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## **ACRONYMS**

CPSU Communist Party of the Soviet Union

ECP Estonian Communist Party

ESSR Estonian Soviet Socialist Republic

EU-FS European Union – former socialist

MEP Member of the European Parliament

MP Member of Parliament

NATO North Atlantic Treaty Organization

OECD Organisation for Economic Co-operation and Development

USSR Union of Soviet Socialist Republics

## Introduction

By a number of measures, Estonia is the most successful country of the former Soviet area, although its level of wealth lags behind Western European countries. Estonia was forcefully incorporated into the Soviet Union in 1940 and regained its independence in 1991. In 2004, the country acceded to NATO and the European Union. In 2011, it introduced the Euro. Estonia is still relatively poor compared to the average level in the European Union. The country's GDP per capita was EUR 14,200 in 2013 (EUR 26,600 for the EU 28) (Eurostat 2014a). Estonia's population was 1.3 million in 2014 and it is one of the smallest populations among the countries of the EU (Eurostat 2014b). Ethnic Estonians made up approximately 70% of the population in 2011 (Statistikaamet 2014: 54). The majority of the rest of the population are Russian speakers, many of whom are Soviet-era immigrants or their descendants.

Already in 2000, the European Commission admitted that "corruption is a relatively limited problem in Estonia. Only isolated cases can be reported, mainly in the local administrations where business and officials are more closely interconnected." (European Commission 2000: 17) Since 2000, Estonia's score on the control-of-corruption indicator of the World Bank has risen from 0.65 to 1.11 (in 2013) on a scale from -2.5 to +2.5. In international rankings, this score has been fluctuating between the 75<sup>th</sup> – 81<sup>st</sup> percentile ranks (World Bank Group 2014). Since 2004, fluctuations have been modest and Estonia appears to have achieved a continuous equilibrium. This lies well above the other ten EU members with former socialist background (hereafter EU-FS countries)<sup>1</sup>, which find themselves between the 74<sup>th</sup> percentile rank for Slovenia and 50<sup>th</sup> percentile rank for Bulgaria in 2013.

In the Eurobarometer survey of 2013, among the EU-FS countries, Estonia had the second highest share of respondents (30%) who considered government efforts to combat corruption effective (the average for the EU-FS countries was approximately 21%). Among all of the surveyed EU countries, Estonia had the largest share (5%) of respondents who spontaneously replied that there was no corruption in their country. The share of such answers was zero in all but one of the other EU-FS countries (European Commission 2014: 65). Although perceptions of corruption can be influenced by various factors not always strictly linked to corruption (Kalniņš 2005: 7), the data attest to an exceptional position for Estonia among other former socialist states.

Estonia also scores high on a number of other indicators that either represent constraints to corruption or attest to fair allocation of public resources. According to a study by the OECD, Estonia was one of three OECD member countries where the central government proactively disclosed all categories of information covered by the survey (32 OECD countries sampled in total) (OECD 2011: 143). The Civil Society Organization Sustainability Index for Estonia was 2.0 in 2013 (on a scale from 1 to 7 with 1 meaning the strongest sustainability) – the best among EU-FS countries where the average was 2.89 (United States Agency for International Development 2014: 72). A different kind of indicator is the self-reported unmet need for medical examination or treatment indicator, which in Estonia was 2.6% for the population quintile with the lowest income in 2013 (Eurostat

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<sup>1</sup> The former socialist members of the EU are Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia.

2014c). Such an indicator, although directly not related to corruption, testifies to a generally quite high level of accessibility. Unfair, corrupt allocation of health services would likely produce a higher percentage of people with unmet needs.

The background paper “Estonia: Almost There” mapped available indicators on the degree of universalism in Estonia’s governance, reviewed cultural, economic, and institutional factors that may have contributed to the country’s ability to control corruption, and briefly outlined relevant changes from the beginning of the 1990s until nowadays (Kalniņš and Mungiu Pippidi 2014). Still, the background paper did not sufficiently explore the interplay of social and political forces at the end of the 1980s and the beginning of the 1990s that made Estonia’s spectacular break from the Soviet political and economic system possible. Neither did the background paper elaborate sufficiently who and how made and implemented key reform decisions, which eventually reduced resources for corruption and placed constraints.

This process-tracing report aims to show how the new ruling political elite replaced the old Communist nomenclature in the early 1990s. It also provides insights into some of the reforms undertaken and explores the roles of their proponents. A systematic review of these processes shows peculiarities that accompanied and made possible the changes. The pace of reforms varied just as the ruling powers changed several times during the 1990s. The paper reviews the developments of the 1990s also paying attention to how the changes and their anti-corruption effects turned into a lasting equilibrium rather than withered away among various vested interests under governments run by quite different political leaders and parties. Since time-series of data suggest rather modest changes in terms of corruption in Estonia since about 2004, the paper does not cover recent developments. Rather it focuses on what happened when Estonia underwent the most radical changes and how the effects of these changes could consolidate. Most attention is paid to the period from the end of the 1980s till around the turn of the century. Only some separate events from later periods are described to illustrate the longer lasting trends in countering corruption.

The research for this case study relied on the review of existing publications and official documents as well as on 24 qualitative interviews with former and current politicians, civil servants and experts. The interviews were carried out between June 2014 and February 2015. The paper benefited a great deal from comments and analysis of the Estonian context by the sociologist Aare Kasemets. He is a researcher with the Estonian Academy of Security Sciences and has been an observer of many of the covered events in his past employment positions.<sup>2</sup>

## **The Soviet era background**

It is common to consider corruption and particularistic distribution as endemic under the Soviet regime. Fine-tuning this view is somewhat difficult because, in the Soviet Union, corruption was not systematically studied and no quantitative measurements of it were carried out. Due to the closed nature of the system, outsiders had few opportunities to carry out such studies. A survey of ex-Soviet émigrés in 1980-1981 revealed widespread “preference for informal access to and influence on bureaucratic officials and a general disdain for formal and legalistic procedures and norms” (DiFranceisco and Gitelman 1984

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<sup>2</sup> In the past, Aare Kasemets worked at the parliament of Estonia (1993-2003) and the Ministry of Environment (2004-2008).

