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The Long Transition to Good Governance: the Case of Estonia

Looking at the changes in the governance regime and anti-corruption policy

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Abstract: This paper deals with the post-communist positive outlier Estonia, which made according to international comparisons perhaps the most spectacular progress in the world, from a totalitarian regime to a quality democracy in less than twenty years. The country has seen improvement in all four dimensions of control of corruption described in the equilibrium model of Alina Mungiu-Pippidi (2011) since the restoration of its independence in 1991. The changes in the different dimensions happened almost simultaneously. During the first government of Mart Laar (1992-1995), policies that reduced material resources and strengthened legal constraints were implemented. Estonia pioneered important liberal reforms, for instance the adoption of a flat tax which then became very trendy in Eastern Europe and a very advanced e-government inspired from the neighbouring Finland. It also had the most radical policy towards Soviet time judiciary, replacing most of it and restarting practically all over with new magistrates. Normative constraints are also high, with a public opinion intolerant of particularism, an active civil society and a free press. The paper tries to explain why Estonian elites succeeded in promoting good governance and anti-corruption measures more than most other Central and Eastern European countries. In addition, author is looking for integrative understanding how to improve the control of political and administrative corruption mechanisms *via* the better regulation measures (e.g. impact assessment, participation, simplification) and support of political motivation[1].

[1] Author is thankful for any feedback which will help to improve the current paper. Contact: aarek@ut.ee. The paper is available via the IPSA 2012 web http://www.ipsa.org (Online Paper room) and via the European Research Centre for Anti-Corruption and State-Building (Hertie School of Governance) web http://www.againstcorruption.eu/?post_type=reports

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1. Introduction: Control of Corruption in Context

1.1. Definitions

According to the prevalent definition used by Transparency International, *corruption is the abuse of entrusted power for private gain*.[2] As widely recognized, corruption is probably as old as government itself, affecting almost all parts of society. Like a cancer, as argued by Amundsen (1999),[3] corruption 'eats into the cultural, political and economic fabric of society, and destroys the functioning of vital organs.' The World Bank (WB) President James Wolfensohn called for a global fight against the 'cancer' of corruption in 1996.[4] WB 'has identified corruption as among the greatest obstacles to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundation on which economic growth depends.'[5]

Alina Mungiu-Pippidi' (2011)[6] new approach differs: 'most corruption academic literature conceptualizes anti-corruption at the individual level, as do most current theories about anti-corruption. This presumes that corruption is a deviation from an otherwise established norm of ethical universalism, where every citizen is treated equally by the state and all public resources are distributed impartially. In fact, outside the developed world, the norm is not ethical universalism, since the process of modernization leading to an impersonal state autonomous from private interest was never completed in most countries [...]. Particularism exists by default, since most human societies have limited resources to share, and people tend to share them in a particular way, most notably with their closest kin and not with everyone else. Modern states are based on universal citizenship, which entails fair treatment of every citizen by the government. But there are very few states that have thus far succeeded in moving from the natural state to this ideal of modernity. The question should change from *what causes corruption* to *what makes particularism evolve into universalism*? [..]. As governance is defined as the set of formal and informal institutions shaping

[2] Transparency International (TI): http://cpi.transparency.org/cpi2011/in_detail/

[3] I.Amundsen (1999). Political Corruption: An Introduction to the Issues - in Chr. Michelsen Institute Development Studies and Human Rights Working Paper 7, p.1 – cited in H.Seldadyo and J. de Haan (2006). The determinants of corruption. A Literature Survey and New Evidence - Paper Prepared for the EPCS Conference, Turku, Finland, 20-23 April 2006: http://conferences.wcfia.harvard.edu/sites/projects.iq.harvard.edu/files/gov2126/files/seldadyo_determinants_corruption.pdf

[4] J.D.Wolfensohn (1996). Annual Meetings Address by President, The World Bank: http://go.worldbank.org/P9WK6N2AZ0

[5] What is the World Bank doing to fight corruption?: http://www.worldbank.org/html/extdr/thematic.htm - see Anticorruption

[6] A.Mungiu-Pippidi *et al* (NORAD, 2011). Contextual Choices in Fighting Corruption: Lessons Learned, NORAD, Report 4/2011, p. xiii, available at: http://www.norad.no/en/tools-and-publications/publications/publication?key=383808

'who gets what' in a given polity, the understanding of governance regimes is an indispensable step towards creating a more strategic approach to anti-corruption.' (xiii)[7]

In Estonia the linkages between the control of corruption mechanisms and such topics as the role of political elite, governance regime, democracy, modernity, better regulation etc., are sociologically under-researched – here is the need for a 'big picture of institutional carriers' in order to measure, interpret and communicate of complex modernization processes in society.

Forms of political and administrative corruption vary including *bribery, extortion, cronyism, nepotism, patronage (*e.g. *clientelism), graft, electoral fraud, influence trading (peddling), embezzlement, kickbacks* and *unholy alliance*, e.g. in general, ***political corruption*** means the use of power by government officials for illegitimate private gain, and ***political patronage*** the use of state resources to reward individuals for their electoral support. ***Trading in influence*** (or *influence peddling*) refers to the situation where a person is selling his/her influence over the decision process involving a third party (person or institution). This is a tri-lateral relation. From a legal point of view, the role of the third party (target of the influence) does not really matter although he/she can be an accessory in some instances. It can be difficult to make a distinction between this form of corruption and some forms of loosely regulated *lobbying* where for instance law-makers can freely 'sell' their vote, decision power or influence to those lobbyists who offer the highest compensation and want to avoid the passing of specific social, economic, security, or other regulations. Where lobbying is sufficiently regulated, it becomes possible to provide for distinctive criteria and to consider that *trading in influence* involves the use of 'improper influence', as in article 12 of the Criminal Law Convention on Corruption (ETS 173) of the Council of Europe.[8]

In addition, the term ***state capture*** refers to patronage, bribery, influence peddling or lobbying to influence the *formulation* and *content* of laws and regulations by privileged elites while the term ***administrative corruption*** refers to bribery by individuals, groups or firms in the private sector to influence the *implementation* of laws weakening the rule of law.[9]

The ***control of corruption index*** is an aggregation of various indicators that measure the extent to which public power is exercised for private gain, including both grand (political) and petti

[7] *Ibid* A. Mungiu-Pippidi *et al* (2011). Three distinct types of governance regimes are open access or ethical universalism regimes and closed access regimes, divided between neo-patrimonial and competitive particularistic (xviii).

[8] Sources: Wikipedia and WB on *political corruption*. Some *political patronage* systems are legal, as in the Canadian tradition of allowing the Prime Minister to appoint the heads of a number of commissions and agencies; in many cases, these appointments go to people who have supported the political party of the Prime Minister (in Estonia, similar tendency is prevailing: a) *via* open parliamentary procedure and support of Coalition parties (*Riigikogu* majority), e.g. Legal Chancellor; State Auditor, Board of Estonian Public Broadcast, etc.; or b) *via* Ministers in their responsibility area, e.g. appointments to the Board of State-owned companies – A.K.). As well, the term *political patronage* may refer to a type of corruption or favoritism in which a party in power rewards business, NGO, age etc. groups, families, ethnicities and municipalities for their electoral support using illegal gifts or fraudulently-awarded appointments or government contracts.

[9] J.H. Anderson and C.W. Gray (2006). Anti-Corruption in Transition 3 – Who is Successful and Why? – World Bank, p. xi, pp 7-8: http://siteresources.worldbank.org/INTECA/Resources/ACT3.pdf

(administrative) forms of corruption as well as "capture" of the state by elites and private interests. Index ranges from -2.5 (very poor performance) to +2.5 (excellent performance).[10] The theoretical framework of the paper will depart from control of corruption platform.

1.2. Context: Return to the Western World (a 'catching-up revolution' 1991+)

The general context of discussion paper is related to the institutionalization of OECD, WB and European Union (EU) good governance, better regulation and control of corruption concepts into relatively small and mobile system of Estonian regulatory governance.

Estonia joined the third wave of regulatory reforms in OECD (e.g. EU) countries and in many aspects this wave is still on the way (see Figure 1).[11] Many critical observations can be found in recent writings on transitional problems of Central and Eastern European countries and in most cases they also apply to Estonia. For example, Paul Blokkers' (2009) argumentation based on Jürgen Habermas' ideas of a 'catching-up revolution' and a 'rewinding revolution': "...for the former communist countries, 1989 signified a kind of rewinding revolution that allowed them once again to catch up with the West, after the interlude of the failed modernizing project of communism. This meant that these societies were to adopt traditions of the *Rechtsstaat* as well as those of capitalist market economies *à la* the West."[12] Similar viewpoint on regulatory policy was expressed by Claudio Radaelli (2010), who noted "...the emulation perspective, which is concerned with the imitation of OECD templates for regulatory oversight by legitimacy-seeking governments."[13] Matt Andrews (2010) explores the OECD good governance programmes from another point of view. He shows that one-size-fits-all approach to effective models of good governance does not exist. Often models with similar names mean different things in different countries.[14] The evolution of democracy

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[10] D.Kaufmann, A.Kraay and M.Mastruzzi (2010). The Worldwide Governance Indicators: Methodology and Analytical Issues – World Bank Policy Research Working Paper No. 5430. According to given WB Working Paper (pp 3-4) 'there is as yet no strong consensus around a single definition of governance or institutional quality. Various authors and organizations have produced a wide array of definitions' [..] Authors of WB paper define governance as "the traditions and institutions by which authority in a country is exercised. This includes (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies; and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them." The ***Control of Corruption*** **(CC)** is the sixth dimension of governance after the *Voice and Accountability* (VA), *Political Stability and Absence of Violence/Terrorism* (PV), *Government Effectiveness* (GE), *Regulatory Quality* (RQ) *and Rule of Law* (RL).

[11] A.Kasemets (2006). The institutional preconditions for knowledge-based and sustainable policy-making in Estonia – *Riigikogu Toimetised* (J. of Estonian Parliament) No 14, pp 152-160 (in Estonian): http://www.riigikogu.ee/rito/index.php

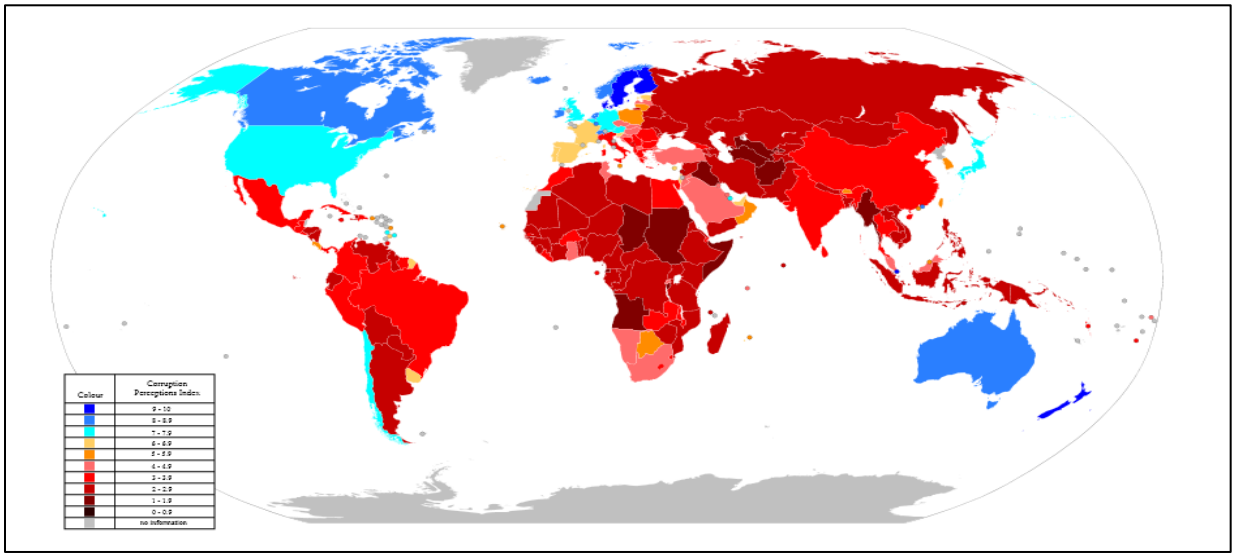
[12] P.Blokker (2009). 1989, Democracy, and Social Theory: A Return to Normality? - European Journal of Social Theory 12(3): 307–320, p.307 and 309. Another earlier habermasian approach: M.Lauristin and P.Vihalemm with K.E. Rosengren and L.Weibull (1997). "Return to the Western World. Cultural and Political Perspectives of the Estonian Post-Communist Transition" – Tartu University Press, pp 77-84

[13] C.M.Radaelli (2010). Regulating Rule-Making via Impact Assessment. – *Governance* 23, no 1, p. 90.

[14] M.Andrews (2010). Good Governance Means Different Things in Different Countries - Governance 23, no 1, p. 7

in Estonia over the past 20 years has offered scholars an opportunity to observe the effects of different institutional (in particular liberal policy) choices. The discussion paper contains a lot of different examples, data and related background information, because the scholars using general international datasets and making comparative studies and/or interdisciplinary policy recommendations could keep in mind the historical structural factors and changing context.[15]

Figure 1. World Map of Corruption Perception Index CPI (2010)



Sources: Transparency International (TI) 2010 & Wikipedia (e-map).

Estonia restored the independence in 1991 * parliamentary democracy * population 1.3Mil * territory 45,227 km^2 * *CPI* 6.5 (since 2004: 6.0<) * neighbours Finland (9.2), Russia (2.1), Latvia (4.3), Sweden (9.2)

In historical perspective it is interesting to note that according to sensational Samuel P. Huntington map of civilizations (1996) Estonia belongs to the Western civilization and the current official border between European Union North-East Schengen Area (Finland, Estonia, Latvia, Lithuania) and Russia has been the boundary between the Western and Ortodox type of civilizations in Europe. Another historical boundary has been demographic *Hajnal line.*[16]

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[15] Similar approach to this paper: A.Kasemets and A.Talmar-Pere (2012). Implementation of Better Regulation Measures in the Internal Security Policy: the case of Estonia" - ECPR Standing Group for Regulatory Governance Conference 'New Perspectives on Regulation, Governance and Learning', University of Exeter 27-29.06.2012, Panel 'Regulatory challenges in Europe'. Discussion paper 25.05.2012: http://www.exeter.ac.uk/reggov2012/programme/thursday-parallelsessions3/

[16] S.P.Huntington (1996). The Clash of Civilizations and the Remaking of World Order - Simon & Schuster, Inc. NY. See http://en.wikipedia.org/wiki/The_Clash_of_Civilizations_and_the_Remaking_of_World_Order#Modernization.2C_westernization.2C_and_.22torn_countries.22 (compare the map with Figure 1). There may be a structural link with *Hajnal line* (from St Petersburg to Trieste) and related *demographic transition model*, which refers to the transition from high birth and death rates to low birth and death rates as a country develops from a pre-industrial to an industrialized economic system (data since 18th century). See J.Hajnal (1965). *European marriage pattern in historical perspective* - D.V.Glass and

1.3. Aims and structure of discussion paper

This discussion paper is looking at reasons and explanations why Estonian elites succeeded in promoting anti-corruption measures more than most other Central and Eastern European countries. The paper will support the objectives of anti-corruption research and regulatory governance networks contributing to the literature on smaller transition countries with limited resources. In addition, author is looking for integrative understanding how to improve the control of political and administrative corruption mechanisms via better regulation measures (e.g. policy design, transparent *ex ante* impact assessment, participation, simplification, *ex post* evaluation, etc.).[17]

The second part of paper is giving for readers a short overview about new theoretical framework for anti-corruption research, a four-dimensional control of corruption equilibrium model, worked out by Professor Alina Mungiu-Pippidi team (2011, 2012).[18]

The main part 'Contemporary achiever: the case of Estonia' is divided into several sub-points starting from Estonian rankings in different global and regional indices. Second sub-point is reflecting some Estonia-related issues emphasised in Alina Mungiu-Pippidi IPSA paper. Author is explaining the Estonian context and giving some insider observations with additional data and information sources (Boxes 2 to 6) looking at foundations of ethical universalism, material resources, legal and normative constraints in control of corruption, etc. Sub-point 3.3 will map the main governmental policy initiatives according to four dimensions of control of corruption equilibrium model, e.g. system of regulatory constraints. Fourth shows the data of National Integrity System assessment 2010-2012 based on TI methodology (more legalistic approach). Fifth and sixth sub-points move the focus to Estonian political elite, current situation and political motivation in the political economy framework.

In conclusions the topics are summarized looking for 'drivers of change' at the levels of foreign and internal policy environments. Finally, the appendices include latest anti-corruption studies data, a free media example (illegal party funding scandal), and some excerpts from Global IT Report (2012) and Human Development Report (2011).

D.E.C.Eversley (eds.) *Population in History*, Arnold, Londres; Short description and map: http://en.wikipedia.org/wiki/Hajnal_line

[17] The mapping of control of corruption research topics is related to design of better regulation (e.g impact assessment) guidelines and training program for Estonian internal security authorities, where anti-corruption policy measures are important subtopics. Also, paper is contributing to a large-scale research project "Anticorruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption" (ANTICORRP), funded by the European Commission's 7th Framework Program. Additional information: http://www.againstcorruption.eu/?page_id=2895

[18] A.Mungiu-Pippidi *et al* (2011) – Note 6; A.Mungiu-Pippidi (2012). Contextual Choices in Fighting Corruption: A Framework and Some Evidence - Prepared for the IPSA panel "Corruption and Democratic Governance: New Approaches, New Evidence" in Madrid, July 2012 - Hertie School of Governance, www.hertie-school.org.

The sociological key question of the paper seems to be simple: what explains the relatively advanced social control of corruption in Estonia and which kind of forces have been the main drivers of institutional changes of the governance regime during last 20 years?

2. Theoretical framework of discussions

The theoretical reasoning and methodological design of control of corruption equilibrium model developed by Alina Mungiu-Pippidi (2012)[19] is very promising. Starting from Max Weber study on bureaucracy and his approach of historical sociology Mungiu-Pippidi argues: 'Social corruption needs being conceptualized as a governance regime. If we consider governance as *the set of formal and informal rules determining who gets what in a given polity*, a *governance regime is any* stable configuration of governance rules, norms and practices. *Control of corruption is the outcome of a governance regime based on ethical universalism*, with the state ruling impartially and impersonally in favour of public interest (so autonomous from narrow private one, individual, group or elite captures).'

Countries placed in the upper third of the global good governance, control of corruption, free media, civil society sustainability etc. rankings (WB, TI, Freedom House) have reached this position during longer period of time, with very few exceptions like Estonia. Observing the institutionalization processes of 'western' governance principles based on ethical universalism through the lenses of historical sociology, Mungiu-Pippidi asked (2012) 'is fifteen years sufficient for a country to modernize its governance?'

Estonia restored its independence in 1991 and reached certain societal and governance benchmarks after five years of institution building when Estonia received an initial invitation for accession negotiations with the EU (1996).[20] Since joining to EU in 2004 Estonia belongs to the third generation of 'achievers' with Slovenia and others (see A. Mungiu-Pippidi 2012, Table 2). Looking for formal and informal institutional 'catching up' mechanisms of modernization (e.g. rationalization), Mungiu-Pippidi suggests that 'control of corruption is a good proxy for the formal-informal gap, and it offers us little evidence for the optimistic view of a world gradually modernizing in terms of governance' (see Box 1).

[19] Ibid A.Mungiu-Pippidi (2012).

[20] See M.Lauristin, P.Vihalemm (1997), Note 12; and M.Lauristin, P.Vihalemm (2009). The political agenda during different periods of Estonian transformation: external and internal factors. Journal of Baltic Studies, 40, 1, 1–28.

