Director)*

Ruta Kruuda earned her Masters degree in Public Health as an Edward Muskie fellow at Boston University. Before that, she received an MD from the University of Tartu. Her traineeships include work at the London School of Hygiene and Tropical Medicine, the Nordic School of Public Health, the Massachusetts State Department of Public Health and the World Bank. Before joining PRAXIS as executive director, she served as deputy head of the Department of Public Health at the Ministry of Social Affairs. She coordinated and advised several World Health Organization, World Bank, EU PHARE and other Estonian national health projects, and co-authored the National Health Policy Document. Ms. Kruuda is a member of the Estonian Health Promotion Fund and the Committee of Bioethics.

Maarja Soo *MA (Deputy Director)*

Maarja Soo holds an MA degree in Public Administration from the University of Tartu. She was among the founders of PRAXIS in early 2000 and served as Deputy Director through May 2002. Her responsibilities included both budgetary and personnel management. She also served as an analyst for PRAXIS projects on HIV/AIDS policy as well as emerging business associations. In September 2002, she began doctoral studies in public administration at the University of North Carolina at Chapel Hill.

Program Directors

Tiina Annus *(Education Policy Program)*

Tiina Annus has graduated in Economics from the University of Tartu. She has received additional training at the European Training Foundation and International Labour Organization Training Centre in the field of managing vocational training systems. management. Prior to joining PRAXIS she worked as project manager at the Estonian National Observatory and as an adviser in the Department of Educational Policy of Ministry of Education. She has also worked in the Department of Education in the City Government of Tallinn, in the Ministry of Finance and the Estonian Market and Opinion Research Centre (EMOR). She is a member of the Steering Committee of Labour Force Surveys in Estonia and serves on the Advisory Board of the Qualification Reform Group at the Estonian Chamber of Commerce and Trade. She is a co-author of several books concerning education and labour market.



Ruta Kruuda



Maarja Soo



Tiina Annus

Tarmo Kalvet *MPA (Innovation Policy Program)*

Tarmo Kalvet has graduated from the University of Tartu with both BA and MPA (cum laude) degrees in Public Administration and Social Policy. Currently, he is also pursuing his PhD studies there. Before joining PRAXIS, he worked for the Archimedes Foundation and for the “PHARE Public Development Programme in Estonia.” Mr. Kalvet has (co)authored several reports and articles on innovation and information society.

Reelika Leetmaa *MSc (Labor and Social Policy Program)*

Reelika Leetmaa earned her Masters in Economics from the University of Odense (Denmark) and is currently working on her PhD in Economics at the University of Tartu. Before joining PRAXIS, she worked as a senior specialist and adviser on labor market issues at the Estonian Ministry of Social Affairs. Ms. Leetmaa has co-authored several studies and reports on labor market issues and employment policies in Estonia. She is a member of National Social Economic Council which is an advisory body to the Estonian Government.

Daimar Liiv *LLM (Modernizing Public Administration and Regulatory Reform Program)*

Daimar Liiv earned his LLM from Harvard University and his BA in law from the University of Tartu, where he is working on his doctorate. Prior to joining PRAXIS, he was an expert in the Council of Europe’s Anticorruption Group, and an advisor to the Baltic Assembly and International Council for Not-for-Profit Law (Washington, DC). From 1992–1999 he served in the Estonian Riigikogu (parliament), where he chaired the Legal Affairs Committee. He now counsels the Estonian Law Centre and is a member of the Local Expert Committee of the Baltic American Partnership Program (BAPP). He has published extensively in Estonian professional journals (including *Riigikogu toimetised*, *Juridica*, and Estonian daily newspapers) on topics such as the regulation and protection of property rights, corruption and third sector development.



Kadri Kuusk (*Public Finance Program and Economic Development*)

Kadri Kuusk earned her BA cum laude in Economics from the University of Tartu and is currently working on her Masters at Tallinn Technical University. Prior to joining PRAXIS, she served in the Estonian Ministry of Finance as an adviser on economic analysis, budgeting, and foreign aid. Among her duties there, she coordinated the compilation of the Estonia's National Development Plan. In addition, she has received training at the Bank of Finland and Central European University. Her areas of expertise include public finance, public investments and local government financial management. She has published several analyses on public finance in Estonian daily newspapers. In September 2002, she began graduate studies in public policy at the University of Michigan.

Analysts and Project Managers

Rainer Kattel (*Ph.D. (Innovation Policy Program)*)

Rainer Kattel is Professor of Public Administration at Tallinn Technical University. He has worked as an analyst in PRAXIS. From August 2002 he is a member of the Estonian Biotechnology Expert group formed at the Ministry of Economic Affairs. Until September 2002, he was also a Senior Research Fellow at the Department of Public Administration of the University of Tartu, where he was in charge of the main work-package of the Fifth Framework Programme on biotech coordinated by the University of Iceland. He holds a PhD (summa cum laude) in Public Administration and Social Policy from the University of Tartu and is ABD at the University of Marburg, Germany. His main areas are ICT, Biotech, and governance; related ethics and responsibility questions; and governance and economic development.

Sten Anspal (*Econometrics*)

Sten Anspal received his BA in Economics from the University of Tartu, where he continues his studies in the graduate program. Previously he worked as an adviser to the Economic Analysis Department of the Ministry of Finance. His responsibilities included preparing the Estonian Government's macroeconomic policy forecasts and offering policy advice. His area of expertise is macroeconomics and econometric modeling.