(2005): 554). Administrative distribution of many scarce goods provided a rich resource for people who were in charge of distribution and who developed private personal networks for the provision of such goods, a phenomenon widely known by the Russian slang word *blat*. *Blat* did not involve monetary payments and functioned rather as an exchange (barter) of goods and services between persons who had access to them. *Blat* was a common way of gaining access to goods or services in short supply or getting them at a lower price (Ledeneva 1998: 27-33).

Although the distribution of control over state resources was clearly particularistic until 1990, it remains unclear exactly how corrupt the practices were on the administrative level in Estonia. However, *blat* relationships did exist as, for example, described by Tiit Vähi, the first Prime Minister of Estonia who was appointed after the end of the occupation (he was born in 1947, in the Soviet era the Director of Valga Motor Depot): *"If you had some acquaintance in a cooperative, then you could, for real money, obtain some Western jacket, which somehow did not arrive in the shop."* The *blat*-based relationships were used not only for obtaining personal consumer goods but also for gaining resources for industrial plants, collective farms or even public agencies. Also in Estonia, food stuff, liquor "Vana Tallinn" or invitations to the sauna were among the means used to influence bureaucrats who could award resources to particular enterprises, collective farms or sovkhoses (state-owned farms) (Kurvits 2007; Soodla 2006). According to the former Director General of the Security Police of Estonia (employee of the interior structures of the ESSR since the 1970s) Jüri Pihl, *"the Soviet corruption was a little different from normal democratic countries. [...] As an inspector or chief inspector in the criminal investigation unit, you did not even have a car to bring criminals to the police station. You had to have resources from the outside, for example, ask for some transportation possibilities from the local collective farm's chairperson. [...] If you wanted to have petrol for the cars over the limit that was very small, you had to ask for this. [...] You had to do something to run this police station. But it was not clear how to enter these resources in the papers, in the account, so you could pass something for your own pocket as well."* This anecdotal account of the situation shows extra-legal bargaining as a key mechanism of distribution. The scarcity of goods from car parts and TV sets to raw materials and industrial machinery, without a market mechanism and with little public accountability, established personalized bargaining as a principal mechanism (often without bribery in a monetary sense but rather based on nurturing important personal relationships).

Serious corruption cases, even when detected, were usually not covered in the media directly except for some prominent demonstration cases, for example, the corruption case of the prestigious so-called Eliseyev food store in Moscow in 1982 (Генкин 2011). In Estonia, Vladimir Käo who had occupied a number of top economic and political positions in Estonia's industrial sector since the 1940s and became the First Vice-Chairman of the Council of Ministers of the ESSR (1983-1985) was removed from office because of serious corruption (Misiunas and Taagepera 1993: 279). In reaction to the case of Käo, the Soviet Estonian magazine of humor and satire *Pikker* published a popular satiric poem "Pink Elephant" by Uno Laht (Viivik 2000). Soviet satire publications quite often criticized lower and middle management for waste of resources, *blat* or other kinds of misdeeds. However, the targets of such criticism were individual *black sheep* rather than the political or economic system more generally. Targeting criticism as high up as a member of government was an utmost rarity. Problems of corruption were addressed occasionally in Soviet-era Estonian art and cinema

already before the liberalization of the 1980s, for example, in the film *Vienna Postmark* from 1968. In the film, the head of a wooden box manufacturing department did not comply with the demands of the deputy director of the factory who was planning to repair a personal apartment using, as was common practice, the workers and materials of the Soviet factory.

It remains unknown exactly how significant regional differences of corruption were among various parts of the Soviet Union. Estonia was the most developed republic of the Soviet Union by some key wealth indicators. In 1980-1990, the average monthly salary of workers and servants (categories used in the Soviet classification of the workforce) were constantly higher than in any other republic (Исторические материалы (a)). Estonia also had the highest number of passenger vehicles in private ownership per thousand inhabitants in the whole period between 1970 and 1988 (Исторические материалы (b)). In many ways, Estonia together with the other Baltic republics Latvia and Lithuania were viewed within the Soviet Union as the Soviet West.

What this meant for corruption is hard to say with precision. Estonian experts and politicians commonly argue that Estonian people had less of a tolerance for corruption than in many other parts of the former Soviet Union, especially for corruption in the form of bribery, in particular bribery in a monetary form. An anecdotal story tells of Georgian students who had come to study at the Tallinn Polytechnic Institute during the Soviet era. They came to Estonia because there they could get their diplomas by actually studying, while at home they would have had to buy their diplomas and they were too poor to do so (Meel 2012). Additionally, it was considered indecent to boast about one's corrupt contacts and gains. The social pressure to hide engagement in corruption and proceeds from corruption allegedly acted as a constraint and has been in place supposedly well before the collapse of Soviet rule in Estonia.

Organized networks of intellectual circles in Estonia starting from the 1960s were far more developed than in Latvia and Lithuania. Li Bennich-Björkman argues that they paved the way for the morally and socially integrated counter elite, which came to power in 1992 (Bennich-Björkman 2007: 340). Väino Sirk points to the limited overlap between members of the Communist Party and people with higher education. He quotes data that only 23,312 out of 92,630 people with higher education belonged to the Estonian Communist Party in 1979 and argues that in the 1970s the party no longer aimed to considerably increase its direct control over the intelligentsia (Sirk 2006: 39).

