Administrative Reform Act

Passed 07.06.2016

Chapter 1
General Provisions

§ 1. Scope of application of Act and purpose of administrative reform

(1) This Act provides the bases and procedure for alteration of administrative-territorial organisation of rural municipalities and cities in order to achieve the purpose of administrative reform, including deadlines for adopting resolutions and carrying out actions necessary for the alteration of administrative-territorial organisation, criterion for the minimum size of a local government arising from the number of residents in a local government that forms a basis for the reform, terms and conditions for the application of exemptions in case of implementing the respective criterion, and general rights and obligations of local governments related to the alteration of administrative-territorial organisation.

(2) The purpose of administrative reform is to support the increase of the capacity of local governments in case of offering high quality public services, using regional prerequisites for development, increasing competitiveness, and ensuring a more consistent regional development. In order to achieve this purpose, this Act provides for the alteration of administrative-territorial organisation of rural municipalities and cities, as a result of which local governments must be able to independently organise and manage local life and perform functions arising from law. Administrative reform is implemented also according to the purposes of state governance reform in case of organising public administration, which include ensuring the quality and availability of public services and cost savings.

(3) In order to achieve the purpose of administrative reform specified in subsection (2) of this section, alteration of administrative-territorial organisation must give preference to the formation of local governments with more than 11,000 residents (hereinafter criterion for the recommended size of a local government).

(4) Provisions of the Territory of Estonia Administrative Division Act and the Promotion of Local Government Merger Act, taking into consideration the specifications arising from this Act, shall be applied to the alteration of administrative-territorial organisation and of boundaries and changes to the name of local governments provided for in this Act.

(5) Provisions of the Administrative Procedure Act, taking into consideration the specifications of this Act, shall be applied to the administrative procedure provided for in this Act.

§ 2. Methods of alteration and implementation of administrative-territorial organisation

(1) For the purposes of this Act, methods of alteration of administrative-territorial organisation shall be:
1) formation of a new local government as a result of a merger of two or more local governments;
2) increase of one local government by way of merging with one or several local governments with common borders.

(2) In the course of alteration of administrative-territorial organisation, borders of merging or joining local governments (hereinafter together also merging local governments) may be altered by assigning one or several settlement units or another territorial area (hereinafter together territorial area) belonging to one local government to another local government pursuant to the procedure provided for in the Territory of Estonia Administrative Division Act, taking into consideration the specifications provided for in this Act.

(3) Administrative-territorial organisation of rural municipalities and cities shall be altered in case of implementation of administrative reform on the initiative of the local government council or the Government of the Republic.
(4) Administrative-territorial organisation of rural municipalities and cities shall be altered by implementing administrative reform on the basis of sections 1–25 of this Act in such a manner that both local government council elections and council elections taking place in case of alteration of administrative-territorial organisation initiated by the Government of the Republic are held in 2017 during the regular local government council elections pursuant to section 2 of the Local Government Council Election Act.

(5) Ministry of Finance shall be liable for organising the implementation of administrative reform.

§ 3. Criterion for the minimum size of a local government

Local government shall be able to ensure professional capability necessary for organising functions arising from law and provide quality public services to all the residents of a local government in accordance with the purpose of administrative reform specified in subsection 1 (2) of this Act, provided that the local government has at least 5,000 residents (hereinafter criterion for the minimum size of a local government).

Chapter 2

Alteration of administrative-territorial organisation of rural municipalities and cities on the initiative of the council

§ 4. Initiation of alteration of administrative-territorial organisation of rural municipalities and cities by the council

(1) Local government that does not meet the criterion for the minimum size of a local government provided for in this Act according to the data of the population register and has not submitted a proposal to councils concerned to start negotiations for the alteration of administrative-territorial organisation on the basis of subsections 9 (1) and (2) of the Territory of Estonia Administrative Division Act, has not received a respective proposal from another local government council or has so far refused to start negotiations with another local government council shall submit a proposal to start negotiations to other local government councils by 1 October 2016 at the latest.

(2) Local governments merge on the initiative of the council according to the procedure provided for in section 9 of the Territory of Estonia Administrative Division Act, taking into consideration the specifications provided for in this chapter. In this case, the provisions of subsection 9 (3), second sentence of subsection (8), clause (9) 2) and subsection (13) and in clauses 9 (1) 3)–6) and 7) of the Territory of Estonia Administrative Division Act and subsection 11 (4) and subsection 23 (4) of the Local Government Council Election Act shall not be applied.

§ 5. Activity of regional committees in case of alteration of administrative-territorial organisation initiated by the council

(1) Regional committee established by the Government of the Republic (hereinafter regional committee) shall give recommendations to local governments regarding an alteration of administrative-territorial organisation. The regional committee shall also advise councils concerned on concluding agreements and resolving issues in disputes associated with the alteration of administrative-territorial organisation.

