Research policy linkages in the Baltic States: comparative analysis of a natural experiment

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Authors:

ESTONIA:

Alari Purju (Team leader) Tallinn University of Technology
Sirje Pädam (Research assistant) Tallinn University of Technology
Merlin Müür (Research Assistant) Tallinn University of Technology

LATVIA

Alf Vanags (Team leader) BICEPS
Julia Alasheyeva (Researcher) BICEPS
Valts Kalnins (Researcher) Providus
Kristine Vitola (Research assistant) BICEPS

LITHUANIA

Mark Chandler (Team leader) BICEPS and SSE Riga
Virmantas Kvedaras (Research Assistant) Vilnius University
1 Introduction

This paper reports on a cross country study of research policy linkages within the framework of Phase 2 of the GDN’s Bridging Research and Policy (BRP) programme. In particular it offers a comparative study of linkages in the three Baltic countries – Estonia, Latvia and Lithuania. The design and implementation of the project has been informed by the results of Phase 1 of the GDN BRP programme as well as by recent theories of research policy linkages. For example, in her groundbreaking paper Sutton (1999) criticised the linear model of policy formation suggesting instead a chaotic process that in many respects departs from rational decision-making. She argued that the role of special interests and other factors dilute and reduce the influence of research on policy. Stone et al. (2001) proposed a more critical review of the attempts to create bridges from research to policy and warned against too rigid an attempt to impose policy certainty in areas that are inherently normative. De la Porte and Deacon (2002) have pointed to another danger – namely that local interest groups may seek to ensure that foreign investigators are hired who are likely to support their preferred policy prescriptions. Our investigation of the Baltic states lends support in some measure to all of these theoretical positions.

Here, we offer an analytical account of our cross country investigations. The paper is organized as follows: in the next section we describe the background to the political and policy context in each of the three countries and some motivation for choosing them as an object of investigation; this is followed by a section on research design and methodology; next is a section that describes the main features of the ‘actors’ in the three countries – the researchers and the policy-makers; this is followed by a section that summarises our main results on linkages; and then a separate section on external research which proved to be a particularly important part of the story; the penultimate section reports on the policy episode investigations we undertook – especially the graphic accounts of the successful Estonian and Latvian campaigns to change the child benefit system. We conclude with some conclusions.

2 Motivation and background

The motivation for studying the Baltic States is precisely that their separate development from a near identical starting point provides leverage for addressing some of the key research questions identified for consideration in the second phase of the Bridging Research and Policy project. In particular, the three Baltic countries, due to historical circumstances, provide a unique natural experiment in the development of institutions and policies. In the first place, Estonia, Latvia and Lithuania emerged simultaneously as newly independent states from a Soviet system in which the results of social and economic research were not regarded a serious basis for action. There was very limited knowledge of modern economics in the Baltic states at the beginning of the 1990s when reforms began. Very often reform policies were created as an opposite of the socialist planned economy. For example, Estonia’s liberal stance on foreign trade can be explained as a reaction to the existing system rather than by a deep understanding of the benefits of free trade.

Even prior to the Soviet period there was no serious tradition of social science research in any of the Baltic States. This is in contrast to other Central and Eastern European countries such as Hungary, Poland, Czechoslovakia, and even Bulgaria and Romania, all of whom have a long and sometimes distinguished social science tradition (see Kaase and Sparschuh (2002)). All three states suffered persecution and extermination of intellectuals after annexation by the USSR. Then, as newly created states in 1991, all three Baltic countries were obliged to create a policy-making structure from scratch. This was followed by a parallel decision to enter the
EU as soon as possible and once accession was accepted this in turn implied the same fundamental requirement to implement the *aquis communautaire*.

Nevertheless, there are also significant differences between the Baltic States. We can find many differences between what we now know as Estonia, Latvia and Lithuania starting from prehistoric times, and leading to three distinct languages and cultures. Their medieval history was largely different. Lithuania was a large kingdom and more resistant to invasion than the Northern Balts, but eventually became Christian and merged with Poland. The area now covered by Estonia and Latvia was more susceptible to occupation by Scandinavian forces and thus succumbed to Protestantism. After 150 years of Russian occupation it was Lithuania that remained more agricultural during the interwar period while Latvia emerged as a strong commercial centre.

Since the restitution of independence in 1991 very different political cultures have emerged in the three countries. As a consequence, the political stance in many important policy areas has also appeared to be different. Thus Estonia, right from the beginning of independence, adopted a strongly *laissez faire* economic policy. In practice this meant that in external trade Estonia pursued an almost 100% zero tariff/quantitative restriction policy right from independence until it was obliged to accept a more restrictive EU trade policy on accession. Estonia also privatized fast, it has pursued a zero budget deficit policy, and from early on (against IMF advice) adopted a currency board arrangement\(^1\) for its currency. Estonian governments have typically been ‘liberal’ or centre right, with major politicians being rather young and without a ‘communist past’\(^2\). Moreover, at least at the national level, ethnic issues have not appeared as especially controversial despite the presence of a 30% non-Estonian, Russian speaking minority.

By contrast, in Latvia, the first trade policy action after independence was to impose a complex structure of quantitative trade restrictions. Although these were rather quickly dismantled under ‘advice’ from international institutions Latvia retained quite significant tariffs in many areas until they were gradually reduced to converge to EU levels. Latvia was also much slower than Estonia to privatize and has persistently run a budget deficit.

The general Latvian political landscape is also very different from either of its neighbours. Governments have all been formed by centre right coalitions that consist of parties that are also more or less Latvian nationalist. Parties representing the Russian speaking ‘minority’\(^3\) have been elected to the parliament but have never been in national government although they have participated in local government. Politics in Latvia has been marked by considerable instability of both governments and political parties. The average length of a government in post independence Latvia has been about 12 months and in each of the four post-independence elections the party winning the largest number of seats has been a party newly created in advance of that election. There is very little standard ideological difference between the parties. There are Latvian parties that are more or less ‘economically liberal’ – even the Social Democrats are not very socialist. Then there are Russian parties who in the Latvian press are described as leftist, but in reality this is largely a consequence of their advocacy of

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\(^1\) A currency board arrangement is an institutional set-up where domestic money is 100% backed by foreign reserves (at least at the margin). The implication is that the government is unable to influence monetary emissions and hence is regarded as the strongest form of commitment to ‘sound money’. In Estonia the currency board can only be removed by act of parliament.

\(^2\) An exception to this generalisation is the current president of Estonia, Arnold Rüütel, who is an ex-communist.

\(^3\) In 2003 Russian speakers represented about 40% of the Latvian population, although only about half were citizens.
rights for Russian speakers. There is also a widely held belief that many political parties represent particular business interests.

In Lithuania the political scene would appear as more familiar to Western eyes with a standard battle between the Labour Party (former communist party) and the Conservative Party. In 1992 Lithuania was the first post-Soviet state to elect to power a former communist party – the Labour Party. Moreover, in 1993 the last leader of the Communist Party was elected as the first Lithuanian president since independence. With this background it is unsurprising that Lithuania was also slow to privatize and has generally adopted much less ‘liberal’ policies than Estonia. The Labour Party has in fact settled as a party of big business interests while the Conservative Party tends to represent the interests of smaller business and has been opposed to Russian capital. Ethnic issues have been largely absent partly because the non-Lithuanian minorities make up about 10% of the population and partly because everyone resident in Lithuania at the time of independence was granted citizenship.

At a more micro level we have observed several phenomena in the state policy and research arenas that appear to point to rather different structures in each country. For example, Estonian researchers appear to have been more active as opinion leaders e.g. a letter by 26 Estonian social scientists to Postimees coining the phrase Two Estonias, pointed to a major issue of social gaps that is now standard in much of Estonian policy debate. In Latvia, evidence from the World Bank Business Environment and Enterprise Performance Survey (BEEPS) points to state capture as a potentially important phenomenon thereby compromising the integrity of possible research/policy links. In Lithuania, despite the dominance of the Labour Party in government there has emerged an especially liberal independent institute, the Lithuanian Free Market Institute, with a reputation as an influential actor in the Lithuanian policy debate.

If we would point to one major difference it would surely be that Estonian research and policy links have operated in an environment that is more market oriented than the other two Baltic states, culminating in Estonia being the first country to be invited to begin EU entry negotiations. However, subsequent events proved (as so often) that this was only a temporary advantage and each country’s system was sufficiently competitive that all three countries finally entered the EU concurrently.

In summary, both the political background and casual evidence point to the possibility that, despite their common Soviet past, we should expect differences in the research/policy nexus across the three Baltic states. This then was our prior belief and maintained hypothesis.

3 Research design/methodology

The project was implemented in two parts: in the first part (called Phase 1) the aim was to interview a broad spectrum of both researchers and policy makers in all three countries in order to build up a picture of research policy linkages from both sides. The interviews had both structured and semi-structured elements where the structured questions were based on the thematic areas suggested by the Bridging Research and Policy guidelines.

One part of the questionnaire consisted of background questions on each institution (both research and policy-making) which sought to identify such things as the source of funding for researchers or the degree of ‘in-house’ research for policy-makers. The other part consisted of questions that were rather similar for both groups – researchers and policy makers. Thus, from both researchers and policy-makers we sought to identify such things as: who determines the research agenda, how much is research used, why it is used and why it is not used, how
research is disseminated, and the nature of the formal and informal links between researchers and policy makers. These common questions ensured a degree of triangulation. Interviewees were also encouraged to make ‘free comments’.

In practice we were quite successful in identifying and interviewing the members of the research community in all three countries and in Latvia and Estonia also policy makers. However, in Lithuania policy makers were much more reluctant to participate. A summary of the results of these surveys is reported in section 5 below. The picture that emerges from these surveys points to a more similar situation in all three countries than our prior beliefs suggested. Independent research is used in only a limited way in all three countries with quality and relevance typically being cited as the most important factors. However, the informal links between researchers and policy makers seem quite extensive with policy makers using researchers perhaps as ‘counselors’ or intermediaries between the research and policy-making arenas.

The second phase of the project involved an in depth examination of selected policy episodes again with the aim of establishing how research impinged on specific policies. This phase resulted in just one real ‘comparative’ episode – namely the reform of child/parental benefit systems in Estonia and Latvia. The investigative instrument here was semi-structured interviews and triangulation was ensured by interviewing researchers, policy-makers and journalists. Two things stand out from this part of the project: i) again as in the full survey there is an unanticipated similarity of experience, and ii) again research as such was not very influential in shaping policy though researchers participated in shaping policy as members of key working groups. The results of these investigations are reported in section 7.

4 The actors
The full list of institutions interviewed can be found in Annex 1 (researchers) and Annex 2 (policy-makers). The tables in the Annex 1 also provide a brief description of each institution including the policy areas covered and the nature of the institution i.e. university based, state institution, NGO, private for profit etc.

Policy-makers
As might be expected the set of policy makers is very similar in all three countries. There are: the ministries – headed by key ministries such as the Finance Ministry, the Economics Ministry, and the Foreign Ministry; then there are the Central Banks; and then agencies such as the Latvian Investment and Development Agency. As has already been noted we were able to interview the full set of policy-making institutions in Latvia, a smaller set in Estonia and a still smaller set in Lithuania. Nevertheless, some generalisable characteristics emerged. These included:

- Typically ministries in all three countries have no formal in-house research capacity;  

4 In Latvia there is an exception in the form of the Latvian Statistics Institute which operates under the auspices of the Ministry of Economics. However, the Institute operates more as a state owned market research organization rather than an in-house resource for policy-makers.

5 In Estonia open-ended responses included the following: “There is an economic analysis division in the ministry of economic affairs and communication where 5-6 people carry out research” and “In the ministry of social affairs there are 3 information- analysis departments that coordinate contract studies and keep contact with researchers”
• By contrast the central banks have active and rather competent teams of in-house researchers

The consequence of this has been that Ministries have had to rely on outside research to support their policy-making and this has come from two sources:

i) Commissioned research from independent local researchers

ii) External research from outside agencies undertaken and funded by non-local researchers. This channel has been so influential that we devote a special section to this below.

In Latvia there was for a number of years a centrally organized research programme which supported commissioned research by ministries. Otherwise in Estonia and Lithuania and today in Latvia the ministries have funds to commission research projects but on a relatively small scale (for example the average size of projects under the Latvian centrally organized programme was around 11000 euro). In Estonia evidence from experts suggests that that projects are even smaller at about 6500 euro.

The central banks have their own research teams and hence use very little outside research. Indeed, the view of the central banks is that they need their own research teams because of inadequate capacity and quality among independent local researchers. In recent years (since the acceptance of EU accession) the central banks have also worked closely with the European Central Bank (ECB) in developing a research agenda.