Estonia was unique among the Soviet republics because of the exposure of a large part of its population to Western (Finnish) television starting in the 1970s. Due to the similarity of the Estonian and Finnish languages, people in the northern part of Estonia could absorb Western ways of thinking through news, films and other TV shows (Kasemets 2012: 32, 51). To sum up, Estonia was by and large the wealthiest Soviet republic with the most developed elements of autonomous civil society and considerable exposure to Western information.

### **How the elite was replaced**

In 1985 Mikhail Gorbachev became the Secretary General of the Communist Party of the Soviet Union. Gradually he started initiating a number of liberalizing reforms widely known by the Russian words *glasnost* (openness) and *perestroika* (restructuring). In 1987, the civic activism of various groups of people became openly visible in Estonia. It is not the intent of

this paper to describe all of the major events in the period of 1987-1991 that led eventually to the restoration of Estonia's independence. However, to understand the future changes in Estonia's political elite, it is important to be aware of the variety of areas where reform-minded people started their activities. Their different backgrounds influenced their ideological positions and, in particular, the level of determination to destroy the remains of the Soviet-era administrative and economic practices.

At the end of the 1980's, the reformist political groups in Estonia stemmed from rather different sources. In the administrative and economic management circles of the ESSR, a considerable number of people realized the need to carry out reforms and eventually also turned increasingly supportive of the idea of an independent Estonia. In parallel, other groups became increasingly active: people, who throughout the Soviet time either were dissidents resisting Soviet rule, chose walks of life that had as little connection as possible with the Soviet power structures or mainly confined themselves to the pursuit of academic careers. Additionally, Estonians from exile started participating in Estonia's public life. The variance in the distance from the Soviet power structures left a significant imprint on Estonia's political spectrum in the beginning of the 1990s.

Important pushes for reforms stemmed from people who worked in official structures. In September 1987, the Head of Department of the State Planning Committee of the ESSR Edgar Savisaar, Deputy Editor of the Estonian Communist Party newspaper *Rahva Hääli* Siim Kallas, Scientific Director of the Information Institute of the State Planning Committee Tiit Made, and the sociologist, Head of Department of the History Institute of the Academy of Sciences of ESSR Mikk Titma published a proposal for the economic autonomy of Estonia, which was a daring idea in the unitary Soviet Union and also invoked connotations of political autonomy. On 13 April 1988, Edgar Savisaar who by then had become the Scientific Director of *Mainor* (a think tank of the Ministry of Light Industry of the ESSR) proposed during a television show the idea to form the Popular Front. Initially announced as an organization to help in carrying out *perestroika*, it turned into a mass movement struggling to achieve the independence of Estonia (Dobbs 1988; Liivik 2010-2012).

Other initiatives and organizations stemmed from less official areas. The Estonian Heritage Society was established in December 1987. The correspondent of the weekly culture magazine *Sirp ja Vasar* and translator Trivimi Velliste was the main initiator of the new organization and became its chairperson. Given the historical circumstances, ideas of protecting national heritage had important political connotations. For decades, the influx of immigrants from other parts of the Soviet Union and the policy of russification were viewed as threats to the survival of the Estonian people. The protection of the national heritage was one of the first issue areas where this resentment could be channeled. In April 1988, Heritage Days became the first time during the Soviet occupation when the Estonian national blue-black-white tricolor was broadly demonstrated in Tartu. On 1-2 April 1988 during the general plenary of Creative Unions in Tallinn, many high-profile members of the creative intelligentsia (writers, artists, etc.) criticized the Soviet system and with extraordinary boldness and strength demanded cultural, political and economic liberties. In December 1988, the Estonian Students' Society was re-established. The organization's members included many people who later became important political actors, for example, the Prime Minister Mart Laar and

the Minister of Foreign Affairs and Defense Jüri Luik<sup>3</sup> (Muuli 2012), since 1995, also the President of Estonia Toomas Hendrik Ilves (Eesti Üliõpilaste Selts 2015).

In parallel to the creation of the Popular Front (its founding congress took place on 1-2 October 1988), smaller political organizations developed and they were much more distanced from the ESSR establishment structures. In the beginning of 1988, an initiative group was formed to establish the first new party – the Estonian National Independence Party, which gained 10 out of 101 seats in parliament in 1992 and joined the government of Mart Laar. The party included a number of prominent dissidents who had suffered under Soviet repressions such as Mati Kiirend, Viktor Niitsoo, Lagle Parek (later Minister of Interior), Vello Salum and Erik Udam.

In December 1988, the Estonian Christian Union was established, which later changed into the Estonian Christian Democratic Union. The party's leaders included the pastor Illar Hallaste (leader of the ruling *Pro Patria* parliamentary faction in 1992-1993) and Mart Laar. It merged into the *Pro Patria* National Coalition Party after the parliamentary elections of 1992. Three further constituents of the *Pro Patria* party were the Christian Democratic Party of Estonia (established in July 1988), the Conservative People's Party of Estonia (established in June 1990), and the Republican Coalition party (established in September 1990). The Estonian Liberal Democratic Party was the fifth member of the *Pro Patria* election list but it did not merge with the *Pro Patria* party in the post-election period. Many of the leaders of these five parties were people whose Soviet-era careers were outside the political nomenklatura (Kaido Kama, Paul-Eerik Rummo), dissidents (Enn Tarto) or young people who had recently graduated from university or had just started scientific careers (Kalle Jürgenson, Heiki Kranich, Indrek Kannik, Daimar Liiv, Jüri Luik, Mart Nutt).

Two additional parties that became a part of the parliamentary coalition of Mart Laar's government were the Estonian Social Democratic Party and the Estonian Country Centre party, which had a common election list called the Moderates and also had leaders from academic and scientific circles such as Marju Lauristin of the social democrats and Ivar Raig and Liia Hänni of the country centrists.