Epp Kallaste (*Labor Policy Program*)

Epp Kallaste holds a BA degree in Economics from the University of Tartu, and is currently continuing her studies there at the graduate level. She has given lecture courses on international economics at the Pärnu College of the University of Tartu. Prior to joining PRAXIS, she worked on a pilot program for workforce mobility as part of Estonia's minority integration program. Her technical expertise is in social policy, labor market trends and labor relations in Estonia and the EU.

Kaja Kuivjõgi (*Mental Health Policy*)

Kaja Kuivjõgi graduated from the University of Tartu with a degree in applied mathematics. Her traineeships include the Nordic School of Public Health and the Danish Top Civil Servants training course. She has many years of expertise as a manager of international projects for organizations such as the UN and WHO/FAO as well as EU-PHARE. Her international experience is supported by extensive public sector management experience. She has worked as Director General of the Estonian Food Board and as a Deputy Director General of the Citizenship and Migration Board.

Support Staff

Ingrid Lepik (*Administrative Assistant*)

Ms. Lepik has studied international tourism at the Estonian-American Business College. Ingrid Lepik has worked as administrative assistant to the United Nations Resident Coordinator and the UNDP Resident Representative to Estonia.

In addition to the regular staff, PRAXIS cooperates with experts from academia and professional fields, from Estonia and abroad. The network includes around 50 experts.



Epp Kallaste



Kaja Kuivjõgi



Ingrid Lepik

Innovation Policy

The Innovation Policy Program is one of the major research programs at PRAXIS. Co-operation with a core group of committed and highly renowned international experts along with a strong international dimension and a precise knowledge of local specificities has made the Innovation Policy Program a unique one in Estonia.

The Program is based on a belief that innovations, and especially technological innovations, are the main source for sustainable economic growth. Yet, technological innovation can only occur if a certain set of pre-requisites is fulfilled. High quality basic research does not necessarily lead to innovation. Rather, the encouragement of risk-taking, the removal of entry barriers for entrepreneurs, the availability of financial capital, and the development of proper training are just some of the additional ingredients needed. Thus, for innovation to succeed, there has to be a strong national innovation system, i.e. interplay of elements and relationships, which interact in the production, diffusion and adaptation of new, economically useful knowledge.

There are two main technologies that most industrialized countries see as epitomizing new technological paradigms; these are information and communication technologies (ICT), and biotechnologies. Like many other countries, Estonia has declared in its document "Knowledge-based Estonia. Estonian Research and Development Strategy 2001-2006" that research and technological development related to these fields must be considered a national priority. These are also the areas under our focus.

The Program aims to contribute to debate on Estonian Innovation and Industrial Policy with the engagement of experts in the fields of innovation policy and technological change. For instance, in September 2002 under the auspices of the Program a workshop for senior Estonian policy makers was organized with Carlota Perez and Erik S. Reinert.

Regarding innovation and information society issues, PRAXIS's particular interest and competence is demonstrated by the following projects:

Creative Destruction Management in Central and Eastern Europe (2001-2002)

The project is looking at issues related to the transition to new techno-economic paradigms in the EU pre-accession countries. The aim is to assess the situation in CEE and to make specific policy recommendations according to the assessment on the basis of sound theoretical reasoning. The primary beneficiary of the project is the Council of Europe, the main body in which both the members of the EU and the other European nations, including Central and Eastern Europe, are represented. A group of internationally recognized experts on political economy is involved in the project.

e-Awareness for Europe: Digital Awareness and Security for the Citizen in Europe (2003)

A project coordinated by RAND Europe and financed by the European Union's Fifth Research and Technological Development Framework Programme. The objective of this thematic network is the exchange of experience, knowledge, and best practice in the field of raising awareness of the implications of new science and technological developments on the public's interaction with technology.

ICT Infrastructure and E-Readiness Assessment (2002-2003)

A research project, financed by the International Bank for Reconstruction and Development for its Information for Development Program (infoDev). The Project activities include analyses of Estonian information society developments, especially the aspects related to Internet banking and development of mobile telecommunications market, and elaboration of respective policy recommendations.

The Digital Divide in Estonia (2002)

The project analyzed the existence of the digital divide in Estonia: a thorough analysis of people in Estonia who use the Internet seldom or not at all was carried out jointly by PRAXIS in co-operation with the leading Estonian public opinion research institute, AS Emor. Recommendations were developed on the basis of the study, which was initiated, financed and carried out in partnership with the Open Estonia Foundation, the State Chancellery and the Look@World Foundation.

Biotechnology Foresight in Estonia (2002-2003) and Information Society Technologies Foresight in Estonia (2002-2003)

A joint project with the Institute of Baltic Studies, financed by the European Union's Fifth Research and Technological Development Framework Programme. The project focuses on innovation and industrial policy development in the context of technology advancement in the coming 10-15 years.

eVikings II: Establishment of the Virtual Centre of Excellence for IST RTD in Estonia (2002-2004)

The objective of the project, coordinated by the Institute of Cybernetics at Tallinn Technical University, is to facilitate the development of an ICT cluster in Estonia. PRAXIS operates as a sub-contractor, contributing to the development of a respective innovation and industrial policy. The project is financed by the European Union Fifth Research and Technological Development Framework Programme.