Researchers
Our survey of researchers covered the most visible research institutes engaged in research in economics and broadly defined social sciences.\(^6\) We aimed to generate the widest-possible coverage of research institutes. In Latvia we surveyed 27 research institutes through personal structured interviews, in Estonia it was 11 and in Lithuania 12 research groups were surveyed.

Despite some non-responses we believe our sample covers the main players in economics and social sciences research in the three Baltic countries.

As compared with policy-makers the structural profile of researchers is less homogeneous across the three countries. The key characteristics include:

• Type of organization and nature of research

• Education

• Sources of funding

• Motivation of researchers

Types of organization and nature of research

\(^6\) Institutes engaged in market research were excluded as were research institutes dealing mainly with natural sciences and engineering including medicine, energy, transport and the environment.
In general in the Baltic countries research of various kinds is undertaken in both universities and outside institutes. Outside institutes may be private or state owned and for profit or not-for-profit.

In Estonia research in economics and social sciences is performed both by universities, university based research institutions and non-university based institutes. Non-university institutions, such as independent think tanks, are typically non-profit organisations. Policy analysis is mainly conducted in outside university institutions. Ad hoc research groups have been created to solve particular problems: for example, the screening of Estonian regulations according to chapters of the *aquis communautaire* of the EU and harmonization with the EU regulatory framework. Among public institutions, only the Bank of Estonia has an in-house research department, which is supported by the European Central Bank, the European Commission, and the Bank of Finland. In both Latvia and Lithuania too the central bank has an independent research capacity supported by the ECB.

In Latvia the largest number of research organisations are located in universities, followed by non-profit private organisation. There are a small number of private firms who provide policy related research.

In Lithuania the most active research institutes are split more or less evenly between state and private. The private institutes, in turn, are split evenly between non-profit and for profit enterprises, although even in some of the for profit firms profits is not the main objective – they are more akin to worker managed firms.

A particularly interesting feature in Lithuania is the prevalence of specialized institutes i.e. institutes whose purpose is to focus on just one policy field, e.g. health economics, finance, labour etc. Most of the institutes in Estonia and Latvia seem to be general (an exception being the Latvian Agrarian Economics Institute).

This thematic focus implies that Lithuanian institutes are engaged almost entirely in what is called ‘analysis’. This means that they are often responsible for producing a particular annual report, or for producing regular reports on different topics but these consist largely of data description and some discussion of issues but no real systematic theory-based scientific research, at least not of a deductive nature. Many times the research that exists, although clearly related to important policy issues such as education, is more technical than policy related. It may deal with technical issues such as correct balance of physical education in the curriculum. However, such narrow issues may eventually become part of national policy making and hence the line between technical and policy related research is fuzzy.

It is worth remarking that what is understood by research (especially in economics) is very different from how it is understood by the mainstream economics profession in the West. Here there is a Soviet legacy that cuts across all three countries. According to Lagerspetz (2003) the communist party began to take an interest in empirical research in the mid-1960s because of a need for the authorities to obtain information to support social engineering projects from above. Lagerspetz argues that this direction of research was characterised by “a rather a-theoretical narrow empiricism called ‘sociology’” (ibid, p7). This kind of empiricism is still regarded as the primary form of ‘research’ in social sciences in the Baltic states.

There are exceptions to this. The research departments of the central banks, through their interaction with the ECB, are quite successfully integrated into the mainstream of the economics profession, as is the case with some individuals in the universities.
The prevailing view that social scientists are providers of facts rather than analysis influences the links between researchers and policy makers, and this has clear implications for social scientists in their role as policy advisors.

**Education**

In Lithuania and Estonia most researchers have a doctoral degree. Economists are well represented among social scientists in all three countries in the surveyed ranging from 38% in Latvia to 52% in Estonia. The proportion of economists in the surveyed Lithuanian institutes ranges from 90% at the Lithuanian Banking, Insurance and Finance Institute (LBIFI) to zero at the Education Development Centre, where all researchers are trained in education.

**Funding**

Table 1 below reports the sources of funding for research institutes:

<table>
<thead>
<tr>
<th>Country</th>
<th>State sector</th>
<th>Business sector</th>
<th>Private funds</th>
<th>Foreign governments, multilateral donors (including EU funds)</th>
<th>Other sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>49</td>
<td>10</td>
<td>21</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>Latvia</td>
<td>34</td>
<td>6</td>
<td>10</td>
<td>34</td>
<td>16</td>
</tr>
<tr>
<td>Lithuania</td>
<td>39</td>
<td>21</td>
<td>9</td>
<td>22</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Researchers surveys

It is clear that financing comes predominantly from government in all three countries – most notably in Estonia where the state provides nearly 50%. The state funding figures include not just core funding but also funds that come from state commissioned projects. In Latvia the combination of foreign governments and multilateral donors provides as much as the state. In Lithuania the business sector contributes a much bigger share than in the other two countries while the second biggest funding source for Estonia is private funds.

However, the aggregate figures mask some individual differences. Thus, if we group Latvian research institutes into two broad groups (a) those conducting research in economics and (b) those conducting research in other social sciences, we find that economic research institutes are substantially more reliant on state funding. For them approximately 53% funding comes from the state, whereas for institutes working with sociology, law, environment, education and so on, the share of state funding is only 18%.

In Estonia the two former institutes of the Estonian Academy of Sciences continue to receive a large share of their budget from Government funding.

In Lithuania the proportion of national government funding ranges from 100% for institutes such as the Education Development Centre which are directly funded in the national budget to zero for fully independent private institutes such as the Lithuanian Banking, Insurance and Finance Institute (LBIFI). Other Lithuanian institutes receive state funding not from a direct budget line but from project contracts with particular ministries or state institutions such as hospitals.
**Motivation of researchers**

Overall there appears to be a moderate to strong desire to influence policy. Research organisations that are more policy oriented generally ranked their intentions higher than those carrying out general research. Despite a rather high evaluation of policy-relevance as an institutional goal among surveyed organisations, researchers said the most important criterion for choosing a research topic was its scientific value. Among Latvian and Lithuanian respondents the second ranked criterion was generating income. Policy relevance was ranked as the third priority. The average of the responses to the question on the desire to influence policy is reported Table 2 below.

<table>
<thead>
<tr>
<th>Table 2: Desire of researchers to influence policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: Researchers survey  
Note: A response of 1 indicated no desire to influence policy while a response of 7 indicated an extremely high desire to influence policy.

Within Latvian and Lithuanian research organizations the management team chooses most research themes. Estonia was more individualistic with individual researchers having the biggest influence on the selection of research topics; most organisations reported that individual researchers have a dominant (50% or more) influence on topics selected. Comparing Latvia with Lithuania, individual Latvian researchers have a stronger degree of influence on research topics. The responses to the question on “When preparing your organisation’s research programme, who selects topics?” are reported in Table 3 below.

<table>
<thead>
<tr>
<th>Table 3: Who selects topics (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Individual researcher</td>
</tr>
<tr>
<td>Management team</td>
</tr>
<tr>
<td>External body</td>
</tr>
<tr>
<td>Paying client</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

*Two respondents indicated that the research programme is set in co-operation between individual researchers and management team.

Market forces (paying clients) influence the research themes of Latvian research institutes more than for their Lithuanian and Estonian counterparts. Government influence, on the other hand, has a similar weight in all three countries.

5 **Some key results**

The surveys of researchers and policy-makers were the key exercises of Phase 1 of the project. The characteristics of policy-makers and research institutes have been described in
the previous section. Here we concentrate on the policy/research linkages revealed by the surveys. The responses may be grouped around the following themes:

- Interactions with policy makers
- Why is researched used or not used/what influences policy
- Evaluation of local research
- Suggested improvements

Interaction between policymakers and researchers
Both researchers and policy-makers were asked about the frequency with which they met during the year and the overall picture that emerged was of regular contact between the two ‘sides’. Thus, most Latvian and Lithuanian research institutes report regular frequent meetings with policy makers but only five of the Estonian institutes indicated that they have had very frequent contacts i.e. met more than ten times a year. In Latvia 15 (of the 27) research institutes reported that they met with policy makers on more than 10 occasions last year and another 7 reported that they met seven to 10 times per year. Latvian researchers reported that in the last five years they have been involved in consulting policy-makers in some way on 1550 occasions, the most active institute being the Soros Foundation Latvia (Providus) with one third of the reported contacts.

In Lithuania most research institutes reported regular meetings with policy makers. Some commented that 10 times per month would be more like their frequency of contact with officials. Lithuanian institutes have been asked to advise the government 30 times a year on average over the last 5 years. Strangely, the only Lithuanian institute that reported meeting government officials less than 10 times per year was the Education Development Centre, a state policy centre. Meetings with government officials take place most often in small meetings to brief government officials. They often take place in government offices and at the request of the government.

In general, university-based Estonian organisations had fewer meetings with government officials, than non-university based ones. However, one exception was the Tartu University Faculty of Economics and Business Administration whose staff had very frequent contacts with government officials during the preceding year.

Policy makers were asked the same question and the responses are reported in Table 4 below. All surveyed Lithuanian ministries reported meeting with local researchers more than 10 times per year, thereby confirming the evidence of the researchers. In fact the true range of such meetings for senior officials is more likely to be at least weekly because of the involvement by the ministries in commissioned studies and by the frequency of conferences and daily briefings where researchers are also government advisers. Thus, meetings with government officials and researchers take place most often in small meetings to brief government officials. Moreover, the meetings take place at the premises of the ministries rather than at the research institutes.

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7 ‘Frequent’ meetings were defined as between 6 and 10 times a year, more than 10 times was defined as ‘very frequent, and 3 to 6 times as ‘occasional’.
Table 4: Frequency with which policy-makers meet local researchers

<table>
<thead>
<tr>
<th></th>
<th>Occasionally (three to six times per year)</th>
<th>Frequently (seven to ten times per year)</th>
<th>Very frequently (more than ten times per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estonia</td>
<td>33</td>
<td>11</td>
<td>56</td>
</tr>
<tr>
<td>Latvia</td>
<td>14</td>
<td>50</td>
<td>36</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Policy-makers survey

In Latvia only just over a third of policymakers reported ‘very frequent’ meetings with researchers, but 50% reported ‘frequent’ meetings. These meetings most often take place in large seminars attended by representatives of ministries (12 out of 14 ministries chose this response). Sometimes (6 out of 14 ministries) researchers are involved in the policy-making process itself. Small meetings when researchers brief high-ranking ministry officials were arranged at 5 ministries (from 14 respondents).

In Estonia meetings with researchers were ‘very frequent’, with more than half of the ministries meeting with researchers more than 10 times in the previous year. Both informal and formal occasions are equally common occasions for meeting with the members of local research community. The initiators of formal meetings are mostly ministries.

Cross-fertilisation through movement of staff between research institutes is another potential interaction that was examined in the surveys. Here the experience is rather different across the three countries:

- In Latvia over the previous 5 years, a total of 5 researchers came to work in the surveyed ministries, while 22 civil servants joined the ranks of local researchers. The Latvian Central Bank is the institution whose employees left for research institutions most often (10 cases).
- In Estonia respondents were not able to be precise but there was only one reported movement from policy-makers (Ministry of Social Affairs) to the ranks of researchers. The Ministry of Social Affairs also reported recruiting from researchers (1-2) as did the Finance Ministry (1-5). The biggest recruiter from the research institutes was the Bank of Estonia (5).
- None of the surveyed institutes in Lithuania have recruited people from senior government positions. However, half of them have seen staff move into senior government positions.

The above results indicate that staff move from government to research in Latvia and Estonia. In Lithuania researchers move to policy making, but it is a small sample.

Why is research used or not used/what influences policy?

The explanations offered on why research was or was not used yielded few surprises. In all three countries both policy-makers and researchers stressed quality, relevance, timeliness and effective dissemination of research as positive factors in the impact of research and the absence of these characteristics as negative factors.

Researcher views

In Latvia, researchers who claimed to be successful in influencing policy, cited good reputation and contacts of researchers involved, independence of the institute, as well as good reputation of the organization itself and a relevant research agenda as positive factors.
At the same time, Latvian researchers who admitted that their research has not been used by policy makers despite their interest in generating a policy impact, cited the following as reasons:

- decision makers lack capacity to evaluate and understand research
- sometimes state financing is not sufficient to conduct a study
- policy-makers are not interested in the research agenda
- researchers themselves invest too little effort in disseminating their findings

In Lithuania relevance of the topic, the quality of their research, and the quality and interest of government officials were cited as important factors. Lithuanian institutes also reported that government officials naturally come to rely on them because there is often a lack of alternative expertise in the areas they research. Even when they are doing fairly basic analysis of data Lithuanian institutes are usually the first to do so and so their results attract attention.

