



# **ESPN Thematic Report on Progress in the implementation of the 2013 EU Recommendation on “Investing in children: Breaking the cycle of disadvantage”**

**Estonia**

**2017**

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**European Social Policy Network (ESPN)**

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## Summary

Almost every fourth child in Estonia is at risk of poverty or social exclusion. As in the EU in general, the risk of poverty or social exclusion in Estonia is highest for single-parent households and families with three or more dependent children. But although in the EU in general children have the highest risk of poverty, Estonian children are less at risk than the elderly. Nevertheless, child poverty and disadvantage remains as an important issue to be tackled.

The policy approach for tackling poverty and social exclusion and for promoting child well-being in Estonia is multi-dimensional. An important part of the approach is to support parents in reconciling work, private and family life – by offering flexible working conditions and motivating parents, especially mothers, to participate in the labour market. In addition, a mix of cash and in-kind benefits is offered for children and families, including e.g. child allowances and benefits, free healthcare for children and subsidised school meals. Access to resources – in terms of finance, opportunities and advice – has been central to policy improvements in recent years.

In addition to resources, access to good-quality services is of great importance in the policy mix for supporting children. Access to good-quality childcare has received a lot of attention, but changes in other services, such as alternative care, are also in the limelight.

Some progress has also been made in increasing children’s right to participate. For instance, promoting the inclusion of children in decision-making is one of the goals of the new Child Protection Act; and lowering the voting age in local elections to 16 enables approximately 24,000 young people aged 16 and 17 to participate in municipality-level decision-making.

Although tackling child poverty and social exclusion is not presented as a key issue in the European Semester discussions, several measures of the Recommendation on “Investing in children: Breaking the cycle of disadvantage” (the Recommendation) designed to reduce child poverty and social exclusion in Estonia have been addressed in the country-specific recommendations of the European Semester for Estonia, Country Reports for Estonia and also in the National Reform Programme “Estonia 2020” (NRP). A number of policy measures directly or indirectly tackling child poverty and preventing the social exclusion of children have already been and will be supported by the 2014-2020 European Social Fund and European Regional Development Fund programme.

To conclude, there are a number of policy measures that address child poverty and social exclusion which are also in line with the Recommendation, but so far the policies have been universal – designed to decrease poverty and social exclusion in general and to improve the well-being of all groups at risk. In order to fight child poverty more effectively, more targeted policies are needed that can address problems specific to children and of children of vulnerable groups. For example, although measures have been implemented to improve access to affordable early childhood education and care, there is still room for improvement. Focusing on services for, and measures aimed at, families with disabled children and single-parent families is important. In the context of single-parent families, a majority of which in Estonia are families with single mothers, steps taken to reduce the prevailing gender pay gap are of crucial importance.