In the end of the 1980s changes were also taking place in the Communist Party. For example, in January 1988 the more liberal Indrek Toome replaced the hardliner Rein Ristlaan in the post of the Secretary for Ideology of the Central Committee of the Estonian Communist Party (ECP). In the summer of 1988, the First Secretary of the ECP Karl Vaino was replaced by Vaino Väljas, the former USSR ambassador in Venezuela and Nicaragua who eventually supported greater autonomy for Estonia (Misiunas and Taagepera 1993: 313, 315).

The period between 1987 and 1990 saw a fundamental shift toward competitive politics. With this, the conditions for universalistic governance started forming. A distinct feature of the transition of Estonia was the existence of two bodies with a claim to be the highest political authority. In 1989, the movement of citizens' committees started with the aim to register citizens of Estonia (those who had Estonian citizenship until 1940 and their

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<sup>3</sup> According to Muuli among other members of the Estonian Students' Society who became known political actors were Indrek Kannik, Sulev Kannike, Margus Kastehein, Margus Kasterpalu, Margus Kolga, Eerik-Niiles Kross, Tõnis Lukas, Tiit Pruuli, Tiit Riisalo, Ivo Rull, Marek Strandberg, Indrek Tarand, and Lauri Vahtre.

descendants) and elect a representative body of the Estonian citizenry, which would be able to legitimately restore Estonia's independence. The Estonian Heritage Society, the Estonian National Independence Party and the Estonian Christian Union supported the initiative. The position of these organizations was to insist that the new independent Estonia rest on the principle of legal continuity from the republic of 1918-1940. In February 1990, the Congress of Estonia was elected by almost 600,000 voters (a surprisingly high turnout for the election of an "unofficial body"). Candidates of the Popular Front gained 107 seats, the Estonian Heritage Society – 104 seats, and the Estonian National Independence Party – 70 seats out of 499. More than 30 political and civic groups were represented in total. However, party affiliations were rather vague and fluctuating at the time (Pärnaste 2000). The Congress of Estonia became a center of political power unrelated to the state structures of the ESSR (in contrast, a similar institution in Latvia remained by and large marginal throughout its operation in 1990-1993).

On the official political level, the state power monopoly of the Communist Party lasted until March 1990 when the first multi-party elections of the ESSR parliament (the Supreme Council) took place. Until then, state institutions coexisted with party structures and the latter exercised non-accountable control over the state apparatus. The Popular Front gained the plurality of votes but fell short of absolute majority (its faction initially had 43 members in the 105 seat legislature (Möttus 2013: 118). However, there was stable majority support (over two-thirds) for Estonia's independence. Some representatives in the Congress of Estonia and the Supreme Council viewed each other cautiously, although the two institutions were not antagonistic and a sub-set of politicians was elected to both of them. On 30 March 1990, the Supreme Council declared Soviet rule in Estonia illegal and launched the transition to the restoration of the Republic of Estonia. Leaders of the Committee of Estonia (the executive body of the Congress of Estonia) agreed to support in the Supreme Council the government led by Edgar Savisaar as long as this government adhered to the principle of legal continuity. On 20 August 1991 the Supreme Council declared full independence of Estonia and made an historic agreement with the Committee of Estonia to create the Constitutional Assembly with an equal number of representatives from both bodies. The relationship between the two bodies reflected diverse attitudes to whether Soviet state structures may be used as the basis for the new Estonian institutions. The relatively heavy political weight of the Congress of Estonia also reflected the potential within Estonian society to radically replace the political elite.

Both in the Supreme Council (1990-1992) and the first post-independence parliament Riigikogu (1992-1995) the share of MPs who were involved in communist politics was lower than in the other Baltic States – Latvia and Lithuania. The share of such MPs in the Supreme Council of Estonia was 22.9% (37.3% in Latvia and 41.4% in Lithuania) and 20.8% in Riigikogu (32% in the Saeima of Latvia and 51.8% in the Seimas of Lithuania) (Matonyté 2009: 30, 31).

Elite replacement was facilitated by the decision to limit Estonian citizenship to those who had it before the Soviet occupation and their descendants. The definition of the citizenry of Estonia took place through the re-adoption of the Citizenship Act of 1938 on 26 February 1992. This decision was in line with the doctrine of legal continuity of the Estonian state and non-recognition of the legality of Soviet rule in Estonia. In practical terms, this formed the basis for the partial political exclusion of the Russian-speaking minority who had immigrated

to Estonia during the Soviet period – a factor occasionally cited as favorable for anti-corruption. Only 68% percent of Estonia's population were citizens of Estonia in 1992 (Estonia.eu 2015). Professor of comparative politics at the University of Tartu Vello Pettai described some of the implications of this exclusion: *“All of these people were cut out really effectively, very quickly. They could no longer come into the state civil service, they couldn't vote, at least on the national level. Half of those people who were in the [Soviet-time political, administrative] offices were Russians. [...] This stark split that was accentuated by the citizenship policy really separated out that crowd. It kind of purified or cleansed the Estonian elite. It took away all of the Soviet era ethos. The [elite] just completely extricated themselves from that era. There was no quiet transition; it was all a big break because so many of the Russians were just removed from the situation. [...] It is striking how much Estonia has operated as the Estonian nation state despite the fact that a third of the population is [mainly Russian-speaking: Russians, Belarusians, Ukrainians].”*

In the parliamentary elections on 20 September 1992, the *Pro Patria* election coalition gained 29 out of 101 seats.<sup>4</sup> The main pre-election slogan of the *Pro Patria* coalition was “Clean the Place!” The slogan resonated well with demands for change among large parts of Estonian society. Although this message did not focus explicitly on corruption but rather more generally on the remnants of the Soviet past, both anti-communism and anti-corruption were probably mentally linked in popular perceptions. Aare Kasemets describes that “after Gorbatshev'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.” (Kasemets 2012: 44). In the pre-election period, *Pro Patria* was also one of the favorites of several Western partner parties which provided support through training of politicians and perhaps also money for the campaign (Muuli 2012). Foundations of German political parties and ideologically related parties of the Scandinavian countries used to provide support to several Estonian parties. Questions regarding equal opportunities could arise since not all of the political forces in Estonia had such supportive partners.