Lithuanian institutes also cited the reputation of the institute and the reputation and contacts of their senior researchers as key factors.

All of the Estonian institutes who claimed to be satisfied with their influence on policy indicated that their ability to influence policy depends on having a reputation for producing work of high quality. Other reasons given included: relevance of topics; independence; and effective dissemination.

Seven of the thirteen Estonian research institutes reported that they are dissatisfied with their ability to influence policy. The most common reasons for lack of satisfaction were:

- research topics are not of interest to policy makers
- lack of effective dissemination
- research takes too long time to complete to be of value to the government
- researchers are not encouraged to make their work accessible to government
- government demand for research as a base for policy design is rather low

Most Lithuanian and Estonian institutes report more success in influencing government policy when dealing with senior officials. Three of the Estonian institutes stated that they have had better success when targeting elected officials but, on the contrary, four of them indicated better success when targeting non-elected officials!

Ministry views
In Latvia, when asked to evaluate the use of research ministries that have long-term policy programmes (8 ministries) evaluate the influence of research on policy making at an average 5.3 out of 7, while other ministries have a significantly lower evaluation of the impact of research only 4.2 out of 7. This suggests a connection between the existence of long-term policy priorities and the use of research.

In Lithuania ministries predominantly obtain research by hiring independent researchers to perform a study. This was the only source that all ministries in our survey reported making use of. They all ranked their extent of use of research when forming policy as 5 or 6 on a 7 point scale. Hence Lithuanian ministries appear typically to contract independent researchers to study an issue for them, and then take into account the results of that study when deciding on policy options.
In Estonia most of the surveyed policymakers claimed that they do draw on research results when formulating policy. On a seven-point scale, where 1 indicates “never” drawing on research results and 7 signifies “always” drawing on research results, the average score was 4.33.

Across the three Baltic states ministries took the view that research institutes have less impact on policy than factors such as the minister’s own experience and EU requirements.

**Evaluation of local research**
Policy-makers were asked to give an overall evaluation of the quality of local research. The average responses are reported in Table 5 below.

<table>
<thead>
<tr>
<th></th>
<th>Estonia</th>
<th>Latvia</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>5.0</td>
<td>3.6</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Source: Policy-makers survey  
Note: Responses on a scale from 1 (very low) to 7 (very high)

Evidently, Lithuanian and Estonian policy-makers rate the local research community more highly than is the case in Latvia. For Lithuania the explanation could lie in the closer contacts with the research community reported above, perhaps also in the fact that the research institutes tend to be specialized in particular policy areas.

This view is given some support by the result that in Latvia, where we had access to an internal survey where ministries were asked to give their evaluation of individual research projects commissioned by the ministry, the average evaluation was 4.4 on a scale of 1 to 5 (all research projects commissioned by ministries). Thus, commissioned research, where there is a closer link between researchers and policy-makers is rated more highly than the research community as a whole. A particular problem for the Latvian research community as a whole was poor dissemination which was rated at 3 (out of 7). Dissemination was also rated worst in Estonia.

In a ranking of institutes it turned out that in Lithuania the highest rated institute for policy relevance was the Lithuanian Agrarian Economics Institute, which is at the same time the biggest institute, a state institute and a highly specialized one. By contrast in Estonia the most policy relevant institute was the independent and general centre, Praxis

**Suggested improvements**
Researchers and policy-makers almost uniformly agreed for increased funding as necessary to improve the situation, while policy-makers identified improved quality and policy relevance as key factors. In both Estonia (especially) and Latvia policy-makers agreed that the main action they could take themselves to increase the policy impact of research would be to commission it more frequently.

The third party action most supported by policy makers in all three countries was that EU and foreign donors should finance local independent research on policy-relevant topics.

The institutional innovation most supported by Latvian policy makers was establishment of a new independent research institute, in Lithuania it was the creation of an Economic and
Social Research Council to allocate funding and in Estonia it was to improve the current ministry commissioning system.

6 The influence of external research

One clear message from the surveys was the past and potential future role of external research on policy-making. This prominence justifies a special section for this topic.

Evidence of external research used for policy making

Examples of external research

The general external interest in research on the Baltics has been limited by their small size but encouraged by their unusual geo-political situation in Europe. International agencies established offices in each country soon after restitution of independence and have largely maintained them. They have been involved in policy advice to each sovereign government, further motivating research. In our surveys of government ministries, the EU and the international agencies were ranked as among the most important sources of information for policy making.


The World Bank through its offices in each country has focused more on country specific studies. Recent examples in Lithuania include the Investment Climate Assessment in December 2004 and the Policy Note on Financing Education in June 2004. In Estonia and Latvia the World Bank has recently used domestic researchers to write Policy Research Working Papers, e.g. Mihails Hazans, on “Unemployment and the earnings structure in Latvia” in February 2005, and Raul Kiivet and Anneli Taal together with Teh-Wei Hu on “The economics of tobacco in Estonia” in June 2004. In Latvia some purely external research has continued, such as the paper by Fofack and Monga on “Dynamics of income inequality and welfare in Latvia in the late 1990s” in June 2004. In 2004 the World Bank commissioned a report from BICEPS on growth accounting in the Baltic states. At the same time the World Bank has published external research on the Baltics in its Transition Newsletter and has started a new series in 2004, World Bank EU-8 Quarterly Report, that gives a quarterly overview of developments in the eight new EU members formerly part of the Soviet block.

The European Commission funds various international policy-relevant research projects and these started to include the Baltic States in the late 1990s. The Baltic component of the research would be conducted by domestic researchers but the projects were under the direction of leading social scientists at Western European universities and included inputs from researchers in several countries. An example of the type of research conducted was the project “Improving Policy Responses and Outcomes to Socio-Economic Challenges: changing family structures, policy and practice”, part of the “Targeted Socio-Economic Research” (TSER) program that ran from 1994. This particular project ran from 2000 – 2003 and hence was financed by the Fifth Framework program key action “Improving the Socio-economic Knowledge Base”. It was coordinated by the European Research Centre at

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8 For more information on TSER see <http://improving-ser.jrc.it/default/>. 
Loughborough University in the UK and included researchers from seven other EU member states and three countries that joined the EU later; Estonia, Hungary and Poland.

Other institutions that conduct external policy relevant research on the Baltic states include the Bank of Finland Institute for Economies in Transition (BOFIT), for example the discussion paper by Jones, Kalmi and Mygind (2003) on “Choice of ownership structure and firm performance: Evidence from Estonia”. A more recent example of BOFIT research that is difficult to classify as domestic or external was the paper by Vetlov (2004) on “The Lithuanian block of the ESCB multi-country model”. This was written while the researcher was resident at BOFIT, but nevertheless he is a Lithuanian who was on temporary leave from his position at the Bank of Lithuania.

Examples of use in policy making
The most prominent example of the impact of external research on Baltic policy making is surely the radical restructuring of social security pensions across the Baltic States. The three-pillar pension system, that has replaced traditional collective pooling of financial risk in the pay-as-you-go system with individual pensions tied to the stock market, was heavily promoted by the World Bank. The World Bank was very successful in this, persuading first the Latvian parliament to follow its recommendations in 1996, then the Estonian in 1998 and finally even the Lithuanian government agreed to a modified version. Other bodies involved in implementation in Latvia included the Swedish International Development Agency (SIDA) and the United Nations Development Program (UNDP).9

Reasons for choosing external research
Why have Baltic governments used external policy research rather than relying on that available domestically? A cynical response might be that the external research was often available for free. However, price is unlikely to be the only factor affecting government demand. Other factors may be grouped as:

- quality,
- cost and
- external pressure.

At one extreme is the total lack of any domestic research in a particular area. The broader the area the more of a constraint this presents. However, even when there are domestic researchers working on a particular field, governments appear to trust more the work of economists working for international agencies, who have often received their training at the top universities in the world and are sometimes among the mostly highly respected specialists in the field.

Lack of local researchers
Given the small size of the Baltic States, perhaps it is not surprising that we can find areas of socio-economic policy where no research has been conducted by domestic social scientists. Macroeconomics is most developed across the region, due to the interest of the central banks. Microeconomics has lagged. Perhaps the largest deficiency has been labour economics in Lithuania, all the more surprising since this has been the most developed microeconomic area in the other two Baltic States. However, across the Baltics it is also very difficult to identify researchers in international trade or financial economics, two areas that have been central to Baltic economic development. Another phenomenon is sporadic interest in research areas. Local government finance is an example of this. There has been domestic policy research in

this area in the 1990s, but by 2004 no ongoing domestic research remained in Lithuania or Latvia and the main research in Estonia was conducted at Tartu University by non-nationals on short-term assignment in the country. A further feature of the Baltic research environment has been analysis conducted by non-economists (often from the field of public administration, sometimes even law) attempting to fill the void left by absence of research by domestic economists. Economists in Latvia and Lithuania have largely ignored even such a wide-ranging and important area as taxation.

Quality of local researchers
Evaluation of the quality of research will always be somewhat subjective, but publications are universally regarded as an important indicator. Here, it is clear that no Baltic economist has published any paper in an economics journal that would be ranked among the world top 100. A few have published in other peer-reviewed economics journals, mostly located in Eastern Europe, and these publications represent perhaps the current high water mark of Baltic economic research.

A similar level of expertise is demonstrated by those Baltic economists that have published working papers in well-established foreign series such as those of BOFIT or the World Bank, as mentioned previously. Again this is probably no more than a handful of economists.

For most local researchers publication in Baltic economic journals, notably Baltic Journal of Economics, Ekonomika, and Pinigu Studijos or as chapters in internationally reputable books represent the highest level of achievement. This group is much larger.

Perhaps the widest circle of published economic analysis is provided by those who have published books or book chapters in the local language. A recent example in the field of taxation is provided by Jarve, Butane and Zirape (2004). Across the Baltics there may be several hundred persons who have done this to date.

Finally there is group of researchers who have not yet published but are actively involved in conferences, research projects or teaching in policy related fields.

Cost of local researchers
Salaries remain low in the Baltics and this includes salaries for qualified experts. However, there are factors that make the relative cost of domestic research higher than it might appear. Firstly, much foreign research from international agencies, such as the World Bank, is available to Baltic governments for free. The second factor is that local coordination may be complicated compared to the more efficient systems available to outside consultants. Complicated domestic coordination is likely due to both logistics and politics.

Logistical problems may arise due to the lack of availability of qualified specialists in certain areas, making it difficult to assemble domestic teams for short term projects. They may also arise due to the lack of high quality support services for research. There are likely to be economies of scale for international teams with a steady flow of projects. Political problems may arise due to the lobbying power of local researchers, making it difficult for politicians to award projects to the most qualified applicants. To avoid expending too much political capital politicians may find it expedient to award the project to an outside group, thereby removing the necessity to pick a winner among domestic competitors.

Political pressure from international institutions.
International institutions like the World Bank and the IMF are backed by national governments and hence it is likely that indirect diplomatic pressure may have contributed to the use of their research by the Baltic governments. In the case of the EU the political pressure was more direct and transparent. There were a prescribed series of measures that were demanded before the countries would be eligible for EU entry.

Once the Baltic countries were invited to begin accession negotiations, the EU’s *acquis communautaire* came to dominate policy making. Baltic governments were perhaps foremost in perceiving the EU entry process as more of a competition than a negotiation. They simply had to fulfill the *acquis* in order to qualify. Since the *acquis* were so comprehensive most policy areas were governed by its prescriptions. Furthermore, the rush to implement the *acquis* by the end of 2004 often meant that there was no residual capacity to consider other policy measures, even in those areas not covered by the *acquis*. Almost the whole apparatus of government was straining to meet the requirements for EU entry at the expense of other issues.

Annual progress evaluations from the EC kept up the pressure on governments. Sometimes these reports were quite prescriptive. For example the 2001 report on Lithuania stated “adoption of the Code of Criminal Procedure must be speeded up”. Even by the time of our survey, in summer 2004 and hence after EU accession, all ministries surveyed in Lithuania reported that policy implementation in their ministry was determined by the needs of EU accession and that the EC was one of the most important agencies of policy evaluation.

In this environment it is remarkable that any other policy initiatives were possible and so the influence of researchers recorded in our surveys should be viewed in this light.

