



Hertie School
of Governance

CENTRE FOR PUBLIC POLICY



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



EU Grant Agreement number: 290529

Project acronym: ANTICORRP

Project title: Anti-Corruption Policies Revisited

Work Package: WP3, Corruption and governance improvement in global
and continental perspectives

Title of deliverable: D3.2.6. Background paper on

Estonia

Due date of deliverable: 28 February 2014

Actual submission date: 28 February 2014

Author: Valts Kalniņš

Editor: Alina Mungiu Pippidi

Organization name of lead beneficiary for this deliverable:
Hertie School of Governance

| Project co-funded by the European Commission within the Seventh Framework Programme | | |
|---|---|---|
| Dissemination Level | | |
| PU | Public | X |
| PP | Restricted to other programme participants (including the Commission Services) | |
| RE | Restricted to a group specified by the consortium (including the Commission Services) | |
| Co | Confidential, only for members of the consortium (including the Commission Services) | |

Estonia: Almost There

Valts Kalniņš
Centre for Public Policy PROVIDUS
10 December 2013

ABSTRACT

As in all transition countries, corruption has been and remains a concern for Estonia. Still the country is an obvious top-achiever in comparison with the rest of the post-communist area. On the other hand, the last decade has been stable with the level of corruption almost unchanged and representing a certain plateau in development. The Estonian governance regime operates mostly in line with the principle of ethical universalism. Reportedly all key elements of the state are subject to quite high formal standards of transparency. Correct functioning of the public procurement system is the rule, and violations, although common, are more of an exception. Estonia appears to have a high level of equity of access to its education and healthcare systems.

The search for causes of Estonia's success often focuses on cultural factors. The high general level of interpersonal trust in the Estonian society is an unusual cultural feature of a post-soviet society. Plus the civil society and free media represent high normative constraints for corruption and particularism. It has been argued that in the beginning of 1990's, Estonia experienced the most radical replacement of the political elite compared with Latvia and Lithuania where the old "nomenklatura" networks managed to perpetuate to a much larger extent. The new Estonian elite was willing and ready for thorough reforms of the judiciary and public administration.

KEYWORDS

Corruption, Anti-Corruption, Particularism, Reforms, Universalism, Estonia

Valts Kalniņš
Centre for Public Policy PROVIDUS
valts.kalnins@providus.lv

////////////////////////////////////
© 2014 Centre for Public Policy PROVIDUS.

All rights reserved. This document has been published thanks to the support of the European Union's Seventh Framework Programme for Research - Socio-economic Sciences and Humanities theme (EU Grant Agreement number: 290529).

The information and views set out in this publication are those of the author(s) only and do not reflect any collective opinion of the ANTICORRP consortium, nor do they reflect the official opinion of the European Commission. Neither the European Commission nor any person acting on behalf of the European Commission is responsible for the use which might be made of the following information.

ACRONYMS

OECD Organisation for Co-operation and Development
ERR Eesti Rahvusringhääling (Estonian Public Broadcasting)
KGB Komitet gosudarstvennoy bezopasnosti (Russian Committee for State Security)
NATO North Atlantic Treaty Organization

TABLES

| | |
|--|----|
| Table 1. Overview of ministers' tenure and replacement of <i>kantslers</i> (January 2002 – June 2013)..... | 7 |
| Table 2. Competitive particularism in Estonia | 12 |

I. Introduction

As in all post-communist countries, corruption has been a concern for Estonia since the beginning/middle of the 1990's. According to the Global Corruption Barometer 2013, 56% of respondents considered corruption in the public sector as either a serious problem or a problem (Transparency International 2013a). For comparison, the same figure for Latvia was 77% (Transparency International 2013b). (To place data in a regional context, occasional comparisons with Latvia and also Lithuania are provided elsewhere in the paper, too.)

Surveys carried out in 2006 and 2010 indicate a slight increase in the proportion of the population, which considers corruption a serious problem – from 64% to 68% (Justiitsministeerium 2010: 4, 61). However, this data cannot be taken unequivocally as evidence of worsening corruption situation because an indicator such as actual encounters with requests for bribes showed improvement. With regard to perception, different demographic groups show variation. Non-Estonians consider corruption to be a somewhat more serious problem than ethnic Estonians and especially women more so than men (Justiitsministeerium 2010: 64).

In the mentioned Eurobarometer survey, 75% of Estonia's respondents disagreed that they were personally affected by corruption in their daily life (11th best result among EU countries) and 5% admitted having been asked or expected to pay a bribe at least once over the last 12 months (12th-14th best result together with Germany and Portugal) (European Commission 2011a). Overall this evidence shows that directly felt effects of corruption on ordinary Estonians are clearly limited. Nuances appear when focusing on particular groups of the population. For example, managers of small enterprises encounter more corruption and consider it more of a hindrance to business than managers of other companies (Justiitsministeerium 2010: 66). Thus, the understanding of corruption appears to change gradually. In 2010, 54% of the population considered that the acceptance of gifts by public officials in return for their services is corruption, an increase by 10 percentage points compared with 2006 (Justiitsministeerium 2010: 4, 61). Still such data attest to certain ambivalence in attitudes.