Box 1. Control of corruption in the equilibrium model by A. Mungiu-Pippidi (2011, 2012)

Most literature on causes of corruption group determinants as economic, political and cultural or as two broad categories of factors: ***(i). structural factors*** (population, legacies, religion, past regime), and ***(ii). current government policies*** pertaining to control of corruption (economic, but also specific anti-corruption policies). A review of determinants tested so far suggests that the equilibrium concept can actually make a more theoretically meaningful model using many of the factors already tested. Such a model would include:

Under *resources:*

- ***Discretionary power resources*** (due not only to monopoly, but also privileged access under power arrangements other than monopoly or oligopoly; for example Weber's status groups, Mancur Olson's negative social capital networks (1965), North, Wallis and Weingast (2009) social orders, cartels, etc.).
- ***Material resources*** (state assets and discretionary budget spending, foreign aid, natural resources, public sector employment, any other resources which can be turned into spoils or generate rents).

As *constraints*:

- ***Legal:*** This supposes an autonomous, accountable and effective judiciary able to enforce legislation, as well as a body of effective and comprehensive laws.
- ***Normative:*** This implies that existing societal norms endorse ethical universalism and monitor permanently and effectively the deviation from this norm (through public opinion, media, civil society, critical citizens/voters). For an effective sanction we need a population of autonomous and critical citizens capable of collective action (see also Figure 2 and point 3.3).

Control of corruption or its opposite, particularism, can then be summarized in the formula: ***Corruption/control of corruption = Resources (Power discretion + Material resources) – Constraints (Legal + Normative).***

This equilibrium formula can be empirically tested and offers a more complex picture, not only of the individual causes of corruption (or even categories of factors), but also of their interaction, which allows for a better understanding of why certain policy combinations work and others do not. All elements of the formula can be affected by human agency. Resources, for example, are not an absolute given; they can be manipulated by policy. Power resources can be increased by

discretionary regulation and red tape, and decreased by transparency; many anti-corruption policies focus on that area. Material resources generally include four basic categories:

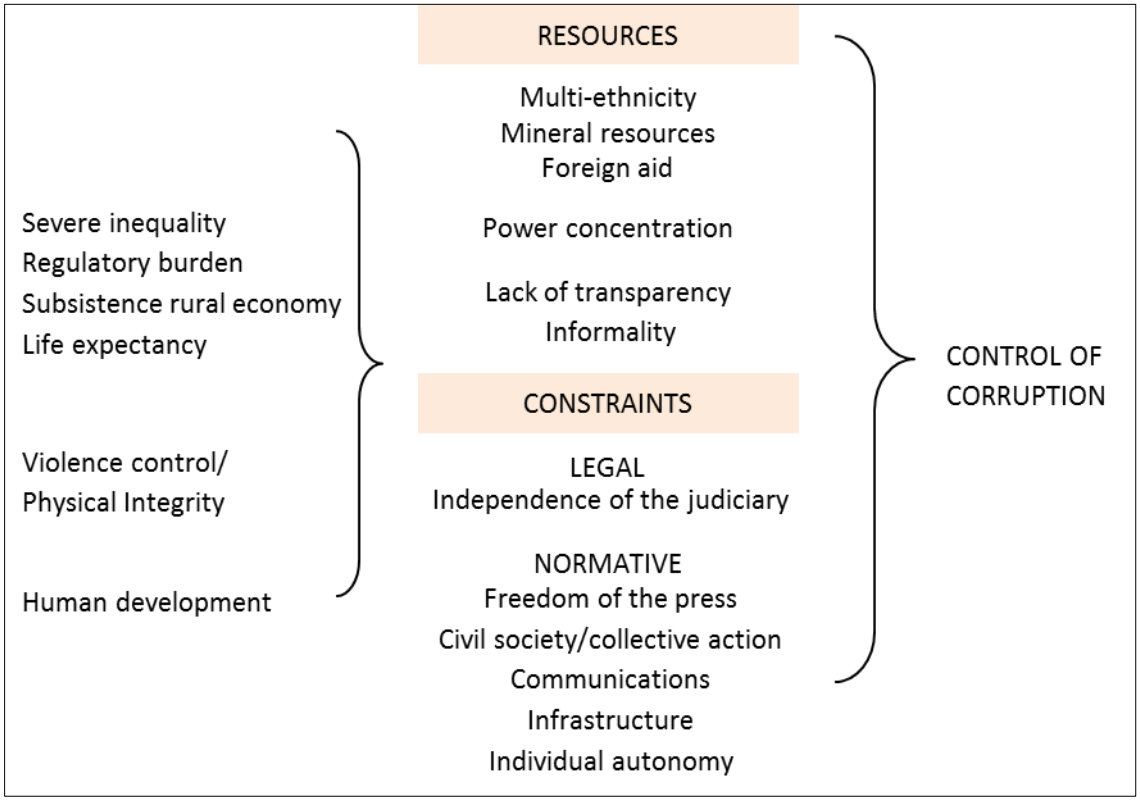
- public jobs, as the public sector can be politicized and each winning party fills not only political offices but many civil service positions with its own people;
- public spending, for example the commissioning of public works, but also preferential bailouts, subsidies, loans from state banks, any form of monetary rents;
- preferential concessions and privatizations from the state property; and
- market advantages in the form of preferential regulation. [...]

An equilibrium model can draw on such determinants previously tested, adding what is available from the formula and putting them into context with one another. Models are parsimonious; maximum explanatory power is sought with a limited number of variables. Dependent variables used are CPI, CC, ICRG. We presume that leaving aside structural variables and legacies (religion, history, development), as well as overlapping poorly defined broad concepts (rule of law) and balancing only resources (power and material) ***versus*** constraints (legal and normative), control of corruption can be explained very effectively.[21]

Source: A. Mungiu-Pippidi (2012) - Footnote 18.

[21] *Comment:* the comparison of countries governance practices seems to be quite hard task. In 2005-06, in the comparative analysis of institutionalisation of EU better regulation measures in the law-making processes of Slovakia, Hungary and Estonia we found that due to structural factors the comparision of countries is possible only in general level, and also, that not only the countries but also the ministries of the same country differ in many aspects (see K.Staroňová, Zs. Kovacsy and A. Kasemets (2006). Comparing Experience of Introducing Impact Assessment Requirement to Draft Legislation in CEE: The Case of Slovakia, Hungary and Estonia – in "Implementation - the Missing Link in Public Administration Reform in Central and Eastern Europe", eds K.Staroňová, B.Dunn, S.Pushkarev. NISPAcee, pp 165-197; also M.Andrews (2010) – Note 14).

Figure 2. Theoretical Path Model of Control of Corruption



Source: A. Mungiu-Pippidi (2012).

The selection of 'contemporary achievers' was driven by three criteria:

(a) whether the case is classified in the upper third of all countries in World Bank Control of Corruption, **or** is a regional achiever doing significantly better than its region/continent;

(b) whether the country is at least an electoral democracy, and

(c) whether the country has acquired this status in contemporary times, particularly in the last twenty years overlapping with the control of corruption agenda.

The Worldwide Governance Indicator (WGI) Control of Corruption was used as a reference for the first criterion, as it is the score including most available sources on all countries (a), the Freedom House Political Rights score as a reference for the second criterion (b), and International Country Risk Guide[22] and Business Index scores (which have fewer cases but longer time series) for the third[23] (see Table 1 [diagnostics] and Table 2 [contemporary achievers]).

[22] *ICRG Political Risk Components:* A. Government Stability 12 (max ponts); B. Socioeconomic Conditions 12; C. Investment Profile 12; D. Internal Conflict 12; E. External Conflict 12; F. Corruption 6; G. Military in Politics 6; H. Religion in Politics 6; I. Law and Order 6; J. Ethnic Tensions 6; K. Democratic Accountability 6; L. Bureaucracy Quality 4. Source: PRC Group. *International Country Risk Guide* (Part II). *A Business Guide to Political Risk for International Decisions, p.29.*

[23] A.Mungiu-Pippidi (2012), Note 18.

Table 1. Types of governance regimes by corruption (for diagnostics of countries)

Type of society	Power distribution	State 'ownership'	Distribution of public goods	Social acceptability/ Legitimacy	Distinction public/private
Patrimonialism/ Pure particularism	Power monopoly/ Hierarchy/ status society	One or few owners	Unfair but predictable	Moderate /traditional and neo-traditional	No
Competitive particularism	Top status disputed among groups	Up for capture by various groups	Unfair and unpredictable	Low/Charismatic bureaucratic	Poor
Universalism / open access	Equal	Autonomous from private interest	Fair and predictable	Very low/bureaucratic	Sharp

Source: Hertie School of Governance, ERCAS: http://www.againstcorruption.eu/?page_id=2899

3. Contemporary achievers: the case of Estonia

Compilation of a country case study on control of corruption achievements (and failures) is not easy analytical task because of public sociologist' insider view and lack of interdisciplinary studies dealing with complexity of structural factors and current policies according to new equilibrium model (box 1).[24] Also, it's true that the regulatory impact assessment methods for parliamentary and governmental/executive anti-corruption initiatives (see Boxes 3-4; Table 7.C) sustainability factors are still under discussion.[25]

The Estonian formal and informal institutional transition seems to be a positive case of progress on control of corruption in Central and Eastern Europe and also in global context.

The key question, as Alina Mungiu-Pippidi put it, is 'what explains social control of corruption'? There are many complementary sources and sub questions for discussion, e.g.:

[24] Some other theoretical approaches explaining the Estonian transition, e.g. (a) Sööt, M.-L.; Rootalu, K. (2012). Institutional trust and opinions of Corruption. Public Admin. Dev., 32: 82–95 (institutional trust, awareness vs tolerance); (b) Tavits M. 2010. Why Do People Engage in Corruption? The Case of Estonia. Social Forces 88(3): 1257–1280 (social learning theory).

[25] Questions: (a) How to measure the impact of governmental anti-corruption strategies to the awareness and behavior of target groups? (see Box 2); (b) How many electoral cycles or favourable corruption ratings, until a country is considered to have passed the threshold of no return, if such a threshold even exists? See also Michael, B.; Kasemets, A. (2007). The Role of Incentive Design in Parliamentarian Anti-Corruption Programmes. The Journal of Legislative Studies, 13, 280 - 300.

- What are the social, economic and political bases of Estonian society which has achieved a reasonable control of corruption in recent times?
- What makes governance regime based on particularism evolve to open access order (ethical universalism), determining a change in the equilibrium?
- How to explain the process of modernization in the political economy framework?
- How the formal institutions and organizations, related to the control of corruption measures, are fulfilling their role in the governance?
- Are the Estonian contemporary developments mostly prompted by government policies (1992 to 2012) or the result of a longer historical evolution?

3.1. Estonian worldwide and regional rankings in comparison

According to WGI Control of Corruption score Estonia has been a 'green country' since 2000. Table 2 summarizes WGI scores and percentile rankings for the eight cases, (e.g. Estonia) and how they changed between 1998 and 2009.

Table 2. Control of corruption in contemporary achievers' countries

Country	**Region**	**Control of Corruption score**			**Control of Corruption % rank**			**Rank in the region (2009)**
		2009	**1998**	**Change**	**2009**	**1998**	**Change**	
Chile	Latin America	1.37	1.32	0.05	90	87	3	1 (20)
Uruguay	Latin America	1.22	0.87	0.35	86	80	6	2 (20)
Estonia	Eastern Europe and post-Soviet Union	1.00	0.60	0.40	80	71	9	2 (28)
Botswana	Sub-Saharan Africa	0.86	0.71	0.15	76	76	0	1 (48)
Taiwan	East Asia	0.57	0.74	-0.17	72	77	-5	2 (6)
South Korea	East Asia	0.52	0.27	0.25	71	65	6	3 (6)

Ghana	Sub-Saharan Africa	0.06	-0.25	0.31	60	48	12	9 (48)
Georgia	Eastern Europe and post-Soviet Union	-0.23	-0.84	0.61	52	21	31	14 (28)

Source: Worldwide Governance Indicators, World Bank; A. Mungiu-Pippidi (2012). Contextual Choices in Fighting Corruption: A Framework and Some Evidence. IPSA panel "Corruption and Democratic Governance: New Approaches, New Evidence" in Madrid, July 2012 (Table 4).

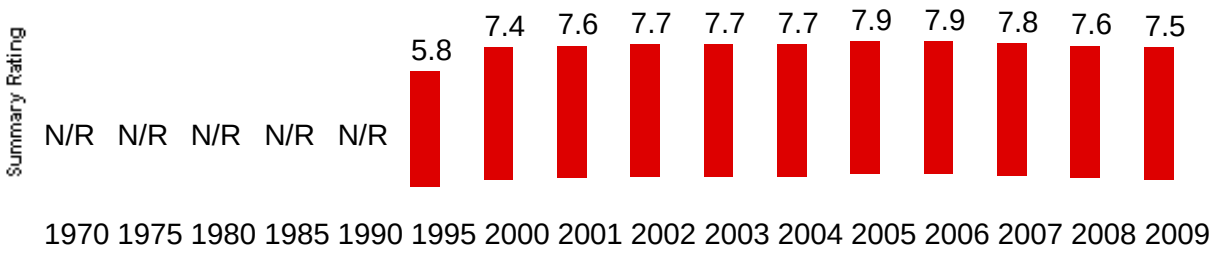
Table 3. Freedom House Nations in Transit: ESTONIA 1998-2012 with comparisons

NIT Ratings (CEE and former USSR)	1998	1999	2001	2002	2003	2004	2005	[..]	2012 EE	2012 SLO	2012 LV	2012 (average of 29)
Electoral Process	2.25	1.75	1.75	1.75	1.75	1.50	1.50		1.75	1.50	1.75	3.98
Civil Society	2.25	2.50	2.25	2.00	2.00	2.00	2.00		1.75	2.00	1.75	3.52
Independent Media	1.75	1.75	1.75	1.75	1.75	1.50	1.50		1.50	2.25	1.75	4.47
Governance	2.25	2.25	2.25	2.25	2.25	2.25	n/a		n/a	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	n/a	n/a	2.25		2.25	2.00	2.25	4.70
Local Democratic Governance	n/a	n/a	n/a	n/a	n/a	n/a	2.50		2.50	1.50	2.25	4.29
Judicial Frame &Independence	2.25	2.00	2.00	1.75	1.75	1.75	1.50		1.50	1.75	1.75	4.43
Corruption	n/a	3.25	2.75	2.50	2.50	2.50	2.50		2.25	2.25	3.25	4.78
Scale: max 1–7 min												

Source: Freedom House: http://www.freedomhouse.org/report/nations-transit/2012/estonia - According to survey 2012 the best performers in Central and Easter Europe and former Soviet Union region (n=29) are Slovenia (The Democracy Score DS: 189), Estonia (DS: 193) and its neighbour Latvia (DS: 211) [average: 431]

Figure 3. Level of Economic Freedom: Estonia 1995-2009

Level of Economic Freedom (out of 10):



Economic Freedom Ranking:

1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	**2009**
N/R	N/R	N/R	N/R	N/R	72 of 123	23 of 123	13 of 123	12 of 123	14 of 127	14 of 130	9 of 141	11 of 141	11 of 141	14 of 141	**15 of 141**

Source: http://www.freetheworld.com/cgi-bin/freetheworld/getinfo.cgi - see also Heritage Economic Freedom Index 2012 (Estonia is 16th of 179): http://www.heritage.org/index/Ranking.aspx

Table 4. Transparency International Corruption Perceptions Index (CPI): Estonia

Year	**1998**	99	00	01	02	03	**2004**	05	06	07	08	09	10	**2011**
CPI score	**5.7**	5.7	5.7	5.6	5.6	5.4	**6.0**	6.4	6.7	6.5	6.6	6.6	6.5	**6.4**
Position/ No. of rankings	26/ 85	27/ 99	27/ 99	28/ 91	29-30/ 102	33-34/ 133	31-33/ 146	27/ 156	24-25/ 163	28/ 180	27/ 180	27-29*/ 180	26/ 178	29/ 182

Source: TI 1998-2011. * In 2009 Cyprus, Slovenia and Estonia had the same level. See also Appendix 2.

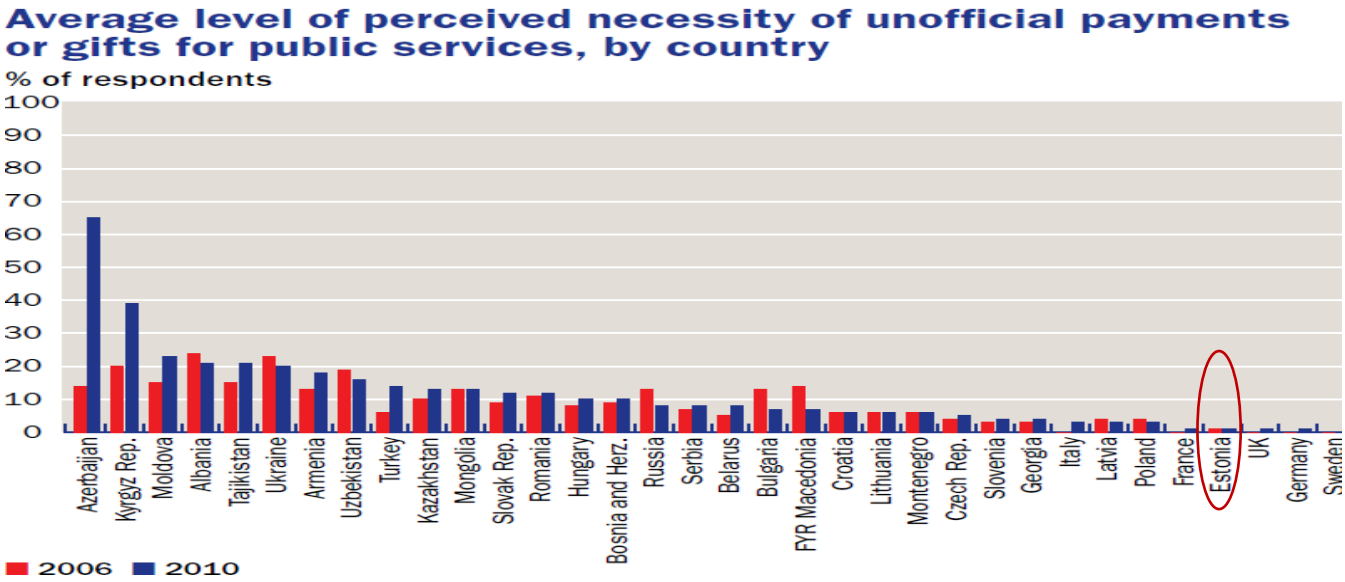
Table 5. Press Freedom Index 2011-2012 (N=179 countries)

Rank	**Country**	**Score**	
1	Finland	-10,00	=
-	Norway	-10,00	=
3	**Estonia**	-9,00	⇑
-	Netherlands	-9,00	⇓
5	Austria	-8,00	⇑

Rank of other countries in the same region or in the same group of **contemporary achievers** in control of corruption: 10-11 Denmark and Canada; 14 Czech Republic; 15 Ireland; 16-17 Cyprus and Germany; 20 Belgium; 24 Poland and Slovakia; 28 United Kingdom; 30 Australia and Lithuania; **32 Uruguay**; **36 Slovenia;** 38 France; 39 Spain; 40 Hungary; **41 Ghana**; 47 USA, Argentina and Romania; 50 Latvia […]

Source: *Reporters without Borders,* http://en.rsf.org/press-freedom-index-2011-2012,1043.html

Figure 4. Life in Transition Survey II (29 countries)



Source: EBRD (2011). Life in Transition II: http://www.ebrd.com/downloads/research/surveys/LiTS2ee.pdf

3.2. Background of Estonian control of corruption scores: selected explanations with reflective comments and latest available data[26]

Box 2. Foundations of ethical universalism in Estonian society and governance

***** ***Alina Mungiu-Pippidi*** (2012): "Estonia has made the most spectacular progress in the world, from a totalitarian regime to a quality democracy in less than twenty years. The country is not free of corruption, and particularism is still entrenched, but foundations of ethical universalism in governance seem to have taken root. A 2004 survey carried out on behalf of the Ministry of Justice found that about one-half of the respondents did not consider giving gifts to officials to be corruption; and about the same found that an official who orders computers from a firm where his son is a partner is not wrong. The respondents deemed misuse of official positions to be the most probable form of corruption, and bribery - the least probable: 16% of the representatives of the general population and entrepreneurs acknowledged giving bribes, 24% of the entrepreneurs claimed that they have been asked for a bribe for performance of a public service and 27% of the public sector employees have been offered a bribe."