**Impact of external research on local research**

The first impact of participation in external research may be to distance local researchers from policy making. However over time local research is bound to imitate more successful competitors from abroad. In particular we may anticipate spillovers in methodology to domestic research. This process may be accelerated if international research makes use of domestic researchers in policy projects. At that point the line between foreign and domestic research becomes blurred. This is to some extent already happening.

**Isolation of local researchers from government**

One possible consequence of the availability of external research may have been to increase the separation of domestic researchers and policy makers. However, the small size of the Baltic countries seems to have ensured quite frequent contacts between persons active in policy fields. While some research institutes, however, did report having difficulty in influencing policy, none of them identified government reliance on foreign research as a problem.

**Spillovers to local research institutes**

The main benefit to the local research community from external researchers comes when there are spillovers. Domestic researchers may learn from the methodologies employed by external researchers. Opportunities for the two groups to meet in joint projects can assist this greatly. Eventually domestic researchers may be invited to become consultants or experts in international projects and this can widen and deepen the experience of these researchers.

In the Baltics international research projects involving domestic researchers have existed throughout the transition period, starting with the PHARE ACE programme in the mid-1990s.
More recently a few Baltic economists in labour economics in both Latvia and Estonia have been invited to work more closely with international agencies as consultants.

By the time of our 2004 survey of research institutes, most were still working primarily in isolation. Less than 10% of institutes reported working with international agencies. However, over one third of Estonian and Lithuanian respondents named international agencies as one of the primary audiences for their output. Most institutes indicated that international agencies could do more to promote domestic research by making use of it themselves in their policy discussions with government. The Baltic examples suggest that these two stages of international cooperation complement each other very well. The early stage has the widest impact on spreading modern research methodology. But the latter stage is important for reinforcing the capacity to research policy issues at a higher level of analysis.

7 The episode studies

In Phase 2 of the project the aim was to study in more depth selected policy episodes in each country in order to bring out research policy linkages in the context of a specific policy episode. For each country two policy episodes were chosen and were then investigated with the aid of a semi-structured set of interviews of policy-makers, researchers and journalists involved in or familiar with the policy episode.

We made considerable efforts to find ‘comparable’ policy episodes for the three countries, but the task proved rather difficult. In the end the following ‘episodes’ were chosen: i) for all three countries some aspects of innovation policy; ii) for Estonia and Latvia the recent decision in both countries to increase parental benefit; and iii) for Lithuania the reform of the system of school finance. In the event the innovation studies were seriously incomplete for Latvia and Lithuania so we were left with just one ‘comparable’ episode, namely the parental benefit reforms in Latvia and Estonia. Innovation policy in Estonia and the Lithuanian school finance reform therefore remain as stand-alone episodes (these are reported in Annex 3).

The episode investigations were all ‘backward-looking’ and their aim was not merely to establish how research had impinged on policy but also to characterize the ‘political context’. Triangulation was aimed at by interviewing three different kinds of actors – policy-makers, researchers, and journalists. However, not all interviewees were equally willing to respond to questions asked and also at most two of each kind of actor per policy was interviewed. So, the account of each episode relies in important ways on the interpretation of the researcher.

7.1 Parental/childcare benefit reform

Here we report on the policy process that led to decisions in Estonia and Latvia to increase benefits for parents taking care of recently born children. An interesting result of our investigation is that both cases turned out to be negative examples of the role of research on policy-making. In neither country did research have an impact on the choice of which payment plan to adopt – which was the issue at the heart of the political battle over the benefit reform. The two cases are also relatively easy to compare and it is our hope that this will contribute to a further understanding the conditions that affect the use of research in policymaking.

Although policy outcomes and payment schemes are similar in Latvia and Estonia, we use different vocabulary. We use the terminology according to the official translation of the new payment scheme of each country: child care benefit in Latvia and parental benefit in Estonia.
**Narrative description of the policy episodes**

**Latvia**

The policy episode on Latvia began with a declaration on planned activities of the government led by Mr. Einars Repse (appointed on November 7, 2002) that stated the intention to increase and diversify state support for children and families. Mr. Repse ordered the Ministry of Welfare together with the secretariat of the Minister for Special Tasks in Children and Family Affairs and the Ministry of Finance to come up with proposals for support to families after the birth of a child.

In November 2003 a working group was set up at the Ministry of Welfare with to develop a policy paper that addressed the issue of monthly support for families with recently born children. Along with officials, representatives of trade unions, the Latvian Employers' Confederation, UNDP and the Soros Foundation Latvia participated in the working group. This working group served as a meeting place between researchers and policy makers. In addition, the working group commissioned two research reports.

In February 2004, the Ministry of Welfare published a draft framework document on increasing social benefits to families after the birth of a child to be implemented as of 2005. The ministry proposed two policy options. One was a flat rate childcare benefit of about 200 euro per month for people with children up to one year old. The other option proposed a benefit equal to the person's average wages during the previous 12 months, up to an amount not exceeding the level of three to five the minimum wage\(^{10}\). The Cabinet approved the latter option on February 17, 2004.

The issue attracted further attention in June, 2004 when differences of opinion surfaced between the then Prime Minister Mr. Indulis Emsis (appointed on March 9, 2004) on the one hand and the Minister of Welfare Ms. Dagnija Stāķe and Minister of Family Affairs Mr. Ainars Baštiks on the other. While the latter two supported benefits differentiated according to the previous earnings of parents, the new Prime Minister inclined towards the more egalitarian solution.

In the summer of 2004 two organized non-governmental groups became active in this sphere – the Initiative Group of Parents (IGP) and the Rural Women's Union of Latvia (RWUL). The IGP supported the differentiated benefit scheme and gathered more than 2000 signatures in support of this option. The RWUL also inclined towards supporting differentiated benefits.

On July 15, Mr. Emsis and the minister of welfare Ms. Dagnija Stake announced their agreement that the benefit would range from an equivalent of 130 to 530 euro depending on the previous wage. This was a compromise as compared with an earlier proposal to set the upper limit at 660 euro. On August 24 the Cabinet supported the principle that the so-called ‘mum’s’ wage’ would be differentiated and amount to 70% of the previous wage with the upper limit set at the equivalent of 576 euro.

The reformed childcare benefit was finally approved by the Saeima as an amendment to the Law on State Social benefits. The Saeima decision was the same as previously approved by the Cabinet of Ministers, i.e. the range of benefits would be from LVL 56 (82 euro) up to LVL 392 (560 euro) depending on previous earnings with LVL 50 (nearly 74 euro) set for

\(^{10}\) Minimum monthly wage was LVL 80 in Latvia (or just under 120 euro) and in Estonia EEK 2 480 (circa 158 euro) in 2004.
persons who had not worked before the birth of the child. The new benefits came into force as of January 1, 2005.

See figure in Annex 4 for an overview of the timing of events.

Estonia
The Estonian parental benefit came into force one year earlier than in Latvia. The debate on a differentiated versus a flat rate benefit emerged during the 2002 December election campaign, when the liberal Reformierakond party launched the idea of parental benefits compensating 100 percent of wages for one year after childbirth. This was taken up by the new party, the Res Publica party, who used it as a component of their campaign. Parties to the left of these two, proposed a uniform benefit equalling at least minimum pay, including all women, i.e. those who had and those who did not have wage incomes prior to the birth of the child.

After the elections the governing coalition was made up of three parties: Reformierakond, Rahvaliit and the newcomers and a new government led by Res Publica took office on April 10th in 2003. The coalition agreement announced the introduction of differentiated benefits from January 1st in 2004.”

A newly established NGO, Eesti Laste Eest (ELE) Pro Estonian Child, was clearly against differentiation and in early June had gathered 1500 signatures. On the initiative of ELE, in October 2003, an influential meeting was held between NGOs and the politicians of the Social Commission of the Estonian Parliament.

In the July draft law, the new government proposed a parental benefit in the range 141 – 1215 euro until the child is 11 months old. The draft law was gender neutral as it stipulated that both mothers and fathers could be beneficiaries. However, one major shortcoming was the superficial regulatory impact analysis. Draft laws submitted to the Riigikogu (Parliament) must include a description of the impacts of the law. According to interviewees, the quality of the regulatory impact analyses is uneven in Estonia. The description of impacts that accompanied the draft Law on Parental Benefit is one sentence and declares that: “Parental Benefit prevents the sharp fall in family income when a child is born.”

When the draft law reached Parliament the debate intensified. The popular objection towards differentiating parental benefits according to the pay of the parents was that such a policy is non-egalitarian, arguing that it is unfair that some children are worth more than other children. The official argument was that the aim of the parental benefit is to compensate for income foregone and not a measure for alleviating poverty. The intense debate included researchers; politicians, NGOs and ordinary people who wrote articles in newspapers and commented on newspaper articles on the internet. Most voices were against the government proposal. An opinion poll found 67 percent in favour of a uniform parental benefit, 24 percent supported the government proposal and 9 percent were neutral.

During the policy making process, changes were made in the draft law. One was to increase the period of compensation another was to reduce the ceiling to 1000 euro per month. Also the initial gender neutrality was changed so that the mother is obliged to use at least 6 months of the parental benefit. The latter change was due to remarks from the Paediatrics’

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12 Äirpäev Nov 12th 2003 cites an opinion poll carried out by EMOR.

To put together a new law in Estonia, it has to pass the Riigikogu (Parliament) first. After that the President has to approve the law and has the right to veto the law and send it back to the Riigikogu. In the case of the law on Parental Benefit the president gave his support. The decision to sign the consent for the law may have been affected by two arguments pointed out in a commentary to the draft law. 1) its narrow aim: “The purpose of this Act is to compensate for the loss of income arising from the raising of a child and to support the combination of work and family life.” 2) People with high incomes pay more taxes, which is also the principle for paying parental benefits. On the critical question as to whether the benefit scheme should be egalitarian or should be differentiated according to opportunity costs, i.e. whether to take into account the pre-benefit wage level of beneficiaries, the commentary clearly supported the opportunity cost approach.

**Similarities and differences**

In both countries there is societal consensus on the need to address the problem of low birth rates and the difficulties that face families with small children, but there is less consensus about how this should be done. The major point of contest in both cases was whether childcare/parental benefits should be equal or differentiated. One argument was that the government should not increase income differentiation further by paying higher benefits to well-off people. Another point of contest was whether social benefits are at all a key solution to the problems of low birth rates and the problems that families face. Judging from these factors the Latvian and Estonian cases are similar.

Also the key groups of stakeholders in this policy episode are relatively similar in Latvia and Estonia:

- The political parties that formed the governing coalition,
- Upper-middle class civil activists (the Initiative Group of Parents in Latvia and the young educated Estonian women, politically active in liberal parties),
- Estonian NGOs,
- Social policy experts, researchers, civil servants and ordinary people

The first two groups must be rated as the stronger since they achieved adoption of their favoured option. There is one difference between Latvia and Estonia considering activity of NGOs. The Latvian Initiative Group of Parents favoured the adopted option whereas the Estonian NGOs were against the government proposal. Estonian interviewees pointed out that the standpoint of the Government did not change despite fierce attack by the public and the NGOs. Apart from the particularly active groups, there was the broad group of young families that was the key potential beneficiary of the policy. In Estonia ordinary people, as well as, researchers and politicians participated in debates on the internet and newspapers. However, in Latvia this broad group as a whole did not become active in the policy-making process. Neither did researchers and experts play an active role.

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13 (RTI I 2003, 82, 549)
14 These arguments were included in a commentary written on November 7th in 2003 by professor Alari Purju, Tallinn University of Technology.
Thus although outcomes were similar the process differed between countries. In Latvia the government appointed a working group and before the government made up its mind the Ministry proposed two options. In Estonia, two options comparable to the Latvian ones were put forward during the election campaign in 2002-2003, by parties with different ideologies. Another difference between the countries is that Estonia adopted a new law, whereas Latvia amended an existing law. This difference probably increased the activity of the debate in Estonia, but on the other hand it does not seem to have had any real impact on developments. Although the Estonian and the Latvian NGOs had different views, their action was based on opposition against the solution put forward by the government and the new Prime Minister respectively.

Context
The primary background to the policy event was low birth rates. Before independence the birth rates of the Baltic countries exceeded 2.0 children per woman, which will sustain population levels, but birth rates fell rapidly during transition and in 2000 birth rates had fallen to 1.17 in Latvia, 1.28 in Estonia and 1.38 in Lithuania. The rapidly deteriorating demographic situation alarmed policy makers in all three Baltic countries, but changes in family policy were modest.

