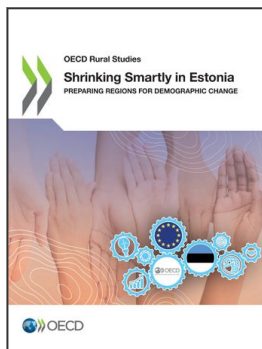


# Foreword

Many lower density areas in the OECD face declining and ageing populations. By 2050, projections suggest that half of Europe's economies will need to manage decline in their remote regions. Estonia has been severely affected by this phenomenon, with its population shrinking by 15% since 1991, and declines of more than 25% in half of its counties. This raises a number of challenges, including housing vacancies and deteriorating built environments, lower municipal revenues and greater per capita costs of providing services such as education, health and infrastructure, especially in relation to higher shares of the elderly population.

This report provides analyses and recommendations, across key policy sectors, to shrink smartly. Recognising the challenges that low density brings to the environment and the effective provision of services, it analyses spatial development patterns and the spatial planning system of Estonia and presents recommendations to make land use more efficient and planning more coherent. In the face of declining municipal revenues and increasing needs brought by an ageing population, it also assesses Estonia's multi-level governance and municipal finance model, highlighting ways to boost inter-municipal co-operation, improve the transfer system and strengthen the municipal revenue base. It also discusses education, the municipalities' largest spending responsibility, providing recommendations that adapt the school network to shrinkage while ensuring access to high-quality education for all students.

This report is part of the sub-series *Preparing Regions for Demographic Change* and was carried out as part of the OECD Regional Development Policy Committee (RDPC) Programme of Work. The RDPC provides a unique forum for international exchange and debate on regional economies, policies and governance. It was discussed at the 26<sup>th</sup> meeting of the Working Party on Rural Policy on 17 November 2021 and the meeting of the RDPC Expert Group on Multi-level Governance for Regional Development on 16 November 2021. The report was approved by the RDPC [CFE/RDPC(2021)23] via written procedure on 12 January 2022.



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