[26] The general overview about Estonian drivers of change in control of corruption according to given methodology (Box 1) is in the paper by BiancaVaz Mondo (2011). Control of Corruption: the Road to Effective Improvement. Lessons from six progress cases – ERCAS Working Paper No 27: http://www.againstcorruption.eu/?post_type=reports (see also point 3.3).

**** Aare Kasemets*** - some reflective *insider* comments with latest data (June 2012).

In general it seems to be true, that the foundations of ethical universalism in governance are dominating in Estonian public sphere. The latest sociological follow-up survey carried out by the Ministry of Justice (2010)[27] confirmed the positive trend in anti-corruption attitudes in general and found also that there are quite remarkable differences between different target groups (residents, entrepreneurs, public sector) and socio-demographic divisions (gender, nationality, age, region, etc). Some excerpts:

There have been several positive changes in attitudes when compared to the earlier study in 2006. For example, when presenting residents with a hypothetical situation, 34% of them are ready to offer a bribe to an official. While this is a rather high figure, it is still 10 percentage points less than in year 2006. Also, the attitude towards giving presents has changed and it can be assumed that the tradition of giving presents, typical to post-Soviet countries, is slowly vanishing from Estonia. 54% of residents consider it corruption if an official accepts a present in return for his or her services. This is 10 percentage points more than in year 2006. The number of entrepreneurs considering accepting of presents to be corruption has increased as well – it is 62% now, whereas it was 57% earlier.

It can be assumed that those who condemn corruption more and are better able to recognise it, would also behave less in a corrupt way. There are also less public sector employees who believe that the employees of their institutions are being paid bribes – in year 2010, 20% of them think this way, but in year 2006 this figure was 23%. Compared to earlier studies, there are significantly less residents considering bribery to be widespread means of avoiding penalties and punishments. In year 2006, 73% of residents thought that bribery is widespread as means for avoiding penalties and punishments, but 2010 this figure had decreased to 53%. On the other hand, respondents are now thinking that corruption is somewhat more common in public procurements (+3%) and as means for achieving law amendments (+5%).

Still, it is worrying that the share of residents considering corruption to be a serious problem has slowly increased from year to year – from 64% to 68%.

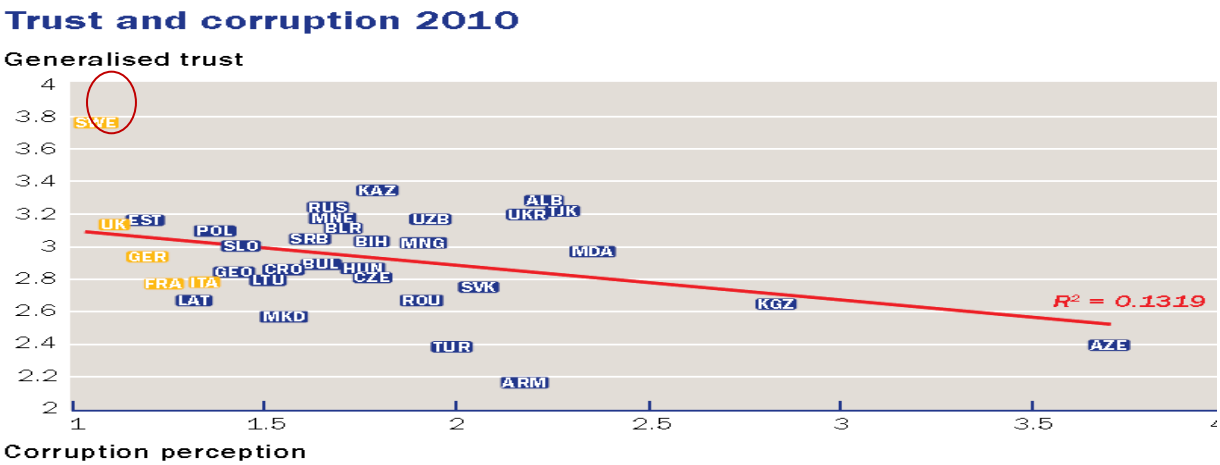
Also, the number of people having encountered corruption has decreased. For example, while in year 2006, 15% of entrepreneurs had been asked to give bribe, now this figure is 10%. While in

[27] Estonian Ministry of the Justice (2010). Corruption in Estonia: the study of three target groups 2010. Criminal policy studies 13. Tallinn: Ministry of the Justice Criminal Policy Department & University of Tartu (in Estonian, summary in English) www.korruptsioon.ee/orb.aw/class=file/action=preview/id=50629/Korruptsioon_2010.pdf; See also Sööt, M.-L. and Rootalu, K. (2012). Institutional trust and opinions of corruption - Public Admin. Dev., 32: 82–95 (data: 2006); Uslaner E.M. (2008). Corruption, Inequality, and the Rule of Law. The Bulging Pocket Makes the Easy Life. Cambridge University Press: NY – Chapter 6 (Estonian data: 2001-2006).

year 2006, 8% of residents had paid extra to an official or brought a present, in 2010 this figure was 4%. An interesting change has taken place regarding presents. While this is one of the most common forms of corruption (this study also takes into account whether it is considered a corruption), there are 2 percentage points less of those residents who have brought presents to officials in return for their services (8% in 2010 and 6% in 2006). In case of entrepreneurs, this figure has decreased from 11% to 8% (see Appendix 1).

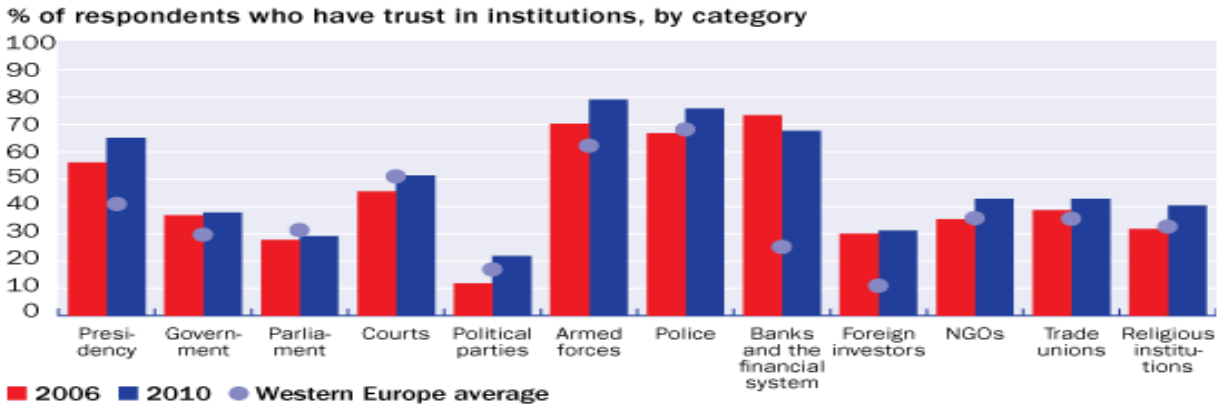
A number of studies have found that levels of **trust** are negatively correlated with levels of corruption. European Bank (EBRD) Life in Transition Survey II provides some evidence in support of these findings, plotting the average score of the generalised trust question against the average perception of the need to make unofficial payments when accessing the eight public services as follows: a) road police, b) requesting official documents, c) going to the courts for a civil matte; d) receiving primary or secondary education; e) receiving treatment in the public health system; f) requesting unemployment benefits; g) requesting other social security benefits. According to survey Estonia belongs to the Western European group of countries by side with UK and Germany.[28] See also Figures 4, 5 and 6.

Figure 5. Life in Transition Survey II (EBRD 2011)



[28] EBRD (2011: 44-45) http://www.ebrd.com/downloads/research/surveys/LiTS2ee.pdf; Sööt&Rootalu (2012: 84) Note 27

Figure 6. Life in Transition Survey II: Trust in institutions (%). Estonia and Western European average (2010). 5 comparator countries: Sweden, UK, Germany, Italy and France



Box 3. Reduction of material resources and strengthening legal constraints (reforms)

*** *Alina Mungiu-Pippidi*** (2012): "The country has seen improvement in all four dimensions of control of corruption model since restoration of its independence. In this case, however, changes in the different dimensions happened almost simultaneously. During the first government of Mart Laar (1992-1995), policies were implemented that reduced material resources and strengthened legal constraints (e.g. Estonia had the most radical policy towards the Soviet era judiciary, replacing most of it and starting practically over with new magistrates trained within a few months). Estonia also pioneered important liberal reforms, for instance the adoption of a flat tax, which then became very trendy in Eastern Europe as a tool against tax evasion and informal economy..."

*** *Aare Kasemets*** - some reflective insider comments with additional data (June 2012).

Looking back on the Estonian parliamentary 'regulatory industry conveyor' and large-scale ownership, judiciary, etc. reforms of the early 1990s, its seems today, that the main hard institutional choices of regulatory reform have justified the multiple political, social, economic, security, etc. risks and parliamentary '24h sessions' 15-20 years ago.

In many fields of governance The Estonian Government and the Parliament have had to start the institution building from the beginning (e.g. judiciary), because Soviet Union law had repealed and on the same time the pre-occupation law system of The Republic of Estonia 1918-1940, which was in force *de jure*, did not fit the new context. As Anderson and Gray put it: "*Reforms in the early*

1990s were focused on the macroeconomic stabilization, prize and trade liberalizations, privatization and establishment of the legal foundations of a market economy."[29]

In addition to constitutional and legislative challenges there were also many other 'driving reasons' supporting the **radical reforms of judiciary** and **public administration** in Estonia. One of them was related to results of first post-Soviet parliamentary elections in 1992. Mart Laar's *ProPatria Party* received an overwhelming victory with liberal-conservative coalition (see Table 9), many of his Party members were former Soviet prisoners of conscience (*Gulag*), knowing the frustrating details of Soviet totalitarian regime (e.g. The Minister of the Interior, Mrs Lagle Parek). Secondly, Estonian cultural/academic elite was connected to Western research centres (e.g. Estonian social scientists like Rein Taagepera [USA], Vello Pettai [Sweden], etc.) to discuss policy options.[30] In brief, Mart Laar and his Coalition had democratic parliamentary majority and replacing the Soviet era judges, top managers of ministries etc., there was a hope to 'clean the Estonian political system from the Soviet past'. In some extent we can observe this dynamic change as multidimensional synergy of "singing revolution" and "parliamentary revolution" where former Soviet era *nomenclature* with some exceptions was sitting in Opposition, Communist Party had no support, Soviet era political, economic etc. concepts were stigmatized [e.g. 'totalitarian', 'communist', 'soviet', 'planned economy'], and socio-technical set up had clear line distinguishing 'Us' and 'They' [or 'Formers', 'Soviet-minded', 'Corrupt', 'Moscow-dependent', 'KGB-staff', etc.].[31]

After 20 years the situation in judicial system is completely changed. According to latest complementary surveys by Transparency International (2000-2012, see Appendix 2) and Freedom House (2012) the judicial system remained stable, though concerns were raised about the degree to which high state fees for judicial procedures were beginning to threaten effective access to the courts. Of continuing concern was the fact that the court system is formally administered by the Ministry of Justice, which has raised issues about safeguarding the independence of the judiciary.[32]

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[29] J.H. Anderson and C.W. Gray (2006) – Note 9: http://siteresources.worldbank.org/INTECA/Resources/ACT3.pdf

[30] See for example R.Taagepera (1993). Estonia: Return To Independence - Westview Press, 268p; V.Pettai (1993). Estonia: Old Maps and New Roads – Journal of Democracy 4(1): 117-125; R.Rose et al (1998). Democracy and its Alternatives: understanding post-communist societies - Polity Press, Cambridge; W.Sandholtz and R.Taagepera (2005). Corruption, Culture and Communism. International Review of Sociology 15(1): 109–131; also Lauristin et al (1997) – Note12.

[31] In comparison of Poland, Hungary, Slovenia, Romania and other former 'socialist countries' Estonian political, judicial and economic system was largely controlled from Moscow. In 1991 the State-building began near the 'zero' and corruption was as a 'gift of Soviet era'. Initial recreation of civil society began earlier (1985-87) with environment protection movement (against Soviet industry & additional immigration), cultural heritage movement and related de jure citizen's committees movement. Mart Laar ('Flying Pastor') was one of the leaders of both cultural heritage and citizens' committees movements since 1987 coming into power (1992) supported by dominating for-Freedom & against-Soviet attitudes in Estonian society.

[32] Freedom House (2012): http://www.freedomhouse.org/report/nations-transit/2012/estonia (authors: V.Pettai, M.Mölder)

On the other hand, looking for **radical economic reforms** (e.g. flat tax, privatization, open market) in 1990ies, there have been also some minor 'learning issues for new democracies'. The regulatory governance ('as the set of formal and informal institutions shaping "who gets what" in a given polity') has also, especially for smaller countries like Estonia, its integrated market economy and security aspects related to ownership, profit and market stability regulations. In mid 1990ies, according to Estonian Bank international cash-flow monitoring[33] Estonia became a 'money machine' for Scandinavian banks, French water companies, etc., due to lack of competition and transparent regulatory impact analysis to answer the basic economic question of democracy "who bears the costs and who receives income"?

According to recent *Investment Climate Statement* by US Government (June 2012),[34] 'the Government of Estonia (GOE) maintains liberal policies in order to attract investments that could produce exports. Foreign investors are treated on an equal footing with local investors. GOE does not screen foreign investments, nor has it set limitations on foreign ownership. It does, however, establish requirements for certain sectors. Licenses are required for a foreign investor to become involved in the following sectors: mining, energy, gas and water supply, railroad and transport, waterways, ports, dams and other water-related structures and telecommunications and communication networks. The Estonian Competition Authority reviews transactions for anti-competition concerns. Estonia's privatization program is now complete. Only a small number of enterprises (e.g. the country's main port, the power plants, the postal system and the national lottery) remain wholly state-owned. The Scandinavian-owned Estonian banking system is modern and efficient, encompassing the strongest and best-regulated banks in the region.[35] Estonia has a highly advanced internet banking system: currently 98% of banking transactions are conducted via the internet.' In addition, the Heritage Foundation's 2012 Index of Economic Freedom ranked Estonia 16th in the world. The index is a composite of scores in monetary policy, banking and finance, black markets, wages and prices. Estonia scores highly on this scale for investment freedom, fiscal freedom, financial freedom, property rights, business freedom, and monetary freedom.[36]

In short, cultural, political, economic, social and security aspects are deeply interrelated in transition to democratic governance based on the rule of law. Anyway, the comparison of countries historical

[33] Author has been a parliamentary civil servant, head of research department, from 1995 to 2002 (see CVinfo at https://www.etis.ee/portaal/isikuCV.aspx?TextBoxName=kasemets&PersonVID=39683&FromUrl0=isikud.aspx&lang=en).

[34] Bureau of Economic and Business Affairs (June 2012). Report - http://www.state.gov/e/eb/rls/othr/ics/2012/191145.htm

[35] Two Swedish-owned banks (Swedbank and SEB) control over 65 percent of the market.

[36] Heritage Economic Freedom Index 2012: http://www.heritage.org/index/Ranking.aspx (see also Appendix 4)

transition in details is quite tricky. As John Tierney, NYT, reported in his retrospective column (2006):*'It [Estonia] transformed itself from an isolated, impoverished part of the Soviet Union thanks to a former prime minister, Mart Laar, a history teacher who took office not long after Estonia was liberated. He was 32 years old and had read just one book on economics: "Free to Choose," by Milton Friedman, which he liked especially because he knew Friedman was despised by the Soviets. Laar was politically naïve enough to put the theories into practice. Instead of worrying about winning trade wars, he unilaterally disarmed by abolishing almost all tariffs. He welcomed foreign investors and privatized most government functions (with the help of a privatization tsar who had formerly been the manager of the Swedish pop group ABBA). He drastically cut taxes on businesses and individuals, instituting a simple flat income tax of 26 per cent. These reforms were barely approved by the legislature amid warnings of disaster: huge budget deficits, legions of factory workers and farmers who would lose out to foreign competition.'*[37]

Regulatory reforms tend to fail,[38] but Estonian relatively small and dynamic political system with its 'first post-Soviet generation of politicians and civil servants' succeeded in many areas trying 'to cut the developmental sinusoids' despite of limited human, time and financial resources. The implementation of both, new concepts of human resource management (e.g. NPM) and new tools of information and communication technology (ICT), are related to the case of Estonia.[39]

Box 4. E-governance as a tool for reduction of material resources and rise of transparency

* ***Alina Mungiu-Pippidi (2012):*** *"*Estonia […] embraced very advanced e-government reforms inspired from neighbouring Finland. Since February 2000, when the Estonian Parliament passed legislation guaranteeing Internet access to the general population, Estonia has become one of the most technologically connected populations in Europe, and some have nicknamed the country 'E-stonia'. In addition to high rates of Internet usage, nearly 90% of the population subscribes to mobile telephone service, and more than half have digital identity cards. The country's high rates of Internet usage come not only from the high numbers of household computers, but also from a strong commitment to free Internet access points across the country. All schools in Estonia are connected to the Internet, more than half of all households pay their bills electronically, and the

[37] J.Tierney (2006). New Europe's Boomtown. NYT - http://www.nytimes.com/2006/09/05/opinion/05tierney.html?_r=1

[38] See OECD (2000). Reducing the risk of policy failure: challenges for regulatory compliance. Paris.

[39] The case of parliamentary information and research services: A.Kasemets (2000). Implications of new public management theory in parliamentary research services. *IFLA Proceedings: Section of Parliamentary Libraries and Research Services; Jerusalem, Israel;* No 073-98(WS)-E http://ifla.queenslibrary.org/IV/ifla66/papers/073-98e.htm

state portal www.eesti.ee allows citizens to access their various official records, logging into other information systems (for example e-Tax Board or the Land Registry, fill in requests or pay bills (Kasemets/Lepp 2010).[40]"

*** *Aare Kasemets*** - some reflective insider comments with additional data (June/July 2012)

1. "E-stonia" with its rising number of e-government infrastructure components[41] is one example of open-access regulatory governance with extremely limited human and financial resources (in fulfilling similar functions as bigger and richer states).

2. According to recent Estonia's Action Plan for Participation in Open Government Partnership (OGP, 2012)[42], the transparency of governance, the fight against corruption and the engagement of citizens in public governance play the central role in the OGP... Estonia has abided by the principles of openness and transparency by creating the respective legal framework and extensively using modern technological solutions in public administration.'

Looking back, the milestones of the development of e-state and e-services include the first bank transfer via a modem (1993), the Government's website (1993), the first public sector database on the Internet (1995), the common state portal www.riik.ee (1998), the X-way data exchange layer allowing for the cross-usage of public data (2001), electronic ID card (2002) and the common contact point of the state at www.eesti.ee (2002). 'The result is a population equipped with digital identity and the state's common information technology service space, which is used by public authorities as well as citizens and economic operators. The supportive environment has given impetus to innovative e-solutions, which have strongly contributed to increasing the transparency and effectiveness of public governance in Estonia and made the affairs of citizens and economic operators convenient: ID card software and digital signature (paperless authentication of documents and acts); e-cabinet (faster and more transparent decision-making process in the Cabinet); e-police (more effective coordination and communication); e-tax board/e-customs (more effective tax accruals and lighter administrative burden on persons filling in their tax returns); e-prescriptions of medicinal products (paperless prescriptions); e-school (direct communication between the school and the home); e-voting (convenient voting channel, which allows for a higher voter participation

[40] A.Kasemets and Ü.Lepp (2010). Anti-Corruption programmes, studies and projects in Estonia 1997-2009: an overview. – ERCAS Working Paper No 5: http://www.againstcorruption.eu/?post_type=reports

[41] Infrastructure: http://www.epractice.eu/en/document/288219; E-participation, use of e-services: according to sociological survey „Me, Media, World" (University of Tartu, AKI, 2011) More then 75% of population use the internet; 46% Estonian speakers and 36% Russian speakers „use often or very often" E-services (E-Tax Board, E-documents, www.eesti.ee, etc)[..].