When regaining independence, the Baltic countries inherited a similar social support system from the Soviet Union. (Aidukaite, 2004) The previous structure of maternity benefits amounting to 100 percent of wages for 112 days still exists in all three Baltic countries– but the duration of entitlement has been extended, see table in Annex 5. Other changes include child allowance payment up to when the child is 15-16 years of age, introduced in the early years after independence in Latvia and Estonia. At about the same time, Lithuania introduced maternity leave based on previous wages until the child is one year of age. This change, however, did not result in similar debates as the later policy events in Latvia and Estonia.

The difficulties of families with small children also contributed to the change in policy. In Estonia, research on the risk of poverty has shown that those facing the highest risk of poverty are families with children. (Estonian Human Development Report, 2002) Although transfers help to alleviate poverty the share of Estonian families in poverty (after transfers) is higher than in most western countries. These circumstances, together with findings that young people postpone having children because of low incomes, have been important for tying policy to monetary support.

Relevant research
A number of studies have had implications for this policy issue. Table in Annex 6 shows the main pieces of relevant research identified during this study. All of this research is fully local if the name of the lead researcher is taken as the criterion. But, according to interviews, research had very limited impact on policy design. With the exception of one policy-maker, the interviewees agreed that the impact of research on policy making was rather limited in Latvia. In Estonia, the interviewees referred to several groups of influential researchers. However, at the same time they pointed out that no research was carried out to examine the impact of the choice of the payment option. Estonian interviewees even claimed that researchers were excluded from the policy making process. One interviewee maintained that policy in Estonia was based on narrow calculations, not on social research.

Latvia differs from Estonia in the timing of research. In Latvia three studies were published in 2004 during the policy process: two commissioned by the working group at the Ministry of Welfare. The intention behind the study funded by the Soros Foundation Latvia was to check the validity of a radical increase in childcare benefits as a solution to Latvia’s fertility
problem. This research questioned the focus on a single fiscal instrument rather than on a package of measures to promote a higher birth rate. In Estonia only one study was published during the policy process. This was not commissioned and was too general to address the needs of the Government at the time.

The studies identified by the Estonian interviewees do not analyse different policy alternatives. Apart from demographic studies, the identified surveys consist mostly of action research giving prominence to the point of view of Estonian families with children. Several Estonian interviewees noted that research contributed to identifying problems and priorities. One interviewee mentioned that research resulted in a support scheme that improved the functioning of the labour market.

Latvian interviewees pointed out that research mainly contributed to identification of problems. Several interviewees mentioned basic statistical data on birth rates as indispensable in the development of policy in this area. Interviewees also mentioned a number of shortcomings of the available research. One such shortcoming was the lack of analysis of data. Research appeared to have been done in a hasty manner – it provided basic data with little explanation of the implications. As one policy maker put it, research has not been qualitative as much as it has been quantitative. Another mentioned that most research has been focused on the problems rather than on the analysis of solutions and their costs and benefits.

Both Estonian and Latvian interviewees have admitted that generalising from personal experience rather than using research is regarded as a proper basis for decisions in this field of policy making. In Estonia there is evidence suggesting that politically active young women, i.e. the winners of the reform, actually formulated the policy by generalising from their own situation.

7.2 Discussion

The comparison of the policy episodes in Latvia and Estonia shows that policy was affected by similar developments in both countries. Low birth rates and difficulties for families with small children were the main reasons behind the policy change. Several research projects have had implications for these policy events. But, on balance, the impact of research has been rather modest.

Research was too general and therefore inconclusive for helping to choose between a flat rate and a differentiated payment scheme. Neither country made any ex-ante evaluations of the consequences of the choices. The only study that concerned monetary instruments questioned the focus on a single fiscal instrument. In addition, there was no disagreement about whether or not to support families with recently born children.

The case of Estonia points at another reason why research had very little impact. Parental benefits differentiated according to previous income were a promise made in the election campaign. After winning the election, there was little incentive for the winning parties to seriously compare their proposal with that of their opponents. Nor did the requirement that all draft laws be accompanied by a regulatory impact analysis motivate any further analysis of the topic. Poor practices of submitting regulatory impact analyses for new legislation seem to be widely accepted among Estonian policy makers. More stringent observance of the requirements has the potential to improve the link between policy making and research.
Estonian interviewees pointed out that the government coalition did not adequately communicate that the goal of the policy was to compensate for a loss of income arising from raising a child. In Latvia the policy goal was to increase birth rates, which is more general as it can be supported by both payment alternatives. In this case the division line is inherently normative because the options affect socio economic groups differently. Ultimately the choice concerns how impacts on income distribution are valued.

At the same time it is possible to point at some essential benefits arising from closer links between research and policy, also in cases that are inherently normative. The Latvian government appointed a working group that was to come up with policy advice. There were no similar actions taken by the Estonian Government coalition. Even though research had no impact on policy in either country, evaluations show that accountability and transparency in policy making was rated much higher in Latvia than in Estonia. Considering that trust in political institutions is at a very low level in the Baltic states, it seems that visible bridging practices have the potential for improving the general perception of policy makers.

Commissioned research is rated as the most important mechanism for linking research and policy. The study has also revealed that the attitude towards evidence-based policy is changing among civil servants. In Latvia, the practice of evidence-based policy is regarded as acting professionally, while in Estonia primarily young civil servants express a positive attitude towards using research in policy making.

The quality of communication was low in both countries. In order to improve communication practices a message needs to be communicated. Here is an important gap that needs to be filled with policy relevant research.

8 Conclusions
This project has been engaged in an empirical investigation of the natural experiment in research-policy linkages represented by the emergence in 1991 of Estonia, Latvia and Lithuania as independent states. Our approach to the investigation has been informed by two influences. The first is the recent theoretical literature that rejects the simple linear model of research policy linkages. The second originates in what we believe is the incorrect perception of the Baltic states as a single unit. In practice, within each country there is a fierce sense of difference from the other two. This sense of difference has been manifested in the emergence of very different political cultures in the three countries. The clear differences led us to propose the hypothesis that research policy linkages might be different in the three countries and could perhaps be traced to differences in political culture.

Our investigation suggests that indeed the simple linear model does not work in the Baltic states. This is amply demonstrated in the study of the ‘child-benefit reform episodes’ in Latvia and Estonia. The importance of working groups, composed of researchers and other non-decision making agents, that act as bridging intermediaries also points to a more complex link between research and policy.

However, with respect to our main hypothesis we find negative results. Thus, although there a minor differences, such as the importance of specialized institutes in Lithuania, it appears that the role of research in the policy making process appears to be rather similar in the three countries. We see this as the result of at least three dominant common factors:

- The common Soviet legacy
- The availability of external research
• The common drive to join the European Union

The common Soviet legacy has had a stronger effect than we believed \textit{a priori}. It has worked in several connected ways. Firstly, in economics in particular, there has been and still is an inadequate capacity for producing high quality policy-oriented research in a market economy context. The quality issue was much mentioned as a factor in our interviews. Secondly, research continues to be regarded as predominantly empirical and in many cases not theory based. Thus social scientists are seen as providers of facts rather than analysis. Moreover, it is also often the view that analysis does not require evidence. Thirdly, there is a suspicion, and this came out in the child-benefit episode study, that politicians continue to believe that policy-making in the end does not need evidence – especially when the policy in question is purely domestic and does not need to be justified to partners (e.g. the EU).

In all three countries external research has been widely available right from the start of transition and mainly it offered the same message in all three countries. In fact, all three countries sometimes resisted the advice of international organizations e.g. on currency reform where the IMF urged more caution than actually adopted, or they went in very divergent ways e.g. in the style and pace of privatization. However, these policy choices were based on political preferences (sound money) or political constraints (privatization) rather than on evidence. In the early years the availability of external research may have inhibited the development of local research capacity, but more recently the international organizations have made increased use of local researchers working in collaboration with the professionals of the organization.

Finally, the EU accession process has been totally decisive in policy development in all three countries. Essentially, the requirements of EU accession have meant that in many areas there has no policy debate and no need for local research. From financial regulation, to external trade, to competition policy, to the Common Agricultural Policy etc, the Baltic states (and all new member states) have been obliged to accept the EU institutional and policy template. Now, as EU members, there is likely to be more need for local research capacity in order to be able to take an informed position in EU policy-making and to implement common EU policies.

While the project has not delivered ‘big answers’ we believe it offers a hitherto unavailable picture of they way in which policy-making has used (or not used) research and researchers in three post-Soviet countries. Some interesting common (as opposed to different) features have emerged.

One common feature seems to be the importance of commissioned research – we found that commissioned research was more highly regarded by politicians than research in general. Also close contacts between ministries and the research community increased the rating of research as did the presence of long-term programmes within ministries. This suggests that more resources should be devoted to such research.

Another feature of our results is the observation that the specialized institutes in Lithuania seem to have more ‘success’ in reaching policymakers than the generalist institutes in Latvia and Estonia. An exception to this appears to be Praxis in Estonia. Apart from the quality of its research, we believe that its strategy of concentrating on a limited number of ‘programmes’ – innovation, health, education, and labour and social policy – makes Praxis more a like specialized institute than the typical generalist institute in Latvia or Estonia. We believe there is an important lesson here: research institutes that work on the basis of well defined programmes of research offer policy-makers continuous access to the latest research in a
given area, say, health economics or labour markets. Such focused programmes of research are a common feature of successful research institutes in the West. They represent an important resource for policy-makers and as a consequence often receive core public funding for such programmes. A notable example of an institute operating in this way is the Economic and Social Research Institute in Ireland, which receives about 25% of its funding as a grant from the government. Why are there few programmes of research in most Baltic research centres? The answer is surely lack of core funding for such programmes. Our survey showed the prevalence of institutes that rely on (small) project based funding.

Lastly, a clear feature of all three countries is the frequency of contact between researchers and policy-makers. Contacts are both formal and informal. In a number of cases the study revealed the importance of working groups or expert councils. Thus researchers often appear to act as intermediaries between research and the policy makers i.e. the chain linking research and policy is longer rather than shorter and policy-makers need ‘interpreters’ of research. This suggests that the BRP could give this intermediary/interpretative role of researchers a more prominent position in its agenda.
References


Kaase, Max and Sparschuh Vera (ed) (2002) Three Social Science Disciplines in Central and Eastern Europe, Social Science Information Centre (IZ)/Collegium Budapest.