(2) Function of the regional committee shall be to provide:

1) recommendations, opinions and assessments to local governments of the region regarding the alteration of administrative-territorial organisation in order to ensure the achievement of the purpose of administrative reform provided for in subsection 1 (2) in this Act and compliance with the criterion for the minimum size or criterion for the recommended size of a local government;

2) an opinion to local governments of the region and the Ministry of Finance regarding the consideration of effects and circumstances of a local government formed as a result of alteration of administrative-territorial organisation specified in subsection 7 (5) of the Territory of Estonia Administrative Division Act;

3) an assessment to local governments of the region and the Ministry of Finance regarding the consideration of the specification of the region, compatibility of the settlement system and territorial integrity in case of establishment of a local government.

(3) Function of the regional committee shall be to first consider the compliance of a local government formed as a result of alteration of administrative-territorial organisation with the criterion for the recommended size of a local government in case of providing recommendations, opinions and assessments specified in subsection (2) of this section.

(4) The Government of the Republic shall establish up to four regional advisory committees with its order. The order shall specify the membership of the regional committee, territory, more detailed functions, the procedure for providing opinions and recommendations to local governments in case of alteration of administrative-territorial organisation, and the county government responsible for servicing the committee. The membership of each regional committee shall include county governors of the territory of the regional committee, representatives of the Ministry of Finance and experts appointed by the Government of the Republic.
§ 6. Determination of the opinion of residents

(1) The opinion of residents shall be determined pursuant to the procedure established on the basis of subsection 7 (8) of the Territory of Estonia Administrative Division Act.

(2) In the event that residents of a territory have submitted to the local government an application regarding the assignment of a territorial area to another local government on the basis of subsection 32 (1) of the Local Government Organisation Act, the results of the opinion poll shall in case of determination of the opinion of residents be differentiated according to settlement units or groups of settlement units in such a manner that it is clear whether residents of a territorial area support merging with a local government sharing a common border with rural municipalities participating in merger negotiations or with some other local government sharing a common border with rural municipality or city.

(3) In the event that the opinion poll of residents reveals that the residents want some territorial area belonging to one local government to be assigned to another local government and the local government councils concerned agree, borders of respective administrative units shall also be altered on the basis of subsection 7 (3) of the Territory of Estonia Administrative Division Act in the course of the procedure for alteration of administrative-territorial organisation of rural municipalities and cities.

§ 7. Application for the alteration of administrative-territorial organisation of rural municipalities and cities initiated by the council

(1) Alteration of administrative-territorial organisation shall be applied for pursuant to the procedure provided for in subsections 9 (9)‒(12) of the Territory of Estonia Administrative Division Act. The application shall be accompanied by an explanatory memorandum that must include explanations regarding the consideration of effects and circumstances provided for in subsection 7 (5) of the same Act.

(2) In the event that a local government formed as a result of alteration of administrative-territorial organisation does not meet the criterion for the minimum size of a local government, but complies with at least one of the conditions provided for in clauses 9 (3) 1), 2) and 4) of this Act, the explanatory memorandum specified in subsection (1) of this section must also include a reasoned proposal for the application of an exemption provided for in subsection 9 (4).

(3) At the recommendation of a regional committee, local governments without a common border may also apply for alteration of administrative-territorial organisation, provided that the local government situated between the administrative territories of local governments applying for a merger does not meet the criterion for the minimum size of a local government and the local government to be formed together with local governments applying for and with a local government situated between them would as a whole meet the criterion for the minimum size of a local government.

(4) In order to apply for alteration of administrative-territorial organisation, a council concerned shall submit the resolutions and information provided for in subsections 9 (9) 1), 3), 5) and 6) of the Territory of Estonia Administrative Division Act to the county governor on 1 January 2017 at the latest.

(5) Local government bodies concerned shall be obligated to adopt resolutions addressing the formation of electoral districts and polling divisions, also electoral committees and the number of council members by 15 June 2017 at the latest.

(6) A county governor shall submit an application for alteration of administrative-territorial organisation and the required documentation to the Ministry of Finance within five working days after the receipt thereof.

§ 8. Decisions on alteration of administrative-territorial organisation of rural municipalities and cities initiated by the council

A regulation of the Government of the Republic on alteration of administrative-territorial organisation initiated by the local government council, excluding in the event provided for in subsection 7 (3) of this Act, shall be adopted on the basis of subsection 3 (1) and subsections 7 (2) and (3) of the Territory of Estonia Administrative Division Act by 1 February 2017 at the latest.

Chapter 3
Alteration of administrative-territorial organisation of rural municipalities and cities on the initiative of the Government of the Republic

§ 9. Initiation of alteration of administrative-territorial organisation by the Government of the Republic

(1) The Government of the Republic shall initiate an alteration of administrative-territorial organisation of a rural municipality or a city pursuant to the procedure provided for in section 8 of the Territory of Estonia Administrative Division Act, taking into consideration the specifications provided for in this section. In this case, the provisions of subsection 8 (1), clause (3) 3) and subsection (4) of the Local Government Council Election Act shall not be applied.