[42] Estonia – Government Office (Tallinn 2012). http://www.opengovpartnership.org/countries

rate); e-health (better health care and treatment service); e-land register (correct land register data); m-parking (parking without a parking receipt); m-payments (paying for purchases by a mobile phone); mobile ID (more convenient identification); e-population register (better public service); e-social care services (more convenient social care), etc..'

In addition to aforementioned e-services[43] two e-government components are directly related to traditional control of corruption topics:

(1) Since 2007 The Estonian company registration and management portal allows one to establish a company, to change the registered information of an existing company and to submit annual reports. All the documents produced during the process can be seen in 2 languages – Estonian and English (see example).[44] Since the company registration portal accepts not just the Estonian, but also the Portuguese, Belgian and Finnish ID cards, and also the Lithuanian mobile ID solution, the portal can also be used by citizens of other countries. E-reporting reduces mistakes in the reports presented to the register, supports transparency and simultaneously reduces bureaucracy and the administrative burden on the state.

24h on-line e-service (working example)

To enter the system you will have to authenticate yourself with the ID-card, Mobile-ID or through an internet bank. *NB: Digital signatures can be given only with the ID-card or Mobile-ID!* **Authenticate with ID-card or Mobile-ID:** ID-card | Mobile-ID	**Enter by foreign ID-card or Mobile-ID:** Finnish ID-card | Portuguese ID-card | Belgian ID-card | Lithuanian Mobile-ID

[43] For further information on the functionality of e-solutions visit e-Estonia.com. Also Anderson&Gray (2006), Note 9, p 55

[44] Estonian Centre of Registers and Information Systems at The Ministry of the Justice (14.05.2011). "Estonian e-annual reporting voted best e-government solution of the world" http://www.just.ee/54529; see also "Creating companies online in Portugal and Estonia: a step forward in bringing Europe together„ (04.12.2008) - http://www.just.ee/39541

Source: https://ettevotjaportaal.rik.ee/index.py?chlang=eng

(2) Another cornerstone of control of corruption is the system of public e-procurement.

In Estonia there is one central register for public procurements called the State Public Procurement Registry (SPPR) ("Riigihangete register"), which is accessible on-line via internet free of charge to everyone. The SPPR is maintained by the Ministry of Finance. All public procurement notices have to be published in the SPPR, a process which is free of charge for contracting authorities. Publishing notices is available only for registered users. In compliance with European obligations, procurements with a value exceeding certain thresholds established by PPA are also forwarded for publication to the Official Journal of the European Communities.[45]

Additional information about Estonian eDemocracy, eGovernment, eParliament, eCitizen, Local eGovernment, ACTA etc., via **e-Governance Academy** http://www.ega.ee/

Box 5. High normative constraints: civil society and free media

***** ***Alina Mungiu-Pippidi*** (2012): "Normative constraints are also high, with a public opinion intolerant of bribing (box 3), though relatively tolerant towards other forms of particularism, an active civil society, and a free press which benefited from investment from its Scandinavian neighbours. Civil society and government agreed to dedicate a part of European funds to civil society activities, and signed a pact including commitments on the rule of law by both parties (Kasemets & Lepp, 2010) – Note 40."

***** ***Aare Kasemets*** - some reflective comments with additional data (June 2012).

A. Civil society

In most post-Soviet cases, in Poland, Rumania, Russia, etc normative constraints mean usually a 'civil war against predatory elites.'[46] Being a student activist in Estonian cultural heritage movement 1987-1991 and a board member of many nationwide civic and academic NGO-s since 1996, I can confirm that for many reasons the relations between dominating NGOs and parliamentary political parties in Estonia have been developed in quite peaceful framework of negotiatory and

[45] http://www.epractice.eu/en/cases/spprestonia; http://www.riso.ee/en/node/102 and a comparision in the EU context by Siemens: http://ec.europa.eu/internal_market/consultations/docs/2010/e-procurement/siemens_country_profiles_en.pdf

[46] Alina Mungiu-Pippidi, e-mail: 15.06.2012

parliamentary democracy (so until 2012:). Some explanations:

- during the restoration of Estonian independence the leaders of civic movements and NGO-s were on the same side with new political leaders ('common civil/intellectual war against Soviet regime', 1986-1991);
- The new generation of post-Soviet 'self-made' political leaders grew out from citizens' associations, universities, scientific institutes and businesses;
- Estonia as a *small power distance society*[47] and influences of Scandinavian, boring' political culture:[48] different interest groups have relatively good access to policy-making, horizontal networks, low hierarchies (e.g. in the parliament). It depends, but in general the nationwide political controversies have been negotiated first of all at the level of parliament or special multilateral round tables (e.g. the parliamentary opposition with its NGO-networks) – the mass manifestations and strikes on the streets against the ruling Cabinet are in Estonia quite extreme sanctions.
- The capacity of civil society networks to address the questions of anti-corruption policy is limited by a lack of resources (lack of autonomy), the dominance of project-based work and a general lack of interest in the subject (TI-Estonia, see Appendix 2).

In 1990ies the Baltic-American Partnership Programme and Open Estonian Foundation (related to Soros Foundation) supported a lot the institution building of Estonian civil society capacities, e.g. the development of the Estonian Civil Society Development Concept (EKAK) adopted by the Estonian Parliament, *Riigikogu,* in December 12, 2002.[49] In last decade the situation for NGOs has improved step by step. Since 2004 three implementation plans for the EKAK were adopted and implemented including a series of activities and authorities, a timeline for implementing legislation regulating NGOs, involvement of NGOs, financing of NGOs, collection of new data about NGOs, the teaching of civic education, and increasing public awareness of NGOs and their activities.[50]

[47] Hofstede, G. (2001). Cultures Consequences: Comparing Values, Behaviours, Institutions, and Organizations across Nations – Thousand Oaks, CA: Sage

[48] Campell, J. (2002).Ideas, Politics and Public Policy – Annual Review of Sociology, pp 21-38

[49] EKAK in English and in Russian http://www.ngo.ee/node/282 and http://www.siseministeerium.ee/29949/

[50] See Estonian Ministry of the Interior. Development plans and reports – Estonian Civil Society Development Plan 2010-2014: http://www.siseministeerium.ee/public/KODAR_VV_EN.pdf / In addition, Trade Union membership remains low in comparision to Western Europe and Scandinavian context, but the influence of trade unions, which tend to take a cooperative approach to industrial relations, is increasing somewhat (e.g. workers representation via media interactions).

The latest USAID report (2011)[51] states again that Estonian NGOs are the most sustainable in Central and East Europe and the former Soviet republics. USAID's NGO Sustainability Index, compiled annually since 1998, analyses the legal environment, financial viability, organizational capacity, and ability to provide service and defend their target groups' interests, infrastructure and public image of NGOs. Estonia ranked just ahead of Poland, Slovakia, Latvia, Lithuania and the Czech Republic in the report among the 29 countries surveyed. USAID considered Estonia to be strongest in the areas of relative simplicity of NGO law and infrastructure, but weaker in terms of financial viability and service provision.

Some important changes supporting the control of corruption mechanisms:

(1) Since 2009 the establishment of anticorruption network of NGOs in Estonia is being coordinated by Transparency International Estonia (www.transparency.ee) to strengthen the anti-corruption attitude of civil society organizations and to develop a larger supporting platform for the fight against corruption. At the moment 25 NGOs with different backgrounds have committed themselves to contribute to the activities of network The project was financed by National Foundation for Civil Society. See also Appendix 2.

(2) In addition to Open Estonian Foundation (est in 1991), individual social entrepreneurs, Scandinavian banks and international foundations the National Foundation for Civil Society (www.kysk.ee, est. by Cabinet 2008) is systematically supporting the NGOs autonomy, networking and partnership with public authorities (e.g. TI Estonia);

(3) Civil society campaigns like "Clean up!" for illegal waste disposal sites in Estonia 2010 (and globally 2012[52]) mobilized huge numbers of volunteers and were a prime example of intersectoral cooperation to achieve common goals (in Estonia, those networks can mobilize also for anti-corruption activities);

(4) Manifestos. Prior to the parliamentary elections in 2007 and 2011 and local government elections in 2009, Estonian NGOs have launched their political manifestos, addressing candidates with proposals for activities they can undertake if being elected to contribute to strengthening the NGOs and civil society as well as improving the cooperation between the non-profit and public sector. Manifestos have been supported by the Open Estonia Foundation and moderated by NENO (http://www.emsl.ee/en).[53]

[51] US Embassy (28.11.2011) Estonian NGOs Eastern Europe's Most Viable: http://estonia.usembassy.gov/sp_112811.html , also A.Kasemets and Ü.Lepp (2010). – Note 40, p. 13-14 (USAID 2008)

[52] World Cleanup 2012: Let's clean the world together! http://www.letsdoitworld.org/

[53] See also Code of ethics of Estonian nonprofit organizations: http://www.ngo.ee/7457

(5) Socio-innovative projects, started in 2011, e.g. **"**Fighting populism and promoting political accountability in Estonia" to improve the public debate on policy alternatives before and after the March 2011 parliamentary elections and to improve the Cabinet accountability (see Policy Research Centre PRAXIS: http://www.praxis.ee/index.php?id=924&L=1). Also project "Government Watchdogs" to monitor the fulfilment of Coalition Programme 2011-2014 in co-operation of PRAXIS, Open Estonian Foundation, Estonian National Broadcast, e-Governance Academy, NENO, TI-Estonia, etc. - http://valvurid.err.ee/ (in Estonian).

Outlook: *glocal* civil society networks will initiate more and more civil society-government-media interactions in local, national and also regional, EU and global level.

B. Free media

Estonian media are considered free by most observers (see tables 3 and 5, Freedom House 2012). Media outlets are numerous, and legal protections for press freedom exist and are practiced. Also, there is little regulation over the establishment and functioning of media outlets, and investigative reporters are protected from victimization by powerful state or NGO actors in other countries. The Association of Estonian Broadcasters is engaged regularly in government discussions on draft laws affecting the media.

Considering the small size of the country, the Estonian public enjoys an impressively diverse selection of print and electronic sources of information representing a range of political viewpoints. Most of these media outlets are privately owned (e.g. Norwegian and Swedish firms, 'free from local political and economic pressure'), although some culture-related publications receive government assistance. It could be argued that there are too many media outlets for the size of the country, leading to what the International Press Institute has called a "vibrant but saturated" market in which the survival of the smaller outlets is threatened. Others see the situation over the last decade as one in which the media landscape has stabilized. Freedom House (2012) assessment summarized the situations as follows: "The mainstream press in Estonia continued to be free and robust, although its economic situation - in an era of multiple media and information sources, and in a small national market - was always somewhat fragile."[54]

The latest bigger Estonian example of political corruption scandal, which filled all media channels from 22 May 2012, was related to illegal funding case of Prime Minister Reform Party. This case, showing the indispensable role of free media in civil society, needs further investigation from different perspectives, e.g. political, legal and sociological. From functional media theory

[54] Freedom House (2012): http://www.freedomhouse.org/report/nations-transit/2012/estonia (authors: V.Pettai, M.Mölder)

perspective, media is an open platform of societal interactions and democratic self-regulation. In general, looking for positive sides, the latest hit stories on political corruption are promoting the civic anti-corruption education and change of political behaviour in Estonian society (see also Appendix 3).

Additional information: http://www.ejc.net/media_landscape/article/estonia/

Box 6. Cultural, historical and other structural factors in transition

***** ***Alina Mungiu-Pippidi*** (2012): "Estonia's suitability to the regional model shows it has been a leader in urbanization and literacy since the 19th century. As a champion of liberal economic policies, civil society and e-government, Estonia progressed considerably after 1989. The cost of its liberal consensus was the exclusion* of non-Estonian speakers from the vote (about one-third of Estonia's population are Russian speakers who settled during Communism, a group higher on collectivism and lower on support of market economy than the Estonian population, according to surveys). Nationalism and liberalism combine to explain Estonia's success, but the achievement is not small when considering that the country has inherited similar problems as all from the former Soviet area, and party competition brought similar incentives for political clientelism, just as anywhere else. Slovenia, the other Eastern European case, began from a far better position (early economic integration with neighbouring Austria, small urbanized population, and excellent goodness of fit), therefore Estonia's success to open access order remains the most significant in post-communist Europe, if not in the entire world."

***** ***Aare Kasemets*** - some reflective comments with additional data (July 2012).

(1) Due to Baltic-German, Danish and Swedish domination in past centuries Estonia was historically a mostly Lutheran country, where values such as a protestant work ethic, individualism and free enterprise were adopted in institutions, e.g. in economy and education. A critical period in Estonian late history which may help understand the current historical path and moral philosophy, is the fifty-year occupation (1940-1941, 1945-1991) by the Soviet Union. During this time, the country was restructured according to the principles of a centrally planned economy, atheism and a totalitarian ideology. Reforms began in the 1980s, the Soviet information blockade started to crumble, and more people from Soviet Estonia were given the opportunity to visit other countries. Eventually, Estonia became independent in 1991, joined the EU in 2004 and the OECD in 2010. Soviet regime may be gone, but the historical influence still remains in the beliefs and attitudes of different social groups. For example, in 2005 the Eurobarometer Poll found that only 16% of Estonian population profess a belief in a God (the lowest result in Europe), and on the other hand 52% believes in

higher forces of nature, fairies, energy etc. Much like China, the totalitarian past and low conventional religiosity elicit a moral philosophy that is more relativistic and less idealistic.[55] Another list of Estonian basic political values includes also materialism, secularism, individualism, egalitarian mind-set, cultural nationalism, weak traditions of statehood, orientation to changes and non-violent protest culture (see Box 5).[56]

(2) Comment: 'exclusion' is a strong word. Maybe 'partial exclusion', because sociologically there are 6-7 different Russian speaking groups and 2 of them have been in Estonia more than 70 years (they are citizens, Estonian speakers, etc.). Some problems are with 'Soviet era immigrant population' (1945-1991). See also Appendix 1 (*Non-Estonians differ*).[57] In addition, socio-economically have been the 'losers' also most of elderly people and rural people (in 1990ies, for the relatively big agricultural sector the open market without farmers subsidies like in the old EU countries meant unjust competition, many losses of work, home, and also trust. Many more active families left Estonia to work in Finland, Norway, etc.).

(3) An important difference of Estonia in Soviet era was that more than half of population (Northern Estonia) was mentally connected to the West via Finnish Television (Finnish and Estonian languages are similar). Today, Finland's capital Helsinki and Estonian capital Tallinn (80 km over sea) are so closely linked that talks are about twin *Talsinki*. As Uslaner put it: *"The close ties with Finland (and other Nordic countries) lead to a more successful transition than most other countries… Yet, these ties do not make Estonia a little Finland. Corruption still persists in Estonia, trust is low, inequality is higher than it was under Communism and middle-range by world standards, and ethnic relations are very tense."*[58]

(4) In addition, many stories about 'Soviet time' are showing that Estonia and other Baltic states (Latvia and Lithuania) were very different among other Soviet 'republics.' For educated Russians, Ukraine's etc. the Baltics in general an especially Estonia was a 'Soviet West' due to history, culture and social relations reflecting the values, thinking and working routines. A latest story example from opinion article by Mari Meel, associated prof of business ethics at Tallinn Technical University. She remind in a business daily *Äripäev* a story about Georgian students in Estonia in 1980ies. Once,

[55] Alsua, C.J; Alas, R. and Carneiro, J. (2012). Moral Philosophies and Ethics Across Borders: A study of Brazil, Chile, China, Estonia and the United States. *Academia, Revista Latinoamericana de Administración, 49,* 2012, 30-44; see also S.P. Huntington (1996) – Note 16; Taagepera (1993) – Note 30; and http://www.estonica.org/en/History/

[56] Kalev, L.; Saarts, T.; Jakobson, M.-L. (2008). Estonia's political culture: basic values - *Riigikogu Toimetised* 8: 94-106 (in Estonian)

[57] Also the latest integration study (2011): http://www.kul.ee/webeditor/files/integratsioon/Monitooring_2011_EN.pdf and the programmes of The Integration and Migration Foundation *Our People* (MISA): http://www.meis.ee/first-page

[58] Uslaner (2008), Ch 6 – Note 27. According to other sources the *trust in others* and the *trust in political institutions* is in Estonia a bit higher than Western European average – see for example: European Bank, EBRD (2012). *Life in Transition Survey* II (29 countries): http://www.ebrd.com/downloads/research/surveys/LiTS2ee.pdf - also Figures 5-6 (after Box 2).

asked students from Georgia, *why you've come to learn so far from your homeland*? *You know*, they say, *we are poor Georgians. In Georgia diploma must buy, but we do not have so much money to do so. Here (in Estonia) our exams and diploma depend on our learning.*"[59]

So, going back to the main questions of discussion paper, it seems that the source of anti-corruption attitudes and some kind of ethical universalism in Estonia is in the structural factors (culture as a 'long revolution'). Based on those structural factors dominating in society, the roots of anti-corruption attitudes were strengthened and/or restored with help of radical liberal reforms in 1990ies. After Gorbatshov's *perestroika* in Soviet Union and Estonian 'singing revolution' 1987-1991 the society was ready for political change. Quite a common thinking was that the administrative and political corruption and other unethical things are directly related to the Soviet totalitarian political regime.

In the framework of Alina Mungiu-Pippidi paper (2012), the case of Estonia seems to be rather a mix of big-bang and gradual evolution (Table 6*). Why? Many hidden structural factors, providing support for public policy 'big-bang' decisions in 1991-1995, functioned as institutional (or cultural) carriers (Scott 2001)[60] behind the 'materialization of transition'.

[59] M.Meel (2012). Poliitilisest võimust on saanud kaan ettevõtja kaela peal (Political power has become a 'leech' on the neck of the enterpreneur) Äripäev [BusinessDay] 4 June 2012, p. 14 www.aripaev.ee (in Estonian)

[60] W.R. Scott (2001). Institutions and organisations. Thousand Oaks: Sage. Scott (2001: 48) asserts that 'Institutions are social structures that have attained in a high degree of resilience. Institutions are composed of cultural-cognitive, normative, and regulative elements, that, together with associated activities and resources, provide stability and meaning to social life.' Since institutions do not exist empirically, we have to look for instances where they 'materialize'. Scott (p.77) identifies four types of institutional carriers: *symbolic systems* (rules, laws, values, expectations, terms etc.); *relational systems* (governance systems, regimes, authority systems, identities); *routines* (protocols, standard procedures, roles); and *artefacts*. The current study on control of corruption is more focused on symbolic systems and governance regimes. Analysis of routines (e.g. policy design and regulatory impact assessment processes) may offer additional opportunities for empirical study – see Note 15.