### Annex 1: List of interviewed researchers with main policy areas

#### Latvia

<table>
<thead>
<tr>
<th>Name of institution</th>
<th>Name of institution in Latvian</th>
<th>Research areas</th>
<th>Type of organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institute of Economics, Latvia Academy of Sciences</td>
<td>Latvijas Zinātņu akadēmijas Ekonomikas institūts</td>
<td>Economics</td>
<td>Non-governmental, non-profit research institute</td>
</tr>
<tr>
<td>Latvia Agrarian Economics Institute</td>
<td>LV Agrārās Ekonomikas Institūts</td>
<td>Agriculture, regional development policy</td>
<td>Government research institute</td>
</tr>
<tr>
<td>Higher Education Council</td>
<td>Augstākās izglītība padome</td>
<td>Higher education policy</td>
<td>Council, with board members approved by parliament</td>
</tr>
<tr>
<td>Konsorts</td>
<td>SIA &quot;Konsorts&quot;</td>
<td>Industrial, energy, transport, trade and regional policy</td>
<td>Private research and consulting company</td>
</tr>
<tr>
<td>Latvia Statistics Institute</td>
<td>Latvijas Statistikas Institūts</td>
<td>Statistics, regional policy, market research</td>
<td>Government research institute</td>
</tr>
<tr>
<td>University of Latvia Economics Institute</td>
<td>LU Tautsaimniecības institūts</td>
<td>Economics</td>
<td>University department</td>
</tr>
<tr>
<td>Stockholm School of Economics in Riga</td>
<td>Rīgas Ekonomikas augstskola</td>
<td>Economics and business administration</td>
<td>University with some state financing</td>
</tr>
<tr>
<td>Latvian Centre for Economic Analysis</td>
<td>SIA &quot;Latvijas ekonomiskās analīzes centrs&quot;</td>
<td>Economic sectors development, structural policy</td>
<td>Consultant</td>
</tr>
<tr>
<td>RTU Riga Business School</td>
<td>RTU Rīgas Biznesa institūts</td>
<td>Management and business</td>
<td>University department</td>
</tr>
<tr>
<td>University of Latvia Faculty of Economics and Business Management</td>
<td>LU Ekonomikas un vadības fakultāte</td>
<td>Economics and business administration</td>
<td>University department</td>
</tr>
<tr>
<td>Baltic International Centre for Economic Policy Studies</td>
<td>Baltijas Starptautiskais Ekonomisko Pētījumu Centrs</td>
<td>Economics</td>
<td>Non-governmental, non-profit research institute</td>
</tr>
<tr>
<td>Riga Technical University Faculty of Engineering Economics</td>
<td>RTU Inženieriekonomikas fakultāte</td>
<td>Economics and business administration</td>
<td>University department</td>
</tr>
<tr>
<td>Latvian Council of Science, Economics and Law department</td>
<td>Latvijas Zinātnes padome</td>
<td>Economics and law</td>
<td>State-funded research programme</td>
</tr>
<tr>
<td>Latvian Institute of International Affairs</td>
<td>Latvijas Ārpolitikas institūts</td>
<td>Policy process, integration of society, anti-corruption policies, foreign affairs</td>
<td>Non-governmental, non-profit research institute</td>
</tr>
<tr>
<td>The Soros Foundation Latvia</td>
<td>Sorosa fonds - Latvija</td>
<td>Legal framework, social integration, education, art and culture</td>
<td>Non-governmental, private fund</td>
</tr>
<tr>
<td>Baltic Institute of Social Sciences</td>
<td>Baltijas Sociālo Zinātņu institūts</td>
<td>Statistics and social sciences and market research</td>
<td>Non-governmental, non-profit research institute</td>
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<tr>
<td>Baltic Studies Centre,</td>
<td>LZA Baltijas studiju centrs</td>
<td>Policy process, integration and health of</td>
<td>Private research/consulting company</td>
</tr>
<tr>
<td>Organisation</td>
<td>Main research/policy area of organisation</td>
<td>Founded in</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------------------------</td>
<td>------------</td>
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<tr>
<td>Latvia Academy of Science</td>
<td>society, education and employment, culture, national society</td>
<td></td>
<td></td>
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<tr>
<td>World Wildlife Fund</td>
<td>Pasaules Dabas fonds</td>
<td>Environment protection</td>
<td>Non-governmental organization</td>
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<tr>
<td>Latvian Nature Fund</td>
<td>Latvijas Dabas fonds</td>
<td>Environment protection</td>
<td>Non-governmental organization</td>
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<tr>
<td>University of Latvia Gender Studies Centre</td>
<td>LU Dzīmes studiju centrs</td>
<td>Gender equality, women's rights</td>
<td>University-based research institute</td>
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<tr>
<td>University of Latvia Faculty of Education and Psychology, Department of Education</td>
<td>LU Pedagoģijas un psiholoģijas fakultāte, pedagoģijas nodalā</td>
<td>Education and psychology</td>
<td>University department</td>
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<tr>
<td>Vidzeme University College Consultation Centre</td>
<td>Vidzemes Augstskolas Konsultāciju centr</td>
<td>Regional development</td>
<td>University-based research institute</td>
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<tr>
<td>University of Latvia Faculty of Geography and Earth Sciences</td>
<td>LU Geogrāfijas un Zemes zinātņu fakultāte</td>
<td>Environmental policy, regional development</td>
<td>University department</td>
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<td>University of Latvia Faculty of Law Institute of Human Rights</td>
<td>LU Juridiskās fakultātes Cilvēktiesību institūts</td>
<td>Human rights</td>
<td>University-based research institute</td>
</tr>
<tr>
<td>University of Latvia Faculty of Education and Psychology, Institute of Educational Research</td>
<td>LU Pedagoģijas un Psiholoģijas fak. Izglītības pētniecības institūts</td>
<td>Education</td>
<td>University-based research institute</td>
</tr>
<tr>
<td>Public Policy Centre PROVIDUS</td>
<td>Sabiedriskās politikas centrs PROVIDUS</td>
<td>Education policy, criminal law, legal framework, anti-corruption policy</td>
<td>Non-governmental, non-profit research institute</td>
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<tr>
<td>Latvian Centre for Human Rights and Ethnic Studies</td>
<td>Latvijas cilvēktiesību un etnisko studiju centr</td>
<td>Human rights, integration of society</td>
<td>Non-governmental, non-profit research institute</td>
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<tr>
<td>Public Policy Institute</td>
<td>Sabiedriskās politikas institūts</td>
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**Estonia**

**University based research organisations**

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<thead>
<tr>
<th>Organisation</th>
<th>Main research/policy area of organisation</th>
<th>Founded in</th>
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<tr>
<td>Faculty of Economics and Business Administration at the University of Tartu</td>
<td>Labour market, Structural change (Transition/EU-Accession), Economic growth and Capital creation</td>
<td>Faculty at the University of Tartu. A separate department of Economics was established in 1938</td>
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<tr>
<td>Tallinn University of Technology Faculty of Economics and Business Administration</td>
<td>Transition/Convergence of the Estonian Economy, FDI and Foreign Trade, Banking</td>
<td>Faculty at Tallinn University of Technology. The department (faculty?) of economics was founded in 1940</td>
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<tr>
<td>Organisation</td>
<td>Main research/policy area of organisation</td>
<td>Founded in</td>
</tr>
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<td>--------------</td>
<td>------------------------------------------</td>
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<tr>
<td>Centre for Strategic Initiatives (CSI) - a Think and Do Tank</td>
<td>Strategic issues determining the long-term development of Estonia.</td>
<td>Independent non-profit organization, founded in 2001 by the Bank of Estonia, Estonian Chamber of Commerce and Industry, The University of Tartu and Tallinn University of Technology</td>
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<tr>
<td>PRAXIS - Center for Policy Studies: an independent not-for-profit think tank</td>
<td>Innovation, Labour, Education Policies</td>
<td>Independent not-for-profit think tank Founded in 2000</td>
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<tr>
<td>The Estonian Institute for Futures Studies</td>
<td>EU accession, Foreign Policy towards Russia, Innovation policy</td>
<td>Established in 1992 as a non-profit organisation.</td>
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<tr>
<td>Estonian Institute of Economic Research (EKI)</td>
<td>Analysis and assessment of Estonia's economic situation, price surveys and forecasts</td>
<td>Privatised in 1997, formerly a government institute, founded in 1934</td>
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Lithuania

<table>
<thead>
<tr>
<th>Name of institution</th>
<th>Person Interviewed</th>
<th>Name of institution in Lithuanian</th>
<th>Research areas</th>
<th>Type of organization</th>
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31
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<th>Name</th>
<th>Field</th>
<th>Type</th>
<th>Ownership</th>
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<tr>
<td>Lithuanian Banking, Insurance and Finance Institute</td>
<td>Eugenija Martinaityte</td>
<td>Business finance</td>
<td>Private non-profit firm</td>
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<tr>
<td>Health Economics Centre</td>
<td>Liubove Murauskiene</td>
<td>Economics of health system</td>
<td>Private firm</td>
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<tr>
<td>Lithuanian Energy Institute</td>
<td>Rolandas Urbonas</td>
<td>National energy plan</td>
<td>State institute</td>
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<tr>
<td>Education Development Centre</td>
<td>Pranas Gudynas</td>
<td>Education policy</td>
<td>State institute</td>
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<tr>
<td>Lithuanian Institute of Agrarian Economics</td>
<td>G. Radzevicius</td>
<td>Agricultural policy</td>
<td>State institute</td>
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<tr>
<td>Institute of Labour and Social Research</td>
<td>Daiva Andriusaitiene</td>
<td>Labour and social security policy</td>
<td>Quasi public institute</td>
<td></td>
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<tr>
<td>Lithuanian Regional Research Institute</td>
<td>Egle Baroniunaite</td>
<td>Regional policy</td>
<td>Private non-profit</td>
<td></td>
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<tr>
<td>Vilnius Bank Analytical Group</td>
<td>Alge Budryte</td>
<td>Market research, taxation</td>
<td>Division of private for profit company</td>
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<tr>
<td>Institute of Social Economy</td>
<td>Dziugas Dvarionas</td>
<td>Social policy</td>
<td>Private non-profit</td>
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<tr>
<td>Bank of Lithuania Research Division</td>
<td>Igor Vetlov</td>
<td>Macroeconomics</td>
<td>State institution</td>
<td></td>
</tr>
<tr>
<td>Nord/LB Research Group</td>
<td>Jekaterina Rojaka</td>
<td>Market research</td>
<td>Division of private for-profit company</td>
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<tr>
<td>Lithuanian Free Market Institute</td>
<td>Remigijus Simasius</td>
<td>Taxation, education policy, shadow economy</td>
<td>Private non-profit company</td>
<td></td>
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# Annex 2: List of Interviewed Ministries

**LATVIA**

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<tr>
<th>Ministry/Agency</th>
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<tbody>
<tr>
<td>State Chancellery</td>
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<tr>
<td>Latvian Central Bank</td>
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<tr>
<td>Ministry for Special Assignments for Family and Children's Affairs</td>
</tr>
<tr>
<td>Education and Science Ministry</td>
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<tr>
<td>Transport Ministry</td>
</tr>
<tr>
<td>Latvian Investment and Development Agency</td>
</tr>
<tr>
<td>Welfare Ministry</td>
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<tr>
<td>Justice Ministry</td>
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<tr>
<td>Defense Ministry</td>
</tr>
<tr>
<td>Environment Ministry</td>
</tr>
<tr>
<td>Culture Ministry</td>
</tr>
<tr>
<td>Economics Ministry</td>
</tr>
<tr>
<td>Regional Development and Local Government Ministry</td>
</tr>
<tr>
<td>Finance Ministry</td>
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</table>

**LITHUANIA**

<table>
<thead>
<tr>
<th>Ministry/Agency</th>
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</thead>
<tbody>
<tr>
<td>Economy Ministry</td>
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<tr>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>Agriculture Ministry</td>
</tr>
<tr>
<td>Social Security Ministry</td>
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</tbody>
</table>

**ESTONIA**

<table>
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<tr>
<th>Position</th>
<th>Ministry/Governmental institution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minister</td>
<td>Ministry of Economic Affairs and Communication</td>
</tr>
<tr>
<td>Deputy Secretary General of Economic Development</td>
<td>Ministry of Economic Affairs and Communication</td>
</tr>
<tr>
<td>Head of Economic Analyses Division</td>
<td>Ministry of Economic Affairs and Communication</td>
</tr>
<tr>
<td>Analyst of Labour Information and Analysis Department</td>
<td>Ministry of Social Affairs</td>
</tr>
<tr>
<td>Head of Social Security Department</td>
<td>Ministry of Social Affairs</td>
</tr>
<tr>
<td>Deputy Secretary General for Education and Research</td>
<td>Ministry of Education and Research</td>
</tr>
<tr>
<td>Head of Financial Policy Department</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Head of Foreign Economic Policy Department</td>
<td>Ministry of Foreign Affairs</td>
</tr>
<tr>
<td>Economic Research Department</td>
<td>Bank of Estonia</td>
</tr>
</tbody>
</table>
Innovation policy in Estonia

In Estonia innovation has been considered as the main tool for achieving higher productivity, structural change toward R&D intensive production and higher living standards. The initial understanding was that the target for innovation policy would be to support spill-over from applied research to product development. The Innovation Foundation was established in 1991 with the aim to finance R&D projects\textsuperscript{16}. This foundation was the first of its kind in the Central and Eastern European countries. The understanding of innovation policy has widened in Estonia during 1990s from project-based activity to more a more systemic understanding of innovation. A special reform which, started in the end of 1990s, targeted the innovation system as a whole. In the current study we concentrate on the changes that took place in 1999-2000.

Description of the policy

The policy episode is the reorganisation of innovation funding policy. The Innovation Foundation was a private body and was responsible until the end of 2000 for delivering R&D financing on a project basis to firms, research institutes and research units in universities. Allocation of money was done by the board of the foundation on a project basis, but without having any clear priorities. The Innovation Foundation was reorganised into the Technology Agency (ESTAG), which became operational from 2000. The purpose of ESTAG was to guarantee that clear rules were in place for fund allocation. The ESTAG had a comprehensive strategy from the beginning with the Finish National Technology Agency (TEKES)\textsuperscript{17} taken as a model.

In order to create an internal synergy and to be client friendly, further reorganisation was carried out. A merged institution, Enterprise Estonia (EAS), was set up only one year after ESTAG had been established, with seven different organisations were merged into one.

How to establish an Estonian Venture Capital Fund is the issue currently under debate. There are two competing ideas, one put forward by the Ministry of Economic Affairs and Communications and another developed by SAK (Strateegiliste Algatuste Keskus – Centre for Strategic Initiatives) and supported by the Parliament.

Factors that contributed to the change

There seems to have been several causes contributing to the reorganisation of innovation financing. Firstly the Innovation Foundation did not work properly. The management was weak and the administrative costs too high. And being a private foundation contributed to low transparency\textsuperscript{18}.