(2) The Government of the Republic shall initiate on 15 February 2017 at the latest an alteration of administrative-territorial organisation and alteration of borders of an administrative unit of these local governments that do not meet the criterion for the minimum size of a local government pursuant to the data of the population register as at 1 January 2017 and regarding which the Government of the Republic has not adopted a regulation for alteration of administrative-territorial organisation specified in section 8 of this Act and to which the Government of the Republic shall not apply an exemption provided for in subsection (3) of this section. The Ministry of Finance shall submit to local government councils concerned a draft regulation regarding an alteration of administrative-territorial organisation and alteration of borders of administrative units on the basis of subsection 3 (1) and subsections 7(2) and (3) of the Territory of Estonia Administrative Division Act in order to provide an opinion (hereinafter proposal of the Government of the Republic), regarding which an opinion shall have to be submitted on 15 May 2017 at the latest. The proposal of the Government of the Republic may also include local governments that meet the criterion or that do not meet the criterion for the minimum size of a local government regarding which the Government of the Republic has adopted a regulation for alteration of administrative-territorial organisation specified in section 8 of this Act and alteration of whose administrative-territorial organisation would have a positive effect, on the basis of circumstances provided for in subsection 7 (5) of the Territory of Estonia Administrative Division Act, and alteration is necessary and purposeful for ensuring the capability of a local government not meeting the criterion for the minimum size of a local government according to subsection 1 (2) and section 3 of this Act.

(3) In the event of a local government not meeting the criterion for the minimum size of a local government, the Government of the Republic may apply an exemption, leaving an alteration of administrative-territorial organisation specified in subsection (2) of this section uninitiated regarding a local government, provided that leaving the local government as an exemption is not accompanied by an adverse effect on the circumstances provided for in subsection 7 (5) of the Territory of Estonia Administrative Division Act and at least one of the following conditions has been met:

1) merger is between at least two local governments forming a logical administrative-territorial whole, the surface area of which in total is at least 900 km² and which has in total at least 3,500 residents according to the data of the population register as at 1 January 2017;

2) a local government bordering a temporary control line of the Republic of Estonia for the purposes of subsection 22 (1) of the State Border Act on land that has in total at least 3,500 residents according to the data of the population register as at 1 January 2017 and is formed of at least four administrative territories or parts thereof of a local government that are connected historically, culturally and geographically;

3) local government is a marine island rural municipality i.e. rural municipality on an island situated in Estonian territorial sea, the territory of which is covered fully by the rural municipality and which has independent local government administration;

4) the number of residents in a local government being formed as a result of alteration of administrative-territorial organisation provided for in the regulation specified in section 8 of this Act met the criterion for the minimum size of a local government according to the data of the population register as at 1 January 2016, but due to a decrease in the number of residents, it no longer meets the criterion as at 1 January 2017.

(4) A local government shall submit a proposal for the application of an exemption under the conditions provided for in clauses (3) 1), 2) and 4) of this section in an application to be submitted on the basis of section 7 of this Act. Applying for an exemption shall be justified in an explanatory memorandum specified in subsection 7 (1) of this Act, in addition to taking into consideration the effects and circumstances specified in subsection 7 (5) of the Territory of Estonia Administrative Division Act also explaining how compliance with requirements arising from subsection 1 (2) and section 3 of this Act can be ensured in case of application of the exemption. In order to obtain an exemption, the local government specified in clause (3) 3) of this section must submit an application to the Ministry of Finance on 1 January 2017 at the latest and explain how the requirements specified in this section have been taken into consideration.

(5) In the event of an exemption specified in clause (3) 2) of this section, the Government of the Republic may in case of a justified application of local governments and a recommendation of a regional committee establish a local government consisting of administrative areas without a common border upon an alteration of administrative-territorial organisation of local governments.
(6) Pursuant to the procedure provided for in subsection (2) of this section, the Government of the Republic shall also initiate a merger of local governments without a common border specified in subsection 7 (3) of this Act applying for a merger with a local government that does not meet the criterion for the minimum size of a local government or territorial area thereof that is situated between local governments consisting of administrative areas without a common border according to the application for alteration of administrative-territorial organisation of a rural municipality or city initiated by the councils.

(7) In the course of alteration of administrative-territorial organisation initiated by itself, the Government of the Republic may also assign a territorial area belonging to one local government to another local government on the basis of subsection 7 (3) of the Territory of Estonia Administrative Division Act with respect to local governments in the event that the councils concerned have not agreed therein in case of a merger initiated by local government councils pursuant to the procedure provided for in subsection 6 (3) of this Act or otherwise where justified if the transferee of a territorial area ensures administrative-territorial integrity of a local government, provided that the transfer of a territorial area is necessary and expedient for the purposes of alteration of administrative-territorial organisation of a local government that does not meet the criterion for the minimum size of a local government.

(8) If the local government does not submit an opinion regarding the proposal of the Government of the Republic by 15 May 2017, the respective proposal shall be deemed to have been accepted.

(9) In the event that a local government that received a proposal of the Government of the Republic submits a negative opinion for the proposal, taking into consideration the circumstances provided for in subsections (2) and (3) of this section, then:
1) the Government of the Republic may suspend the procedure for an alteration of administrative-territorial organisation with regard to this local government as a result of an assessment of justifications presented in the opinion of a local government, taking into consideration the circumstances provided for in subsections (2) and (3) of this section, following which the Ministry of Finance shall promptly notify the local government thereof;
2) the Government of the Republic shall assess the justifications presented in the opinion of a local government and if it does not deem the presented justifications to be sufficiently valid, taking into consideration the circumstances provided for in subsections (2) and (3) of this section, shall adopt a resolution regarding an alteration of administrative-territorial organisation of local governments with its regulation pursuant to subsection 13 (1) of this Act.