Labor and Social Policy

The Labor and Social Policy Program has been one of the priorities of PRAXIS since its inception in 2000. Through a unique combination of expert research, public outreach, and policy coordination with Estonian government agencies, this program has made PRAXIS the opinion leader regarding labor market issues in Estonia.

Although Estonia has experienced record levels of growth since the early 1990s, unemployment and related social problems continue to be a problem and are therefore at the top of the Estonia's policy agenda. During 2001, the rate of unemployment remained around 13%. Almost half of the unemployed had been without work for more than a year. Regional disparities in unemployment were high, topping some 20% in the northeast of Estonia and under 10% in islands. Young people and non-Estonian speakers faced the greatest difficulties on the labor market.

As remedies for these ills, governments can use various policy instruments, ranging from income supports and welfare payments to more regulatory measures such as minimum wages or labor taxes. Yet, in all cases, these instruments involve difficult trade-offs and cannot be formulated without sound research.

Thus, in the framework of its labor and social policy program, PRAXIS has focused on both identifying key developments in the Estonian labor market as well as assessing the impact of different possible policy interventions. More specifically, the program has encompassed three major projects:

Social Benefits and Work Incentives (2001-2002)

In this project, supported both by the Open Society Institute and the Estonian Ministry of Social Affairs, the main stress was on assessing the link between Estonia's existing system of social benefits and work incentives on the labor market. It is the ability of a social system to promote work incentives, which helps to alleviate poverty. In our study, however, we found that the benefit system in Estonia does not give enough incentives for low-wage earners to seek

employment, and it has not been effective in alleviating poverty. In the project's final report, PRAXIS made a number of policy recommendations, including tightening eligibility rules for social benefits, strengthening the interaction between benefit systems and active labor market policy, and better targeting of benefits overall. The research findings are summarized in the book "Social benefits in Estonia: efficiency and impact on work incentives".

Evaluation of the impact of Active Labor Market Programs in Estonia (2002-2003)

Alongside offering social welfare benefits, governments can also engage in active labor market policies, which include worker re-training, employment subsidies, start-up grants for job creation, and social work. To evaluate the impact of these different methods in Estonia, our study is based on a quasi-experimental methodology. Both administrative data as well as follow-up survey data are used in analyzing the effectiveness of different programs. The findings of similar studies conducted in other countries will be summarized in the final report and policy recommendations for improving existing labor market programs in Estonia will be delivered. The project is financed by the Open Society Institute and the Estonian Ministry of Social Affairs.

Implementing the ILO's Social Budgeting Model in Estonia (March 2002-Dec 2002)

As part of the Labor and Social Policy Program's international dimension, work has begun on implementing and adapting to Estonia the International Labor Organization's Social Budgeting Model. The model compiles the revenues and expenditures of a country's social protection system and helps to forecast social expenditures and revenues under alternative economic, demographic and/or legislative conditions. This project has also received support from both the Open Society Institute and the Estonian Ministry of Social Affairs

Health Policy

Health policy is an important area of PRAXIS research, which has emerged to our focus because of number of ongoing health policy and health care reforms in Estonia and in Europe. Health and social problems have come under sharpened focus as a negative consequence of ultraliberal economic reforms in the transition period, but also because of the challenges, arise from globalization and EU enlargement process. The existing scope of problems is diverse ranging from high smoking rates and, increasing spread of HIV/AIDS and other sexually transmitted diseases to investment strategies for hospital sector and how to tackle increasing drug prices or mental health problems of the population. Within the sphere of health policy, PRAXIS has designed its program and competence-building efforts with a view to providing expert assistance to a number of ongoing health policy and health care reforms in Estonia. Although launched only in early 2002, the program has already developed two important sub-projects:

Evaluation of Estonia's HIV/AIDS and sexually transmitted disease prevention program in 1997-2001 (spring 2002)

Since the late-1990s, Estonia has seen an explosion in the number of reported cases of HIV/AIDS, in particular in northeast Estonia. On commission from the Estonian Ministry of Social Affairs, PRAXIS undertook an evaluation of the organizational structure and management of Estonia's policy on HIV/AIDS since 1997. Among the project's tasks was to analyze how efficiently resources

were used and whether the program achieved any of its intended objectives of reducing the spread of the disease. In the project's final report, numerous policy recommendations were made to the Ministry of Social Affairs, including organizing new activities and target-groups for future disease prevention, as well as developing a new management structure for the policy as a whole.

Developing a framework document for mental health policy in Estonia (2002-2003)

The objective of this project (run in collaboration with Ministry of Social Affairs and Health Insurance Fund) has been to develop a comprehensive mental health policy document, which will define priority areas in the field as well as recommend ways of building an effective mental health infrastructure. After decades of neglect during the Soviet era, mental health has become a field even more in need of advancement, since the stresses of market transition and post-soviet life in Estonia have meant that mental health is now a problem that cuts across all social classes. The project will involve the full range of stakeholders, from NGOs to private companies and public authorities, all of whose concern and responsibility is to provide better services for those in need. The resulting comprehensive document on mental health policy will aim at finding a public and political consensus on tackling these various interlinked problems.