The saliency of the corruption issue on the political agenda has been varying. Anti-corruption was a major topic during the election campaigns of 1992 and 2003 (Kasemets 2012: 44). Still some sources lament the unwillingness of Estonian politicians to address issues of corruption and ethics sufficiently, for example, among the government members (Korruptsioonivaba Eesti 2012: 53). Aare Kasemets describes convincingly the declining credibility of the anti-corruption intentions of Estonia's ruling parties (Kasemets 2012).

Meanwhile revelations of alleged corrupt conduct keep the issue in the public's minds. One example here is the revelation in November 2011 that three prominent politicians from a ruling and rather nationalist party had been operating a business scheme to assist Russian citizens to obtain residence permits in Estonia based on dubious investment (Pettai and Mölder 2012). Another major scandal was revelations in May 2012 of illegal funds provided to the Reform Party (Tammik 2012).

II. Main Part

1. Estonia's Moderately Universalist State of Governance

In this paper, corruption is understood as particularistic (non-universal) allocation of public goods due to abuse of influence. There is a variety of resources subject to distribution in public governance processes as well as a variety of mechanisms of allocation. This chapter focuses on four types of resources and allocation mechanisms – distribution of public assets through privatization, award of orders in the process of public procurement, public jobs and recruitment, and provision of social services.

Privatization has been seen as a corruption-tainted process in virtually all post-communist countries. Although Estonia was not an exception, the speed of privatization there and openness to foreign strategic investors seemed to attest to the relatively unbiased character of the process. After regaining independence, Estonia embarked upon fast privatization with the peak of privatization activity of large enterprises occurring 1994 and the majority of them being already privatized in 1995 (Mygind 1999: 5). Estonia's privatization policy strongly encouraged foreign investment. The share of purchases by foreigners was as high as 56% in the years 1996-1998 (Mygind 1999: 8). In that sense, Estonia had the most open and inclusive privatization policies among the three Baltic countries.

Moreover the use of a new, specialized privatization agency, international tenders and temporary professional staff from both the country and abroad were regarded as factors helping to ensure an impartial process. Daniel Kaufmann and Paul Siegelbaum wrote: "By bringing in an independent outsider layer that was given some control rights over the transaction process, control rights by old bureaucrats and politicians were diluted. Thus, their ability to extract rents from the process, to illicitly appropriate cash flow rights from the enterprise assets, was diminished." (Kaufmann and Siegelbaum 1997: 10) So it appears that Estonia's privatization success was helped by the chosen institutional design, which was aimed at reducing chances for the interference of narrow interests.

Meanwhile suspicion of unethical or illegal privatization practice has been present also in Estonia (Bennich-Björkman 2001: 21) and the period of privatization was associated not only with the comparatively high efficiency but also “bureaucratic and political scheming, confederacies and criminal shootouts” (Kask 2011: 89). A prominent example of a controversial privatization process was the partial sale of the Estonian Railways in 2001 (renationalized in 2007), which invoked a variety of unproven corruption accusation. Overall Estonia made important steps to ensure fair access to privatization, those steps were at least partially successful, the process gained an international acclaim for its efficiency but nevertheless particular privatization projects were tainted with political controversies and suspected corruption.

In 2008, in Estonia the general government and state-owned utilities’ **procurement** constituted 18% of GDP (OECD 2011d: 149) and 34.3% of the government expenditure in 2011 (OECD 2013). According to the National Audit Office state agencies generally followed requirements of the Public Procurement Law. However, a few areas of the government (the Ministry of Interior, the Ministry of Environment and the Ministry of Economic Affairs and Communications) have been found particularly prone to breaches. Common violations are failures to organize public procurement procedures when such are required by law, selection of the wrong kind of procurement procedure, failures to document procurement procedures correctly, etc. (National Audit Office 2012a: 19) Occasional corruption affairs do surface in relation to the public procurement, for example, in January 2013 charges were filed against the mayor of Kohtla-Järve, a former deputy mayor and several individuals connected to private companies. The companies allegedly charged extra money from the city and the local government used to run rigged procurements in favor of friendly companies making the winner known ahead of time (ERR 2013a). The National Audit Office has also claimed that the Ministry of Finance had not been conducting oversight on procurement (ERR 2013b).

Meanwhile regarding the majority of ministries, findings attested to general adherence to the Public Procurement Law (National Audit Office 2012b). There is also other anecdotal evidence that correct functioning of the public procurement system is the rule and violations are more of an exception. According to the lawyer Veiko Vaske this is confirmed “by the fact that only 4 percent of all public procurements are actually disputed” (ERR 2012).

The Estonian public administration adheres by and large to merit-based **recruitment**. By default, civil servants remain in their positions after government changes. However, exceptions do occur in the top brass of the civil service. Occasionally conflicts arise between

top civil servants of ministries and ministers, which may end into the removal of the civil servant.

A rough indicator of professionalism v. politicized particularism in the civil service is whether secretary generals or *kantslers* (the highest non-political officials) of ministries can survive in their positions the change of ministers (especially when such change also means a change in the party affiliations). As of 30 June 2013, Estonia had 11 ministries and respectively 11 positions of *kantslers*. Out of the eleven *kantslers*, 1 had experienced six changes of the respective minister, 1 – four changes, 2 – two changes, 2 – only one change, and 5 – no change (i.e. they were appointed during the tenure of the current minister). Only two longest-serving *kantslers* had “survived” shifts of the party affiliation (in other cases of ministerial change, a minister of one party would be replaced by a different person of the same party).