(10) In the event provided for in clause (9) 2) of this section, the Ministry of Finance shall promptly notify local governments concerned before adopting the respective regulation.

§ 10. Activity of regional committees in case of alteration of administrative-territorial organisation initiated by the Government of the Republic

The Ministry of Finance shall involve regional committees whose function is to provide an opinion to the Ministry of Finance regarding making a proposal of the Government of the Republic and justification of applying an exemption provided for in subsections 9 (2) and (3) in addition to the provisions of subsection 5 (2) in the preparations for initiating an alteration of administrative-territorial organisation and development of a draft regulation of the Government of the Republic specified in subsection 9 (2) and subsection 13 (1) of this Act.

§ 11. Activity of a county governor in case of alteration of administrative-territorial organisation initiated by the Government of the Republic

County governor shall submit to the Ministry of Finance opinions of local government councils regarding the proposal of the Government of the Republic together with the documentation arising from clauses 8 (3) 1) and 2) of the Territory of Estonia Administrative Division Act on the third working day after receiving the opinion of councils concerned at the latest.


(1) Alteration of administrative-territorial organisation initiated by the Government of the Republic shall take place pursuant to the procedure provided for in section 8 of the Territory of Estonia Administrative Division Act, taking into consideration the specifications provided for in this section. Provisions of subsection 8 (1), clause (3) 3) and subsection (4) of the Territory of Estonia Administrative Division Act and subsection 11 (4) and subsection 23 (4) of the Local Government Council Election Act shall not be applied in the event of alteration of administrative-territorial organisation initiated by the Government of the Republic provided for in this Act.

(2) A local government shall perform the following activities following the receipt of the proposal of the Government of the Republic:
1) determines the opinion of residents regarding an alteration of administrative-territorial organisation pursuant to the procedure provided for in the regulation of the Government of the Republic established on the basis of subsection 7 (8) of the Territory of Estonia Administrative Division Act;
2) submits to the county governor a reasoned opinion prepared in the form of a resolution concerning the proposal of the Government of the Republic by 15 May 2017 at the latest;
3) agrees, by 15 June 2017 at the latest, with other councils concerned on the name of the local government, type and insignia of the administrative unit, the settlement of any organisational, budgetary or other issues related to proprietary rights and obligations as well as issues concerning the preparation of the statutes of the new local government and making any other necessary amendments to legislations likely to arise in the context of alteration of administrative-territorial organisation or alteration of boundaries, acting on the basis of subsections (5) and (6) of this section, sections 14–18 of this Act and section 9 of the Territory of Estonia Administrative Division Act (hereinafter merger agreement);
4) conducts, in cooperation with councils concerned, the election activities provided for in the Local Government Council Election Act by 15 June 2017 at the latest.

(3) Opinion of residents shall be obtained in local governments concerned in accordance with section 6 of this Act. The time of conducting an opinion poll of residents shall be determined pursuant to the procedure established on the basis of subsection 7 (8) of the Territory of Estonia Administrative Division Act. In the event that a local government has not obtained the opinion of residents by 15 May 2017 at the latest, a county government concerned shall organise the obtaining of the opinion of residents. In the event that local governments that have received a proposal of the Government of the Republic belong to different counties, the obtaining of the opinion of residents shall be organised by the county government whose county’s territory has the majority of residents of a local government to be formed in case of alteration of administrative-territorial organisation.

(4) In case of choosing a name and type of administrative unit for a local government specified in clause (2) 3) of this section, local governments must first obtain the opinion of the Place Names Board of Estonia established on the basis of subsection 20 (1) of the Place Names Act. Insignia specified in clause (2) 3) of this section must be agreed on with councils concerned pursuant to the terms and conditions provided for in subsection 14 (3) of the Local Government Organisation Act, having obtained the opinion of the Government Office before agreeing on the insignia, which shall have to be taken into consideration in case of using insignia.

(5) A draft merger agreement shall be displayed for public examination, setting a deadline for submitting proposals and objections that must not be shorter than 15 calendar days from the publication of the draft. The merger agreement shall be approved by a resolution of all councils concerned that received a proposal of the Government of the Republic, and it shall be published on the website of the rural municipality or city.

(6) In the event that a proposal of the Government of the Republic was received by local governments of whom at least two have approved the merger contract on the basis of section 9 of the Territory of Estonia Administrative Division Act and concerning whom the Government of the Republic has adopted a regulation specified in section 8 of this Act, merger agreements associated with alteration of administrative-territorial organisation initiated by the Government of the Republic shall be formalised as an amendment to a merger contract that shall be signed by all councils concerned.