On 21 October 1992, Riigikogu approved the government of Mart Laar. The governing coalition included the *Pro Patria* coalition together with the Moderates (the Social Democratic Party and the Country Centre Party) and the Estonian National Independence Party.

The replacement of the communist elite manifested itself strongly in the composition of this cabinet, which consisted of 14 members. The Minister of Interior Lagle Parek was an architect by education, imprisoned from 1983 to 1987 for dissident activity, and one of the founders of the Estonian National Independence Party in 1988. Three other ministers (the Minister of Social Affairs Marju Lauristin, the Minister of Culture and Education Paul-Eerik Rummo, and the Minister of Environment Andres Tarand) had signed the so-called letter of 40 intellectuals expressing concern about russification and other policies of the Soviet regime in Estonia on 28 October 1980.<sup>5</sup> The open letter, sent to several official media outlets (but never published in the Soviet Union), was a reaction to the repression of several youth

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<sup>4</sup> In addition to the four parties described earlier in this paper, the Estonian Liberal Democratic Party participated in the *Pro Patria* election coalition but did not merge with the *Pro Patria* National Coalition Party in November 1992.

<sup>5</sup> The full text of the letter in English is available here: <http://www.sirjekiin.net/40%20Letters.htm> [Accessed 28 February 2015]

demonstrations in Tallinn and elsewhere in Estonia. The signatories were prominent writers, artists, scientists. Most of them were not dissidents. Marju Lauristin (Estonian Social Democratic Party) had (and still continues) her academic career at the University of Tartu in the fields of journalism and sociology and was one of the founders of the Popular Front in 1988 (since 2014 she is also an MEP). Paul-Eerik Rummo is a prominent Estonian poet and was the leader of the Liberal Democratic Party. Andres Tarand, educated in climatology and geography, was a researcher at the University of Tartu and the Director of the Tallinn Botanical Gardens in 1988-1990.

Several other ministers came from humanitarian and/or scientific careers. Foreign Minister Trivimi Velliste had worked at the State Literature Committee (1971-1976) and afterwards at the culture magazine *Sirp ja Vasar* (until 1987). He was the Chairman of the Estonian Heritage Society until 1991. Reform Minister Liia Hänni worked at the Estonian Institute of Astrophysics and Atmospheric Physics in 1970-1990. Last but not least Mart Laar himself studied history, was a history teacher in 1983-1985 and worked for the Heritage Protection Board of the Ministry of Culture in 1986-1990. The Minister of Justice Kaido Kama had a rather unusual background: with an education in architecture, he was a forest guard in 1982-1990 and became one of the most important Estonian politicians of the early 1990s.

Three ministers had lived in emigration during the Soviet rule – the Minister of Defense Hain Rebas (Professor of History at the University of Kiel in Germany and Reserve Captain of the Swedish Army), the Minister of Energy Arvo Niitenberg (worked for the Canadian state energy company Ontario Hydro until 1992), and the Minister of Finance Madis Üürike (worked as the Director General of the real estate company BGB in Sweden until 1992).

Only three ministers had had long-term careers in the economic or administrative structures of the ESSR – the Minister of Roads and Communication Andi Meister, the Minister of Economy Ain Saarman, and the Minister of Agriculture Jaan Leetsar. Nine of the members of the Cabinet (Liia Hänni, Kaido Kama, Mart Laar, Marju Lauristin, Lagle Parek, Hain Rebas, Paul-Eerik Rummo, Andres Tarand and Trivimi Velliste) had been members of the Congress of Estonia.

It is impossible to review the background of all the key ruling politicians, but people with no Soviet nomenclature roots played a large role in the parliament. The Chairman of the Legal Committee 1992-1993 and 1999-2002 (and the Minister of Justice 1993-1994) Jüri Adams (the Estonian National Independence Party) was a dissident, used to work as a teacher, forest guard and fireman, and was one of the principal authors of Estonia's new constitution. Daimar Liiv, who played an important role as the Chairman of the Legal Committee from 1994 till 1999, had no substantial work experience from the Soviet era.

Overall the strong anti-communist/soviet and nationalist moods of Estonians appears to be a key driving force behind the high degree of replacement of the ruling elite, which culminated in 1992. Moreover, a remarkable feature of Estonia was a large pool of people who had qualifications appropriate for elite positions but who had kept their distance from Soviet power structures. The relatively high degree (in comparison with, for example, Latvia) of passive and sometimes also active resistance against Soviet rule facilitated the accumulation and maintenance of human capital outside the Communist Party system. Estonia was the only one of the three Baltic countries where the rather more anti-communist

and nationalist groups created an alternative formal authority – the Congress of Estonia (1990-1992), which insisted on basing the citizenry on the law of the pre-war Estonian republic and ensuring the legal continuity also in other respects. This body turned into a key political player, rather than becoming a marginalized organization like in Latvia. All of this resulted in a pool of ruling elite including many individuals who bore strong idealistic commitments to particular ideological principles such as the non-recognition of the legality of Soviet rule in Estonia, rule of law and free market economy. Within that group, the former dissidents, who had been prepared to give up a great deal of personal comfort for the sake of their ideological struggle, formed a significant minority. Also, political luck in the elections of 1992 helped, attested to by the rather slight majority enjoyed by the government of Mart Laar (approved with a mere 54 votes in a parliament of 101 members).

### **How the virtuous circle started**

1991 marked the beginning of not only regained statehood but also of radical reforms. Already before the first truly post-Soviet elections, the Supreme Council, the governments of Edgar Savisaar (April 1990 – January 1992) and Tiit Vähi (January 1992 – October 1992), and the Constitutional Assembly (August 1991 – April 1992) embarked on a course of change.