Modernizing Public Administration and Regulatory Reform

This program was originally initiated in late 2000 under the name "Cutting Red Tape". Its focus was on assessing how rationally Estonia's administrative procedures had developed during the first ten years of independence, and particularly in the field of licensing. Subsequently, the main focus of the program shifted to research on the introduction of new administrative technologies connected with ICT. The "red tape" issue also expanded to encompass regulatory impact assessment as a whole.

Because of the program's subject matter, our target-group has been key legislative and executive decision-makers, with whom we have conducted both thematic discussions as well as training seminars. We have aimed both to build awareness as well as propose practical policy steps. During the duration of the program, team members have visited and discussed problems with renowned international experts, including the OECD's Regulatory Reform Unit, the Sigma foundation, the British Cabinet Office RIU and the Netherlands Ministry of Economics.

Licensing in Estonia (January 2001-December 2001)

Sponsored by the Open Society Institute and the Estonian Ministry of Economic Affairs, this project analyzed licensing procedures in Estonia and their functionality for Estonia's economical development. The study was based on an original methodology for collecting and analyzing data on almost all licenses in Estonia. The main findings of the study were discussed at a high-level seminar, which was attended by members of the Riigikogu and top-level civil servants. Among its policy recommendations, PRAXIS proposed specific changes to current policy as well as a strategy for adopting these changes. As a result, the Estonian government formed a special high-level working group to prepare and introduce these improvements into legislation.

ICT and administrative reform (May 2001-Dec 2001)

In relation to modernizing public administration, this project prepared a theoretical framework for the introduction of ICT in the public sector and for pursuing ongoing administrative procedural reform. Comparative research of experiences gained in different countries and international organizations served as the main methodology for the project. The model included different

development stages of ICT use; it also addressed cultural, political, financial, managerial and organizational patterns to be taken into account in relation to ICT. The model was debated at a special interdisciplinary seminar among top Estonian experts in the field. The project also resulted in two thematic articles published in Riigikogu Teataja and a workshop, at which the results of the project were introduced to legal department heads from all Estonian government ministries. Furthermore, in September 2002 PRAXIS received a commission to draft a new and modern Databases Act in recognition of the work already done. This project was supported by the Open Society Institute.

Checklists and Regulatory Impact Assessment as tools for the Parliament and Government (January 2002-December 2002)

The project aims at introducing a new procedure of legislative checklists as a regulatory impact assessment (RIA) tool for work in four standing committees of the Riigikogu (Estonian Parliament). The main research will entail a content analysis of explanatory memoranda submitted as part of draft legislation. On the basis of this committee study, we will prepare recommendations both for the parliamentary committees and for the Estonian government on how to create and enforce a minimal standard for such explanatory letters. The project will also involve a general introduction to RIA methods and systems in Estonia, and will thus help the Estonian government to prepare a full-scale RIA system for Estonia. The project is funded by the Open Society Institute, the Office of European Integration and the Riigikogu.

Improving NGO statistics (June 2002-January 2003)

Sponsored by the Baltic-American Partnership Program and conducted in collaboration with the Statistical Office of Estonia, this project is designed to establish a systematic method for collecting periodic statistics on non-profit organizations in Estonia. The project methodology derives from the Handbook on Non-profit Institutions in the System of National Accounts prepared by The Johns Hopkins University in cooperation with the United Nations Statistics Division. PRAXIS's new system will collect data on non-profit institutions into a special satellite account.

Public Finance and Economic Development

An overarching theme of PRAXIS's program on Public Finance and Economic Development has been to promote the concept of sustainable development. PRAXIS has been one of the first research institutions in Estonia to address problems of long-term development in the country. Projects under this program have ranged from measuring and assessing genuine economic development to designing sustainable public finance.

Measuring genuine economic development means going beyond the strictly economic description of human activities. It requires taking into account social and human concerns as well as environmental factors. The notion of 'investment' has to be expanded to include investments into social welfare, employment, academic and professional qualifications, average life expectancy, housing conditions, crime prevention, pollution, and environmental waste. Differing levels of all of these factors have a significant effect on a society's well being.

Likewise, achieving and sustaining a sound footing for public finance is essential to raising output and employment in society. Overall, Estonia's conservative fiscal policy has been successful. The tax system has been kept quite simple and stable; public expenditure management has improved in past years. However, in the coming years of EU accession, pension reform and aging will place new challenges on Estonia and raise the issue of sustainability from a fiscal dimension.

PRAXIS's projects in these two fields have produced comprehensive policy documents, which have received praise and recognition from both government circles as well as public forums. The two main projects have been:

An Alternative Assessment Of Estonia's Development - Indicators Of Sustainable Development (2000-2001)

Supported by the United Nations Development Program and the World Bank, this project aimed to expand the use of conventional indicators of growth such as GDP for the measurement and assessment of national development. The resulting composite indicator, known as genuine saving, was based on the concept of national wealth, originally developed at the World Bank. This project thus expands the World Bank's methodology and adapted it to Estonia. The book-length study revealed that domestic consumption, asset depreciation and the depletion of natural resources have all outweighed government investments into productive assets and human capital such as education and health. The report concluded that genuine saving in Estonia is in serious decline.