(7) In the event that all councils concerned do not approve the merger agreement and they are local governments of whom at least two have approved the merger contract on the basis of section 9 of the Territory of Estonia Administrative Division Act and concerning whom the Government of the Republic has adopted a regulation specified in section 8 of this Act, the agreements provided for in the merger contract shall be taken as a basis in case of resolving issues specified in clause (2) 3) of this section. In the event that the merger agreement is not approved and the merger contract has not been approved, sections 14–18 of this section shall be taken as a basis. Use of the name, type and insignia of a local government in accordance with subsection (4) of this section shall be based on the name, type of administrative unit and insignia of the local government with whom a local government that does not meet the criterion for the minimum size of a local government is merged or joined.

(8) In the event that the Government of the Republic has initiated the merger of two or more such local governments that do not meet the criterion for the minimum size of a local government that have not approved the merger agreement, the name, type of administrative unit and insignia of a local government not meeting the criterion that has the largest number of residents shall be adopted pursuant to subsection (4) of this section. At the proposal of the Place Names Board of Estonia, the Government of the Republic may also assign another name to the local government.

(9) If councils concerned have not carried out the actions and adopted resolutions provided for in clause (2) 4) of this section by 15 June 2017 at the latest or if the resolutions of the councils are not identical, the county governor of the location of the local government shall in cooperation with councils concerned carry out election activities provided for in section 70 of the Local Government Council Election Act and approve the resolutions with its order by 19 July 2017 at the latest.

(10) If local governments that have received a proposal of the Government of the Republic, one of whose territorial area has been assigned to another local government by the Government of the Republic, do not agree on the settlement of budgetary issues and other issues concerning proprietary obligations and rights
related to alteration of administrative-territorial organisation in the merger agreement, the following assets shall be transferred to the local government that the territorial area is assigned to as a result of alteration of administrative-territorial organisation:

1) immovable property located within the territorial area of the local government;
2) debt obligations specified in subsections 34 (2) and (7) of the Local Government Financial Management Act directly related to the immovable property of a local government located within the territorial area;
3) debt obligations specified in subsections 34 (2) and (7) of the Local Government Financial Management Act that are not related to the immovable property of a local government located within the territorial area proportionally to the number of the residents in the local government, unless the amount of the specified debt obligations is less than 1,000 euros.

§ 13. Decisions on alteration of administrative-territorial organisation of rural municipalities and cities initiated by the Government of the Republic

(1) A regulation of the Government of the Republic on alteration of administrative-territorial organisation initiated by the Government of the Republic shall be adopted on the basis of subsection 3 (1) and subsections 71 (2) and (3) of the Territory of Estonia Administrative Division Act by 15 July 2017 at the latest.

(2) Alteration of administrative-territorial organisation initiated by the Government of the Republic and alteration of the list of administrative units of rural municipalities and cities resulting therefrom shall enter into force in 2017 on the date of announcement of the results of the regular local government council elections.

Chapter 4
Other rights and obligations of local governments related to alteration of administrative-territorial organisation of rural municipalities and cities

§ 14. Preservation of the type of administrative unit

(1) A city may preserve “city” as the type of administrative unit formed as a result of a merger, provided that merging local governments have agreed on preserving city as the type of administrative unit in the merger contract or merger agreement.

(2) Local governments that merged before 2017 of which one local government was “city” by the type before the merger may apply for the restoration of the administrative type “city” in the course of alteration of administrative-territorial organisation, provided that merging local governments have agreed on the restoration of city as the type of administrative unit in the merger contract or merger agreement.

§ 15. Formation of a rural municipality district or city district in case of alteration of administrative-territorial organisation

(1) In case of alteration of administrative-territorial organisation of local governments, a rural municipality district or city district together with a respective rural municipality district representative body or city district representative body may be formed on the basis of a resolution of a merging local government council on the territory or within the borders of a local government formed as a result of a merger. In this case, it is not necessary to obtain an approval of other merging local government councils in order to establish a rural municipality district or city district. Statutes of the rural municipality district or city district provided for in subsection 57 (2) of the Local Government Organisation Act shall be approved pursuant to this subsection and clause 22 (1) 11) of the Local Government Organisation Act by the local government council formed as a result of administrative-territorial organisation who shall also provide therein the functions of the rural municipality district representative body or city district representative body.

(2) A local government formed as a result of alteration of administrative-territorial organisation may not liquidate a rural municipality district or city district formed on the territory of a merged local government during the first election period following the merger, excluding in case of an application of the rural municipality district representative body or city district representative body.

(3) Amending the rights and functions to be performed of the rural municipality district or city district agreed on in the merger contract or merger agreement during the first election period following the merger shall require at least a two-thirds majority of the membership of the council.
§ 16. Entry into force and validity of legislations

(1) In case of alteration of administrative-territorial organisation, legislations shall be established and applied pursuant to subsections 141(41)‒(45) of the Territory of Estonia Administrative Division Act.

(2) Local government council formed as a result of alteration of administrative-territorial organisation shall establish the statutes of a rural municipality or city within six months as of the date the council election results are announced, and the statutes of a merged local government that have been agreed on in the merger contract or merger agreement shall be adhered to until the establishment of the new statutes. In the event that a merger contract or merger agreement has not been approved, the basis shall be the statutes of the local government with whom a local government not meeting the criterion for the minimum size of a local government is merged or joined.