Among the earliest key decisions was the adoption of judicial reforms. On 23 October 1991, the Supreme Council adopted the Courts Act and the act “On the Status of Judges.” These laws envisaged the establishment of a three-tier court system, which was embedded also in the new Constitution adopted in a referendum on 28 June 1992. The new system created a whole new tier of courts and was based on a newly established Supreme Court rather than a reformed Supreme Court of the ESSR. Such a design of the reform meant that all of the judges had to be appointed anew. Supreme Court judges had to be selected anew because it was a new court. The rest of the judges had to be nominated by the Supreme Court and appointed by the President of Estonia). Hence all of the Soviet-era judges who wanted to continue their careers had to be reappointed.

Possible involvement in corruption was not the key concern during the reappointment of judges. The actual appointment process started after the parliamentary elections of 1992. The Riigikogu appointed Assistant Professor of Law Rait Maruste to the post of the President of the Supreme Court on 8 December 1992. The ideological mood of the parliamentary majority meant that the key political criterion for the approval of Supreme Court judges was their lack of involvement in political cases during the Soviet. The Minister of Justice Kaido Kama (1992-1994) recalls: “*We did not let for the positions of judges people who, as lawyers say, “sat” in political cases in the Soviet time. [...] Judges asked me – why are we guilty, we simply applied laws, which were in force. I then said if tomorrow there is the Soviet rule again and we have Soviet laws in force again, you will try me. I think my article will be state treason. And then they kept silent.*” The Riigikogu rejected three candidates to the Supreme Court (Maruste 1994). For example, Peeter Jerofejev was rejected because of his involvement in a case against individuals who had refused to serve in the Soviet army (Riigikogu 1993).

In addition to the reappointment process, the nature of the judiciary changed considerably because the number of judicial positions increased radically. There were 83 judges in Estonia before the reform. As of 1 May 1994, the President of Estonia had

appointed 154 judges and even then a number of vacancies still remained (Maruste 1994). In an interview, the then chairman of the Legal Committee of the Riigikogu Daimar Liiv described the influx of new judges and the loss of the dominant position of the Soviet-era judges: *“We brought in quite a big number of new people. [...] Most of these newcomers were not top lawyers. They were quite a big number of mainly female judges who came from the former Soviet enterprises and had worked there as lawyers, personnel office women and so on. These new judges were mainly middle-aged, having no other career perspectives. They somehow worked out. They did not have very big private business career possibilities. Because of quite normal or, let’s say, not low salary initially, also compared to their former positions, and the lifetime appointment, they were very motivated to stay in this system. [...] I suppose by the end of 1995 maybe a half of [former Soviet judges] stayed. The idea was that they were not establishing the culture for the judiciary. The culture was established by the Supreme Court.”* In a short period of time, Estonia had established a new court system, which both institutionally and in terms of personnel had as little continuity from the Soviet system as was reasonably possible.

In most other parts of the public sector, the replacement of cadres was not as radical and by default civil servants continued working. However, less systematic replacement or sidelining of Soviet-time cadres in many institutions was common. The renewal of staff consisted of several types of processes – some of the civil servants did not wish to, were not capable or were not permitted to continue work in the service of independent Estonia (for some the obstacle was the lack of knowledge of the Estonian language, yet others became redundant) and some institutions hired new personnel because the institutions were either newly established (for example, the Ministry of Defense and the border guard) or expanded (for example, the Ministry of Foreign Affairs and the Ministry of Justice). In some institutions newcomers were immediately placed into top positions – a trend made easier by virtue of the reorganization of many institutions.

In order to adjust the structure of the executive branch of government to the principles of the new Constitution, the Riigikogu had to adopt the Government of the Republic Law to allow the new coalition government to start working. The new law was adopted on the day after the approval of the Mart Laar government. It was done hastily because the new government coalition had agreed to reduce the number of ministries from 18 to 11, subordinate various bodies to the ministries and reduce the public sector by one third (Sarapuu 2012: 812). The approved composition of the Cabinet corresponded to the law yet to be adopted. A working group established by the Supreme Council and led by Illar Hallaste had already developed the draft. In addition to the reduction of the public service, a key change was the introduction of non-political top managers of ministries “kantslers” and a clear distinction between the political leadership and administrative management (Muuli 2012). As Külli Sarapuu has described, the whole politico-administrative system was deinstitutionalized. The transformation proceeded hastily under strong ideological imperatives to dismantle the Soviet system and maintain Estonia’s continuity from the pre-war state.

The political context strongly influenced recruitment in the public administration. The public administration expert and professor Tiina Randma-Liiv explained how the old civil servants gave up their positions: *“First it was a very clear political message that they have no future in the civil service and that was given from the very top politicians, from the Prime*

*Minister. And also the President Lennart Meri [in office 1992-2001] was very much on the same line. So some of the old nomenklatura stayed but in small numbers. By that time the Soviet nomenklatura people were quite old, some just retired or were very close to retirement, some left to Russia and some, especially the younger crowd, just made use of the transition time labor market with so many new opportunities around in the private sector. Actually some became very successful businessmen as well."*

The current Undersecretary of the Ministry of Justice responsible for the Prison Service, Priit Kama (in the ministry since 1993) described his observations on the entry of the new generation of civil servants. Mikhel Oviir, the Chancellor of the Ministry of Justice from 1992 to 2002 played a key role in the process, according to Priit Kama: *"We can define him [Mikhel Oviir] as quite typical Soviet civil servant. He was educated during the soviet time in the law faculty. His father was in Soviet prison [GULAG] camps and in this sense his background was not typical Soviet. He had certain right instincts. He started to change the personnel, recruited mostly young males from the law faculty. He recruited many students from last study years and he actually discriminated older people in the Ministry of Justice. Middle-aged officials were quite distressed because we young males were relatively well paid in comparison with other, older people and they were removed from different positions. Some of them had only technical functions in the Ministry of Justice. Many left because it was humiliating for them. The reason was we needed people who are able to speak at least English or German, which was quite important during these years in the field of legislation. For some reason our chancellor had an instinct that the Ministry of Justice can be successful if such changes will be made."*