Table 6. Contemporary achievers at a glance in Central and Eastern Europe

	Evolution type	'Goodness of fit' to model	Sequence	Trend	External triggers and influences
ESTONIA	Big-bang revolution*	Good	Pluralism preceded control of corruption	Positive	EU accession. Scandinavian and also German and USA emulation
GEORGIA	Big-bang revolution	Poor	Pluralism preceded control of corruption	Stagnant	Some diffusion across former Republics American emulation
SLOVENIA	Gradual	Very good (highest income in ECE from the onset of transition)	Control of corruption preceded pluralism	Stagnant	EU accession Central European emulation (Austria)

Source: A.Mungiu-Pippidi (2012) - table 3, p. 26, adopted by A.Kasemets (June 2012)

3.3. Estonian government policy initiatives according to the control of corruption equilibrium model structure (selected examples)

Context. The good governance and related anti-corruption policy initiatives of Estonian Cabinets since 1992 are influenced by different foreign/external and internal policy environments and individual contributions. Two general questions behind the decision-making in 1990ies which have been important at least for the parliamentary work – first, 'How to lead the country out of the Soviet regime and to reach more quickly the developed OECD and EU countries?' (In other words, how to 'cut' of developmental sinusoid learning from global successes and failures?). And secondly, 'How to optimize the regulatory governance arrangements and how to compensate for the limited human, financial, etc. resources?' (Main functions of the democratic government and parliament are similar, but smaller countries have to strive more and to design appropriate governance measures with fewer resources).

The summarized overview of most important Estonian institutional choices and policy initiatives follows the structure of next Table 7.[61]

Table 7. The control of corruption resources and constraints

MAIN RESOURCES OF CORRUPTION	MAIN CONSTRAINTS OF CORRUPTION
A. POLITICAL POWER DISCRETION: Year of Independence. System of government. Introduction of free elections (year). Authoritarian rule (rulers/years). Background of political elites. Ruling party and Coalition. Opposition. Alternation in power. Party competition. Separation of powers. Government tenure. Power concentration. Accountability mechanisms. Lack of regulatory and technological constraints based on the laws, e-governance regulations etc. Lack of transparency. Informality.	**C. REGULATORY [**e.g. **LEGAL] CONSTRAINTS:** Anti-corruption regulations[62], e.g. international anti-corruption conventions, national anti-corruption strategies, laws, statutes, etc. Open Information Act. Public Service Act. Political finance regulation. Regulatory basis of regulatory impact analysis (RIA). Oversight institutions. Anti-Corruption Agency. Ombudsman. Prosecution for corruption. Judicial independence. Other open access regulations, Open Data and e-government conventions, documents, etc.
B. MATERIAL RESOURCES: Natural resources of the country. Government consumption spending. State-owned companies and property (e.g. lack of transparent e-governance). Public contracting (e.g. procurement, the lack of transparent e-procurement). Public employment. Privileges to private companies and loyal NGO-s. Public services (e.g. lack of transparent e-services). Foreign aid, EU programs, etc.	**D. NORMATIVE CONSTRAINTS:** Civil society (e.g. existence of anti-corruption NGO-network). Autonomy and financing of NGO-s. Communication infrastructure. Media and press freedom; Independent anti-corruption research. Codes of conduct for politicians, civil service, NGOs, Businesses etc. Anti-corruption education. Political pluralism and participation (e.g. minorities; immigrants). Trust in political / government institutions.

Source: A.Mungiu-Pippidi (2011, 2012, see Box 1) and B. Vaz Mondo (2011), adapted by author (July 2012)

[61] The table is an elaboration of ERCAS Working paper Nr 27 appendix A designed by Bianca Vaz Mondo in 2011 (B.Vaz Mondo (2011). Control of Corruption: the Road to Effective Improvement. Lessons from six progress cases – Hartie School of Governance. ERCAS Working Paper No 27: http://www.againstcorruption.eu/?post_type=reports

[62] Definitions of regulation: (a) the act or process of regulating; (b) a rule, principle, or condition that governs procedure or behaviour or a principle, rule, or law designed to control or govern conduct; (c) a governmental order having the force of law (also *executive order)*. *Source:* http://www.thefreedictionary.com/regulation

Table 7A. Political power discretion: Estonia

Year of Independence	First in 1918*, then in 1991 (*Independence Day - 24 February)
System of government	Parliamentary Republic since 1991, with Unicameral Legislative; indirectly elected President nominates Prime, Minister, who is finally appointed by *Riigikogu* (Parliament)
Introduction of free elections	1992, additional possibility of electronic elections since 2007. Electoral Commitee is working by the Chancellery of the Parliament. According to international observations and empirical studies the quality of Estonian elections is high.[63] – see also Table 8.
Authoritarian rule	1934-1940; 1941-1945 (Second World War); 1945-1991 (Soviet rule)
Political elites	Associated with the independence movement or interest groups from different sectors; members of the communist regime have not remained important players (EIU, 2008, see Mondo 2011). Western liberal orientation is dominating since 1991. EU accession, Scandinavian and also German and USA emulation are remarkable. In foreign policy deep (inter)dependence (Nordic-Baltic 1992, NATO 2002, EU 2004, OECD 2010).
Ruling party	After 2011 elections, liberal Reform Party (33 seats of 101) continues as government leader; coalition with conservative ProPatria&ResPublica Union (23 seats) (Table 9)
Opposition	Centre Party continues as main opposition (26 seats) after 2011 Elections; Social Democrat Party (19 seats) after 2011 Elections (see Table 9)
Alternation in power	Several alternations followed successive changes in the governing coalition
Party competition	Competitive multiparty system with large number of smaller parties (see Table 9); entry barrier with 5%-vote threshold
Separation of powers	Executive has been vulnerable to changes in the governing coalition; Judiciary is independent
Government tenure	4 years (President and Members of Parliament)
Accountability mechanisms	Prime Minister and all Ministers, also Legal Chancellor and State Auditor are directly accountable to Parliament. In addition, different eGovernance (e.g. eParticipation) regulatory and technological constraints, statistically measurable indicator systems of anti-corruption regulations and regular press conferences limit the political discretion.

[63] According to latest global monitoring Estonian electoral system belongs to the group of achievers among other 'new democracies' - P.Norris (2012). Do citizens judge democracy by the quality of elections? IPSA 10.07.2012: www.ipsa.org

Table 7B. Material resources

Natural resources	Mineral and timber products account for about 25% of exports (EIU, 2008)
Government consumption spending*	Increased to 22% in the last two years, after a decreasing trend since 1999; public sector as a whole was subject to downsizing and efficiency reforms in the last Decade (Randma-Liiv &Tõnnisson, 2006 – Mondo 2011) *[Based on WB indicator: % of GDP]
State-owned enterprises (SOE) and property	Appointments to state companies' Executive Boards[64] have become a political perk, as they entail very high salaries and little work time (BF, 2010:19). Despite of on-going public discussions the situation is not changing during last two years. The problem is related to financing of political parties.
Public contracting	Contracting at local level is vulnerable to corruption, because most municipalities lack institutional capacity (TI-Estonia, 2009); collusion among bidders has been reported (Pettai and Mölder, 2010 – Mondo 2011; Pettai and Mölder 2012 – see Footnote 50). The new system of eProcurement (see Box 4) is limiting the political discretion.
Public employment	1996 Public Service Act aimed at ending patronage and transforming public service into a merit based system (Randma-Liiv and Tõnnisson, 2006 – see Mondo 2011); 2012 new Public Service Act increased the top-managers discretion (responsibility and flexibility) which may create conditions for patronage in some ministries/agencies.[65]
Privileges to Companies and NGO-s	Recent scandal showed that real estate companies profited from a policy to expand conservation areas (BF, 2010, see Mondo 2011). Last two years Estonian investigative media with support of NGO-s, Opposition and competing companies has disclosed a number of "borderline" cases which were committed to the police and the courts.
Public services	Some problems related to evidence based policy *vs.* political patronage in ministries, agencies and local authorities; the extent of transparent eServices is rising. In the business licencing, permits, tax administration, reporting, etc. regulatory management Estonia has advanced control of corruption conditions. The adopted reforms make it easier for firms start and to do business in Estonia, e.g. small average 'time tax'. (Anderson & Gray (2006: 55-58) - Note 29 and Box 4)
Foreign aid, EU programmes, etc.	Some minor „borderline cases", e.g. in the field of social security (ESF) and agriculture (e.g. LEADER programme) in 2011 and 2012

[64] Only a small number of enterprises - the country's main port, the power plants, the postal system, railway, airports, state forest and the national lottery - are SOEs. Public enterprises operate on the same legal bases as private enterprises without any advantages. Each of the SOEs' management reports to an independent supervisory board consisting of government officials, politically-affiliated individuals and also prominent members of the business community (see also Box 4, Note 34).

[65] Many observers are convinced, that relatively small number of well qualified civil service experts working at universities and visionary civil servants at national and regional level of public sector, have been beside politicians "the underlying agency, the drivers of change" in transition of governance (see also Appendix 1; Sööt & Rootalu, 2012 – Note 27).

Estonian first post-Soviet Prime Minister, Mart Laar, historian by his background, and others have repeated the idea of Jakob Hurt (1839-1906), a leader of national awakening time: as the Estonian population/nation is small compared with large neighbours, then 'any person has more work to do for his/her homeland to become great in spirit' (=the power of national idealism was quite usual after 'singing revolution' in 1990ies, this 'natural resource of identity-building' is declining:).

Table 7C. Regulatory (e.g. legal) constraints

International anti-corruption conventions, directives and laws	Estonia is a signatory of following international conventions: the UN Convention against Corruption; the Council of Europe's Criminal Law Convention on Corruption; the Council of Europe's Civil Law on Corruption; the Convention on the fight against corruption involving officials of the European Communities or officials of member states of the European Union; and OECD anti-corruption regulations;[66]
National anti-corruption strategies	Estonian Anti-Corruption Strategy 2008-2012[67]; *A Honest State*. The Government of the Republic's Anti-Corruption Strategy 2004-2007[68]; Guidelines of Estonian Security Policy until 2015[69] and Guidelines of Estonian Criminal Policy until 2018. The new anti-corruption strategy will reach the government in February 2013.[70]
National anti-corruption laws / acts	Estonian Anti-corruption Act (1999, last amended in 2012) and Penal Code are based on European continental (German) law tradition.[71] Both offering and taking bribes are criminal offenses which can bring imprisonment of up to five years.
Secondary legislation and guidelines	Guidelines and handbooks to officials and businesses by The Ministry of the Justice, e.g. in 2011 a handbook on conflicts of interest was published at www.korruptsioon.ee, translation of OECD handbook 'Managing Conflict of Interest in the Public Service' etc.
FOIA	Public Information Act (2000)**.** The Data Protection Inspectorate is responsible for the implementation (e.g. monitoring, problem solving) of the Act and defends also people's constitutional **'**right to obtain information about the activities of public agencies.'[72]
Political finance regulation	1994 Law on Political Parties, with later amendments; party financing has been prone to scandals recently (FH, 2010) – see Mondo 2011. Recent party financing scandal was related to Prime Minister Reform Party (see Oversight and Appendix 3).
Oversight institutions	Law enforcement institutions and Parliamentary Committees (e.g. *Riigikogu*'s Anti-Corruption Committee), also Legal Chancellor and State Audit Office. In 2011 a special Supervisory Committee on Party Financing was formed at the *Riigikogu* to review electoral campaign financing reports.
ACA (or other executive agencies)	No central anti-corruption agency; according to laws the main responsibility in anti-corruption policy development (e.g. design, regulation, guidelines, monitoring)

[66] See preparations: GRECO (2005). First Evaluation Round. Addendum to the Compliance Report on Estonia - GRECO RC-I (2003) 6E: http://www.coe.int/t/dghl/monitoring/greco/evaluations/round1/GrecoRC1(2003)6_Add_Estonia_EN.pdf;

OECD (2008). Estonia: Phase 2 - http://www.oecd.org/dataoecd/60/57/40953976.pdf; also Kasemets&Lepp 2010 – Note 40

[67] http://www.korruptsioon.ee/orb.aw/class=file/action=preview/id=35712/ANTI+CORRUPTION+STRATEGY+2008-2012.pdf

[68] http://www.korruptsioon.ee/orb.aw/class=file/action=preview/id=13373/AN+HONESTSTATE.pdf

[69] **http://www.siseministeerium.ee/29744/**

[70] All anti-corruption strategies and performance reports: http://www.korruptsioon.ee/strateegia

[71] Some time-series data used by WB are showing the correlation between anti-corruption regulatory reforms until 1995 and frequency of bribery in 2005. Estonia and Slovenia differ as success countries (Anderson & Gray, 2006: 65-66 - Note 9)

[72] In addition, The Estonian Data Protection Inspectorate (http://www.aki.ee/eng/) responsibilities are related also to Personal Data Protection Act and to Electronic Communication Act

	belongs to the Ministry of Justice (Criminal Policy Department) and in law enforcement to KAPO (Security Police Office)[73] and Police and Border Guard Office under the Ministry of the Interior and also Prosecutor's Office under the Ministry of the Justice.
System of regulatory impact analysis (RIA)	Regulatory basis for RIA exists since 1996, problems with implementation (Kasemets 1998-2009). In 2011 Riigikogu adopted Legal Policy Development Plan until 2018 (e.g. guidelines for evidence based and transparent law-making [limit of discretion])
Ombudsman	Chancellor of Justice, since 1993 (Annual reports to the Parliament on human rights, quality of law-making and law enforcement etc.) – see also NIS assessment – Table 8
Prosecution for corruption	Several high-level government officials have been prosecuted and a former Minister of Environment was convicted of bribery in 2009 (Pettai and Mölder, 2010 – see Mondo 2011). In 2011-2012 also several government and Tallinn municipality officials have been prosecuted; on the other hand – in 2012 The National Court decided after juridical-procedural discussions, that a former Minister of Environment Mr V.Reiljan (also a former leader of Peoples Union Party – see Table 9) is 'Not guilty'; and two cases (both Centre Party) related to influence peddling and one related to bribery and influence peddling (Reform Party) were also finished (see also Appendix 3 and official statistics: http://www.korruptsioon.ee/statistika)
Judicial independence*	Independent since 1992; new Courts Act from 2009 attempts to further improve the functioning of the Judiciary *[Classification from the CIRI Human Rights Data Project]
Other 'open access' regulations	Estonia's Action Plan for Participation in Open Government Partnership (Government Office, 2012 http://www.opengovpartnership.org/countries); *Good Practice of Public Participation* approved by the Government in 2011; all proposed laws are published for public comment: http://eelnoud.valitsus.ee/main#fD0RLBmi

[73] An example: recently KAPO (http://www.kapo.ee/eng) sent a public letter to the ministries with guide how to avoid the conflict of interest (*Postimees* – in Estonian http://www.postimees.ee/891082/kapo-saatis-ministeeriumidele-margukirja)

Table 7D. Normative constraints

Civil society, e.g. existence of anti-corruption network	Very active in the elaboration of anticorruption policies (Velykis, 2010) – see Mondo 2011; government support through Civil Society Development Concept (2002), Estonian Civil Society Development Plan 2010-2014 and National Foundation for Civil Society (2008); according to USAID report (2011) Estonian NGOs are the most sustainable in CEE and the former Soviet republics; since 2009 the anticorruption network of NGOs in Estonia (ca 25 NGO-s coordinated by TI-Estonia); some problems with autonomy and financing of NGO-s (see Box 5 and Appendix 2).
Media and press freedom	Free press, with mostly private media, except for state-owned TV and radio channels; media consumption is very high in the country (Dirks, 2011) – see Mondo 2011. Many media channels owners have Scandinavian background (see Box 5).
Communication infrastructure.	Well developed, e.g. eSociety programmes since 1997, free wifi in public places (Box 4 and Box 5B)
Independent anti-corruption research.	University of Tartu, Tallinn Technology University, Tallinn University, Estonian Academy of Security Sciences and 5-6 private or 3rd sector research centres did anti-corruption studies in last decade. Mainly project-based initiatives - see Note 37)
Codes of conduct	Code of conduct for civil servants (1999); Code of conduct for NGO-s (2002); National Ethics Council (2005); DVD "Ethics in the Public Sector" (2011); The public debate about Code of conduct for MP-s was restarted in December 2011.[74]
Anti-corruption education	Different donors and coordinators in 1990ies (e.g. Open Estonian Foundation, USAID, Nordic Council); in last years government support through The Ministry of the Justice, Ministry of the Finance and National Foundation for Civil Society – trainings for civil servants, NGO-s, business organizations and journalists we organised 2011 to 2012.
Political pluralism and participation	Main obstacle to participation is the non-citizen status of Russian minority, which is almost 20% of the population (BF, 2010) – see Mondo 2011. Due to reason that Estonian citizens of Russian minority (ca 15% of citizens) have not supporting Russian ethnic parties in Estonia, many Russian leaders joined to other political parties based on some ideology. After general elections in March 2011 the Russian Party in Estonia joined *in corpore* to Estonian Social Democratic Party (see Table 9; Box 6).
Trust in government institutions	Moderate trust in institutions; most trusted are Judiciary (53%) and national government (38%) (Eurobarometer, 2009 – see Mondo 2011). Some other studies are showing that the trust in political institutions is relatively high in comparison with Western European countries (EBRD 2011 – see Box 2, Figures 5 and 6).

In addition, some 'hidden' structural and/or normative aspects.

Estonian territory (area: 45,227 sq. km) is comparable in Europe with Netherlands, but the population is only 1.34 million. Estonia is in global context like a *glocal* village or suburb of

[74] See 'NGO Calls for Parliamentary Code of Ethics'. Source: **news.ERR.ee** and **http://transparency.ee/cm/en/node/528**

metropolis where most local leaders in the field of politics, economy and culture know each other (the social control mechanisms are in the villages stronger then in big cities).

Another aspect, due to historical reasons (e.g. different occupations from year 1241 to 1918) Estonians don't have its own inheritable aristocracy (a similarity with neighbours Finland and Latvia) and it means also that the social hierarchy (e.g. in organisational culture) is relatively low in comparison to many other societies. The intellectuals, scientists and first generation of politicians and civil servants have had greater role in the institution-building before and after the Independence War 1918 to 1920 and also before and after the Estonian 'singing revolution' 1987 to 1992.

Today, the common national identity and *social capital* which were recreated during the participation in 'singing revolution' and early phase of state-building, is losing its integrative power. Estonia is facing a ***generation shift*** in the political, cultural and economic elites, which have grown up in a free country/society (see also Appendix 1: *Youth differ*).

3.4. The National Integrity System assessment 2010-2012

This section provides additional information about main institutional actors and how the formal institutions and organizations are fulfilling their role in controlling of corruption.

The National Integrity System (NIS) assessment was carried out in Estonia in 2010-2012. The assessment, coordinated by TI Estonia, is based on the analysis of the legal system, previous studies, audits, international evaluations and 40 interviews (2-7 interviews per institution or 'pillar'). The analysis methodology follows the standard methodology developed by the Secretariat of Transparency International to a large extent; however there are some differences due to the particularity of Estonia. The NIS of Estonia does not include a chapter on an anti-corruption agency as this body does not exist in Estonia (Table 8, Appendix 2).[75]

[75] In general, it would be interesting to compare TI methodology with new methodology described in Box 1.

Table 8. Anti-corruption capacity, management, fulfilling the role: Estonian institutions[76]

Institutions	Assessment 2010-2012				Comments
	Score	**Capacity** (e.g. resources, independence)	**Management** (e.g. transparency, responsibility, anti-corruption measures)	**Role** (different roles)	Assessment distinguishes capacity, management and role fulfilment in 2 sections: a) legal base (law) and b) practice.[77]
Legislature (Parliament)	64/100	88/100	75/100	38/100	In 2011 a special commission was formed to review electoral campaign financing reports
Executive (Government)	74/100	92/100	67/100	63/100	Ministries, etc. See Appendix 2.
Judiciary	76/100	69/100	83/100	75/100	See Appendix 2
Public sector	57/100	50/100	63/100	58/100	See Appendix 2
Law enforcement agencies	74/100	67/100	79/100	75/100	Police, etc. See Appendix 2
Supreme audit institution	85/100	83/100	88/100	83/100	National Audit Office is reporting to the Parliament and to the media/public. Appendix 2
Ombudsman	89/100	92/100	88/100	88/100	Best score
Civil society	52/100	69/100	50/100	38/100	Expectation are high: see box 5
Political parties	63/100	81/100	58/100	50/100	After gen. elections 2011 four parties are in the Parliament
Media	76/100	88/100	75/100	67/100	See Appendix 2, box 5 and Appendix 3

[76] Transparency International Estonia (2012) The study of anti-corruption capacity – Tallinn 6.6.2012 (in Estonian, summary in English, see Appendix 2 and http://transparency.ee/cm/files/eesti_korruptsioonivastase_voimekuse_uuring_2012.pdf; Transparency International (2012). "Money, Politics, Power: Corruption Risks in Europe." Report 6.6.2012, Berlin: http://www.transparency.org/whatwedo/pub/money_politics_and_power_corruption_risks_in_europe;

[77] NB! The normative methodology is developed by Transparency International Secretariat and 40 respondents (minimum 2 from each institution) were interviewed in Estonia. It seems to me that the interacting role and meaning of media and civil society is underestimated by respondents (most of them were officials dealing with formal regulations). A.Kasemets 12.6.12.