Public-Sector Investment Grants and Financial Management (2001-2002)

Since reestablishing its independence in 1991, Estonia has lacked a comprehensive overview of the volume, structure and impact of local investments undertaken by the national government. Estonia's official Local Investment Plan has had a number of deficiencies. For example, government grants for investments have come from different sources (ministries, funds, regional programs, foreign funds) and have lacked appropriate coordination. The principles, procedures and decision-making guidelines have also differed across grant institutions, and these have often changed almost yearly. Thirdly, no monitoring or assessment procedures have been in place to track earlier investments. Lastly, both central and local governments have lacked capacity for proper socio-economic analysis of their investment projects. These were some of the conclusions made by the final report of the project. As recommendations, the project proposed a streamlined capital grant allocation system focusing on multi-year investment programming, and an implementation of socio-economic criteria for grant allocation across sectors and projects. The report will be presented to the Estonian Ministry of Finance as well as numerous other state institutions.

Capital Investment Funding in Regional Development and Local Public Services (2001-2002)

Commissioned by the Local Government Initiative of the Open Society Institute, this project represents a comparative study of capital investment financing in a selected number of Central and Eastern European countries. Each national study will consist of two stages. Stage I will compile an inventory of the major flows of public finance for investment in regional development and local public services. The inventory will describe the volume of these funds, the criteria and procedures used in their distribution, and the degree of local participation in each application. Stage II will assess the impact of this investment funding according to criteria, which will be collectively developed by the project editor and the authors. The result of the project will be a publication giving a comparative overview of investment funding flows in regional development and local public services, along with an assessment of their impact. The study will also include recommendations for improving investment financing structures in each country.

Education Policy

In early 2002, PRAXIS decided to launch a new program in education policy which prioritizes three issues:

- problems in primary-level education acquisition, including sub-standard education results, not fulfilling the compulsory education requirement;
- forecasting and planning educational training needs for Estonia;
- assessing the effectiveness of investments in education.

In Estonia, during the last several years, many different sectors of the society have been involved in preparing concepts, development plans, scenarios and strategies for the country's educational policy. Thus, it would be reasonable to think that a common understanding has emerged concerning the requirements for studying and educating as well as for the organization of educational life in its broadest sense. In reality, however, agreement on the principal issues of education policy has not yet been achieved. Despite all of the changes taking place in society, the education system in Estonia is still operating largely based on internal inertia and conservatism.

In order to overcome these contradictions as well as reach a consensus on future education policy, it is necessary to have well-grounded research and analysis, which will lay out the problems and propose alternative solutions.

Other research

Contract Research

As part of its involvement with the breadth of Estonian society, PRAXIS has also offered its expertise in the form of contract research to a limited number of commercial firms and institutions. Although public policy analysis has remained PRAXIS's top priority, a number of our research areas have proven of interest to private sector companies. This research has therefore resulted in studies concerning, for example, enterprise location, electricity consumption, and emerging business associations.

Policy Fellows Program

At PRAXIS, we recognize that innovative policy analysis also requires engaging policy-makers in the process of research. Thus, our Policy Fellows Program allows experts from ministries, universities and other institutions to select their own policy problem and to conduct serious research outside their daily professional routine. As a result, these reports often accentuate direct policy alternatives and possible solutions. They can also be better applied in practice, since the same fellows take their research back to their respective institutions. For its part, PRAXIS offers fellows modest stipends and research assistance. It also contributes to the publication of research results, organizes expert roundtables, and initiates public discussion. During 2001–2002, PRAXIS policy fellows covered such fields as labor demand, housing policy, and the impact of the EU's common-border Schengen regime on Estonia.