On 25 January 1995, the Public Service Act was adopted (in force from 1 January 1996). It established a merit-based approach to recruitment and also favored the replacement of incumbent civil servants with new cadres with a modern education. However, according to Tiina Randma, already before the adoption of the Public Service Act, the share of young officials increased rapidly as "the Soviet civil service experience conflicted with the needs of the democratic government." In 1994, the percentage of staff under the age of 30 was 31% in the Ministry of Finance, 28% in the Ministry of Justice and the Ministry of Defense, and 48% in the Ministry of Foreign Affairs (Randma 2001). In 2002, a Sigma assessment found that "merit-based, open competition is in general used in the recruitment of civil servants" and "selection based on candidates' qualifications and professionalism" is ensured although exceptions existed (Sigma 2002: 5-6). By and large, public employment was not a resource to be grabbed by cronies of corrupt cliques. Both the ideological context of 1992-1995 and subsequent implementation of merit-based practices facilitated the development of a professional civil service. The reformed judiciary and public administration constitute important elements for constraining corruption.

If reforms of state institutions facilitated the development of legal constraints of corruption, privatization was a process, which released major resources. In many post-socialist countries privatization was a means for narrow politically-connected elite groups to acquire fortunes in the 1990s.

In the years 1991 and 1992, uncoordinated siphoning of assets of state companies took place, which was similar to other countries of the region during the collapse of the socialist system. Managers of state-owned enterprises tapped into resources of these companies (Brown 1993: 498). The exact extent of such plundering is hard to measure but

interviewed experts and politicians had no doubts that it existed. Some like Jüri Adams argue that the year 1992, before the Riigikogu elections, saw the most rampant corruption with Soviet enterprise bosses taking advantage of a last chance to grab wealth. Tiit Vähi argues the situation was brought under control rather earlier and the asset theft took place mainly in 1990 and 1991.

Be that as it may, according to Vähi a typical plundering scheme involved a state-owned enterprise, for example, a sewing factory. Its managers would set up their own private firm, which would buy raw material from the state enterprise and sell the finished product – “buy the fabric and sell the coat.” In such a way, the profitable operation and profit were channeled from the state enterprise to the private company. When the state enterprise turned insolvent, the private company, which had accumulated the profit, offered to buy the state enterprise for pennies. According to Raivo Vare, the State Minister of Savisaar government (1990-1992) and the Minister of Roads and Communication (1996-1999), some enterprise managers vehemently opposed privatization because it was easier to tap into resources of state-owned companies. The issue was a highly contested matter in the government of Edgar Savisaar in the end of 1991. In Vare’s account, the Ministry of Industry sided with the opposing directors, which was the reason why the Minister of Industry and Energy Jaak Tamm had to resign in December 1991.

The first major steps towards the transformation of property ownership were made by the Supreme Council already in 1991. However, this paper does not aim to map all of the key decisions in this area. The success of Estonia in containing corruption is commonly linked to the country’s decision to carry out most of the privatization of enterprises in a transparent auction-based procedure. In 1992 Estonia set up the Privatization Enterprise, modelled on the example of the Treuhand agency, which privatized enterprises of Eastern Germany. According to a book by the journalist Kalle Muuli it was the plan of the Minister of Economy Olari Taal (enterprise director in the Soviet time, later a major Estonian businessman) to create Estonia’s Treuhand that would manage the massive, centralized privatization of enterprises mostly for money (Muuli 2012). The Supreme Council approved the establishment of the Privatization Enterprise in August 1992. Andres Bergmann who returned to Estonia from Germany in 1989 became the head of the enterprise.

When the government of Mart Laar was already in office, Andres Bergmann prepared and announced the sale of the first 38 Estonian enterprises in international media. However, this was not done with proper government approval and Bergmann had to leave his post. The privatization process was suspended. But on 17 June 1993 Parliament adopted a new Privatization Law, which envisaged the establishment of the Estonian Privatization Agency. The Treuhand model was kept and privatization was carried out mostly through direct sale open to foreign bidders.

A key person in the implementation of the privatization process was Väino Sarnet, the General Director of the Privatization Agency between 1993 and 1999. A member of the *Pro Patria* council, Sarnet had an education in agronomy and psychology. Between 1980 and 1991 he was a scientific fellow at the Estonian Land Cultivation and Land Improvement Institute, and between 1989 and 1993, a local politician in the Lääne-Viru county (Eesti Entsüklopeedia 2000-2013).

The most well-known foreign advisor on privatization was a representative of Treuhand, Herbert Schmidt, although he was not the only one. Sarnet described foreign consultants paid by international donors as a key element in the implementation of privatization: *“We had quite a lot of foreign consultants who worked for us. At the best time during 1994 we had 20% our staff foreign consultants. They negotiated deals, prepared drafts for the board, participated in board meetings, visited enterprises. This educated our people and also helped us keep this process fair. It was much more difficult for Estonian interest groups to approach these foreign consultants. There were no connections. Estonia is a very small country where everybody knows everybody, they say. But foreign consultants didn't speak Estonian, many Estonian managers did not manage in English then and this helped us greatly. [...] The foreign consultants actually favoured foreign consultants. But this was in our interest.”*

The share of large non-infrastructure enterprises bought by foreign capital was little more than one fifth. In 1996 the privatization of non-infrastructure enterprises was 90% complete (OECD 2001: 60). Another way to reduce the flow of resources for corruption was the stance of the government against handing out subsidies and money for bailouts. This was an important element in the ideology of the Mart Laar government, which, even if not a direct anti-corruption measure in itself, reduced opportunities for corruption.