## **1 Overall situation with regard to child poverty and social exclusion**

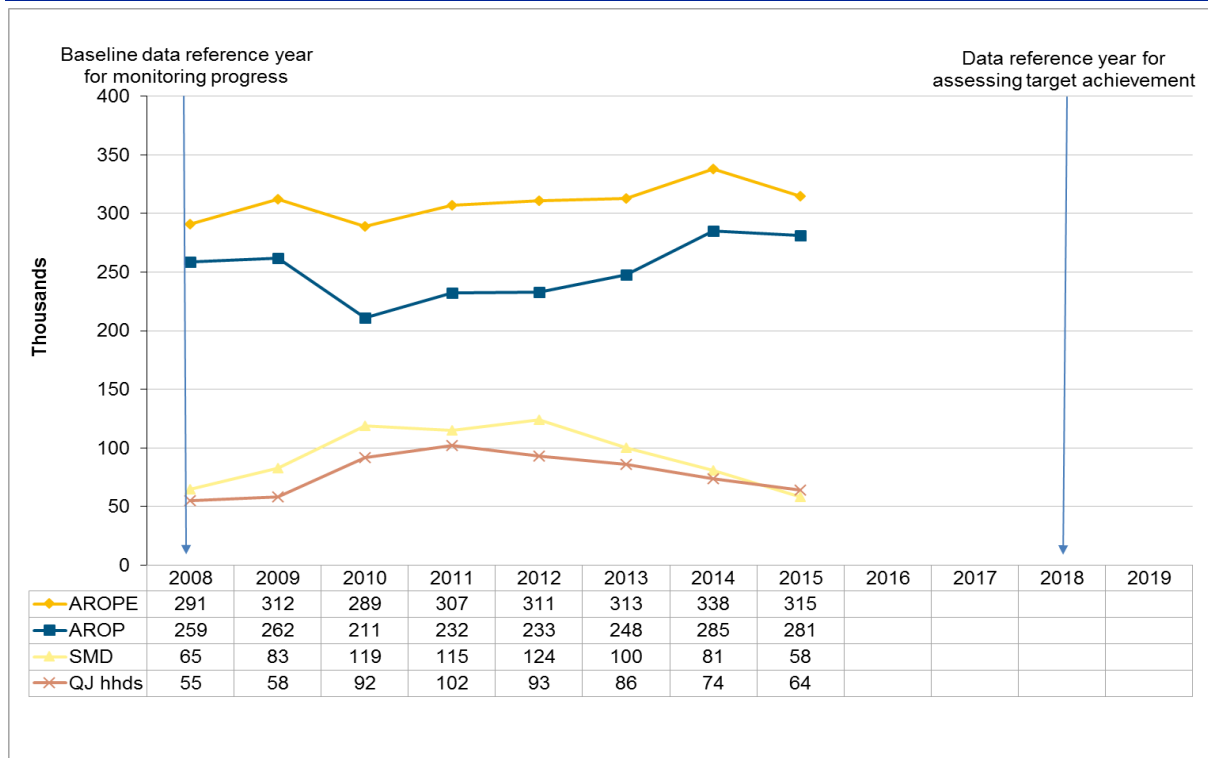
In 2015, about every fourth (22.5%) child in Estonia was at risk of poverty or social exclusion according to the AROPE indicator, which is somewhat lower than the average for EU Member States. When analysing the components of the AROPE indicator separately (monetary poverty, material deprivation and severe low work intensity) it is evident that the most important contributory factor in Estonia is that of children living in relative poverty – every fifth (20%) child in 2015. 3.9% of Estonian children were severely materially deprived and 5.2% lived in a (quasi-) jobless household. The share of children in Estonia who were suffering from all three of these problems was 1%.

For measuring child deprivation at the EU level, Guio et al. (2012) have proposed an indicator showing the proportion of children (1-15 years old) lacking at least three of 17 items reflecting goods or services that are considered to be necessary or desirable for people to have an 'acceptable' standard of living in the country where they live. By this indicator child-specific deprivation in Estonia in 2014 was 14%, which is considerably lower than the average in the EU (24%).

Whereas in the EU in general it is children who have the highest risk of poverty, this is not the case for Estonia, where the elderly are most at risk (Eurostat 2016): thus all indicators of child poverty and social exclusion in 2015 were a few percentage points lower than indicators for the whole population (see statistical annex to Frazer, H. and Marlier, E. (2017)). When analysing child poverty and social exclusion by different households with children it appears that, as in the EU in general, the risk of poverty or social exclusion in Estonia was the highest for households with single parents (44.3%). In addition, the risk of poverty and social exclusion is higher for households with three or more dependent children (29.8%), compared with, for example, households with two adults and one child (23.2%) and households with two adults and two children (14.7%).

The number of people at risk of poverty in Estonia decreased abruptly in 2010, and since then has gradually increased (Figure 1). Indicators reflecting material deprivation and severe low work intensity, however, have changed in opposite direction, increasing after 2008 and then decreasing more recently – from 2011 in the case of quasi-jobless households, and from 2012 in the case of severe material deprivation.