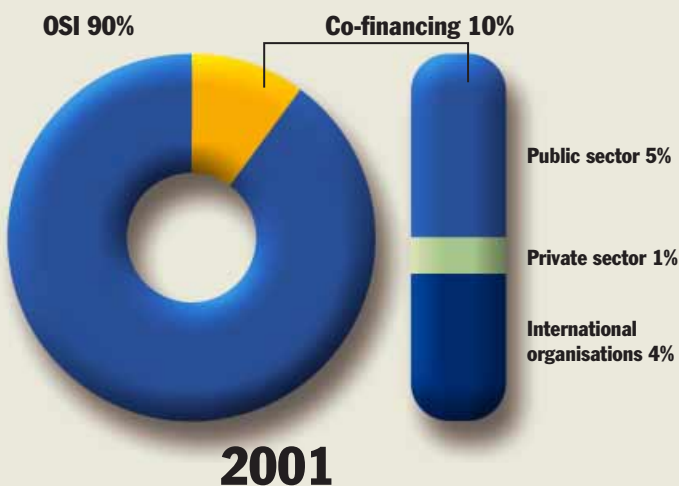


Finances

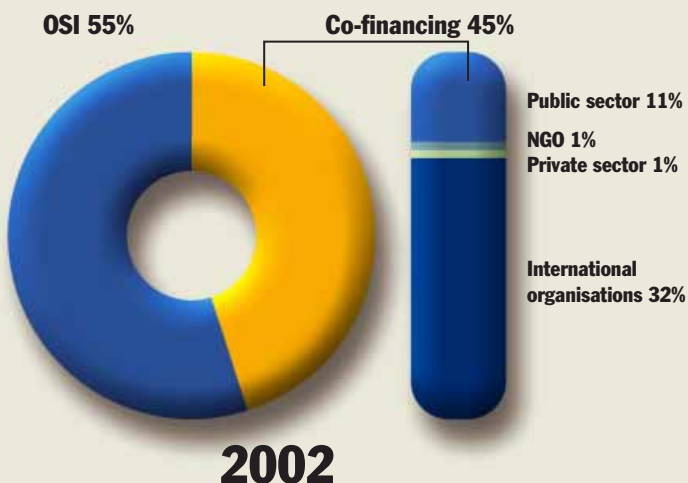
PRAXIS has three years institutional grant from Mr. George Soros with proportional requirement for co-financing. In 2001 approximate overall turnover was 555,000 USD and co-financing of PRAXIS's activities has constituted 10% of our total resources. Other contributors included international organizations (such as the World Bank and UNDP), but also Estonian government ministries, with the largest share coming from the Ministry of Social Affairs.

In 2002, PRAXIS's co-financing jumped more than three times, to almost 45% of PRAXIS's budget. The co-financing increased mainly due to higher contributions from international organizations (including the World Bank and the EU's Fifth Framework Programme) and the Estonian public sector (i.e. the Ministry of Social Affairs). The charts below illustrate our rapid growth.

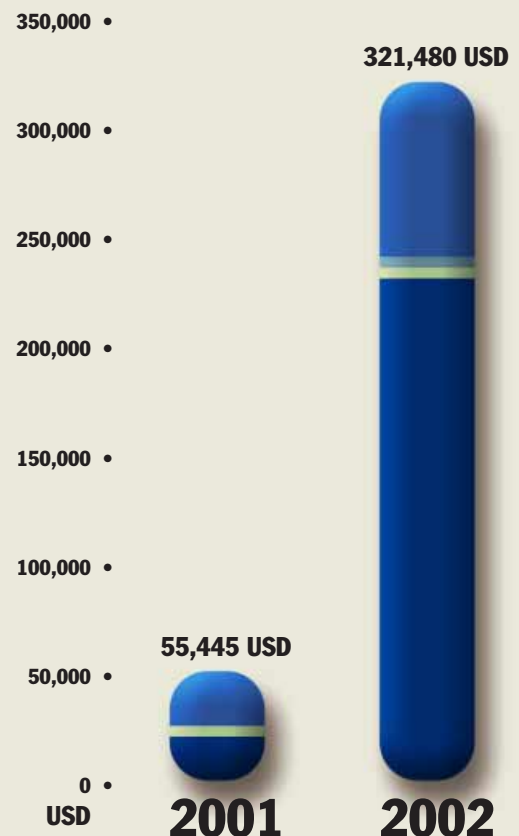
Resources 2001



Resources 2002



Total co-financing



Publications

In order to ensure the most extensive, but also flexible dissemination of its research results, PRAXIS has developed three kinds of publication series. First, for projects involving extensive research and policy analysis, we have initiated a book series, which is aimed at specialists in a given area, but which is also meant to be accessible to the common reader. Second, a number of PRAXIS projects have produced shorter, policy analyses, which directly target policy-makers, the media and the broader public. Third, we have introduced a series of guidebooks and textbook translations on public policy topics, with a view to improving policy analysis skills and training among public officials and students. A majority of our publications are currently in Estonian, although many contain English-language summaries.

Books

- Arvo Kuddo, Reelika Leetmaa, Lauri Leppik, Mai Luuk, Andres Võrk** Sotsiaaltoetuste efektiivsus ja mõju tööjõupakkumisele (Social Benefits in Estonia: Efficiency and Work Incentives), PRAXIS 2002, 128 pp.
- Tea Nõmmann, Lauri Luiker, Paavo Eliste** Eesti arengu alternatiivne hindamine: jätkusuutlikkuse näitajad (Genuine Progress in Estonia: Indicators for Measuring Sustainable Development), PRAXIS 2002, 67pp.
- Mari Kalkun, Tarmo Kalvet** Digitaalne lõhe Eestis ja selle ületamise võimalused (Digital Divide In Estonia and How to Bridge It). Emor and PRAXIS 2002, 144 pp.

Policy Analyses

- Janno Järve** Tööjõukulude mõju tööjõu nõudlusele Eesti tööstusettevõtetes (The Impact of Labor Costs on Labor Demand in Manufacturing in Estonia), Poliitikaanalüüs No 1, PRAXIS 2002.
- Eiki Berg** Schengeni leppega liitumise mõju Eestile (The Impact of Schengen Regime on Estonia), Poliitikaanalüüs No 2, PRAXIS 2002.
- Tea Nõmmann, Lauri Luiker, Paavo Eliste** Eesti arengu jätkusuutlikkus (How to assess Genuine Progress, of Estonia), Poliitikaanalüüs No 3, PRAXIS 2002.
- Mari Kalkun, Tarmo Kalvet** Digitaalne lõhe Eestis ja selle ületamise võimalused. Lühülevaade, Poliitikaanalüüs No 4, PRAXIS 2002.
- Mari Kalkun, Tarmo Kalvet** Estonia's Digital Divide and Ways of Bridging It. Executive Summary, Policy Analysis No 1, PRAXIS 2002.