(3) The formed local government may use the insignia of a merging rural municipality or city agreed in the merger contract or merger agreement until the establishment of the statutes of a local government formed as a result of alteration of administrative-territorial organisation.

(4) Merger contract and merger agreement shall enter into force on the date the council election results are announced, and they shall be valid until announcing the results of the next local government council election.

(5) At least a two-thirds majority of the membership of the council shall be required to amend the merger contract and merger agreement during the first election period following the entry into force of alteration of administrative-territorial organisation.

§ 17. Structure of local government bodies, administrative agencies and agencies administered thereby

(1) Structure of local government bodies and administrative agencies and agencies administered thereby shall be established pursuant to the procedure provided for in subsections 141(12) and (13) of the Territory of Estonia Administrative Division Act.

(2) Administrative agencies of a local government formed as a result of alteration of administrative-territorial organisation shall commence work on 1 January 2018.

§ 18. Issues related to employees and officials

(1) Officials and employees of an administrative agency of a merged local government and an agency administered thereby shall be transferred to a new administrative agency of a local government formed as a result of alteration of administrative-territorial organisation pursuant to clauses 98 (1) 1) and 2) of the Civil Service Act and subsection 112 (1) of the Employment Contracts Act.

(2) Official of a merged local government whose post and functions within a new administrative agency formed as a result of alteration of administrative-territorial organisation of local governments do not change in a way that it requires the official to have a different education or work experience and different knowledge or skills at the new post shall continue service within a new administrative agency established by a local government formed in the course of alteration of administrative-territorial organisation.

(3) Employee of a merged local government whose place of employment and functions within a new administrative agency formed as a result of alteration of administrative-territorial organisation of local governments do not change in a way that it requires the employee to have a different education, work experience, knowledge or skills at the new place of employment shall continue work within a new administrative agency established by a local government formed in the course of alteration of administrative-territorial organisation.

(4) In case of fulfilling posts of a new administrative agency established by a local government formed as a result of alteration of administrative-territorial organisation, a public competition may be waived and an internal competition may be carried out pursuant to subsection 16 (2) of the Public Service Act.

(5) In the event that the current post of an official within a new administrative agency formed as a result of alteration of administrative-territorial organisation is made redundant, another place of employment or post corresponding to his or her education, work experience, knowledge and skills and with the functions that are similar to the former post within an administrative agency of a local government formed as a result of alteration of administrative-territorial organisation shall, where possible, be offered to the official on the basis of subsection 90 (7) of the Public Service Act. In the event that the current post of an official is made redundant and he or she is offered a place of employment, the official shall upon release from service be paid redundancy payment under the terms and conditions provided for in subsections 102 (1) and (2) of the Public Service Act.

(6) In the event that the current place of employment of an employee within a new administrative agency formed as a result of alteration of administrative-territorial organisation is made redundant, another place of employment corresponding to his or her education, work experience, knowledge and skills and with the functions that are similar to the former place of employment within an administrative agency of a local government formed as a result of alteration of administrative-territorial organisation shall, where possible, be offered to the employee on the basis of subsection 89 (3) of the Employment Contracts Act.
§ 19. Social guarantees for heads of a local government

(1) Chairman of the local government council, rural municipality mayor and city mayor shall upon the termination of his or her authority be paid compensation in the form of a lump-sum as follows:

1) in the event that the authority of a rural municipality mayor or city mayor has terminated in connection with an appointment of a new government to office as a result of alteration of administrative-territorial organisation of rural municipalities or cities taking place on the initiative of councils taking effect or, with regard to a chairman of a council, upon the announcement of election results of a local government council formed in the course of alteration of administrative-territorial organisation of rural municipalities or cities and the person has worked as a rural municipality mayor, city mayor or chairman of the council for less than one year before the date of announcement of election results of a local government council formed in the course of a merger, compensation shall be paid by a resolution of the council in the amount of six times the average monthly salary, remuneration or compensation of the corresponding post for two years preceding the date of announcement of election results of a local government;

2) if the authority of the rural municipality mayor or city mayor has terminated in connection with an appointment of a new government to office as a result of alteration of administrative-territorial organisation of rural municipalities or cities taking place on the initiative of councils taking effect or, with regard to a chairman of a council, upon announcing the election results of a local government council formed in the course of alteration of administrative-territorial organisation of rural municipalities or cities and the person has worked as a rural municipality mayor, city mayor or chairman of the council for at least one year before the date of announcement of election results of a local government council formed in the course of a merger, compensation shall be paid by a resolution of the council in the amount of twelve times the average monthly salary, remuneration or compensation of the corresponding post for two years preceding the date of announcement of election results of a local government council.

(2) Compensation provided for in subsection (1) of this section shall not be paid in the event that the council elects the person specified in subsection (1) for the post of rural municipality mayor, city mayor or chairman of the council for a new term.

(3) Provisions of section 541 of the Local Government Organisation Act shall not be applied in the event specified in subsection (1) of this section.