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\textsuperscript{16} In 1997 Küttner from Tallinn University of Technology carried out a study for the Ministry of Economic Affairs and Communications. On the basis of Küttner’s analysis, the Government formed an innovation policy in 1998. However, one problem with this document is that there were no resources for backing it. In addition, the priorities were also very general.

\textsuperscript{17} Tekes is the main public funding organisation for research and development in Finland. Tekes funds industrial projects as well as projects in research institutes, and especially promotes innovative, risk-intensive projects. Source: www.tekes.fi

\textsuperscript{18} Quite important in formulation of critical arguments against existing system was a study commissioned by the Ministry of Economic Affairs and performed by a working group under Hannu Hernesniemi from Finnish Institute of Economic Research (ETLA), see Hernesniemi, Hannu (2000) Evaluation of Estonian Innovation System. ETLA, the Research Institute of the Finnish Economy, Elinkeinoelämän Tutkimuslaitos, Helsinki 2000, 68 p. Discussion paper. Keskusteluaiheet, ISSN 0781-6847; No. 722. The study found that in many cases the Foundation systematically cut funding in order to increase the number of projects, which lowered the expectations of the applicants and reduced also the possibilities to target innovative projects. He pointed out that this could lead to the paradox that: “The public promise to fund technology development harms or slows down the technology development” (Ibid p 27).
A second factor was that policy perception of innovation policy changed among policy makers, from viewing innovation policy as a tool for financing R&D projects to including all parts of the innovation system. A third, more general factor, has been the need to improve the competitiveness of Estonia’s economy and to increase exports. The long run goal of remaining competitive even after Estonia loses its low cost advantage is somewhat abstract. Instead the persistent imbalance of Estonia’s external trade seems to be more important for triggering policy makers to try even harder to find new possibilities in an environment where there is political consensus about maintaining liberal trade policies.

**Impact of research**

Interviewees have pointed out that the need to use research has increased over time. One description of this ever-increasing need is that Estonia needs more fine-tuning of policy than before. In economic policy making the need for fine-tuning was not acute during transition because then the economic policy decisions involved large changes. Generally, studies are commissioned in order to get an overview of the area. The main impact of research is perceived as helping to identify strategies and solutions.

In 1999 the Ministry of Economic Affairs commissioned a study, which was carried out September 1999 – March 2000 by Hannu Hernesniemi from Finnish ETLa and with financial support from Phare. The research of Hernesniemi was new for Estonia and his results were provocative. Hernesniemi pointed out three principal problems for Estonian innovation policy: the low level of financial support for Research and Technology Development (RTD), poor policy preparation and poor functioning of the central organisations of the national innovation system. His recommendations included the establishment of a Technology Agency and reorganisation of the Research and Development Council.

An earlier study, commissioned by the European Commission in 1997 and carried out by Price Waterhouse in the Netherlands (Simon Smith) did not get much attention in Estonia, although it pointed out similar issues. One reason for its low impact was that it was not commissioned by the Ministry and therefore Estonian policy makers did not take very much notice of it. In addition, the interviews have mentioned that people were then not yet ready to consider the criticism and take corresponding action.

Several interviewees said they had insufficient information to rank the impact of research on this policy event. In addition, the responses of those who ranked the impact were very different. However, the overall judgment is that the research of Hernesniemi has had a large impact on the policy episode. His recommendations to establish a Technology Agency and to reorganise the work of the Research and Development Council have been followed in subsequent policy making.

Hernesniemi suggested that the Research and Development council, which is an advisory body for the government headed by the Prime Minister, should work in two chambers: one chamber dedicated to science and headed by the Minister of Education and Research and the second chamber dedicated to technology development and headed by the Minister of Economy and Communications. The restructuring of consultative bodies supporting the government on innovation policy took place during 2000.

The Innovation Policy Council gives advice to the Ministry of Economic Affairs and Communications. More than half of the members of the Council are from the business sector. (There are about 15 members). According to a report from the EU Commission the number of

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19 See the structure in Appendix to this section.
business representatives of the 23 members in the former R&D Council was two.\textsuperscript{20} The study of the European council was published about one year after Hernesniemi’s report.

The impact of research is obvious also on the currently debated issue on how to establish an Estonian Venture Capital Fund. In 2003 the Ministry of Economic Affairs and Communications commissioned a background study about on alternative models for an Estonian Venture Capital Fund. There was a public procurement process and the Dutch Zernike Group was chosen to carry out the study.\textsuperscript{21} The different options presented in the study have been discussed in the Technology and Innovation Commission and in the R&D Council. A decision by the government was taken in principle to establish a Venture Capital Fund where the government in co-operation with the private sector would provide funding for innovative enterprises. The support scheme will be directed to finance enterprises in their start-up phase by providing seed capital. The hope is that the Fund will finance about 50 new innovative enterprises over a period of five years.\textsuperscript{22}

Another model for the Venture Capital Fund has been put forward by Parliament. Their idea takes the Finnish SITRA\textsuperscript{23} as its starting point. The research has been undertaken by a local research team at SAK (Strateegliste Algatuste Keskus – Centre for Strategic Initiatives), with support from Finnish researchers. The Estonian Development Fund, Smart Money, is would invest in 3-5 projects each year in existing firms to support the expansion phase of these enterprises.\textsuperscript{24}

\textit{Stakeholders and the relationship between them}

The theme of innovation policy is not part of popular discourse. However, there are strong linkages between national identity and innovative success stories. Low public awareness of innovation policy has been mirrored by low media interest. Other stakeholders, including academic researchers, businesses, science parks and potential investors are generally included in the policy process of innovation policy. The government recognises the importance of listening to stakeholders in order to define problems and to receive feedback. There are different channels for communication. Besides, the Innovation Policy Council hearings are carried out in meetings with stakeholders.

All political parties are in favour of innovation policy, and all recent governing coalitions have included innovation policy into their coalition agreements but generally policy makers have little experience with businesses and lack a clear vision within this field. However, the view about how to implement policy is less clear. There are indications of competition between different ministries. Within the government the Ministries of Economic Affairs and Communications, Education and Science as well as the Ministry of Finance deal with innovation policy.

\begin{itemize}
\item \url{www.mkm.ee} Riiklik riskikapitali programm.
\item The Finnish National Fund for Research and Development (SITRA) is an independent public foundation under the supervision of the Finnish Parliament. The activities of SITRA include:
- research and training
- innovation and business development
- venture capital.
\item Sources \url{www.sak.ee} and \url{www.mkm.ee}
\end{itemize}
From the viewpoint of the government, innovations primarily concern innovative activities that are carried out within companies. However, until now the most influential stakeholders in this field have been academic institutions. Academic researchers form a strong lobby group. They perceive innovation funding as funding for academic research. There are bridging organisations at the University of Tartu and at Tallinn University of Technology. In discussion of the new strategy for Innovation Policy within the R&D Council, academic representatives claimed that innovation could only be done in universities.

The general interest of companies is very low, but growing. Only a small number of firms are active. Foreign investors generally have more influence than local industrialists on the economic policy process, but foreign capital is not considered a stakeholder in innovation policy. The role of foreign capital is recognised as having brought organisational innovations to Estonia, which has made Estonian firms competitive, but they are not active in the field of technological innovation. Venture capitalists are currently emerging and developing in Estonia.25

Science Parks have been a policy measure rather than a lobby group. They are usually invited to hearings but they are not rated important when it comes to influencing policy. A special interest organisation, The Union of Estonian Inventors, has had little on innovation policy according to interviewees. The media does not write much about innovation policy, which may be explained by the fact that the field is relatively complex. In addition, there have not been many conflicts or areas where different viewpoints are contested.

Political context
The accountability of the policy making process in this field is perceived as somewhat lower than average. The reason is that sanctions for being negligent or incompetent are relatively rare. Innovation policy is carried out in relatively closed circles. Among the stakeholders policy is contested. However, within the field of innovation it is possible to detect different degrees of contestation depending on the policy event. Currently the issue of the Venture Capital Fund is contested; this is in contrast with the case of ESTAG. When ESTAG was founded there was consensus among the stakeholders.

Policy implementation and practice
When discussing the incentives of civil service to implement evidence-based policy within this area, the opinions differed to a great degree. There were interviewees, both from inside and outside the ministries who claimed that evidence-based policy is needed to compete for budget money between ministries. On the other hand, other interviewees claimed that there are no incentives, the civil servants do what the minister or chancellor says. One reason for different viewpoints could be that the incentives are mainly internal, which points at the fact that the main incentive is personal mission.

Generally the procedures of ESTAG and later EAS are regarded as transparent. However, there have been complaints about the feedback procedures of ESTAG/EAS. In addition, a

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25 In September 2004 the first Estonian Venture capital firm was registered “Martinson Trigon Venture Partners”. The partners are Trigon Capital and Allan Martinson, the latter was a member of the Board of the Estonian Computer producer Microlink. The new Venture capitalists will concentrate on technology, media and communication sector investments in the Baltic Countries in the rest of the Central and Eastern Europe,( Eesti Päevaleht September 7th 2004).
recent report from the State Audit Office criticised the EAS for slow procedures and for not commenting funding decisions.  

Policy implementation has been considered as relatively inclusive within innovation policy. However, the ranking of this by researchers is somewhat lower than that of other groups, which may be the effect of ambivalent advice.

Proactive thinking was ranked higher than rational thinking. Rationality was defined as awareness of the current situation. Non-policy makers value the rationality of policy makers lower, as compared with the rankings that policy makers made about themselves. One comment points out that the low ranking was because the policy changes have not improved the incentives for entrepreneurship.

Innovation policy in Estonia is based on broad rather than on narrow interests. Interviewees claimed that the interest of Estonia is the starting point and there are hardly any personal interests. However, there were responses that questioned the broad interest of policy makers.

Communication
Although communication is perceived important, very little promotion has been carried out. One reason was claimed to be the shortage of resources and the shortage of competence in PR. Another reason mentioned was that there was consensus about policy when ESTAG was created. However, the current discussion on the two competing models of a Venture Capital Fund differs in that respect from the earlier reorganisation of innovation policy. Interviewees have even pointed to the risk that too much advocacy effort may be counterproductive – meaning that the result will be no Venture Capital Fund.

There are continuous contacts between policy makers and experts within the Innovation Policy Commission. The contacts with researchers are intense when research is commissioned.

Links
The incentives are primarily personal for researchers. However, researchers also rate carrying out studies for local policy makers as carrying little merit in academic circles. Also the incentives to communicate research results to policy makers are low.

The interviews point out that communication between researchers and civil servants is two sided, but contacts could be more intense, especially given the relatively low incentives among researchers. Researchers point out that it is more important to write newspaper articles, because in that way you become known.

The incentives for civil servants to learn more about research based policy are mostly internal and depend on personal initiatives. Those civil servants, who have strong personal motivation to learn more about evidence-based policy, claim that it is important to be updated on the latest findings within the field.

Meetings, media, networks, NGOs, working groups, advocacy, workshops, courses and textbooks have been mentioned as mechanisms for bridging research and policy. Meetings are

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generally perceived as the primary mechanism, but there are examples of inviting civil servants to seminars and trade fairs.

Although there is a requirement to include an assessment with draft laws when they are handed over to the Parliament, this requirement was not mentioned in interviews. Instead interviewees mentioned environmental impact assessments. There have been discussions on the ministry level about requiring assessments of the impacts of regulatory changes on innovations and business activity. Regulations including accounting and tax laws influence this field. An example about the growing use of evaluations is the State Development Programme 2004-2006, which was evaluated ex-ante and will be evaluated ex-post.

The rate of mobility between research and policy arenas is either less than average or close to average. It has been pointed out that there is much more mobility from civil service to research than the other way around.

**External influences**

There are two important foreign influences, one is Finland and the other is accession to the European Union. The other Nordic Countries and the Baltic Sea Region were also mentioned, but their impact was generally perceived as lower. The World Bank has not been active in developing innovation policies in Estonia. However, Estonian experts have worked for the World Bank to implement incubation programmes in Afghanistan and Mongolia, but there has very little impact on Estonian policy from this activity. Globalisation is also very important in every respect and is expected to become even more important as labour costs increase in Estonia.

Democratisation affects innovation policy in a subtle way. During Soviet times all innovative activity was carried out in academic institutions and there were direct links between academic institutions and those who allocated funds. As the policy and distribution of funds are under the control of public authorities and also depend on the budget decisions of the Parliament, one should take into account that biased public debates may be initiated by beneficiaries, whose main target is to influence the public opinion and politicians, but also to meet certain expectations and attitudes of media on innovation policy issues.