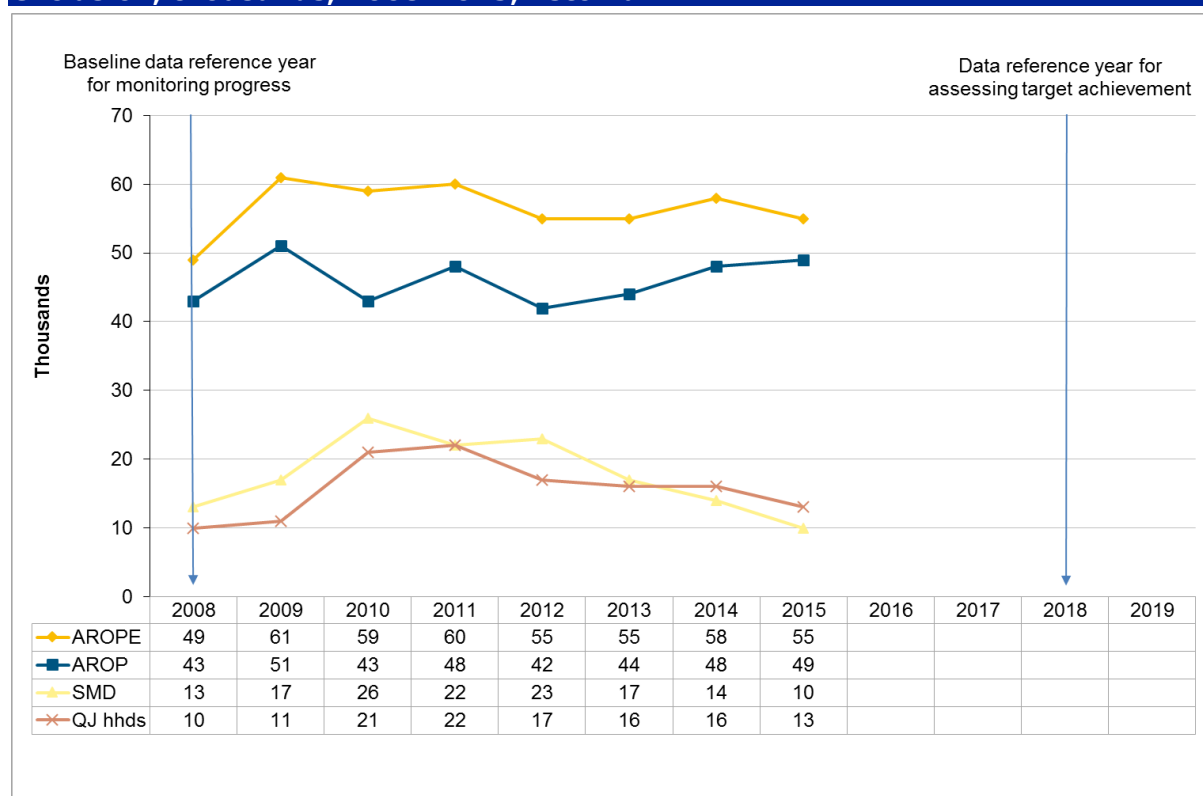
**Figure 1: Trends in number of people (whole population) at risk of poverty or social exclusion, thousands, 2008-2015, Estonia**



Source: EU-SILC, Statistical annex to ESPN Synthesis Report (Frazer, H. and Marlier, E. (2017))

The indicators for poverty and social exclusion among children in Estonia mostly follow the yearly curves for the whole population (see Figures 1 and 2). The biggest difference is in the AROPE indicator: whereas the number of children aged 0-17 at risk of poverty or social exclusion decreased from 60,000 in 2011 to 55,000 in 2012 and has remained virtually the same since then, the AROPE indicator for the whole population gradually increased from 2010 to 2014. The latter was due to increased poverty among elderly people.