(4) The procedure for paying compensation to the heads of local governments provided for in subsections 541(3)–(5) of the Local Government Organisation Act, the costs accompanying which are covered pursuant to the procedure provided for in section 24 of this Act, excluding in the event that in the course of alteration of administrative-territorial organisation initiated by the Government of the Republic, a local government not meeting the criterion for the minimum size of a local government is merged with a local government merging pursuant to the regulation specified in section 8 or, with regard to local governments specified in subsection 7 (3), whose councils have applied for a merger and regarding the alteration of whose administrative-territorial organisation the Government of the Republic has established a regulation specified in subsection 13 (1), shall be applied in case of alteration of administrative-territorial organisation of rural municipalities and cities initiated by the Government of the Republic. In this case, heads of local governments provided for in the regulation of the Government of the Republic specified in section 8 or heads of local governments specified in subsection 7 (3) shall be paid compensation pursuant to the rate provided for in subsection (1) of this section.

§ 20. Basis for paying merger grant and rates thereof

(1) On the basis of sections 21–23 of this Act, in addition to the provisions of this section, local governments formed as a result of alteration of administrative-territorial organisation initiated by local government councils shall be paid a merger grant. Provisions of Promotion of Local Government Merger Act, excluding the list of costs specified in subsection 6 (2) thereof and subsections (3), (6), (7), (8) and (9) of the same section, shall not be applied.

(2) Rate of merger grant shall be 50 euros per resident of a merged local government. Minimum merger grant for a merged local government shall be 150,000 euros and maximum shall be 400,000 euros.

§ 21. Bases for calculating merger grant

(1) Merger grant shall be calculated for a merged local government in a minimum amount if the grant amount calculated on the basis of the rate of merger grant calculated per resident and the number of residents in the local government is smaller than the minimum amount of merger grant.

(2) Merger grant shall be calculated for a merged local government in a maximum amount if the grant amount calculated on the basis of the rate of merger grant calculated per resident and the number of residents in the local government is greater than the maximum amount of merger grant.
(3) In the event that the number of residents in a local government formed as a result of a merger is smaller than 3,000, merger grant shall be calculated for each merged local government according to the minimum amount of the grant.

(4) In the event that the number of residents in a local government formed as a result of a merger is equal to or greater than 5,000, merger grant shall be calculated for each merged local government per resident at twice the rate or in double the minimum or maximum amount of merger grant.

(5) In the event that the number of residents in a local government formed as a result of a merger is equal to or greater than 3,000 but smaller than 5,000, merger grant shall be calculated for each merged local government according to the number of residents in the local government formed as a result of a merger pursuant to subsection (6) of this section.

(6) Basis for calculating a merger grant increasing in a linear fashion shall be the rate of grant per resident that is increased as of the 3,000th resident of a local government formed as a result of a merger by 2.5 cents per each following resident, but to no greater amount than twice the rate of grant per resident. Minimum amount of merger grant calculated for a merged local government shall increase in a linear fashion in the same proportions as the increase of a rate of merger grant calculated per resident, but to no greater amount than twice the minimum amount of the grant.

(7) In the event that the number of residents in a local government formed as a result of a merger is equal to or greater than 11,000 or if a local government in the size of a county is formed, the number of residents of which may be smaller than 11,000, additional grant in the amount of 500,000 euros shall be calculated for a local government formed as a result of a merger.

(8) In case a territorial area is assigned from one local government to another local government, merger grant shall be calculated per resident thereof if:
1) a territorial area of another local government has been assigned to a local government formed as a result of a merger;
2) a territorial area of another local government has been assigned to a local government that does not meet the criterion for the minimum size of a local government and that did not participate in the merger, provided that the local government from which a territorial was excluded has merged with some local government.

(9) In the event that a territorial area has been assigned to a local government formed as a result of a merger, calculating a merger grant for each local government merged on the bases provided for in subsections (3)–(5) of this section and territorial parts assigned thereto shall be based on the number of residents in a local government formed as a result of a merger together with the number of residents in the territorial area taken over.

(10) In the event provided for in clause (8) 2) of this section, the rate of merger grant per resident shall be double.

(11) In case of assigning a territorial area to another local government under the terms and conditions provided for in subsection (8) of this section, the number of residents in a merged local government shall not be reduced by the number of residents in the transferred territorial area upon calculating a merger grant.

(12) Calculating a merger grant shall be based on the number of residents according to the data of the population register as at 1 January 2017. Merger grant shall be calculated with an accuracy of ten euros.

§ 22. Procedure for paying merger grant

(1) Merger grant calculated for each merged local government and territorial area assigned thereto on the bases provided for in subsections 21 (1)–(6) and (9) of this Act shall be summarised and paid to the local government formed in the course of a merger.

(2) At least one-fourth of the merger grant to be paid on the basis of subsection (1) of this section shall be transferred to a local government formed in the course of a merger by the end of 2017 at the latest, half of the grant on the first half-year of 2018 and the rest of the amount in the first quarter of 2019 at the latest.

(3) Additional grant specified in subsection 21 (7) of this Act shall be transferred to a local government formed in the course of a merger in the first quarter of 2019 at the latest.

(4) In the event specified in clause 21 (8) 2) of this Act, merger grant shall be transferred to the local government that a territorial area was assigned to by the end of 2017 at the latest.