Table 1 offers another take on the same data to see, where possible, how often ministerial changes have been followed by replacements of the *kantslers* during the ministers’ tenure. In the majority of cases, a newly appointed minister has continued working with the previous *kantsler* until the minister’s resignation. Plus not all of the situations when the *kantsler* has been replaced had anything to do with the minister’s wish to meddle politically into the civil service.

Table 1. Overview of ministers’ tenure and replacement of *kantslers* (January 2002 – June 2013)

| Ministry | No. of ministers... | | No. of times the <i>kantsler</i> stayed for a whole tenure of a new minister even though the political affiliation of the minister changed |
|-------------------------------------|---|--|--|
| | ...during whose tenure <i>kantsler</i> replaced | ...during whose tenure <i>kantsler</i> did not replace | |
| Education and Research | 3 | 2 | 1 |
| Foreign Affairs | 2 | 1 | 0 |
| Social Affairs | 2 | 4 | 2 |
| Interior | 2 | 5 | 3 |
| Finance | 2 | 4 | 2 |
| Agriculture | 0 | 4 | 2 |
| Economic Affairs and Communications | 0 | 5 | 3 |
| Culture | 2* | 4 | 2 |
| Environment | 3 | 2 | |
| Defense | 2 | 5 | 0 |
| Justice | 3 | 2 | 0 |
| Total | 21 | 38 | 15 |

*1 replacement took place because the *kantsler* himself became the minister.

This data show that, although changes of secretary generals are common (and in fact they are occasionally due to the will of the minister to achieve greater political harmony with

his/her highest civil servant), the change of the *kantsler* along with the change of the minister is not the default course of action. Rather the picture is mixed.

When it comes to **social services**, Estonia appears to have a high level of equity of access to its education system. As of 2009, its average reading score point difference associated with the socio-economic background was the third lowest among OECD members (OECD 2011b: 179). Although it does not exclude the possibility of situations where opportunities in education are granted based on particularistic considerations, the purchasing power does not seem a major determinant of access.

Recent data are curious regarding healthcare. Generally the accessibility is high with out of pocket expenditure for medical care only 2% of final household consumption compared to the OECD average of 2.9% (OECD 2013). Even though few people in Estonia admit having paid bribes, in the Global Corruption Barometer 2013 survey, 7% of those who came into contact with medical and health services admitted that they or someone in their household had paid a bribe to such service in the last 12 months. This is the worst result among the eight service sectors covered in the survey (Transparency International 2013a). It does not prove that universalism is not the norm in Estonia's health sector but does seem to indicate a serious imperfection.

Clearly there are traces of particularism also in other fields of governance. Thus the National Integrity System Assessment of Estonia ran: "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." (Transparency International Estonia 2012: 6) Although this claim is not substantiated with hard data, it shows at least a perception of certain particularism. Still all in all access to social services appears by and large impartial in Estonia.

2. What Contributed to Estonia's Universalism

The lack of trust among members of the public is a **cultural** factor commonly associated with widespread corruption. In November 2010, only 18% of the population trusted political parties (10-12nd highest in EU 27, the same level as in Cyprus and Slovakia), 39% - the national parliament (10th highest in EU 27), 55% - the national government (3rd highest in EU 27), and 55% - the courts/ judicial system (7th highest in EU 27) (European Commission 2011b: 44, 50-52). Indicators of trust differed strongly between ethnic Estonians and non-Estonians – respectively 67% and 14% in the President of Estonia, 60% and 31% in the police, 40% and

29% in the courts, 52% and 31% in local governments (Tallinna Ülikool and Kultuuriministeerium 2010). The data show that Estonia's position is overall rather high in a European comparison but the subjective sense of alienation of the non-Estonian minority stands out.

Also the general level of interpersonal trust in the Estonian society appears high. In 2009, 34% answered affirmatively to the question if they thought that most people could be trusted (the 6th highest result among 28 EU members in the 2013 Legatum Prosperity Index) (Legatum Institute 2013). If the data are correct, this is a highly unusual cultural feature of a post-soviet society and could be a key factor explaining Estonia's success in changing its governance regime.

In terms of **economic factors**, Estonia is known for its radical liberalization in the 1990's and competitiveness (32nd place in the Global Competitiveness Index 2013-2014) (Schwab 2012: 15). For good reasons, the country is generally regarded as an economic success story. Nevertheless, in 2012, its GDP per capita in purchasing power standards constituted just 68% of the EU 28 countries' average (7th lowest result) (Eurostat 2013a). Thus Estonia's level of prosperity, which is high in a global comparison, is still relatively modest in the European context. It could somewhat explain why Estonia's corruption situation is both very good in global ranking and just about average in a comparison with other EU members (the best result for any post-Soviet country anyway if judged by the Corruption Perceptions Index).

Jong-Sung and Khagram have argued that "the wealthy have both greater motivation and more opportunity to engage in corruption, whereas the poor are more vulnerable to extortion and less able to monitor and hold the rich and powerful accountable as inequality increases. Inequality also adversely affects social norms about corruption and people's beliefs about the legitimacy of rules and institutions, thereby making it easier for them to tolerate corruption as acceptable behaviour" (You and Khagram 2005: 136). If so, then one of the promoting factors to Estonia's corruption could be its relatively high place among EU countries in terms of economic inequality. Estonia's Gini coefficient of disposable income was 32.5 in 2012, the 8th highest in the EU (Eurostat 2013b).