**Appendix**

The restructuring of consultative bodies supporting the Government on Innovation Policy took place during 2000 and the current structure of the Governmental innovation and R&D governance system is described by the chart below:

**Chart A.1. Structure of innovation and R&D governance system**
Reform of school finance in Lithuania

Description of the policy
The policy episode concerns the financing of compulsory age schooling in Lithuania. Schooling is administered by Lithuanian local authorities and before 2002 they financed it from their general revenue, which consisted mainly of tax sharing of the income tax and general grants from the state. This gave the misleading impression that schooling was under the control of municipalities, although they were in fact heavily regulated by the Ministry of Education. There were also doubts that local authorities were effectively carrying out their responsibilities. The most evident cases of failure of the municipalities were their inability to pay teacher wages on time. The government’s policy programme for 2001-2004 called for a redesign of the school finance system. It made the Education and Science Ministry and the Finance Ministry jointly responsible for execution of this policy. From January 2002 a new system commenced with a specific grant per standardised pupil, called the ‘pupil basket’. The municipality received this specific grant for current school expenditures from the state budget and was to pass this on to the schools according to the number of standardised pupils, although the municipalities were given some room for reallocation at the margin.

The new system placed a large accounting burden on the municipalities. First the municipality had to collect information about the number of pupils from each school. Then it had to convert these to standardised pupil numbers by making adjustments for the class of the pupil and the environment of the school (rural versus urban). Then it had to calculate how much would be its pupil basket grant given the amount established in law per standardised pupil. The amount of the grant could still be supplemented by the municipalities from their general revenue. The specific grant was supposed to be used for five areas of current school spending according to a fixed proportion, although the local authorities were authorised to make some reallocations at the margin. The five areas were administration, counseling and library services; teacher salaries; books; teaching equipment; and teacher training. The local authorities also had some leeway to use the current spending for other school related expenses such as technical personnel.

Overall the new system was successful in overcoming the problem of late teacher salaries. However its ability to improve transparency was hampered by inadequate auditing by the Ministry of Finance. It was only after almost 2 years of operation of the system that a state audit reported widespread calculation errors by the municipalities, distortion creating
supplements by the Ministry of Education and hence allocations inconsistent with the pupil basket principle passed by Parliament.

Relevant research
A few studies of the new system have been carried out so far.

- The State Audit report that looked at whether the aims of the reform were met and suggested further reform of the system to improve its working.

Research contribution
There was no special research done to prepare for the reform, either by inside people or by outside research groups. Rather, some rough data on examples of how other countries implemented the pupil basket concept was gathered by the Working Group assigned to create the proposal for the reform itself. The Working Group consisted of people from the Ministry of Education, government representatives, Lithuanian Free Market Institute representatives, and some other bodies. The group was led by A. Morkūnienė, advisor to the prime Minister.

The group took various elements from countries in Europe. They took concepts, laws, and the administration system for the pupil basket. One drawback was that these were all taken from different countries with many differences among themselves. Next the government tried to adapt those examples to the Lithuanian education system. However, this adaptation was done in a hurry and without much discussion in society.

The Working Group visited some other countries to check how the system worked there, e.g. Poland.

Political context
Accountability/responsibility: depends on the level of decision-making. The accountable bodies in general are the Ministry of Education and Science and the Finance Ministry. However, the problem here is that currently there are no work division between the Finance and the Education Ministries, this makes for vagueness regarding responsibility issues. There is no clear agreement between these bodies at to who has to manage and coordinate money flows. Thus, no one is tracking whether the system is working correctly. The idea of the reform was created by the Prime Minister at the time, Andrius Kubilius. Creation of the reform was then entrusted to the Work Group, thus it was accountable, and mainly the group leader A. Morkūnienė. The implementation and the acceptance of the concept were further on regulated by the Ministry of Education, making it accountable for the results. However, there are no clearly defined sanctions, thus weakening the process of accountability.

Contested: There were some conflicts concerning teachers’ payments when the new system was implemented. As the system ensured that teachers will receive money on time this was clarified and currently there are no strong public objections to the reform. There were some objections, but not significant ones about the reform. This could be explained by the fact that most people were not aware of the possible results and effects of the new system. Additionally, the low level of contestation could be the result of the combining policies on the pupil basket and centralisation of the financing system. If there were people who objected to the implementation of the pupil basket (like schools), they were calmed knowing that the
money distribution system to the schools would be centralised and thus teachers would be able to receive money on time (i.e. the money meant for educational purposes will be spent on them). There was no conflict between teachers and the government. They all wanted to have at least a little bit more order so there was not much argument. There were disputes at the citizen level because children and their parents had insufficient information about the reform. Even teachers were not fully informed...

**Stakeholders:** The reform was created and accepted by the government. Then the responsibility for its implementation was transferred to the Finance and Education Ministries. The latter institutions still have to agree between themselves about their responsibilities and level of accountability. The major parties taking part in the management of the policy are: Ministry of Education and Science (which is responsible for management of the process, including planning of the money to be sent to municipalities), municipalities (who are responsible for allocating correctly the money meant for educational purposes), and the Ministry of Finance (which controls the baskets and is responsible for collecting the reports on the purposes and amounts of money received and spent). The major parties taking part in the policy creation and management of the process, as mentioned before, are: Ministry of Education, Ministry of Finance, Government, and the Lithuanian Free Market Institute. The latter, however, took part only in the creation phase, not implementation. The Ministry of Education is monitoring the process and relying on the Finance Ministry’s competence in allocating the budgeted money. Other stakeholders include:

1. Schools – they wanted to have more money, more independence, etc.
2. Trade unions – there are two trade unions in the education sector in Lithuania: an education workers union and a teachers union. The unions were interested in wages and working/free-time hours. In addition, there was a general view that teachers have to do much unremunerated work.
3. Parents – there were some groups trying to organise. However they were small and thus weak.

**Top-down process:** Since this reform was initiated by the Prime Minister it appears to be very much top-down. The idea of the policy was created by the government and then given to the Working Group to prepare a policy proposal and afterwards implement it. Thus it could be said that a top-down approach was used. The Lithuanian Free Market Institute also played a part in bringing the idea of a change in the financing of the Education System to fruition. This was done by writing and publishing articles on the issue of school finance. But none of our interviewees was able to link the solutions contained in the pupil basket reform to any initiative of lower level institutions.

**Incentives of civil servants:** No specific incentives for research could be identified since analytical research is not done at the Education Ministry. The Ministry only makes local data gathering and analysis for its own purposes. The audit done by the National Audit Office of the Republic of Lithuania, was on its own initiative. At the implementation stage, the one who was decisively pushing the process forward was the head of the Working Group - A. Morkuniene. The Ministry was not very willing to change anything much. But since they were the ones to lead the implementation process, they had to deal with the bureaucratic issues and this was in accord with their working principles. With the passage of time, the circle of the people approving the reform increased. There was not enough money at stake in the educational sector. Government only gave the local administrations the required money. Due to this fact, there was a lack of incentive in the educational sector. Interest only increases before elections.
**Transparency/inclusiveness:** The aim of the reform was to make the process of school financing more transparent. However, not all schools receive the same money and the methodology for calculating money is not always followed, thus allowing for certain financing as between different schools. There are some possibilities for the process to be not transparent, mainly at the municipal level, where they are allowed to manipulate 5% of money received as the pupil basket. Some interviewees could not see any non-transparent actions possible in this situation. The major concerns relating to the reform were that money will be transferred according to various determinants, such as the type of location (city centre, rural area, etc), number of pupils etc. Thus, some doubts on the objectivity in allocating money according to these criteria arose. However, after implementation, people were satisfied that their fears were perhaps exaggerated.

**Policy makers thinking:** The situation was not properly analyzed by the government before accepting the reform (the decision was made in a hurry, thus not all possible effects were analysed). In general, the problem of the government itself is the lack of proper analysis of each project before accepting it. Additionally, the average size of the pupil basket (which is the base for calculating the financing for the schools) was estimated by one teacher from Anyksciai. No checks of the estimate made were done by other bodies. This may imply that some personal incentives were present when implementing the reform. The idea of the pupil basket system was raised by Andrius Kubilius (then Prime Minister) in a political and economic context where it was seen as rational and necessary. Thus, there was no place for personal intentions.

**Research and policy**

**Research:** No monitoring, or specific research was done. The National Audit Office of the Republic of Lithuania performed some evaluation. No specific research was done – only data from the municipalities collected and analyzed to prepare for the reform. Currently data from the municipalities is also being collected and the conditions for financing are improved according to the budget constraints. Additionally, some internal analyses are done by the Education Ministry, since they are coordinating the process.

**Advocacy:** It was perceived that there was no need to induce the public support for the strategy since it was well reasoned and more or less clear. There were some media announcements, Ministry presentations to the teachers, municipalities – but not much. Since there was no conflict between teachers and government, it was not considered as a “hot” case. So the press didn’t take any position. They only informed the society with a simple article. In addition, there was no desire by the government to inform the society more. There was some information in daily newspapers. However, this information was not very accurate. There were no debates held. It seemed that the press and the people treated the reform with indifference. They just didn’t care. There were some objections – but not many. The idea was well grasped, that the reform would benefit all the parties involved. Some releases were made by the Ministry of Education as well as meetings made with the municipalities to explain the system better. No special support was needed since the hidden goal of the reform – to ensure that wages to teachers are paid on time – was achieved.

**External influences:** The whole idea of the student basket was based on the experience of other countries.

**Annex 4:**
Figure Annex4:
Sequence of Events of Policy episode of childcare/parental benefit in Latvia and Estonia

LATVIA

Government of Repse declares intention to increase support for families in Nov 2002

Working Group is set up at the Ministry of Welfare in Nov 2003

Two suggestions put forward by working group in Feb 2004
1) Flat rate 200 euro/month
2) Differ according to previous income

Government promotes differentiated childcare benefit, Feb 17 2004

New prime minister announces support to flat rate benefit

New prime minister March 9, 2004

Government puts forward a new level of differentiated benefits, Jul 15

Compromise in Government on differentiated benefits, Jul 15

Sacima favours the previous, Feb-suggestion put forward by Gov

Differentiated child care benefit introduced on Jan 1 2005
Min 74 euro
Max 392 euro

ESTONIA

Parental benefit becomes an issue during election campaign Dec 2002
1) Compensation of salary foregone
2) Flat rate

Several studies on Family support commissioned by Gov in 1999-2001

Salary foregone parties win the election – The three parties forming the new Government agree in coalition agreement on differentiated benefit, Mar. 31 2003

Draft law presented in July 2003, includes no impact analysis

Opinion Poll: 67% flat
24% diff
9% neutral

Protests against differentiation spread in Sep/Oct2003

Changes made in draft law – passes the Parliament

NGO is formed who is against differentiation, 1500 signatures had been gathered in May/June 2003

Differentiated parental benefit introduced on Jan 1, 2004
Min 158 euro
Max 1000 euro

The new law is signed by the President, Dec 10 2003.
Annex 5:

Table Annex 5: General support for families with children in the Baltic countries

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<tr>
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<th>Lithuania</th>
<th>Latvia</th>
<th>Estonia</th>
</tr>
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<tbody>
<tr>
<td>Maternity Benefit</td>
<td>100% of wages during 126 days. 70 days before and 56 days after delivery</td>
<td>100% of wages during 112 (+14*) days - 56 days before and 56 days after delivery.</td>
<td>100% of wages during 140 days – 70 days before and 70 days after delivery</td>
</tr>
<tr>
<td>Child Care benefit until age 3</td>
<td>Flat rate (75% of MSL) 27 EUR/month</td>
<td>Flat rate LVL 30/month – 43 EUR/month</td>
<td>Flat rate - 38 EUR/month</td>
</tr>
<tr>
<td>Universal child allowance until age 16</td>
<td>No</td>
<td>8.5 EUR/month, increases with number of children</td>
<td>1 CBR/month, increases with number of children</td>
</tr>
<tr>
<td>Maternity/Paternity leave</td>
<td>60% of previous earnings, until the child is one year of age, introduced in 1995</td>
<td>70% of previous earnings until the child is one year of age, introduced on January 1st in 2005</td>
<td>100% of previous earnings until the child is one year of age, introduced on January 1st in 2004</td>
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</table>


*Additional for women who have received continuous medical care since the 12th week of pregnancy
### Annex 6:

**Table Annex 6: Relevant research for child benefit reform**

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<thead>
<tr>
<th>Latvia</th>
<th>Estonia</th>
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