(5) Resources of the merger grant to be paid on the basis of subsections (1)–(4) of this section shall be prescribed in the state budget. Government of the Republic shall approve the amount of merger grant for a local government formed as a result of a merger with an order.

(6) Rural municipality government or city government shall within one month following the announcement of council election results of a local government formed in the course of a merger submit to the Ministry of Finance an application for the allocation of merger grant, in which it explains the conformity of using a merger grant with subsection 6 (2) of the Promotion of Local Government Merger Act.
§ 23. Using merger grant

(1) Merger grant to be allocated from the state budget to a local government formed as a result of alteration of administrative-territorial organisation of local governments initiated by the council can be used to cover the costs specified in subsection 6 (2) of the Promotion of Local Government Merger Act.

(2) Compensation in the form of lump-sum specified in subsection 19 (1) of this Act shall be paid to the chairman of the local government council concerned, rural municipality mayor and city mayor upon the termination of their authority from the merger grant allocated to a local government.

§ 24. Covering costs related to alteration of administrative-territorial organisation of rural municipalities and cities initiated by the Government of the Republic

(1) Local government formed as a result of alteration of administrative-territorial organisation of local governments initiated by the Government of the Republic shall not be paid merger grants, excluding for the local governments regarding the alteration of administrative-territorial organisation of whom the Government of the Republic has established a regulation specified in section 8 of this Act or who have applied for a merger under the terms and conditions specified in subsection 7 (3) of this Act and regarding the alteration of administrative-territorial organisation of whom the Government of the Republic has established a regulation specified in subsection 13 (1) of this Act. Local government formed as a result of alteration of administrative-territorial organisation initiated by the Government of the Republic shall be compensated from the state budget for the actual costs specified in clauses 6 (2) 1)–4) of the Promotion of Local Government Merger Act or clause 12 (2) 4) of this Act on the basis of expense receipts, but not more than for up to 100,000 euros.

(2) Minister responsible for the area may establish more detailed terms and conditions and procedure for compensating for the costs specified in subsection (1) of this section. The Government of the Republic shall approve the amount of compensation for merger costs for a local government formed as a result of a merger with an order.

(3) Costs incurred by a county governor arising from the performance of the provisions of subsections 12 (3) and (9) of this Act shall be covered according to the procedure established on the basis of subsection 58 (3) of the State Budget Act.

§ 25. Assumption of debt obligations of a local government before the entry into force of alteration of administrative-territorial organisation

Before the entry into force of alteration of administrative-territorial organisation, councils concerned shall in case of assuming debt obligations until the date of announcing election results approve by consensus the assumption of debt obligation specified in clauses 34 (2) 1)–3), 5) and 7) and subsection (7) of the Local Government Financial Management Act and other long-term obligations requiring future payments in the following budgetary years:

1) As of the date of approving the merger contract provided for in section 9 of the Territory of Estonia Administrative Division Act or the merger agreement specified in clause 12 (2) 3) of this Act by all the councils;

2) In case of a disagreement with the proposal for the alteration of administrative-territorial organisation initiated by the Government of the Republic as of the date of adopting the regulation specified in subsection 13 (1) of this Act.

§ 26. Receipt of tax liabilities incurred before a merger

(1) In the event that the residence of a resident natural person before a merger of local governments was located on a territorial area assigned to another local government, income tax due from his or her tax liabilities incurred before the merger shall be paid into the budget of the local government that the territorial area was excluded from.

(2) Land tax due before a merger from a land located on a territorial area assigned to another local government upon a merger of local governments shall be paid into the budget of the local government that the territorial area was excluded from.

(3) Environmental charge due for exploitation of environment before a merger on a territorial area assigned to another local government upon a merger of local governments shall be paid into the budget of the local government that the territorial area was excluded from.

Chapter 5
Implementing Provisions

§ 27. Implementation of Act

(1) Provisions of sections 1–26 of this Act shall be implemented upon the preparation and implementation of alterations of administrative-territorial organisation of rural municipalities and cities in the course of implementing an administrative reform in 2016–2018.

(2) Provisions of sections 4–6 and subsection 7 (4) of this Act shall not be applied to local governments who have submitted an application specified in subsection 9 (9) of the Territory of Estonia Administrative Division Act to a county governor before 1 August 2016.

§ 28. —§ 37. Provisions of amending other laws omitted from the translation

§ 38. Amending the laws of the area in order to implement administrative reform

In order to implement administrative reform, the minister responsible for the area shall in cooperation with the ministries analyse the laws of the area of responsibility arising from the area of government of the ministries to determine functions that are enforceable by the state but self-governing in substance that could be assigned to local governments formed as a result of administrative reform to perform. Proposals for amending the laws of the area related to administrative reform shall be submitted to the Government of the Republic for approval after the entry into force of this Act.

§ 39. Entry into force of the Act

(1) Section 28, clause 30 8) and clauses 31 5) and 15) of this Act enter into force on 1 January 2017.

(2) Clauses 29 2)–4), sections 34 and 35 of this Act enter into force in 2017 on the date of announcing the results of local government council elections.

(3) Clause 29 18) and clause 33 1) of this Act enter into force on 1 January 2018.

Eiki Nestor
President of the Riigikogu