Electoral committees	82/100	75/100	71/100	100/100	'Safeguards' of legitimate elections. See Appendix 2.

Source: Transparency International Estonia 2012, design of data and comments by A.Kasemets 12.06.2012

According to Table 8 and earlier studies (e.g. in box 2 and Appendix 1), Estonian main drivers for positive change on control of corruption dimensions are in public sector Ombudsman, National Audit Office and Judiciary, also Electoral committee. Within the non-state sector – the media is the strongest actor (see also Appendices 2-3).

3.5. Main actors: looking for anti-corruption political elite 1992-2012 and beyond

The personalities matter, and strong leadership is essential in anti-corruption policy design and implementation of regulatory governance reforms. This section emphasizes some of the main political actors who are considered to have had a leading role in the process of change in Estonia. Their active participation as drivers of change is most evident in the adoption of anti-corruption policies, that is, in the legal constraints component of the model (see Box 1).

Some Estonian politicians are clearly associated with a leadership role in promoting an anti-corruption agenda. This is the case of Prime Ministers Mart Laar (1992-1994; 1999-2002) and Juhan Parts (2003-2005). During the former's administrations, the Ombudsman Act (1993) and the Public Information Act (2000) were passed. During Parts's government, political financing regulation became stricter and a national anticorruption strategy 'Honest State' was adopted. Moreover, Mart Laar implemented reforms to reduce government size in his first government, and thereby contributed to reduce material resources. The media also had an important role in strengthening normative constraints through wide coverage of corruption scandals, which helped foster public pressure against corruption and, in some cases, even led to the resignation of high level politicians accused of corruption (Mondo 2011, p. 39 - Note 26, also Boxes 2-6 and Appendix 3: *Meikargate 2012*).

There have been also many other responsible politicians, MPs, who contributed in 1990ies. For example, The Code of Ethics for Civil Servants was adopted as an Appendix of The Civil Service Act in 1999. Behind of this Act and Code of Ethics were two Members of Parliament (MP) – Mr Ivar Tallo, now Director of Estonian eGovernance Academy (Social Democrat Party, former MP) and Mr Daimar Liiv, now Judge (former MP, Reform Party). This kind of cooperation between politicians

belonging to different political parties was quite usual in Estonian Parliament in 1990ies.[78] Secondly, another important fact is that many of political leaders, active in anti-corruption policy- and law-making in 1990ies, had been active also in the **independence movement** 1985 to 1991. And if to look at the transmission and implementation of social scientific and applied good governance concepts, then it is important to note that, in addition to **donors experts** contributions, many of younger Estonian politicians studied part-timely in **western universities** - mainly in USA, Canada, UK, Germany, Finland, Sweden, Denmark; Netherlands or France. For example, aforementioned Daimar Liiv at Harvard University and Ivar Tallo at McGill University.[79]

Looking at the electoral campaigns of political parties 1992 to 2011, the anti-corruption as a campaign platform came most out in 1992 (Mart Laar *et al*) and 2003 (Juhan Parts & *Team of Incorruptibles*). After Gorbatshov's *perestroika* and Estonian 'singing revolution' 1987-1991 it was quite a common thinking that the corruption and other unethical things are directly related to the Soviet political regime. In 1992, the main political slogan of Mart Laar' *ProPatria Party* for the general elections was "Clean the political power!" ("Plats puhtaks!"). Ten years later, the same kind of new slogan "Incorruptible!" ("Äraostmatud") was also successfully used by *ResPublica Party* for general elections on 2003. Its leader, Juhan Parts, was former Director of National Audit Office and before that the Chancellor of The Ministry of the Justice. Two conservative parties, *ProPatria* and *ResPublica* joined in 2010 (Table 9).

[78] Based on this Code of Ethics for Civil Servants, all state agencies, including the Chancellery of the *Riigikogu*, had to develop their own regulations, instructions and training programmes. The author of this text, led the working group of Code of Ethics for Parliamentary Civil Service in Estonia, 1999-2000.

[79] In the first decade of State-building, Estonian relatively young political elite was very open for a new academic ideas and 'learning by doing' used new knowledege in policy design, law-making ja public administration.

Table 9. Parliamentary elections in Estonia 1992-2011: political parties and coalitions

Year		**1992**	**1995**	**1999**	**2003**	**2007**	**2011**
Political parties *(No of parties in elections / in parliament)*	Ideology L-C-R	18/9	16/7	12/7	11/6	12/6	9/4
Pro Patria Union (e.g Christan Democrats group)	R	**29**	-	**18**	**7**	-	-
Estonian National Independence Party (ERSP)	R	**10**	-	-	-	-	-
Pro Patria & ERSP Union	R	-	8	-	-	-	-
Res Publica	R	-	-	-	**28**	-	-
Pro Patria and Res Publica Union (conservatives)	R	-	-	-	-	**19**	**23**
RightwingParty	R	-	5	-	-	-	-
Reform Party (e.g. liberal democrats' wing)	R	-	**19**	**18**	**19**	**31**	**33**
Coalition *Safe Home* (e.g Coalition Party)	R-C	17	-	-	-	-	-
Coalition Party (Koonderakond)	R	-		7	-	-	-
Coalition of Coalition Party & Rural People Union	R-C	-	**41**	-	-	-	-
Estonian Rural Peoples Party	R-C	0	-	**7**	-	-	-
Estonian Peoples Union	C-R	-	-	-	**13**	6	0
Estonian Centre Party	C-L	-	**16**	28	28	29	26
Coalition of National Front	C-L	15	-	-	-	-	-
Moderates (e.g .Social Democrats)	L-C	**12**	6	17	6	-	-
Estonian Social Democratic Party (e.g liberal wing)	L-C	-	-	-	-	**10**	17
Coalition of Greens >>> Estonian Green Party	C/Mix	1	-	-	-	6	0
Coalition *Estonian Citizen*	R/Mix	8	-	-	-	-	-
Independent Royalists	C/Mix	8	-	-	-	-	-
Estonian Enterpreneurs Party	R-C	**1**	-	-	-	-	-
Coalition *Left Opportunity* (e.g Communist Party) > Social Democratic Labor Party > Left Party	L	0	0	0	0	0	0
Coalition *Our Home is Estonia* (mainly Russians)	C-R	-	6	-	-	-	-
United Peoples Party	C-R	-	-	6	-	-	-
Russian Party in Estonia	C/Mix	-	-	0	0	0	0
Others (ca 15 political party initiatives 1992-2011)	Meaning: ➡ new name/party; ⟶ dominant movement of coalition or party members; ⋯▸ minor movement						

Source: Estonian National Electoral Committee: http://vvk.ee/past-elections/riigikogu-parliament-elections/ Riigikogu has 101 members. No of Coalition parties seats is in bold, the Prime Minister Party is underlined. [80]

In July 2012, Juhan Parts is the Minister of Economy and Communication in the Coalition with liberal Reform Party. Second 'incorruptible', Ken-Marti Vaher, is the Minister of the Interior. Third, Urmas Reinsalu, is today the Minister of the Defence (he replaced Mart Laar, who had stroke in spring 2012). The problem is with fourth 'incorruptible', Indrek Raudne, who was accused publicly in influence peddling and left the Parliament. As Freedom House (2012) reported: "Influence peddling became a major issue in December 2011, when it was revealed that three prominent right-wing

[80] About development of Estonian party system *via* web: V.Pettai & R.Toomla (2003). Political Parties in Estonia – Report to Johns Hopkins University & NCEEER http://www.ucis.pitt.edu/nceeer/2003-816-05g-Pettai.pdf; L.Bennich-Björkman (2011). Estonian Elections. Stability and consensus – in Baltic Worlds. Centre for Baltic and East European Studies (CBEES) Södertörn University, Stockholm: http://balticworlds.com/stability-and-consensus/

politicians (including two MPs) had been operating a private business that helped Russian citizens obtain residency permits in Estonia through sometimes questionable investment schemes."[81]

In addition, the liberal Reform Party illegal donation scandal, initiated by Mr Silver Meikar, an adviser of Estonian Human Right Institute (former MP, Reform Party) in May 2012 influenced the reputation of all political institutions (see Appendix 3). Despite of public critics on political parties financing and political patronage in law-making process over ten years, the variety of 'borderline cases' of political corruption are reflecting the 'rule of the game', hidden institutionalised governance regime and thinking routines of many (not all) political leaders. More specifically, the *state capture* which refers to patronage or bribery (e.g. illegal donation) to influence the *formulation* and *content* of laws and regulations. On the other hand, it refers to lack of transparent and knowledge-based public policy tradition, e.g. implementation of better regulation measures such as knowledge-based policy design, regulatory impact assessment, involvement of stakeholders and simplification of regulations.[82]

The acute problem is that all political parties represented in the *Riigikogu* owe advertising agencies, printing houses and media companies a lot of money. Debts piled up mainly because of high electoral campaign costs. As Tarmu Tammerk, a media analyst and board member of TI-Estonia put it 'financial problems of political parties also increase corruption risk as parties are looking for possibilities to reduce their debts'.[83]

Some reflections on current situation. In brief, comparing with earlier periods there is a lack of anti-corruption heroes in Estonian politics today – many public discussions in Estonia emphasize a hope that the latest political corruption scandals may be a beginning of a new positive shift in anti-corruption policy.

Jüri Saar, professor of criminal law at University of Tartu, analysed the phenomenon of political corruption and *post-Meikargate* situation in Estonian public sphere concluding as follows (2012)[84]: " … the new version of corruption law is maintained to deal with technical matters, basic forms of corruption, bribery and corrupt practices, e.g. non-declaration of income, doctor's chocolate boxes,

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[81] Freedom House (2012) http://www.freedomhouse.org/report/nations-transit/2012/estonia. See also Estonian Public Broadcast (1.12.2011). *MPs in Hot Water for Arranging Residence Permits* – by Steve Roman. Source: news.ERR.ee or http://transparency.ee/cm/en/node/527

[82] A.Kasemets and A.Talmar-Pere (2012) – link between better regulation tools and internal security policy – Note 15.

[83] See BBN (2010). *Parties pile up debts as businessmen stop donating money* – by T.Hõbemägi, BalticBusinessNews (11.1.2010) via TI-Estonia: http://transparency.ee/cm/en/node/43

[84] J.Saar (2012). Political corruption: the rule, bad taste or an offense? Postimees, 26.05.2012 (in Estonian): **http://arvamus.postimees.ee/854392/poliitiline-korruptsioon-tavanorm-maitsevaaratus-voi-suutegu/** / NB! Undet this article is the note, that professor Saar is a member of ProPatria and ResPublica Union Party and also a member of TI-Estonia.

etc. Estonian decision-makers refuse to seeing the depth of the problem [..]. Political corruption is able to destroy gradually the type of social cohesion, since it removes a general belief that the winners were really better and the losers deserved their fate. Political „collective gene of corruption" can detect in a variety of forms, e.g. fixing a political division of the market; manipulation with election regulation, lack of democracy within the political party, politicization of social life, etc. [...] The case of Reform Party donations scandal confirms once again that preventing political corruption has become an indisputable priority of Estonian security."[85]

After the general elections in March 2011, the governmental anti-corruption policy issues were discussed in the media by Ken-Marti Vaher, the Minister of the Interior, by Kristen Michal, the Minister of the Justice, and from the side of parliamentary opposition by Mr Kalle Laanet, former Minister of the Interior (MP, left Centre Party after 'Russian church money scandal') and by Mr Andres Anvelt (MP, Social Democratic Party) who has previously worked as a police investigator and the Director of Police College at the Estonian Academy of Security Sciences. Anvelt is also the chairman of Parliament's Anti-Corruption Committee and a member of a Supervisory Committee on Party Financing (established in 2011).

After aforementioned political corruption scandals for both ministers, Vaher and Michal, the losses of credibility have been remarkable and they are less talking on control of corruption issues in public. In last time the most prominent 'political key speakers' have been Silver Meikar, Allar Jõks (former Chancellor of Justice, friend of Meikar), Ivar Tallo, Jüri Saar, President Toomas Hendrik Ilves, Rein Taagepera, Andres Anvelt (MP, SDP), Ms Kadri Simson (Centre Party); Rait Maruste (MP, Reform Party, former Judge of European Court of Human Rights), and finally, Ms Kaja Kallas (MP, Reform Party since 2010, who recently promised to lead the preparation of The Code of Conduct for MP-s[86]), and many others.

Behind (and between of) political parties are many academic persons, centres of ethics at universities and NGO leaders trying to improve the control of corruption in Estonia. In addition to Professor Jüri Saar also Agu Laius, Director of National Foundation for Civil Society, Tarmu Tammerk, journalist and Member of the Board of TI-Estonia, working now as adviser of media ethics at the Estonian Public Broadcasting, etc. In addition, many civil servants are contributing the political debate on control of corruption via research articles, training courses, reports etc. For example, Mrs Mari-Liis Sööt, working now as a Head of Criminal Policy Department at the Ministry of the Justice (and in parallel as a PhD student at University of Tartu – see Footnote 27 and Appendix 1).

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85 Some parallels from UK: *Economis*t (2012). Money for something (Political party funding. The latest donations scandal has revived talk of cleaning up politics) Mar 31st 2012: **http://www.economist.com/node/21551530**

86 See also '*NGO Calls for Parliamentary Code of Ethics'* (1.12.2011) Source: **http://transparency.ee/cm/en/node/528**

The trust in present right-wing Coalition anti-corruption policy is declining in the civil society and media networks. The situation is most delicate for the Minister of the Justice, Kristen Michal, former Reform Party Secretary General (*secrecy holder*), because he is politically responsible for the anti-corruption policy agenda and also for the budget of Prosecutor's Office, which will soon organise his hearing on illegal donation issues. In addition, Silver Meikar, an ordinary Reform Party member, is inviting him and other leaders of Reform Party into public debate on liberal political ideology and liberal values[87] (see Appendix 3).

To sum up – until 2012 the leading right-wing Coalition parties were 'relatively clean' for the civil society networks observing the corruption issues in Estonia. Now the situation is changed: party leaders want to replace the topic of political corruption, the former leaders of ProPatria Party is discussing publicly the opportunities for a new conservative party before the next general elections in 2014, etc. Many policy forecast see the possibility that a new political platform with updated anti-corruption agenda will be created 2012-2013.

Looking back, in Estonian case, the interval of effective anti-corruption campaign platforms for general elections has been about 10 years (1992 - 2003 - ....) and probably the same politicians cannot use the 'anti-corruption heroes posters' twice.

3.6. How to motivate the policy-makers via media interaction and regulatory impact assessment (RIA) system? (a Parliamentary 'gate' in political economy framework)

Since 1995 in both social scientist and parliamentary research service networks raised a question how to create this kind of political *public sphere* (environment) where for policy-makers would be useful to use social science research and implement knowledge-based policy design and regulatory governance principles. We have had optimistic imagination in Estonia that via problem focused public debate and interaction of NGO-s, universities, media and other interested parties we can rise the politicians awareness on the policy problems and *ex ante* impacts, increase the level of political competition and promote transparency in the public policy problem resolutions (in 1990ies the Estonian political parties were 'young and more open').[88] Such normative approach, "do the right things" based on the democratic values and the rule of law, reflects the belief in the role of "awareness raising."

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[87] According to interview with Meikar (www.postimees.ee 7.7.2012) the leaders of Reform Party are not interested in it.

[88] A.Kasemets (2000) – Note 39; Kasemets, A. (2003). Sociological and Public Opinion Research as Reflection for the Parliament and Civil Society. *In: Ageing Societies, New Sociology: The 6th Conference of The European Sociological Association. Stream 9: Political Sociology; Murcia (Spain); 23-26 Sept, 2003*: http://www.um.es/ESA/papers/St9_61.pdf

The political economy framework seems to be most promising to deal with the role of the parliament in regulatory governance (representation, legislation, executive supervision, public debate) and special parliamentary anti-corruption programmes. Next generation of international and domestic parliamentary anti-corruption initiatives should be designed taking into account a politicians political objectives to increase political capital. [89]

On other words, Members of Parliament (MPs) are, to some extent, vote maximisers working in these "political markets." In political markets, MPs would want to expose corruption because social welfare translates into votes. As the issue of anti-corruption becomes more popular in the international and domestic policy interactions (e.g. NGO-s, universities, free media), the probability of action turning into votes increases. Simply put, MPs, when considering anti-corruption action in the context of political competition, will balance the probable increase in votes with the costs to special interests which support them politically.

In this view, MPs will monitor the executive if their *information collection costs* are less than any gains which can accrue to society. Such a view implicitly recognises that MPs have few economic and non-economic incentives for monitoring, as MPs generally do not receive more votes or cash by looking for executive improprieties. Yet, MPs usually also receive only minor benefits from passing legislation which helps minimize administrative corruption.

One solution can be the support of anti-corruption NGO-networks, independent research bodies and parliamentary unpartisan research services in collecting, analysing and delivering the results of anti-corruption field work to the parliamentary committees and the public.

Another variant of the political economy approach accepts that bribe taking and patronage are part of the State and corruption is a part of the political system as politicians need funds to campaign. This variant recognises views a trade-off between social welfare and vote-needing politicians patronage, namely between majority and minority interests.

To sum up, if (inter)national donor work can increase the popularity of anti-corruption work done by MPs, then both anti-corruption initiatives and political capital rise.

An important precondition in assessing *ex ante* and *ex post* the impact of anti-corruption programmes and regulations (e.g. conventions, laws) is the **implementation of better regulation measures** (e.g. impact assessment, participation and simplification methods) **in the policy cycle as a whole**.[90] In the analysis of academic literature, OECD and EU reports, etc., the goal of Estonian better regulation network has been to find out, discuss and incorporate appropriate good

[89] Michael, B.; Kasemets, A. (2007). The Role of Incentive Design in Parliamentarian Anti-Corruption Programmes. The Journal of Legislative Studies, 13, 280– 300;

[90] *Ibid*; also Radaelli (2010) - Note 9; Kasemets and Talmar-Pere (2012) - Note 15; Lopez, E. (2002). The Legislator as Political Entrepreneur: Investment in Political Capital. *Review of Austrian Economics 15*(2-3): 211-28.

governance and better regulation elements/ideas into our relatively miniature system of regulatory governance.[91] Based on EU and OECD policy recommendations for good governance, regulatory reform and better regulation 1995 to 2008, the Estonian Ministry of the Justice prepared (2007 to 2009) and Estonian Parliament approved (23.2.2011) *The Development Plan for Legal Policy until 2018* (e.g. guide for regulatory impact analysis).

The application of better regulation principles in anti-corruption regulations depends greatly of the choices made by politicians and top managers of the ministries and regulatory agencies. The implementation of all governmental development plans will be carefully observed by the network of experts behind the on-going socio-innovative projects "Fighting populism and promoting political accountability in Estonia" and "Government Watchdogs" (see Box 5).