**Figure 2: Trends in number of children aged 0-17 at risk of poverty or social exclusion, thousands, 2008-2015, Estonia**

Source: EU-SILC, Statistical annex to ESPN Synthesis Report (Frazer, H. and Marlier, E. (2017))

## 2 Assessment of overall approach and governance

The Strategy of Children and Families for 2012-2020 sets the policy framework for tackling child poverty and social exclusion and for promoting child well-being in Estonia. The main objective of the strategy is to improve the quality of life and well-being of children and families. It sets five strategic objectives to guide the implementation of relevant policies, designed to guarantee a favourable development environment and a good-quality childhood for all children, and break the cycle of poverty, inequality, and lack of education and skills. This strategy together with the relevant policies and measures constitutes a multi-dimensional strategy.

The last few years have witnessed a considerable increase in the synergy between relevant policy areas as consolidating and streamlining different policies and measures has been of concern in making improvements and amendments. For example, the Family Benefits Act (which entered into force in 2017) and the planned new Parental Leave Act are important landmarks in streamlining legislation and policies. However, although considerable developments have taken place, the process is still ongoing. Increasing the clarity of the policy framework also makes its administration more efficient.

A children's rights approach is increasingly adopted in updating and implementing policies. For example, the above-mentioned approach is central to the new Child Protection Act adopted in 2016 and the Green Paper on Alternative Care (2014).

Policy changes in recent years have mainly been aimed at supporting parents in reconciling work and family life by adding more flexibility to the system, and by increasing gender equality. For example, the changes, both implemented and planned, to the parental leave and benefit system are working towards this aim, as is the reform of the childcare system. In addition, offering financial support for families and children has been important, and child allowances and family benefits have increased considerably in recent years. Although

most of the policy developments have been universal in nature, some targeted policy changes have also either been implemented or planned. Changes in the organisation and financing of childcare for children with disabilities are an example of more targeted policy improvements. However, universal policies have received more attention so far and a good balance between universal and targeted policies is still to be found. It is especially important to pay more attention to children at increased risk of poverty and disadvantage, such as children of single parents or children in alternative care. While some improvements have been made (e.g. maintenance support system, objectives set in the Green Paper on Alternative Care), more attention needs to be given to improving policies and measures that target children at increased risk.

The policy improvement and implementation process has increasingly involved relevant stakeholders, who are engaged in the process through consultations and working groups. The involvement of children in the process of developing and implementing policies has so far been rare. The development of policies is increasingly evidence-based, with the use of analyses, research and consultation with experts. Also, the impact of planned and implemented policies and measures is increasingly being analysed.

### **3 Pillar 1 – Access to resources**

The Estonian labour market is characterised by a high female employment rate and a relatively low gender employment gap, but also high levels of segregation and the highest gender pay gap in the EU. Despite women's activity in the labour market and the very generous parental leave and benefit system, the take-up rate of the latter by fathers is still only 9%. An analysis of the Estonian parental leave and benefit system has shown that the system is overly complex and needs streamlining, and that supporting a better reconciliation of family life and work requires significant change to the parental leave system (Biin et al., 2013).

In 2014, the parental benefit system was changed to support parents who wished to work during the parental benefit period. The upper limit of allowed monthly income (five times the parental benefit rate, which is equal to the minimum wage for the previous year) during the receipt of parental benefit was abolished. The policy change guarantees that parents still receive at least 50% of the parental benefit for the month regardless of the amount of income received, but it is reduced by EUR 1 for every EUR 2 received over the minimum wage.

In February 2017 the Ministry of Social Affairs proposed a comprehensive plan for changing the parental leave and benefit system. The reform is aimed at simplifying the system by combining different types of leave and benefits, adding more flexibility and promoting more equal sharing of caring responsibility between parents. The planned changes would allow part-time parental leave and allow both parents to share parental benefit and leave simultaneously. Fathers will be entitled to one month of non-transferrable paternity leave covered with parental benefit. Several other changes – concerning, for example, the length and conditions of child leave – are also planned. The reform is in the discussion and drafting phase. A draft act will be sent to the government in autumn 2017 and the new act is expected to enter into force in 2018.