Although the exact relationship between the share of informal economy and corruption can be debated, Estonia has been standing out among other EU members with its high share of the shadow economy. Estimated at 29.9% in 2010, the share was the fourth highest among EU countries (Schneider 2010). There are many ways in which a sizeable shadow economy could boost corruption in particular and help maintaining a particularistic mode of governance

in general but I will not elaborate on them here. Suffice it to say that Estonia's corruption situation appears considerably better than could be predicted by its share of shadow economy. However, conclusive evidence for this tentative impression would require rigorous comparative analysis.

Institutionally, according to the National Integrity System Assessment of Estonia, all key elements of the state system and civil society are subject to high standards of transparency, although the implementation of legal standards lags somewhat behind. Likewise the legal framework is strong in protecting the independence of institutions. 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" (Transparency International Estonia 2012: 6).

In particular, the assessment mentions the efficient work of the National Audit Office, the Office of the Chancellor of Justice and the Security Police, which has strengthened the institutional accountability in Estonia. The National Audit Office has reportedly the reputation of having "carried out numerous hard-hitting financial audits of both central and local government authorities and programs" (Bertelsmann Stiftung 2012: 15). The apparent ability to develop transparent and fair institutions matches well with the perceived progress of Estonia in limiting corruption. However, it remains difficult to claim whether the fair institutions can be considered a cause of the lower corruption level or some other independent variable would constitute a stronger explanation of both.

When it comes to the question of the **main agents** who ensured Estonia's move toward a more universalistic regime, a typical answer focuses on the country's success in largely replacing the Soviet nomenklatura with new reform-minded individuals. Apart from that, Estonia has had many civil society organizations. They do face challenges related to the sustainability of funding and it is sometimes feared that, through afforded financial support, they may become too dependent on the government. However, actual undue interference with the activities of civil society organizations is hardly evident (Korruptsioonivaba Eesti 2012: 206-207). Both Alina Mungiu-Pippidi and Aare Kasemets have argued that civil society and free media represent high normative constraints for corruption and particularism in Estonia (Mungiu-Pippidi 2011: 63). Still reasonably free civil society and media are found also in a number of other former socialist countries with less success against corruption. Therefore it might be difficult to prove rigorously the effect of these factors in the particular case of Estonia.

3. Dynamics of Change

Aggregate time-series of data do not show radical changes in Estonia's control of corruption. According to the World Bank control-of-corruption indicator Estonia has been fluctuating in the area between the 75th – 81st percentile ranks ever since 2000. Estonia's score peaked to +0.97 in 2005, then dropped a little and peaked again to +0.98 in 2012 (World Bank Group 2013). Since 2004, the fluctuations have been minor. Also according to the *Nations in Transit* assessment, which feeds into the above scores, Estonia's indicator for corruption was unchanged 2.50 between 2003 and 2010, then slightly improved to 2.25 and fell back to 2.50 in 2013 (Pettai and Mölder 2013). The data seem to attest to a continuous equilibrium.

Still, in the past, Estonia experienced radical changes. After the collapse of socialism, Estonia made one of the strongest breaks from the Soviet past. The well-known rapid liberalization of Estonia's trade regime and simplification of the tax system during the Mart Laar government in 1992-1994 were carried out in a situation when the political elite had been considerably renewed with individuals with no politico-administrative career in the Soviet period. The so-called recirculation of the old communist elite at the time was considerably lower than, for example, in Latvia (Struberga 2013: 53-54). It has been argued that primarily an intellectuals' grouping, which was divorced from the power networks of the Soviet regime, formed the winning party of the founding elections in 1992 in Estonia in difference from Latvia and Lithuania where the winning groups largely perpetuated the old nomenklatura networks. This historical difference has been proposed as an explanatory factor for the difference in the corruption levels between Estonia on the one hand and Latvia and Lithuania on the other hand (Lauristin and Pettai 2011: 158).

Also radical reforms of the judiciary (most of the Soviet-era judges were quickly replaced) and public administration in the first half of the 1990's are oft-cited explanations for the country's success in building a professional and largely impartial state system (Kasemets 2012: 22). Somewhat paradoxically Estonia's relatively good standing on control-of-corruption indicators coexists with an institutional framework, which has been lacking certain commonly found anti-corruption elements. Estonia does not have an independent anti-corruption body and the investigation of high-level corruption is carried out by the Security Police. At least until 2011, the oversight of donations to political parties was weak (Pettai and Mölder 2012: 214-215). Thus Estonia shows that reforms of state institutions as a whole rather than efforts to create specialized anti-corruption bodies may be most helpful in tackling corruption.