4. Preliminary conclusions, discussion and ideas for follow-up studies

The success and/or failure of regulatory reforms in the field of control of corruption depends in great extent on political leadership and public external and internal support (e.g. pressure) by international organizations and local academic and civic networks. In general, the case of Estonia confirms that progress on control of corruption is achieved by a change in the equilibrium involving all four dimensions (Box 1, section 3.3.), but it must be further investigated, in what extent the Estonian society as a whole (not only elites) with its governance regime can be described as an 'open access order' based on value universalism.[92]

Looking for the explanation what makes governance regime based on *particularism* evolve to *open access* order in the case of Estonia, the drivers of dynamic change can be observed at three levels: (a) foreign policy environment; and (b) internal policy environment factors (both as 'windows of opportunity'), and (c) the Estonian elites (p. 3.5) whose personal motivation, education and ability have been important factors behind the Estonian transition from totalitarian Soviet regime to liberal parliamentary open access democracy.

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[91] For example, H.Brinkmann (2008). Towards a Beautiful New World of Regulation? – EIPASCOPE 2, pp. 41–42 (it's a simplified communicative approach where the good governance is defined as a synergy of good policy design, regulatory impact assessment, law, public administration and communication). Since 1995 the institutional framework and supportive system of juridical analysis of draft laws have quite well been established in Estonia, but having analysed the institutional preconditions related to social, economic, environmental, security etc. impact assessment, participation and the quality control, only a slight improvement can be observed in some files (participation) and in some ministries. Notes 11 and 15.

[92] A.Mungiu-Pippidi (2012) – Note 18./ *Insider comment:* observing different policy design and regulatory management processes in Estonia through the lenses of sociology of law and organization, it seems to me that (a) a big extent of respondents do not understand many corruption-related definitions in questionnaires; (b) in many governance regime dimensions (power distribution, public resources, mentality, rule of law, government accountability, separation of private/public, relation formal/informal institutions, etc.) Estonia can be described as a "'borderline society' between the categories of 'borderline' and 'free access' society". Of course, with positive trend☺ /.

Drivers of change: Estonia

External environment: EU, Scandinavian and USA influences, historical memory

- First of all, looking at the external foreign policy and security environment – most notably the goals of joining the European Union (EU), NATO and OECD – have had a major impact in stimulating good governance (e.g. anti-corruption) efforts in Estonia. In general, the membership of United Nations (1991), NATO (2002), EU (2004) and OECD (2010)[93] has been very important for Estonian political, cultural and economic elites due to different reasons, including historical and security issues. Common external political objectives mobilized additional internal human and financial resources and created conditions for personal and organisational learning ('homework') in the field of governance, better regulation, control of corruption etc.[94]
- In addition, Estonian cultural and political elites have had the desire to be again a part of Nordic countries as it was before the Second World War (1941-45) when Estonia was socio-economically richer than closest neighbour Finland. Since 1960ies, during the Soviet era, the Finnish TV was a *virtual window* to the Free Western World. Today Finland and Estonia are deeply socio-economically linked (a lot of contacts), but it is reasonable to keep in mind that Uslaner wrote (2008)[95] even if it is hard to be agree with some empirical details (e.g. trust in other people, trust in political institutions and related general optimism [despite the Gini coefficient] is relatively high compared to EU average – see Box 2, Figures 5 and 6).
- Since 2004 there is also a third, semi-external factor – the membership of EU, e.g. GRECO (Group of States against Corruption – see Note 64).

Internal policy environment

- Estonia joined the third wave of regulatory reforms in OECD (e.g. EU) countries and in many aspects this wave with 'internal catching-up revolution' is still on the way. The evolution of parliamentary democracy in Estonia over the past 20 years has offered scholars an opportunity to observe the effects of liberal policy choices, because despite of high *Gini* socio-economic gap and hard political competition (Table 9), all Estonian governments had

[93] See Note 64; also Anderson&Gray (2006) - Note 9; OECD: http://www.oecdbetterlifeindex.org/countries/estonia/

[94] 'Accession exams' and formal "rules of the club" in the EU' forced to learn both first post-Soviet generation of politicians and government officials. The nearest 'West' for public sector trainings was Helsinki (*via* sea ca 80 km from Tallinn).

[95] "The close ties with Finland (and other Nordic countries) lead to a more successful transition than most other countries… Yet, these ties do not make Estonia a little Finland. Corruption still persists in Estonia, trust is low, inequality is higher than it was under Communism and middle-range by world standards, and ethnic relations are very tense." (see Box 6).

more or less liberal approach.[96] The discussion paper contains many internal environment examples looking for direct and indirect linkages related to control of corruption mechanisms in broader context of governance.

- Liberal economic policies with simplified taxation systems and low red tape, also collective action from civil society and press freedom played a considerable role in Estonian transition. After restoration of independence in 1991, Estonia started its institution-building from legal the rule of law framework (constitutional reforms 1991-1995) and on the same time the implementation of large-scale economic reforms was prepared supporting the pluralism, open market, free media and competition. Then, after 1997, the Estonian government turned more to civil society and specific control of corruption issues.
- Focusing on dynamic change of Estonian governance regime 1992 to 2004 and until 2012 there are different controversial data sets, study frameworks, regulations and recent practices which are generating a lot of why-questions for interdisciplinary follow-up research. The author is not entirely sure how sustainable will be the Estonian international success story – it depends on internal factors, e.g. behaviour of elites. Today we can talk about stabilization and stagnation of control of corruption mechanism, but hopefully the long-term trend will remain positive.
- According to sociological surveys (Box 2) and personal observations the institutionalization of OECD, WB and EU good governance and control of corruption concepts (symbolic systems) in the relatively small and mobile Estonian public administration has been quite successful, at least at the level of ministries. It is related first of all to external factors and internal reforms, e.g. different training programs since beginning of 1990ies. In other groups (political parties, firms, NGOs) and at the level of general public the changes toward modernity values have been moderate.
- Estonia differs in Central and Eastern Europe and learning from global successes and failures of regulatory reforms Estonia reached many Western European countries in the field of control of corruption indicators (’cut’ the line of developmental sinusoid). On the other hand, the desire of Estonian elites to be culturally and socio-economically again an equal part(ner) of the Nordic countries as it was before the Soviet rule, remains quite unrealistic in short-term perspective (see Figure 1 and Appendices 4 and 5).

[96] Liberal reforms have been initiated by conservatives (ProPatria Union) and supported by social democrats (Modetes) in the first Cabinet of Mart Laar 1992 to 1995. Today, surprisingly both biggest competing parties in Estonia, Reform Party and Centre Party, are belonging to the group of liberals in the European Parliament:)

In last year there have been a lot of different corruption cases in Estonian courts and mainstream media, many social scientists and politicians have stressed the signs of stagnation - sometimes it seems that Estonian micro-data on social control of corruption will get worse due to normative and economic crisis (see Appendices 1-3), but on the other hand it reflects the transparency *open access regime*. As professor Rein Taagepera (Tartu/California), put it 'corruption scandals are necessary events for democratic self-regulation'.[97]

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Some ideas and proposals for further discussions and comparative follow-up studies:

In this discussion paper the author tried to follow and reflect the new methodological approach of control of corruption equilibrium model designed by Professor Alina Mungiu-Pippidi and demonstrated some essential connections between the model and Estonian observations. The paper demonstrates also the need for an interdisciplinary comparative approach – institutional mechanisms of social control of corruption deserve further research.

Some preliminary ideas for international comparative studies and co-operation:

- The institutional mechanisms of social control of corruption in European countries (Anti-corruption research network at the Estonian Academy of Security Sciences and University of Tartu is more interested in the cases of smaller countries).
- Linking laws legitimation and laws enforcement measures in the field anti-corruption regulation as a part of internal security policy (e.g. police, crisis communication, anti-corruption networks, horizontal co-op of agencies, etc.).
- Systematization and standardization regulatory impact assessment problems related to legal and normative aspects of control of corruption, e.g. linking EU innovation & security research agenda, adaptive strategic management and regulatory capacity.
- The role of political motivation (e.g. political capital, reputation, shame) in the institutional design of control of corruption policy.
- Regulatory impact assessment data, civic engagement and politico-administrative communication in the context of global information and risk society.
- Long term sociological anti-corruption study of Estonian, Latvian and Ukraine Russians minorities in comparison to Russians in Russian Federation.

[97] Interview with prof Rein Taagepera (2012). "Rahastamisskandaal on asjalik sündmus" ("Donation scandal is a practical/business-like event", R.Kerge, 9 June 2012, Õhtuleht daily - http://www.ohtuleht.ee/480301

- Political elites and anti-corruption policies in 1990ies: the socio-demographic portrait (e.g. family, education) and new knowledge transfer ability of post-Soviet political elite dominating in anti-corruption policy design, law-making and public administration in 1990ies.

5. Appendices

Appendix 1. Corruption in Estonia: the study of three target groups 2010 (summary)[98]

The sociological study allowed making some interesting observations about how the socio-demographic factors are related to understanding about corruption and its spread; also, how people with certain characteristics are more prone to corruption.

The public sector employees come across as more ethical and having a more condemning and more aware attitude towards corruption. When compared to earlier years, officials are more condemning of all ethically ambiguous situations (by 20-30 percentage points). In all cases where the respondents were asked to assess the acceptability of a situation, officials were rather more condemning when compared to residents and entrepreneurs. For example, in case of getting to a surgical operation via an acquaintance, 88% of officials considered it to be unacceptable, whereas only 67% of residents and 70% of entrepreneurs had the same opinion.

In a hypothetical situation, 10% of officials, 34% of residents and 35% of entrepreneurs would behave in a corrupt way.

Those public sector employees who are not satisfied with their salary and also those who do not consider their job position stable and who do not think a high status is entailed in the job position, would accept a bribe when compared to those who are satisfied with the situation. For example, 13% of those who are not satisfied with their salary and additional pays would accept a bribe (this is 8% for others);

The number of people having personally encountered corruption has decreased.

Public sector employees are more aware and more condemning of corruption when compared to others. Also, 13% of those who do not consider their job position stable would accept a bribe (this is 9% for others). 73% of the public sector employees claimed that they have never had a conflict of interests in their work and on the same time 53% of officials would like to get more specific instructions for avoiding a conflict of interests.

Situational descriptions and hypothetical corruptive behaviour.

[98] The Ministry of Justice (2010). Corruption in Estonia: the study of three target groups 2010. Criminal policy studies 13. Tallinn: The Ministry of Justice Criminal Policy Department and University of Tartu (in Estonian with summary in English, see pp. 61-66: www.korruptsioon.ee/orb.aw/class=file/action=preview/id=50629/Korruptsioon_2010.pdf) – see also Box 2.

The arguments justifying corruptive behaviour were divided into *economical* (e.g. I would offer a benefit because it would be good for the enterprise to win the procurement), *cultural* (e.g. I would offer a benefit because entrepreneurs do this rather frequently / because it is a common practice in Estonia), *vindicating* (e.g. I would offer a benefit because such a return favour would be harmless – it would cause no harm to anyone) and *calculating* (e.g. I would offer a benefit because the risk of getting caught would be low).

Corruption is justified by economic arguments.

All target groups justify their hypothetical corruptive behaviour most with economic arguments – bribe would be taken or given because it would be economically beneficial. There were also relatively frequent cases of using vindicating arguments, i.e. that the behaviour would not cause any harm to anyone, referring to the widespread opinion that corruption is a crime without victims.

Media corruption is not considered much of a problem.

For the first time the opinion about corruption of journalism and the amount of encounters of such corruption was studied. It turned out that corruption of journalism (where a journalist accepts a benefit or a present from an entrepreneur, in return for presenting the enterprise favourably or a competitor unfavourably in a media publication) is considered to be a more severe corruption than for example a situation where an official processing procurements orders computers for an institution from the enterprise of his or her own son (this being a conflict of interests). 86% of officials, 80% of entrepreneurs and 69% of residents considered media corruption to be a form of corruption, but in case of a conflict of interests these figures were 84%, 75% and 65%, respectively.

Socio-demographic factors in understanding of corruption

Non-Estonians differ.

The most important factor affecting the ethical views of people is their nationality – Estonians and non-Estonians clearly differ from each other in corruption awareness, condemning corruption and readiness to behave in a corrupt way. For example, 47% of non-Estonians, but 28% of Estonians would agree to pay a bribe.

Non-Estonians also consider corruption to be a somewhat more serious problem, but these relations are not statistically significant (69% of non-Estonians, 66% of Estonians). Non-Estonian entrepreneurs consider corruption to be more widespread. Non-Estonian entrepreneurs consider the bribability of public officials and politicians more to be a serious hindrance to entrepreneurship than do Estonians. Non-Estonians considered bribery more to be a widespread means of getting a job; this was so in the previous study as well.

Non-Estonian residents have had more encounters of both bribery and corruption: every second non-Estonian person and every third Estonian person has encountered bribery.

Women differ.

There are also several differences between opinions and experiences of women and men; for example, women are less accepting towards corruption and would be less eager to behave in a corrupt way (40% of men and 29% of women would accept a bribe). When looking at the averages and frequencies among entrepreneurs, it can be seen that men have more corruptive attitudes in all aspects (35% of male entrepreneurs and 33% of female entrepreneurs would behave in a corrupt way). Women consider corruption to be somewhat more severe problem than do men – 72% of women and 64% of men consider corruption a problem.

***Youth differ*.**

In addition to nationality and sex, the age of residents is also an important factor affecting their attitudes – younger respondents (age 15-30) define corruption more narrowly.

They would also be more eager to behave in a corrupt way – 67% of youth, but only 30% of respondents aged over 46 would pay bribe. Also, in case of attitudes of officials there is a noticeable trend towards younger officials being more tolerant towards corruption. Younger people (both residents and officials) also consider bribery to be more widespread.

Tallinn differs.

The people of Tallinn are different by several characteristics, primarily because the entrepreneurship and state functions have gathered mainly into the capital city. For example, the residents of Tallinn are the most accepting towards corruption; on the other hand, the entrepreneurs of Tallinn are the best at recognising corruption (on the basis of averages) and less accepting towards corruption (on the basis of regression). Also, the officials working in Tallinn are the least accepting towards corruption. The entrepreneurs of Tallinn consider the bribability and partiality of politicians to be a hindrance to entrepreneurship, when compared to entrepreneurs from other regions. The residents of Tallinn consider bribery to be more common: they estimate that bribery is mostly common as a way of hastening official processes, getting favourable decisions, winning public procurements, getting jobs and for the purpose of slandering a competitor or bringing out own enterprise.

The entrepreneurs of Tallinn also see corruption as a bigger hindrance to entrepreneurship than do others: 33% of the entrepreneurs of Tallinn consider the bribability of public officials to be a hindrance to entrepreneurship (although this percentage was somewhat higher in the Viru County – 35%) and 34% consider the bribability of politicians to be such a hindrance. The respective figures for Tartu and the Southern region were 24% and 14%.

People having personally encountered corruption differ

Encounters with corruption affect people's opinions. For example, those officials having personally encountered corruption believe that bribery is more common in their institution. Also, those entrepreneurs having paid bribe consider corruption to be more widespread. In case of entrepreneurs, a relation between corrupt attitudes and corrupt behaviour is noticeable: those entrepreneurs having paid bribe have also more corrupt attitudes. 51% of those who have offered bribe would also off er bribe in a hypothetical situation, whereas 33% of others would do that. Also, those entrepreneurs having paid bribe see corruption more as a severe hindrance to entrepreneurship than do others. For example, 34% of those having paid bribe consider the bribability and partiality of politicians to be a hindrance to entrepreneurship, whereas the respective figure for others is 22%. Nearly half (48%) of those entrepreneurs claiming that they have been asked to pay bribe have also paid it themselves.

***Smaller enterprises differ*.**

In case of residents and officials, no income group clearly differs from others in various aspects; still, the managers of smaller enterprises differ regarding both turnover and number of employees. For example, managers of enterprises with a smaller number of employees (up to 9 employees) are more tolerant towards corruption in case of all three characteristics expressing ethical attitudes: 37% of them would be ready to behave in a corrupt way, whereas this figure is 26% for managers of larger enterprises.

The same conclusion can be made also regarding managers of enterprises with a smaller turnover – they define corruption more narrowly and would be ready to offer money or a return favour to an official. Also, managers of enterprises with a smaller number of employees consider the bribability of public officials more to be a hindrance to entrepreneurship (31%, whereas the respective figure for enterprises with more than 19 employees is 24%). On the basis of averages, managers of small enterprises and managers of enterprises with small turnover consider corruption more to be widespread than do others. They have also encountered more corruption.

Media and indirectly encountered corruption

It is remarkable that there is an increase in the number of residents who have indirectly encountered corruption (a respondent knowing someone else who has encountered corruption). Indirect corruption can be seen primarily as an indicator of the perception of the spread of corruption, where the information heard and read from media has a role. 21% of residents and 16% of entrepreneurs have responded that they know someone else who has encountered a conflict of interests of an official – a situation where an official orders a product or a service, paid for with funds of an institution or the state, from an enterprise where his or her relative is a shareholder. These shares are significantly higher than they were in year 2006 (both were 14% then). The effect of

media can be seen elsewhere as well. For example, those entrepreneurs who monitor the news every day consider bribery to be more widespread (on the basis of regression) and they have been asked to give bribe more often. Entrepreneurs who more frequently monitor the news also more frequently claim that they have encountered other forms of corruption. Those residents who less frequently monitor the news define corruption more narrowly.

As regards residents, the shares of indirect corruption have also increased regarding other forms of corruption – for example, there are more indirect encounters of political corruption (16% now and 10% five years ago), misuse of inside information by an official (20% and 15%, respectively), etc.

Source: Estonian Ministry of the Justice, Criminal Policy Department http://www.korruptsioon.ee/50628

Additional information from the Estonian Ministry of the Justice, Mrs Mari-Liis Sööt: mari-liis.soot@just.ee

Appendix 2. National Integrity System Assessment - Executive Summary[99]

ESTONIA 2012

The National Integrity System (NIS) assessment was carried out in Estonia in 2010-2012. The assessment is based on the analysis of the legal system, previous studies, audits, international evaluations and 40 interviews (2-7 interviews per institution or 'pillar' covered in the assessment). The evaluation covers the years 2009 until the beginning of 2012. The report has been quality checked by the **Transparency International** (TI) Secretariat in Berlin and the Advisory Board comprised of local experts. The analysis methodology follows the standard methodology developed by the Secretariat of TI to a large extent; however there are some differences due to the particularity of Estonia. The NIS of Estonia does not include a chapter on an anti-corruption agency as this body does not exist in Estonia; the Estonian report also does not include the indicator related to the electoral management body's regulation of election campaigns as the electoral committees have no such functions in Estonia. Furthermore, the chapters examining the public sector differ to the

[99] With financial support from the Prevention of and Fight against Crime Programme of the European Union European Commission, DG Home Affairs **//** The National Integrity System assessment approach provides a framework to analyse the robustness and effectiveness of a country's institutions in preventing and fighting corruption. The concept has been developed and promoted by Transparency International (TI) as part of its holistic approach to countering corruption // Report by TI Estonia, press conference, Tallinn 6.6.12: www.transparency.ee

standard assessment since local government has been included in addition to the central government. In some instances, the methodology allows for exceptions from the general approach; for example, in the case of the National Audit Office of Estonia the study only evaluates whether the organization has the necessary resources in practice, and not how they are guaranteed under law.

The effectiveness of the anti-corruption system in Estonia has its strong and weak points. Among the analysed pillars, the ombudsman (the Chancellor of Justice), the National Audit Office and electoral management bodies are the three strongest. The strengths of the Chancellor of Justice and the National Audit Office are based on similar aspects; both institutions are characterized as operating with practices related to anti-corruption and transparency, and have a clear strive towards ethical organizational culture. Both institutions are independent in their activities, and even though budget negotiations with the Ministry of Finance (which is audited by these institutions) might bring up the question of influence, in practice the independence of these institutions is not considered to be a problem. The Chancellor of Justice and National Audit Office successfully fulfil their tasks: the National Audit Office performs various financial and performance audits and the Chancellor of Justice ensures that legislation is constitutional, deals with potential violations of people's basic rights and freedoms by authorities and officials performing public duties and adheres to the principles of sound administration. Because of up-to-date and informative websites and the systematic exposure of problems in their respective fields, the activities of the National Audit Office and Chancellor of Justice receive adequate media coverage and both institutions have a relatively positive and strong public image.