One of the significant risk factors for children's poverty in Estonia is the high and resilient gender pay gap. In 2012-2016 there was a government-approved action plan for reducing the gender pay gap. The need for a new action plan is recognised, and the gender pay gap was among the country-specific recommendations (CSRs) for Estonia in 2015 and 2016. However, a new action plan for reducing the gender pay gap has not yet been developed or adopted. The issue is raised and addressed in the Welfare Development Plan for 2016-2023 and the NRP. The Labour Inspectorate is to be given the authority to monitor the remuneration and benefits paid by employers to men and women for equal work. To this end changes to the Gender Equality Act need to be made, but currently no draft act has been prepared. Also, the Ministry of Social Affairs has compiled a draft regulation setting out an obligation on employers to collect gender-based data on working conditions.

To motivate employers to promote the reconciliation of work and family life, the Ministry of Social Affairs in cooperation with stakeholders developed a “Family Friendly Employer” label, for which employers have been able to apply since January 2017.

There have been several important changes in policies regarding cash benefits to support children and families in recent years. The child allowance, which had remained unchanged for the previous decade at EUR 19.18 per month/per child, was increased from January 2015 to, initially, EUR 45 per month/child for the first and second child in the family, and EUR 50 since January 2016. For the third and subsequent children, the child allowance was EUR 90 in 2015 and has been EUR 100 since January 2016.

In June 2016 the new Family Benefits Act was adopted, which merged several previous acts regulating state family benefits, parental benefit and maintenance support. The act entered into force in January 2017. With the new act the government has increased and extended maintenance support to single parents. Maintenance support includes two elements: support paid during court proceedings, which already exists, and a new type of support paid during enforcement proceedings. The duration of the payment during court proceedings has been increased from 90 to 150 days, which is the about their average duration. Maintenance support during enforcement proceedings arises where a parent fails to comply with a court order: the amount the state pays is recovered from the debtor.

From July 2017 a new large family benefit will be introduced, replacing the existing parental allowance for large families. There will be a monthly payment of EUR 300 for families with three to six children, and EUR 400 for families with seven or more children. This is a considerable increase from the previous system.

The new Child Protection Act was adopted in 2014 and mostly entered into force in January 2016 (a part is due to enter into force from 2020) and the new child protection regulation was implemented simultaneously. The new act allows for better prevention of, and intervention in cases of, child abuse.

Altogether many profound and important changes to the policies dealing with resources for children and families have been planned and implemented. Changes to the parental benefit system allow for better reconciliation of family and work responsibilities, and increases in child and family allowances and benefits help to alleviate poverty risks. While changes to the parental benefit system affect all families with children, the increase in child and family allowances has a greater impact on families who are at risk of poverty (Võrk, Paulus and Leppik, 2014). Improved maintenance support is also an important step in ensuring a better financial situation for single parents who are at increased risk of falling into poverty.

#### **4 Pillar 2 – Access to affordable quality services**

Public pre-school institutions provided and financed by local municipalities are the most common childcare facilities. Other formal childcare arrangements are usually private, more expensive, and significantly less used by parents. Very few employers provide childcare. Although municipalities are responsible for providing childcare to all children permanently residing within their administrative boundaries, there are often problems in meeting families’ needs, especially in the case of children younger than 3. The shortage of childcare facilities has been an issue of major public interest since 2005, and there have been several attempts to improve the situation.

Under a new Preschool Child Care Institutions Act, approved by Parliament in November 2014, municipalities are allowed to provide daycare services for parents of children under 3 years of age, instead of a kindergarten place, from January 2015. The Act also introduced a key principle regarding family and work reconciliation, namely that siblings should be able to attend the same kindergarten as each other. The daycare service will be subsidised in the same way as the current pre-school education provision, and contributions by parents cannot exceed 20% of the minimum wage.