Some studies have shown a shift in values in at least parts of the Estonian society assigning greater importance to post-material values such as self-expression. Colleagues, interesting work, and suitable hours have been of increasing importance for the job satisfaction (information here taken from Korruptsioonivaba Eesti 2012: 23). According to some sources, Estonia is remarkable among the three Baltic countries with the lowest support for strongman rule. The share of people who supported it (and thus could be considered unsupportive to democracy) did increase between 1999 and 2008 but reached just some 25% (compared with Lithuania’s 40% and Latvia’s more than 50%). In 2011, the share in Estonia has reportedly decreased to as little as 11.9% (data from World Values Survey 1996, 1999; European Values Survey 2008; Estonian National Election Survey 2011, borrowed from Lauristin and Pettai 2011: 156-157). The data do not provide an exhaustive insight in the trend on a yearly basis. Moreover one should note that other indicators such as the share of people who are satisfied with the way democracy works in their country do not show any major difference between Estonia and Latvia (European Commission 2013: 72). Still even tentative evidence that Estonians have the highest allegiance to democracy among the three Baltic countries is important all the more so because cultural factors (including the influence of the Finnish television in northern Estonia during the Soviet rule and general closeness with the Nordic countries) are among commonly proposed explanations for Estonia’s progress.

4. Detailed Diagnosis

Table 2. Competitive particularism in Estonia

| | Sources of information/indicators |
|---|--|
| Power distribution | <p>Pluralism with rather diffused power. However, political competition affected by the ethnic cleavage.</p> <ul style="list-style-type: none"> • Partially free and fair elections in 1990, free and fair elections since 1992. • The gap between ethnic Estonians and the Russian-speaking population represents Estonia’s strongest socio-political cleavage, which has caused certain sidelining of the latter part of the population in the political life. • Political competition has been narrowed by the partial ostracism of the Centre Party, which garners about 20 – 25% of the popular vote (Bertelsmann Stiftung 2012). • The political party system has consolidated a few ideological lines. |
| State autonomy from private interest | <p>Relatively strong. Instances of political corruption happen but they presumably do not amount to a high level of the state capture. A number of public institutions have a strong reputation of autonomy.</p> <ul style="list-style-type: none"> • Estonia has been classified as a country with a low level of state capture (Hellman, Jones and Kaufmann 2000: 9) and over years such assessment has remained fundamentally unchallenged. • In the Global Corruption Barometer 2013, 43% of respondents answered that the government was run by a few big entities acting in their own best interests entirely or to a large extent (Transparency International 2013a). • As of 2010, a survey of 32 OECD countries covered proactive disclosure of information by central government. Estonia was one of only three countries, which published all 12 categories of information covered (OECD 2011c: 143). |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Relatively high level of disclosure of private interests of public officials (OECD 2011a: 211-213). • As recently as in 2010, the appointment of MPs to the executive boards of state-owned companies was reported common and viewed as a political perk with generous salaries and little work (Bertelsmann Stiftung 2010). |
| Public allocation (services, goods) | <p>Fair procedures of allocation are frequent. Anecdotal evidence shows that in some institutions the standard of fairness has not been maintained at all times.</p> <ul style="list-style-type: none"> • In difference from the national budget, the budgeting of some municipalities has not been sufficiently transparent. The most notable example is the capital city of Tallinn where reportedly the budget has been drawn up secretly and then quickly adopted (Bertelsmann Stiftung 2012). • The impact of the socio-economic background on study performance in Estonia's education system is small. • The self-reported unmet need for medical examination or treatment indicator for Estonia was 1% in 2011 (Eurostat 2013c), which testifies to a generally high level of accessibility (an assumption could be made that unfair allocation would tend to produce a higher percentage of people with unmet needs). |
| Separation private-public | <p>The distinction between the private and public spheres is undoubtedly recognized. Occasionally public resources are used for private needs but it is done in a hidden manner and does not appear to be the rule.</p> <ul style="list-style-type: none"> • The Anti-Corruption Law prohibits the use of resources intended for the performance of public duties by an official in violation of his or her official duties in the interests of such official or any third persons as well as the use, in violation of his or her official duties, of undisclosed information which became known to the official in the course of exercise of public authority, which has or would probably have a significant effect on the rights of any third person, in the interests of such official or the third person, if this brings about unequal or unjustified advantages for the official or the third person from the point of view of public interest (Section 5, Paragraphs 2 and 4). • Meanwhile it has been difficult to ensure effective control over the private interests of MPs and government members (Korruptsioonivaba Eesti 2012: 45, 53). |
| Relation formal/informal institutions | <p>The Estonian society has traditions of solving various issues informally as opposed to relying on official procedures. Presumably the current state varies depending on the sector and situation.</p> <ul style="list-style-type: none"> • The share of shadow economy estimated at 29.9% in 2010. • Analysis by Kairi Kasearu and Dagmar Kutsar tested the assumption that the development of a welfare state would 'crowd out' the informal support but found, much to the opposite effect, that the informal support networks still held important positions in people's lives in Estonia (Kasearu and Kutsar 2010). • In a survey of 2010, 8% of entrepreneurs admitted having brought presents to officials (a decrease by 3 percentage points since 2006) (Justiitsministeerium 2010: 62). |
| Accountability and rule of law | <p>Important aspects of public accountability and the rule of law are strong but they are not comprehensive.</p> <ul style="list-style-type: none"> • There have been a number of prosecutions of high-level officials although they did not always lead to convictions (Kasemets 2012: 39). • According to a survey in 2007, 1% of the population, 5% of public-sector employees, and 1% of entrepreneurs who had had contact with corruption reported to law-enforcement institutions (Data taken from Saarniit 2009: 12). • A study from 2009 concluded: "The public attitude is rather negative towards whistleblowing: it has an "aura of KGB snitches". Still, there are examples of cases when exposing corrupt activities of private or public organisations is seen as a right thing to do." (Taken from Saarniit 2009: 19) |
| Personal | The organized part of the civil society is strong and sustainable although |