Guidebooks, textbooks

- Piirkondlik tööhõivelepe (Regional Employment Pacts), Guidebook, PRAXIS 2001, 21pp.
- Katarina Staroňová** Poliitikaanalüüsi tehnikad ja meetodid (Techniques and Methods of Public Policy Analyses), Translated into Estonian from the original English-language version published by NISPACee, PRAXIS 2002, 48pp.
- Anneli Kährik** Elamumajandus (Housing Policy), PRAXIS 2002, 70pp.

Other reports

- Maarja Soo** Eesti Toiduainetetööstuse Liit: erialaliidu võimalused ja eesmärgid (The Estonian Association of Food and Drink Industries: Future Prospects and Objectives), Report, 2001.
- Rasmus Pikani, Kaire Põder** Elektrienergia nõudlus Eestis 2000–2005 (Electricity Demand in Estonia 2001–2005), Report, 2001. Contract research.
- Maarja Soo, Kadri Kuusk** HIV/AIDSi ja teiste sugulisel teel levivate haiguste ennetamise riiklik program 1997–2001. Hindamise aruanne (Evaluation of Estonian HIV/AIDS program), Report, 2002.
- Daimar Liiv** Majandustegevusload Eestis: soovitusel (Licensing system in Estonia: recommendations), Report, 2002.
- Sten Anspal** Tootmisettevõtte üleviimine madalama asustustihedusega piirkonda (Industrial Relocation to Rural Areas), Report, 2002. Contract research.
- Jürgen G. Backhaus, Leonardo Burlamaqui, Ha-Joon Chang, Wolfgang Drechsler (Chair), Jan Kregel, Erik S. Reinert, Tarmo Kalvet, Rainer Kattel** Creative Destruction Management in Central and Eastern Europe: Meeting the Challenges of the Techno-Economic Paradigm Shift. Theoretical framework and general policy recommendations, Report, 2002.

Articles in periodicals and other publications

- Arvo Kuddo** Sotsiaalpoliitikaga vaesuse vastu (Social Policy against Poverty), Riigikogu Toimetised 4/2001.
- Maarja Kuldjärv, Külli Nõmm** Riiklike teenuste kodanikeskus ja uus tehnoloogia (Citizen-centred public services and new technology), Riigikogu Toimetised 4/2001.
- Daimar Liiv** Uued tehnoloogiad avalikus halduses (New technologies and Public Administration), Riigikogu Toimetised, 4/2001.
- Tarmo Kalvet, Rainer Kattel** Majandusareng, innovatsioon ja tehnoloogilis-majanduslik paradigma: väljakutse Kesk- ja Ida-Euroopa riikidele (Economic Development, Innovation and Techno-Economic Paradigm: Challenge for Central and Eastern Europe Countries), Riigikogu Toimetised 5/2002.
- Tarmo Kalvet, Tarmo Pihl, Marek Tiits** Analysis of the Estonian ICT Sector Innovation System. Executive Summary. Tartu: Archimedes Foundation, 2002.
- Mari Kalkun and Tarmo Kalvet** Estonia's Digital Divide and Ways of Bridging It, Baltic IT&T Review No 26.

Chronology of conferences, seminars and workshops

2001

- The discussion of the techno-economic paradigm shift in the countries of Central and Eastern Europe, and the need for respective policies. A workshop in Venice, Italy. Participants: Jürgen G. Backhaus, Leonardo Burlamaqui, Wolfgang Drechsler, Jan Kregel, Erik S. Reinert, Tarmo Kalvet. *11 January 2001.*
- Sustainable development: Alternative indicators for measuring economic and social progress. A roundtable for decision makers, scholars and NGOs to discuss how to evaluate the genuine progress of society and to share first research results among experts. Including a presentation from Kirk Hamilton, Head of the Department of Indicators at the World Bank. *4 May 2001.*
- Reform of the investment grant system in Estonia. A workshop with county governors. *16-17 May 2001.*
- Social Benefits and Unemployment. A seminar to discuss preliminarily research results and initiate debate about an optimal social benefit system for representatives of different government institutions (Ministry of Social Affairs, State Audit Office, Parliamentary Chancellery, representatives from academia and NGO-s). *26 June 2001.*
- Licenses today and tomorrow. A seminar for the representatives from Estonian government ministries, the State Audit Office, the Riigikogu and business associations explaining and introducing a systematic approach to the purpose and principles of licensing in modern public administration. *27 June 2001.*
- Implementing Regional Employment Pacts in Estonia. A roundtable that brought together partners in different sectors (NGOs, local and central government) to discuss how to implement Regional Employment Pacts in Estonia. *3 July 2001.*
- Introduction of ICT in public administration – theoretical knowledge and practical experiences. A two day special seminar about different aspects of introduction of the ICT for top-specialists from the Ministry of Justice, State Chancellery, National Court and Ministry of Communication and Roads. *13-14 August 2001.*
- PRAXIS-organized panel on “Social Benefits and Active Labor Policy” at the Second National Social Work Conference in Pärnu (a major national conference of 400 participants, organized every 5 years). *23 August 2001.*
- Administration Procedure Act. A workshop for the heads of justice departments of all ministries to introduce and discuss foundations of the Administrative Procedure Reform. *11 September 2001.*
- Law & Economics in Higher Education, a seminar held in cooperation with the Ministry of Education, for policy experts in the Ministry of Education and universities. Led by Professor Jürgen Backhaus (University of Maastricht) and followed up by Professor Wolfgang Drechsler, PRAXIS Board member. *19 September 2001.*
- How to evaluate labor market programs, a seminar held at the Bank of Estonia, for labor policy specialists in the central bank, Ministry of Social Affairs, Ministry of Finance, and the Labor Department. Led by Dr. Jacob Benus from IMPAQ International, and Andres Võrk, University of Tartu (as a PRAXIS fellow). *7-8 November 2001.*
- Creative Destruction Management in Central and Eastern Europe. A follow-up workshop and publication seminar held in Frankfurt, Germany. Participants: Jürgen G. Backhaus, Leonardo Burlamaqui, Wolfgang Drechsler, Ha-Joon Chang, Jan Kregel, Erik S. Reinert, Alfredo Novoa, Tarmo Kalvet, Rainer Kattel. *15-16 December 2001.*