Another measure to tackle the shortage of childcare places was adopted in May 2015. This allows municipalities to apply for support from the European Social Fund grant in order to finance additional childcare places for children up to 7 years of age (the compulsory school age). The support can also be used for childcare in non-traditional hours and for children with special needs. The EUR 6,500,000 allocated for the measure will eventually allow 1,200 new childcare places to be created: 568 new places were already created in 2015 (Action Plan for the National Reform Plan 2015).

In December 2016, amendments to the Social Welfare Act were approved, designed to improve the accessibility of childcare places for children with disabilities. As of 2017, the service will be organised solely by local governments and the budget will be allocated to them directly by the state. Additional finance of EUR 1 million per year will be allocated for the service and the current maximum spending amount per child will be abolished. Thus local governments can offer services based on actual needs, which should increase the availability and take-up of the service.

In Estonia, the severe housing deprivation rate has declined considerably, and has dropped below the EU average in recent years. The Ministry of Economic Affairs and Communication provides several support measures, including renovation support for families with four and more children. The state covers 90-100% of the costs of a renovation project. In 2015 the measure was amended to expand the target group by including families with three children. In November 2014 The Ministry of Economic Affairs and Communication launched a government-supported housing programme that is included in the Development Plan of the Energy Economy 2030. This housing programme allows housing shortages to be alleviated according to regional particularities. The aim of the programme is to allow local authorities and private enterprises to build or renovate rental houses with modern and energy-efficient apartments. This will enable people on low incomes – such as young people entering the labour market, specialists in low-paid positions, young families and elderly people – to find affordable living.

In 2014 the Green Paper on Alternative Care was finalised and three main objectives were set: to increase the proportion of family-based alternative care, to increase the quality of alternative care, and to improve the effectiveness of the transition to independent living and after-care services.

Healthcare, including dental care, is free of charge for children under 16 years of age (19 in case of continuing studies). There have not been any important policy changes in recent years.

The improvements in childcare services are well in line with the Recommendation, as they are aimed at increasing the availability and affordability of good-quality care services, including those offered at non-traditional times and for children with special needs. The system of alternative care needs considerable reform to ensure that children’s rights and possibilities in alternative care are equal to those of children raised in families, to avoid alternative care becoming a one-way street, to ensure better prevention of the situations where children need to be removed from their families, and to increase the share of family-based alternative care. Changes in this regard are underway.

## **5 Pillar 3 – Children’s right to participate**

The participation of children in play, recreation, sport and cultural activities has been accentuated by several national strategies and policies. For example, The Youth Field Development Plan 2014-2020 (approved in 2013), which focuses on children and young people aged 7-26, is aimed (among other goals) at increasing opportunities for the creativity development, initiative, and collective actions of young people. In addition, the Hobby Schools Act (which entered into force in 2014) regulates the organisation of hobby education in Estonia. The weaknesses of hobby education, however, are: inequalities in accessibility, as children living in sparsely populated areas have lower access to hobby schools; lack of qualified instructors, especially in the countryside; and a lack of financing

for hobby education, especially in municipalities with fewer financial means (Villenthal et al. 2016).

In order to address these problems, in 2015 the Estonian Government approved the concept of recreational activity grants, which are designed to increase the availability, diversity and quality of recreational activities. The grants will especially be targeted at increasing participation among children who for various reasons have not so far participated, and is directly in line with the Recommendation to provide opportunities to participate in informal learning activities that take place outside the home and after regular school hours. The grants will be paid from September 2017, enabling approximately 30,000 more children to participate in cultural, sports and technology classes.

Neither of the aforementioned policies is targeted at children below the age of 7 years. Although the Preschool Child Care Institutions Act that came into force in 1999 stipulates the rights of children attending pre-school institutions to a daily schedule and to activities that support self-confidence and mental alertness, there are no specific informal learning measures targeted at pre-school children. Moreover, as there are some shortages in the provision of early childhood education and childcare, access by children aged 3 or under to informal education provided by pre-school institutions is limited.