| | |
|--|---|
| autonomy and collective action capacity | <p>corruption is not among its priorities. Meanwhile the motivation for collective action among the majority of the population is modest. Condemning attitudes toward corruption prevail but fail to form a full social consensus.</p> <ul style="list-style-type: none"> • Only a few media outlets engage in investigative journalism. The exposure of corruption is often based on information obtained by state investigative agencies (Korruptsioonivaba Eesti 2012: 196). • The CSO Sustainability Index for Estonia was 2.0 in 2012 (on a scale from 1 to 7 with 1 meaning the strongest sustainability) (United States Agency for International Development 2013: 73). • Low levels of civic engagement despite the high sustainability of the organized civil society are evidenced by the fact that “more than 75% of Estonians do not participate in any voluntary or charitable organizations” (Bertelsmann Stiftung 2012). • According to a survey of 2010 28% of ethnic Estonians would agree to pay a bribe and 47% of non-Estonians would do so (Justiitsministeerium 2010: 63, 64). |
|--|---|

III. Summary and Conclusions

Within the typology of governance regimes, which distinguishes between the limited access order and open access order (Mungiu-Pippidi 2011: 10-13), Estonia seems to approximate the open access order even if with important caveats. Traits of pluralism, power sharing, procedural fairness and impartiality are obvious and continuous. The distribution of resources through the public procurement and availability of social services such as education and healthcare are generally fair although in some public institutions procurement practices are indeed deficient and corruption in healthcare is a concern compared to other service sectors in Estonia. In most aspects the governance regime is dotted with islands of particularism, which nevertheless coexist with a core of universalism.

The current state of affairs does not seem to be caused by any recent social campaigns or anti-corruption institution-building projects. Rather likely explanatory factors are found in Estonia's traditional cultural links and affinity with the Nordic countries as well as particular historical circumstances, i.e. the radical change of the ruling elite in the beginning of 1990's and subsequent drastic reforms of vast parts of the state system and the economic regime. Emphatically, despite the major past achievements in comparison with other post-communist countries, the last decade has been stable with the level of corruption almost unchanged. In comparison with Europe as a whole Estonia gravitates towards an average position.

Estonia is also one of the countries, which used to be under strong international conditionality due to its goals to join the European Union and NATO. Although Estonia was never faced with categorical demands to establish dedicated anti-corruption bodies, one can presume that the accession had at least some strengthening effect on the country's public administration. Apart from the formal conditionality, Western Europe and the European Union

have served as a certain value model for the country's development in large segments of the society and its elites.

Overall, given the fundamental character of the likely cultural and structural causes, it does not seem that Estonia's success could be replicated in other countries with the help of some policy transfer. It should also be born in mind that several weaknesses linger on such as shady political party financing, high level of shadow economy and tolerance towards engaging in bribery in a sizeable part of the population. The split in attitudes between ethnic-Estonian and non-Estonian populations is vast on some issues. Over years Estonia has experienced a number of corruption-related scandals, which have caused dismay in the media and resentment in the public. However, they have not galvanized the public opinion to such an extent that would force politicians to engage in any cardinal reforms (the area of the party financing could be one positive exception).

IV. Results beyond the empirical assessment

The foundations for Estonia's movement towards the governance of open access order seem to be laid well before formal accession negotiations with the European Union began. Therefore, in this remarkable case of transition, international conditionality cannot be ascribed the decisive explanatory force (although it may have contributed to the sustainability of the regime).

The Estonian case allows one to argue that dispersed civic education and cultivating of certain attitudes are important courses of action for those who want to achieve change in particularistic regimes. According to this logic one should be content with the fact that the most effective anti-corruption activities may prove to be those that do not have immediate and direct effects on corrupt practices.

The Estonian case shows that achieving a moderate level of ethical universalism in governance does not necessarily imply further development. It seems possible to stay on a plateau where ethical universalism is the default guiding principle but exceptions are important and quite frequent. Rather strong and impartial institutions in large parts of the public sector can coexist continuously with important islands of discriminatory distribution and other demonstrations of particularism elsewhere, e.g. in particular major municipalities.

A number of seemingly paradoxical indicators can be found within a single society, e.g. sustainable organized civil society and low general levels of participation, extreme differences of attitudes among different ethnic groups in what is generally regarded as

reasonably democratic and inclusive society. Also a high level of shadow economy seems to coexist continuously with reasonably strong governance institutions and inclusive social services.