2002

- Developing a framework document of mental health policy in Estonia. An initial roundtable sponsored by PRAXIS. *31 January 2002.*
- Workshop on introduction of ILO's Social Budgeting Model. PRAXIS and Ministry of Social Affairs introduced the content, structure and implementation of the ILO's Social Budgeting Model. *7 February 2002.*
- The AIDS epidemic in Estonia: learning from international experience. Seminar held Members of Parliament and staff-members at the Estonian Riigikogu. Led by Toomas Palu, PRAXIS Board member. *07 March 2002.*
- Developing a framework document of mental health policy in Estonia. A second roundtable involving project participants. *14 March 2002.*
- Checklists and regulatory impact assessment in the Parliament. Introductory seminar in Riigikogu for the Praxis Checklist project. Members and staff of the of Social, Cultural, Economic Affairs and Financial Committees, Department of Social and Economic Information of the Riigikogu and specialists from the Ministry of Education, Ministry of Economics, Ministry of Justice and Ministry of Culture. *10 April 2002.*
- Social Benefits and Work Incentives. A final seminar and roundtable for politicians to launch the project book "Social benefits in Estonia: efficiency and impact on work incentives". *23 April 2002.*
- The impact of the EU Schengen regime on Estonia. A roundtable with officials from the Ministry of Internal Affairs, Citizenship and Migration Board and NGO representatives working on border area problems to discuss the policy analysis prepared by Eiki Berg. *9 May 2002.*
- Regulatory Impact Assessment as a tool for achieving better quality of regulations. International seminar for introduction of the RIA concept to the Estonian civil servants and policy makers. Organized in cooperation with Estonian Law Center, European Integration Bureau and British Embassy in Tallinn. *20-21 May 2002.*
- The impact of labor costs on labor demand in Estonian manufacturing enterprises. A seminar attended by Estonian ministerial officials and journalists to introduce the policy analysis paper by Janno Järve. *28 May 2002.*
- The digital divide in Estonia. A workshop held in Tallinn among specialists in information technologies, economics and the social sciences on the issues of digital divide and relevant recommendations to national IT plan. *15 July 2002.*
- Statistics and NGOs. A workshop with NGO support-centers in Saaremaa to introduce and discuss survey-questionnaire for PRAXIS NGO statistics project. *20 August 2002.*
- Mental Health Policy In Estonia. Informational workshop on NGO experiences in starting up self-help organizations. Also, a discussion of the second version of the framework document for mental health policy. *23 August 2002.*
- Foresight on Biotechnology in Small Candidate Countries. In cooperation of European Commission, Institute of Baltic Studies, PRAXIS and Research and Development Council of Estonia is organized conference for discussing economic and social changes accompanying fast changes in biotechnology. *12 September 2002.*
- How are ICT and Biotechnology Related? Policy Implications for Estonia, A workshop organized by the Ministry of Economic Affairs and PRAXIS. The workshop included presentations from Carlota Perez, Erik S. Reinert and Wolfgang Drechsler. *27 September 2002.*



Main Partners

During its first two years, PRAXIS has built up a partnership with a wide range of national and international institutions. This partnership includes both the exchange of expertise as well as different forms of financial support.

Estonian public sector and NGOs

Archimedes Foundation
 AS EMOR
 Bank of Estonia
 Institute of Baltic Studies
 Estonian Health Insurance Fund
 Look@World Foundation
 Ministry of Economic Affairs
 Ministry of Finance
 Ministry of Internal Affairs
 Ministry of Justice
 Ministry of Social Affairs
 Ministry of Transport and Communications
 National Labor Market Board
 National Observatory of Estonia
 Office of European Integration
 Open Estonia Foundation
 Riigikogu (Parliament)
 Secretariat of the Estonian Research and Development Council
 State Audit Office of Estonia
 State Chancellery of the Republic of Estonia
 Statistical Office of Estonia
 Supreme Court

Academic institutions

University of Tartu
 Tallinn Technical University

International and Non-Governmental Organizations

Council of Europe
 European Centre for Development of Vocational Training (CEDEFOP)
 European Training Foundation
 European Union Fifth Framework Programme
 International Bank of Reconstruction and Development
 International Labor Organization
 Norsk Investorforum
 RAND Europe
 The Other Canon Foundation
 United Nations Development Programme
 World Bank

Networks

Public Policy Center Initiative (PPCI) – Central and Eastern European think-tank network
 The European Network of Economic Policy Research Institutes (ENEPRI)