The Recommendation on increasing children’s right to participate also stresses the need to enable all families to participate in social activities that boost their parental skills and foster positive family communication. In 2013 the Estonian Ministry of the Interior initiated a “Smart parent” programme, which was initially aimed at drawing attention to the role of parents in preventing the consumption of alcohol and other drugs: but by 2017 it had been extended to enabling parents to boost their skills in a wider range of topics, from internet safety and nutrition to numerous topics on parenting. The main strength of this measure is the comprehensive approach involving a web platform, tuition and awareness-rising.

Several policies also support children’s participation in legal decision-making in areas that affect their lives. In 2015, the Estonian Parliament ratified a constitutional change that lowered the voting age in local elections from 18 to 16. This means that in local elections in autumn 2017 an estimated 24,000 children aged 16 and 17 will get a right to vote. The aforementioned Youth Field Development Plan 2014-2020 also aims to support the participation of children and young people (aged 7-26) in community life and decision-making processes. In addition, the renewed Child Protection Act (which came into force in 2014) was designed to promote the inclusion of children in decision-making, and stipulates the obligation to include children in the planning of measures targeted at children and to find out the interests of children and treat those as the primary consideration when making decisions that affect them. This is directly in line with the Recommendation to consult children on relevant policy planning and to encourage professionals working with and for children to actively involve them.

## **6 Addressing child poverty and social exclusion and child well-being in the European Semester**

Although measures to tackle child poverty and social exclusion are not presented as key issues in the European Semester discussions, several measures of the Recommendation to reduce child poverty and social exclusion in Estonia have been addressed. The country-specific recommendations of the European Semester for Estonia in 2015 encompassed improving labour market participation by ensuring the availability of childcare services at local level. Although the Country Report 2016 highlighted the progress made in improving the availability of childcare, it acknowledged the remaining challenges in integrating mothers with young children into the labour market. One of the country-specific recommendations for Estonia in 2016 was adopting and implementing measures to narrow the gender pay gap, which is in line with pillar 1 of the Recommendation to promote gender equality. The Country Report 2017 has stressed the limited progress in reducing the gender pay gap and acknowledges that the gender pay gap remains a matter for concern.

The NRP, approved by the government on 27 April 2017, together with its Action Plan for 2015-2020, are aimed at decreasing the at-risk-of-poverty rate primarily through increasing employment. Thus, the development of family policies to better reconcile work and family life is stressed: for example, by increasing the availability of high-quality, affordable and flexible pre-school education and childcare services according to regional needs; and by changing the system of parental leave and parental benefits. Special attention is being paid to children's poverty, for example by increasing family allowances, including a new allowance for large families. The NRP is also aimed at providing education for children of immigrant backgrounds and additional support services to parents of children with disabilities. By increasing the volume of regular health checks and various health monitoring programmes, the NRP is aimed at detecting possible health disorders at an early stage. In line with pillar 3 of the Recommendation, the NRP emphasises the need to develop young people's creativity, initiative and all the key social competences through informal learning and also implementation of an evidence-based parenting programme to prevent risky behaviour.

Evaluation studies indicate that the recent tax-benefit reforms could have an effect on child poverty and exclusion in Estonia. Recent analysis (EUROMOD 2016) based on the EUROMOD micro-simulation model shows that compared with the tax-benefit policies of 2014, those of 2015 increase mean household income by 3.8% in total, with lower-income groups gaining more in relative terms. The largest effect comes from the child allowance, which was substantially raised (from EUR 19.18 to EUR 45 per first and second child in a family). The means-tested family benefit was increased by almost five-fold (from EUR 9.59 to EUR 45) representing a notable gain for the families in the bottom decile group.

## **7 Mobilising relevant EU financial instruments**

Several policy measures that use support from the EU financial instruments for the 2014-2020 period directly or indirectly tackle child poverty and prevent the social exclusion of children, and thus also address the three pillars of the Recommendation.