REFERENCES

- Bennich-Björkman, L. (2001). *State Formation and Democratic Consolidation in the Baltic States: a Political Perspective on the EU Membership*. Uppsala University. Available at <http://www.snee.org/filer/papers/25.pdf>. [Accessed 04 July 2013].
- Bertelsmann Stiftung (2010). *BTI 2010. Estonia Country Report*. Available at <http://www.bti-project.org/fileadmin/Inhalte/reports/2010/pdf/BTI%202010%20Estonia.pdf>. [Accessed 04 July 2013].
- Bertelsmann Stiftung (2012). *BTI 2012. Estonia Country Report*. Available at <http://www.bti-project.org/fileadmin/Inhalte/reports/2012/pdf/BTI%202012%20Estonia.pdf>. [Accessed 04 July 2013].
- ERR (2012). “Legal Expert Says Public Procurement System 'Functional'”, November 28th. Available at <http://news.err.ee/Economy/1f19e89b-5880-4c8c-becc-9222a11b9746>. [Accessed 04 July 2013].
- ERR (2013a). “Kohtla-Järve Mayor Faces Corruption Charges”, January 11th. Available at <http://news.err.ee/Society/0e57bbbd-2e48-48c0-98b2-df38fe79190f>. [Accessed 04 July 2013].
- ERR (2013b). “State Auditors Rap Finance Ministry for Not Supervising Procurements”, February 26th. Available at <http://news.err.ee/2546340c-592f-4c03-91ac-c07a42a146bc>. [Accessed 04 July 2013].
- European Commission (2011a). *Special Eurobarometer 374. Corruption*. Available at http://ec.europa.eu/public_opinion/archives/ebs/ebs_374_en.pdf. [Accessed 04 July 2013].
- European Commission (2011b). “Table of Results”, *Standard Eurobarometer 74*. Available at http://ec.europa.eu/public_opinion/archives/eb/eb74/eb74_anx_full_fr.pdf. [Accessed 04 July 2013].
- European Commission (2013). *Standard Eurobarometer 79*. Available at http://ec.europa.eu/public_opinion/archives/eb/eb79/eb79_publ_en.pdf. [Accessed 04 July, 2013].
- Eurostat (2013a). *GDP per capita in PPS*. Available at <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114>. [Accessed 04 July 2013].
- Eurostat (2013b). *Gini coefficient (Source: SILC)*. Available at <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tessi190>. [Accessed 04 July 2013].
- Eurostat (2013c). *Self reported unmet need for medical examination or treatment, by income quintile*. Available at <http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tsdph270&language=en>. [Accessed 04 July 2013].
- Hellman, J.S., Jones, G. and Kaufmann, D. (2000). *Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition*. World Bank Policy Research Working Paper No. 2444. Available at <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-2444>. [Accessed 04 July 2013].
- Justiitsministeerium (2010). *Korruptsioon eestis: kolme sihtrühma uuring 2010*. Available at http://www.korruptsioon.ee/orb.aw/class=file/action=preview/id=50629/Korruptsioon_2010.pdf. [Accessed 04 July 2013].

- Kasearu, K. and Kutsar, D. (2010). "Informal Support Networks in a Changing Society – are Family-Based Networks Being 'Crowded out'?", *Studies of Transition States and Societies*, Vol .2 / Issue 1, pp.56-73. Available at http://www.tlu.ee/stss/wp-content/uploads/2010/06/STSS-vol2-kasearu-kutsar-lk_56-731.pdf. [Accessed 04 July 2013].
- Kasemets, A. (2012). *The Long Transition to Good Governance: the Case of Estonia. Looking at the changes in the governance regime and anti-corruption policy*. European Research Centre for Anti-Corruption and State-Building, Working Paper No. 32. Available at <http://www.againstcorruption.eu/wp-content/uploads/2012/09/WP-32-Long-Transition-Estonia1.pdf>. [Accessed 04 July 2013].
- Kask, K. (2011). *Practical Issues in Investigating Corruption Crimes linked with Money Laundering Cases in Estonia (example of Virumaa county)*. Available at <http://www.oecd.org/corruption/acn/48925200.pdf>. [Accessed 04 July 2013].
- Kaufmann, D. and Siegelbaum, P. (1997). *Privatization and Corruption in the Transition*. Available at <http://siteresources.worldbank.org/INTWBIGOVANTCOR/Resources/siegel2.pdf>. [Accessed 04 July 2013].
- Korruptsioonivaba Eesti (2012). *Korruptsioonivastase võimekuse uuring Eesti*. Available at http://www.transparency.ee/cm/files/eesti_korruptsioonivastase_voimekuse_uuring_2012.pdf. [Accessed 04 July 2013].
- Lauristin, M. and Pettai, V. (eds.) (2011). *Estonian Human Development Report 2010/2011*. Tallinn: Eesti Koostöö Kogu. Available at http://kogu.ee/public/eia2011/eia_eng_2011.pdf. [Accessed 04 July 2013].
- Legatum Institute (2013). *The 2013 Legatum Prosperity Index*. Available at <http://www.prosperity.com>. [Accessed 04 July 2013].
- Mungiu-Pippidi, A. et al. (2011). *Contextual Choices in Fighting Corruption: Lessons Learned*. NORAD, Report 4/2011. Available at: <http://www.norad.no/en/tools-and-publications/publications/publication?key=383808>. [Accessed 04 July 2013].
- Mygind, N. (1999). *Privatisation, Governance and Restructuring of Enterprises in the Baltics*. OECD. Available at <http://www.oecd.org/corporate/ca/corporategovernanceprinciples/1931548.pdf>. [Accessed 04 July 2013].
- National Audit Office (2012a). *Accuracy of Annual Accounts of 2011 and legality of transactions of the state*. Available at <http://www.riigikontroll.ee/tabid/206/Audit/2257/Area/20/language/en-US/Default.aspx>. [Accessed 04 July 2013].
- National Audit Office (2012b). *Audit reports*. Available at <http://www.riigikontroll.ee/Riigikontrollipublikatsioonid/tabid/103/language/en-US/Default.aspx>. [Accessed 04 July 2013].
- OECD (2011a). "Detailed Data on Conflict-of-Interest Disclosure from the 2010 OECD Survey on Integrity", *Government at a Glance 2011*. OECD Publishing. Available at http://dx.doi.org/10.1787/gov_glance-2011-72-en. [Accessed 04 July 2013].
- OECD (2011b). „Equity in access to education”, *Government at a Glance 2011*. OECD Publishing. Available at http://dx.doi.org/10.1787/gov_glance-2011-58-en. [Accessed 04 July 2013].