The pillar of **electoral management bodies** is assessed as the third strongest. Elections are considered to be free and fair in Estonia. Trust in the National Electoral Committee and other electoral committees is generally high and these institutions are also transparent and independent. Despite the lack of integrity mechanisms for electoral committees, corruption is not a problem in organizing elections and the ethical standards of committee members are generally high.

The **Government** has a rather dominating role in Estonian politics; the executive branch is independent legally as well as in practice. The executive branch takes the greatest initiative with regards to anti-corruption activities, but at the same time there are several areas where no one wishes to take leadership, for example, reducing corruption risks in local government and educating the general public on corruption prevention. The relatively weak control of the legislative branch over the executive and the lack of involvement practices by the executive branch that tend to happen formally can also be considered somewhat problematic. Another weakness is that corruption prevention activities have so far only been targeted at the public sector, and not at reducing corruption risks connected to politicians. However, minimal desire to self-regulate is not only problematic for the executive branch, but a general challenge for Estonian politics.

The pillars dealing with state institutions such as the public sector, legislative branch and political parties are the weakest. The main problems with the public sector are the differences between law and practice, and also issues related to resources and independence, which is particularly true at the local government level. The legislative branch is characterized by a lack of interest in preventing corruption risks connected to members of the Parliament (Riigikogu) and adopting anti-corruption reforms. Political parties face problems similar to the legislative branch and the reluctance to deal with regulations involving politicians and initiate anti-corruption reforms is undoubtedly the biggest concern. There is also a lack of transparency in financing political parties and election campaigns. As a result the public trust in the Parliament and political parties is relatively low.

When it comes to detecting, investigating and sanctioning corrupt behaviour, the stronger pillars understandably include law enforcement agencies and the judiciary, with both pillars exerting the same level of effectiveness. The media could also fulfil the role of detecting and investigating instances of corruption through more effective investigative journalism.

Since 2001 one of the priorities of all law enforcement agencies has been combating corruption, but so far only the Estonian Security Police has managed to efficiently investigate corruption-related crimes. In this respect the police fall behind the Security Police, especially at the regional level. Is should be noted that **the Security Police is responsible for detecting and investigating corruption involving highest officials** (e.g. MPs, ministers, judges, leaders of 6 largest municipalities etc.). At the same time the structural changes that have taken place in the police forces over the past couple of years give hope that the investigative capacities of the police will improve in the near future. It is important to mention that even though the work of law enforcement agencies has been effective and these agencies have managed to uncover various important corruption cases, they mainly deal with cases where one of the corrupt parties is the public sector (public officials), and corrupt practices detected within the private sector are generally minor. This, however, reflects the nature of the business sector itself as fraud and corruption is frequently unreported. The problems for both of these pillars include a lack of resources; the law enforcement has limited budgets and the judiciary has problems with a lack of support staff and their uncompetitive salaries.

Within the non-state sector – the media, civil society and business – **the media is the strongest**. All major media channels cover the topic of corruption and investigative journalism has managed to uncover various important cases. However, the main strength of the media in relation to corruption prevention is not in uncovering cases, as the share of investigative journalism in Estonia is relatively minor, but in notifying and shaping the anti-corruption perceptions of the public.

The role of the two remaining pillars – civil society and business – in shaping anti-corruption policies and activities has been somewhat modest, since they have so far only focused on their internal

development. There are civil society organizations such as **Transparency International Estonia** (MTÜ Korruptsioonivaba Eesti) that have actively dealt with the issue of corruption, but it is difficult to evaluate the scope of influence of their activities so far. The capacity of civil society to address these questions is limited by a lack of resources, the dominance of project-based work and a general lack of interest in the subject. Businesses also lack the desire to address the issue of corruption, and it is certainly not a priority for smaller businesses. Only major and international companies that often have a practical need and a legal obligation (e.g. publicly traded companies) have systematically dealt with corruption prevention in their organizations.

Generally **all pillars rank highly in transparency and independence**. They are well-positioned in legal terms but in practice, the indicators do not score as highly. One important base that helps ensure the transparency of the public sector is the Public Information Act, which stipulates what kind of information must be made public (budgets, salaries, registries etc.). A second means to aid transparent practices is the use of websites to systematically share information, which as a rule is easily available. However, it has to be noted that at times the navigational function of the websites is complicated; therefore it can be difficult to find specific information and there are also instances where the information is imprecise, unavailable or outdated. A key problem concerning transparency is related to the use of funds and their allocation in the public sector and in politics; public procurement and the financing of political parties and election campaigns are not transparent enough in practice.

Looking at the independence of different institutions, the legal framework is relatively strong. However, in practice problems still occur, such as the politicization of non-political positions in the public sector, which is more severe in local governments. It is equally worrisome when civil society organizations receive short-term financing from the state or local governments, and sense a certain need for self-censorship and therefore do not dare to voice their opinions fully if these are critical towards their funders. The fact that the Ministry of Justice is responsible for administrating the courts of first and second instance (including budgets) and the Ministry of Finance holds budget negotiations with institutions that monitor the Ministry's activities (e.g. the National Audit Office) is similarly problematic.

With regards to **the financial means of different institutions**, the timing of the study has to be taken into consideration. Interviews were held after the economic recession, which led to several major budget cuts in the public sector and also reduced available resources for media and civil society organizations. Several drawbacks connected to financial means can be highlighted: for example, there is a lack of support staff in the judicial and legislative branches; finding and hiring qualified personnel in local governments has been difficult; there are limited opportunities for vertical job rotation in the public sector; access to public services differs between regions; the sustainability of civil society funding is not guaranteed; and there is a lack of resources for law

enforcement agencies, which have experienced pay cuts and expanding workloads during the recession.

Still, it seems that the lack of resources is not the only issue; the effective and efficient use of those resources that are available remains problematic.

Institutional accountability is extremely important for the prevention of corruption, and this is strengthened by the efficient work of such institutions as the National Audit Office, the Office of the Chancellor of Justice and the Estonian Security Police. The weakest link in the system seems to be parliamentary control over the executive branch. This is partly due to the fact that the executive and legislative branches and political parties interlace; therefore parliamentary supervision of the government tends to be only formal and does not expose real problems. This is also partly because of the limitations of the institutional capacity of the parliament in terms of law making and monitoring activities (there is a lack of support staff for MPs).

One of the weakest links for an effective corruption prevention system in Estonia is the lack of integrity mechanisms in different institutions. This is so primarily due to the out-dated Anti-Corruption Act - there have been discussions to amend the act for the past few years but no changes have been made. Even though the Anti-corruption Act includes several important guidelines on integrity mechanisms (e.g. restrictions on employment, activities in the public sector and declaration of financial interests), applying these guidelines might be problematic (for example, the validity of the declaration of financial interests needs to be checked, regulations on accepting gifts can be confused and there is a lack of effective whistleblower protection). There are also no guidelines covering other measures for corruption prevention (for example hospitality is only covered in the code of ethics for judges and Office of the Chancellor of Justice, and there is no regulation on lobbying). From the aspect of integrity mechanisms, the most problematic pillars include electoral management bodies, where there are virtually no measures specifically targeting the issue (but nonetheless operate ethically), and civil society and business that only take a minor interest in issues of corruption.

Looking at different **trainings on corruption**, ethics training has tended to focus on public officials, and only recently has it gradually come to be included in the public sector at large. Some training courses take place for the media, and to a lesser extent for the private sector; however, training activities are not regular. The main obstruction in trainings is connected to educating the general public. Even though the media has been relatively successful in covering cases of corruption, government offices provide only limited information to citizens and the topic of corruption is not covered in the school curriculum.

* * * *

The main recommendations based on the analysis of the National Integrity System in Estonia are as follows:

• Topics dealing with corruption and ethics should be represented in the curricula at different levels of education (value-based education). A strategic plan for educating the public on corruption and ethics should be developed in cooperation with public and private sectors as well as civil society.

• The political culture must be improved and the initiative to start policy reforms dealing with corruption should come from political circles. Political parties, the Parliament and Government should be able to offer solutions acceptable to the public when dealing with issues related to politicians, corruption and transparency (party financing, Code of Conduct for MPs and lobbying regulations).

• There should be stronger initiatives for cooperation between the private sector and civil society in preventing corruption, and the public sector should work to achieve a greater involvement of these sectors. Seeking solutions to problems connected to the anti-corruption capacity of the private sector and civil society should be a priority not only for these sectors, but also for the public sector.

Additional information: Mr Asso Prii, Executive Director of the TI Estonia, e-mail: asso.prii@transparency.ee

Appendix 3. Example: News story on illegal donation and political corruption in Estonia

"*Former MP: I was involved in illegal funding of Reform Party"* *(Äripäev,* 22.05.2012)[100]

Silver Meikar, former MP and member of the liberal Reform Party, admits that between 2009 and 2010 he gave the Reform Party 115,000 kroons (about 6,000 euros) that he had been given and whose origin he did not know, reported *Postimees* daily.

Meikar says that the proposal to put the illegal donation on his name was made by prominent party member, the then party general secretary Kristen Michal who today is minister of justice. „It's high time to tell the truth in public as otherwise we would not only jeopardize our opportunity to make politics more honest, but would put Estonia's national security, future and independence at risk," Meikar writes in *Postimees*, explaining why he decided to admit his involvement in the party's illegal funding. „I admit that I have taken to the Reform Party money that did not belong to me and whose origin I did not know," he adds. Meikar says that from December 2009 until February 2010, he made

[100] Äripäev 22.05.2012 http://www.balticbusinessnews.com/article/2012/5/22/reform-party-member-admits-illegal-funding

six donations to the party between 10,000 and 25,000 kroons each. „I had received that money from Kalev Lillo who at that time was a leading administrator of the Reform Party. Before, I got a call from the party secretary Kristen Michal who asked if I wanted to support the party and said that I would be given an amount each time. I agreed," writes Meikar. „In July 2010, Michal reported that the Reform Party had no debt. The party won the 2011 elections."

Illegal funding is rampant Meikar writes that despite of attempts to block the trend, illegal funds continue to pour into parties.

Theatre NO99 was right when it said at the „United Estonia" political play: „The washing machine is in full cycle and working flat out. All parties are using this scheme. It is functioning, efficient and secret. No-one knows who is behind the money and who the party owes money to," writes Meikar, adding that when he last week asked a current MP about it, he told him why change something that works so well. Meikar says that he is not going to name names of fellow party members or MPs who have made similar donations on their personal behalf without knowing where the money came from, but there are tens if not hundreds of people. „I admit that most party members were simply middlemen and did not benefit from such transactions, but they enabled the system to continue functioning."

„If a person wishes to support a party because of the ideology, he or she can do it publicly. If a businessman wants to hide a donation, his interests are different, for instance winning a tender or getting a large order."

Buying power Meikar writes that the national security agency KAPO should not be blamed for investigating a case where businessmen reportedly spent only a few hundred euros to secure a favourable decision from two Centre Party MPs. Ester Tuiksoo and Priit Toobal were both suspected of having protected the interests of Jüri Luik, a controversial businessman.

According to Meikar, he is far from pointing his finger only at Centre Party, although they are controlling City of Tallinn that accounts for 75 per cent of the country's economy.

Ironically, it was the lawyers of Mati Eliste, a Reform Party member and himself suspect of accepting a bribe, who managed to convince the Supreme Court that the legal provisions on power peddling were not clear enough to use them in court.

„Think what power businessmen can have over government ministers by donating much bigger sums," asks Meikar rhetorically. „If the court cannot sentence Toobal and Tuiksoo for peddling power, the ruling must come from the public, otherwise we will simply establish that such political funding is legally correct and there is nothing that can be done," writes Meikar in the opinion article published in *Postimees*. # *By Toomas Hõbemägi, Äripäev*

Related news articles in English (selection):

- Reform Party Caught Up in 'Dirty Money' Scandal[101]
- Meikar claims dirty party financing widespread. [102]
- Taagepera: Michal Should Resign to Clear Air[103]
- Reform: Meikar Committed 'Crime Against State,' Party to Sue Newspaper[104]
- Political Scientist: Reform's Rash Statements a 'Sign of Desperation'[105]
- [President Toomas Hendrik] Ilves Raps Ministers and Others for Mudslinging, etc, etc.

Appendix 4: World Economic Forum. The Global Information Technology Report 2012

The Networked Readiness Index 2012

Rank	Country/Economy	Score
1	Sweden	5.94
2	Singapore	5.86
3	Finland	5.81
4	Denmark	5.70
5	Switzerland	5.61
6	Netherlands	5.60
7	Norway	5.59
8	United States	5.56
9	Canada	5.51
10	United Kingdom	5.50
11	Taiwan, China	5.48
12	Korea, Rep.	5.47
13	Hong Kong SAR	5.40
14	New Zealand	5.36
15	Iceland	5.33
16	Germany	5.32
17	Australia	5.29
18	Japan	5.25
19	Austria	5.25
20	Israel	5.24
21	Luxembourg	5.22
22	Belgium	5.13
23	France	5.12
24	Estonia	5.09
25	Ireland	5.02

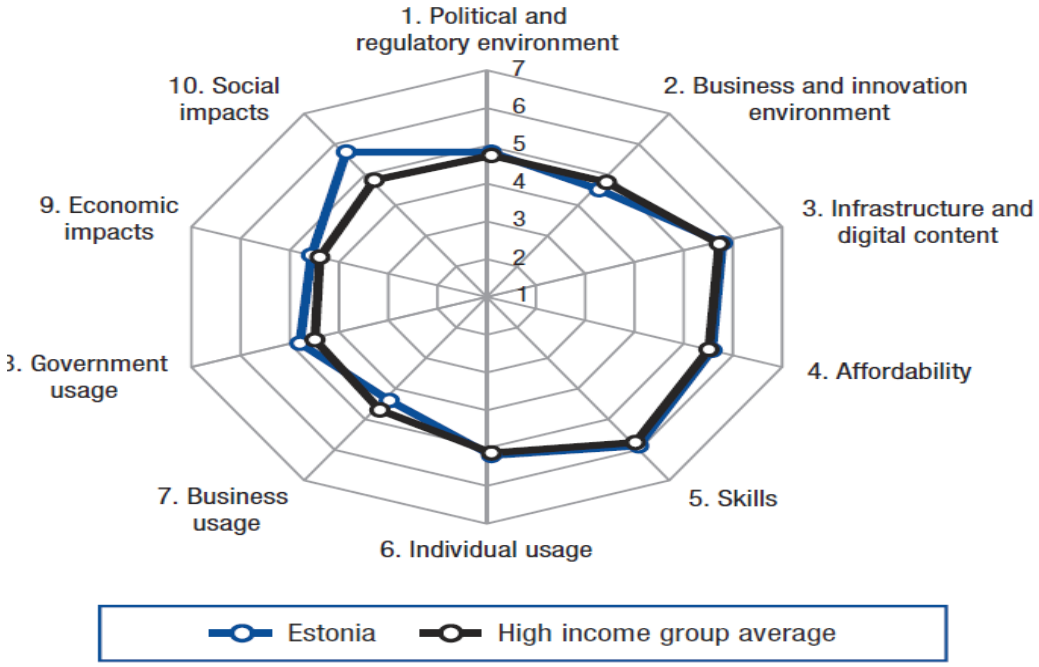
[101] Estonian Public Broadcasting- News: 22.05.2012 http://news.err.ee/politics/660921d5-6410-43a1-b01e-ec47e2d3550f;

[102] The Baltic Times 23.05.2012: http://www.baltictimes.com/news/articles/31282/

[103] Estonian Public Broadcasting - News 29.05.2012 http://news.err.ee/politics/d7ae2939-a411-43a5-bf8e-0d116f43c78e

[104] Estonian Public Broadcasting - News 30.05.2012 http://news.err.ee/politics/58b48f9d-f686-43b3-bb4f-170af37b3540

[105] Estonian Public Broadcasting - News 01.06.2012 - http://news.err.ee/politics/30627d87-b4ba-4b30-95c8-face46a8907f



Source: World Economic Forum. "The Global Information Technology Report 2012. Living in a Hyperconnected World." (n= 142 countries). The figure shows the use+impact of ICT: http://www3.weforum.org/docs/Global_IT_Report_2012.pdf

Appendix 5: Human Development Report

Table A. The highest and lowest total cost of social protection in the EU countries

The biggest social spending (% of GDP)			
	2000	**2004**	**2008**
France	29,5	31,3	30,8
Sweden	29,9	31,6	29,4
Netherlands	26,4	28,3	28,4
The lowest social spending (% of GDP)			
Lithuania	15,8	13,4	16,2
Bulgaria	10,2	9,7	15,5
Estonia (Eesti)	13,9	13,0	15,1
Rumenia	13,0	12,8	14,3
Latvia	15,4	13,1	12,6

Source: Eurostat; M.Lauristin (2011). Common and different in developments of the Baltic countries during transition period - Estonian Human Development Report 2011, pp. 10-11 (in Estonian).

Table B. Is your land currently developing (in your mind) to right or wrong direction? (positive responses, %). EU countries around Baltic Sea:

	2006	2007	2008	2009	2010
Estonia	53	56	42	42	45
Latvia	40	26	19	7	21
Lithuania	50	39	19	10	25
Poland	21	31	41	36	46
Germany	23	39	38	40	36
Denmark	48	59	44	42	32
Sweden	49	44	47	53	61
Finland	52	51	36	46	45

Source: Eurobarometer; P.Vihalemm (2011). Global Human Development Index: Baltic countries similar and different features of the development - Estonian Human Development Report 2011, Ch. 1, pp. 12-17 (in Estonian)

http://kogu.ee/public/eia2011/EIA_2011.pdf

(see also Table C: HD Index 2010 in comparison >).

Table C. Human Development Index and its components: Estonia in comparison 2010

Place the HDI ranking of 169 countries	**HDI value**	Life expectancy at birth 2010 (years) *	Number of years of study, 2010	Estimated number of years of study, going to school 2007-2008	Gross national income (GNI) per capita in 2010 (taking into account purchasing power U.S$)*
Very high level of development (the first quarter of the rankings, 42 countries)					
1. Norway	0,938	81,0	12,6	17,1	58 810
3. New Zealand	0,907	80,6	12,5	19,7	25 348
4. USA	0,902	79,6	12,4	15,7	47 094
5. Ireland	0,895	80,3	11,6	17,9	33 078
9. Sweden	0,885	81,3	11,6	15,6	36 936

10. Germany	0,885	80,2	12,2	15,6	35 308
16. Finland	0,871	80,1	10,3	17,1	33 872
19. Denmark	0,866	78,7	10,3	16,9	36 404
31. Slovakia	0,818	75,1	11,6	14,9	21 658
32. United Arab Emirates	0,815	77,7	9,2	11,5	58 006
33. Malta	0,815	80,0	9,9	14,4	21 004
34. Estonia	0,812	73,7	12,0	15,8	17 168
35. Cyprus	0,810	80,0	9,9	13,8	21 962
36. Hungary	0,805	73,9	11,7	15,3	17 472
41. Poland	0,795	76,0	10,0	15,2	17 823
The high level of development (second quarter of the rankings, 43 countries)					
44. Lithuania	0,783	72,1	10,9	16,0	14 824
45. Latvia	0,769	73,0	10,4	15,4	12 944
65. Russia	0,719	67,2	8,8	14,1	15 258
The average level of development (third quarter of the rankings, 42 countries)					
89. China	0,663	73,5	7,5	11,4	7 258
119. India	0,519	64,4	4,4	10,3	3 337

Source: P.Vihalemm (2011). Global Human Development Index: Baltic countries similar and different features of the development, Ch 1, pp. 12-17 (in Estonian) http://kogu.ee/public/eia2011/EIA_2011.pdf