In the programme budget for 2014-2020 of the EU financial instruments, a little under EUR 587 million has been allocated to thematic objectives 8 (employment), 9 (social inclusion), 10 (education) and 11 (institutional capacity). Here it needs to be stressed that none of the priority objectives addresses children specifically: thus the amount of finance targeted at tackling child poverty cannot be distinguished. However, the investments under thematic objective 10 (education) predominantly target children, mostly through investments in the general education school network under priority investment 10i, and by reducing school drop-out rates and improving teaching competence under priority investment 10iii.

In total EUR 228 million is designated for the promotion of sustainable and good-quality employment and support for labour mobility. All of the funding under this thematic objective is allocated to investment priority 8i (improvement of access to, and prevention of dropping out of, the labour market). To improve access by children to adequate resources, parents' participation in the labour market is supported. For instance, funding from the European Social Fund has been allocated to increasing the availability of childcare services and support services for children with disabilities, which will decrease the care load of parents and help them to return to or continue working.

About EUR 195 million is budgeted for investments in education, training and vocational training for skills and lifelong learning. For example, in order to improve the education system's impact on equal opportunities, the EU funds have been allocated to strengthening the professional profile of teaching professionals and preparing them for social diversity; decreasing early school leaving; and reducing spatial disparities in the availability and quality of educational provision.

A little under EUR 134 million has been allocated to promoting social inclusion, and combating poverty and discrimination. For example, promoting gender equality in

reconciling work, private and family life supports the employability of single parents and second earners. To enhance family support and the quality of alternative care settings, different measures target children living in alternative care and provide support for children and families at risk. The advocacy measures for healthy lifestyles and safe living environments are in line with the Recommendation to provide children with a safe, adequate housing and living environment. The ESIF-funded measure of including young people at risk of exclusion in community activities is in accordance with pillar 3 of the Recommendation to promote children's right to participate.

Finally, EUR 30 million has been budgeted for enhancing the institutional capacity of public authorities and stakeholders and efficient public administration.

By the end of January 2017, most of the budget designated to these four areas had been absorbed, with thematic objective 8 (employment) being the most successful with 84.5%. However, thematic objective 8 shows the lowest expenditure rate with only 4.7% of the commitments being spent and declared to the Commission. 67.6% of the funding allocated for promoting social inclusion and combating poverty and discrimination has been absorbed, and 10.7% of the commitment has been spent. The rate of absorption of thematic objective 10 (education), for which children are the main target group, is a little lower (59.5%), but the rate of expenditure is higher (16.2%). The absorption rate for thematic objective 11 (increasing institutional capacity) is only 53.4%, but 18% of the commitment has been spent.

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**Annex: Summary Table – Progress since February 2013**

Policy area or approach	Overall have policies/ approaches been strengthened, stayed much the same or been weakened since February 2013 (in the light of the EU Recommendation)?		
	Stronger	Little Change	Weaker
<b>Governance</b>	<b>X</b>		
<ul style="list-style-type: none"> <li>Multi-dimensional strategy with synergies between policies</li> <li>Children's rights approach &amp; effective mainstreaming of children's policy and rights</li> <li>Evidence-based approach</li> <li>Involvement of relevant stakeholders (including children)</li> </ul>	<b>X</b> <b>X</b> <b>X</b> <b>X</b>		
<b>Access to resources</b>	<b>X</b>		
<ul style="list-style-type: none"> <li>Parents' participation in the labour market</li> <li>Child &amp; family income support</li> </ul>	<b>X</b> <b>X</b>		
<b>Access to services</b>	<b>X</b>		
<ul style="list-style-type: none"> <li>ECEC</li> <li>Education</li> <li>Health</li> <li>Housing &amp; living environment</li> <li>Family support &amp; alternative care</li> </ul>		<b>X</b> <b>X</b> <b>X</b> <b>X</b>	
<b>Children's right to participate</b>		<b>X</b>	
<ul style="list-style-type: none"> <li>in play, recreation, sport &amp; cultural activities</li> <li>in decision making</li> </ul>	<b>X</b>		
<b>Addressing child poverty and social exclusion in the European Semester</b>		<b>X</b>	
<b>Mobilising relevant EU financial instruments</b>	<b>X</b>		