- OECD (2011c). "Proactive disclosure of information", *Government at a Glance 2011*. OECD Publishing. Available from: http://dx.doi.org/10.1787/gov_glance-2011-44-en. [Accessed 04 July 2013].
- OECD (2011d). „Size of public procurement market”, *Government at a Glance 2011*. OECD Publishing. Available at http://dx.doi.org/10.1787/gov_glance-2011-46-en. [Accessed 04 July 2013].
- OECD (2013). „Country Fact Sheet. Estonia”, *Government at a Glance 2013*. Available at http://www.oecd.org/gov/GAAG2013_CFS_EST.pdf. [Accessed 04 July 2013].
- Pettai, V. and Mölder, M. (2012). „Estonia”, *Nations in Transit 2012*. Freedom House. Available at <http://www.freedomhouse.org/report/nations-transit/2012/estonia>. [Accessed 04 July 2013].
- Pettai, V. and Mölder, M. (2013). „Estonia”, *Nations in Transit 2013*. Freedom House. Available at <http://www.freedomhouse.org/report/nations-transit/2013/estonia>. [Accessed 04 July 2013].
- Saarniit, L. (2009). *Whistleblower Protection Assessment Report on Estonia*. Transparency International Estonia. Available at http://www.transparency.ee/cm/files/whistleblower_protection_assessment_report_on_estonia_0.pdf. [Accessed 04 July 2013].
- Schneider, F. (2010). *Size and Development of the Shadow Economy of 31 European Countries from 2003 to 2010 (Revised Version)*. Available at http://www.econ.jku.at/members/Schneider/files/publications/LatestResearch2010/Sha dEcEurope31_October2010_RevisedVersion.pdf. [Accessed 04 July 2013].
- Schwab, K. (ed.) (2012). *The Global Competitiveness Report 2012–2013*, World Economic Forum. Available at http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf. [Accessed 04 July 2013].
- Struberga, S. (2013). *Varas elites maiņa Latvijā un Igaunijā 1989-2004.g. salīdzinājums*. Bakalaura darbs, Rīga: Latvijas Universitāte.
- Tallinna Ülikool, Kultuuriministerium (2010). *Uuringu "Eesti lõimumiskava eesmärkide saavutamise monitoring" kokkuvõte*. Available at www.kul.ee/webeditor/files/integratsioon/ELK_monitooring_2010_kokkuv6te.pdf. [Accessed 04 July 2013].
- Tammik, O. (2012). "Reform Party Caught Up in 'Dirty Money' Scandal", *ERR*, May 22nd. Available at <http://news.err.ee/Politics/660921d5-6410-43a1-b01e-ec47e2d3550f>. [Accessed 04 July 2013].
- Transparency International (2013a). *Global Corruption Barometer 2013, national results, Estonia*. Available at <http://www.transparency.org/gcb2013/country/?country=estonia>. [Accessed 04 July 2013].
- Transparency International (2013b). *Global Corruption Barometer 2013, national results, Latvia*. Available at <http://www.transparency.org/gcb2013/country/?country=latvia>. [Accessed 04 July 2013].
- Transparency International Estonia (2012). *National Integrity System Assessment Estonia. Executive Summary*. Available at http://www.transparency.org/files/content/nis/Estonia_NIS_Executive_Summary_EN.pdf. [Accessed 04 July 2013].

United States Agency for International Development (2013). *2012 CSO Sustainability Index for Central and Eastern Europe and Eurasia*. Available at http://www.usaid.gov/sites/default/files/documents/1863/2012CSOSI_0.pdf. [Accessed 04 July 2013].

World Bank Group (2013). *Worldwide Governance Indicators*. Available at <http://info.worldbank.org/governance/wgi/index.aspx#reports>. [Accessed 04 July 2013].

You, J. and Khagram, S. (2005). "A Comparative Study Of Inequality And Corruption", *American Sociological Review*, 70: 136–157.



This project is co-funded by the
Seventh Framework Programme for
Research and Technological
Development of the European Union



Project profile

ANTICORRP is a large-scale research project funded by the European Commission's Seventh Framework Programme. The full name of the project is "Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption". The project started in March 2012 and will last for five years. The research is conducted by 21 research groups in sixteen countries.

The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

Project acronym: ANTICORRP

Project full title: Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption

Project duration: March 2012 – February 2017

EU funding: Approx. 8 million Euros

Theme: FP7-SSH.2011.5.1-1

Grant agreement number: 290529

Project website: <http://anticorpp.eu/>