Kaido Kama described the tension between the directors of state enterprises and the new government in the autumn of 1992: *“From their side pressure was very strong. That group was used to receiving from the government different funds and reserves when needed. We stopped immediately any state subsidies for entrepreneurship. This we finished immediately. This bunch disliked it very much.”* Mart Laar wrote about this policy: *“As part of this momentum, subsidies for state owned companies were identified as poor policy, and they were cut. This was important for the development of new private companies because subsidies preserve old and often outdated production structures and hamper structural change in the economy. Cutting subsidies sent the Soviet industrial dinosaurs a simple and clear message: Start working or die out. As was shown by subsequent developments, the majority chose to start working.”* (Laar 2007: 5) Allegedly, tensions rose, and in some cases became as harsh as to invoke occasional personal threats against particular ruling politicians.

Kalle Muuli describes another episode, which illustrates this stance of the Laar government. Allegedly, Rein Kaarepere of Tartu Commercial Bank came to Mart Laar to ask for government intervention when the state company “Estonian Fuel” was unable to pay its debt to the Bank (“Estonian Fuel” had guaranteed a loan of 94 million kroons to a private company that had pledged to bring oil and gas from Russia). In response, Laar stated that the government neither had the needed money nor considered it right for the government to cover the debt of Estonian Fuel (Muuli 2012). Later the Bank of Estonia and the government let the Tartu Commercial Bank and some other major banks close. In an interview for this study Mart Laar argued that the banks were allowed to collapse largely because they “were under control or were moving under control of organized criminality”.

On 1 January 1994, a flat-rate personal income tax was introduced. This innovation was adopted amidst major controversy. Mart Laar announced in his Prime Minister's candidate speech to Riigikogu on 19 October 1992 that the personal income tax should become proportionate, i.e. a flat rate should be instituted (Riigikogu 1992). The MP and later

Minister of Finance Heiki Kranich was appointed as the representative of the government and the Prime Minister in the working group on tax reform. Another individual who drafted Estonia's new tax laws was the USAID advisor Thomas P. Hart. The flat-rate tax became a landmark symbol of Estonia's liberal economic policy. Although the flat tax rate in itself could not have direct anti-corruption effects and its main goal was to strengthen incentives for economic activity, the simplification of the tax administration and limitation of the burden on higher earners, reduced incentives for non-compliance with the law. The policy of open trade (reduction of trade tariffs and non-tariff barriers, elimination of export controls) was painful for many sectors of domestic industry and agriculture but also furthered a level playing field for all business regardless of political connections (see Laar 2007: 6).

The judicial, property and other reforms show that the Supreme Council had already laid the groundwork for fundamental change. The coming to power of the Mart Laar government maintained the reform drive, ensured sustainability of the changes and added new reforms. Individual integrity of particular politicians in the Riigikogu and the government clearly played a role in getting corruption under control. The withdrawal of the state from economic operations reduced the amount of material resources available for corruption, while the acute anti-communist position (which associated among other things nepotism and clientelism with the Soviet/Russian type of rule) gave a boost for the normative constraints of corruption. Moreover this new elite group (just like many in their electorate) did not have any inhibitions against excluding non-Estonians and former Soviet officials from political power and administrative structures. Meanwhile the new elite were inviting and open to the rich supply of advice and practical work done by Western consultants.

However, in the period between 1992 and 1995, elements of crony business and political collusion continued to develop, as in all post-socialist/communist countries. There were instances of privatization that proceeded outside the general, transparent procedures run by the Privatization Agency, i.e. privatization of banks by the Bank of Estonia. Despite overall success, Estonia did not stay free from suspicion of unethical or illegal privatization practices (Bennich-Björkman 2001: 21). In 1995 the Bank of Estonia issued a letter including intentionally falsified data that enabled a Russian company to claim USD 32.3 million from funds frozen in the Bank for Foreign Trade of the USSR for which Estonia could have been eventually liable (Mattson 2014). Business structures were used directly to support political developments such as the creation of the Reform Party in 1994. Still, as some of the interviewees of this study argue, the perceptions of some of these practices were less critical in the early 1990s than they would be today due to deeper understanding about what constitutes corruption.

This was also a period of a generally weakened state capacity. Jüri Pihl described the transition period as very difficult: *“Organized crime arose, the old systems were not so strong, not so effective and using the Soviet type of legal system was complicated. The transitional period was very bad. Then arrived these corruption crimes, the lack of resources, you had to organize your own salaries, benefits for the people who worked under you.”* The clearance rate of crimes may be used as a proxy indicator for the rule of law situation of the period. This rate was dramatically low: 17% in 1991, rising to a mere 28.5% in 1995 (data from the Estonian Police Department taken from Saar 1999: 21). The Security Police also noted white-collar crime as a major concern in 1993-1995 (Security Police of the Republic of Estonia 1999: 37).

Nevertheless, it seems plausible to argue that the foundations of the new state laid in 1991-1995 changed the state apparatus as well as the relationship between the state and society to such an extent that a certain path dependency emerged for Estonia's further evolution towards universalistic governance.

### **Why the anti-corruption trend survived**

The scope and depth of the reforms of 1991-1995 alone do not reveal how and why exactly the presumed path dependency maintained its effects in the long-term. The political developments in the mid-1990s might suggest that Estonia should have stabilized at the same particularistic "normality" as the average EU-FS country.

The parliamentary elections of 5 March 1995 led to the first major shift of political power after the founding post-independence elections. In part due to the economic hardships and uncertainty inflicted by reforms upon many social groups, e.g. pensioners and rural population, the previous governing center-right parties were defeated. The principal winner (41 out of 101 seats) was the electoral union "The Coalition Party and Country People's Union", which contained the Coalition party, three agrarian parties and the Association of Pensioners and Families. On 17 April 1995, the government of Tiit Vähi (the Coalition Party) was approved and included members from the Coalition Party, the Estonian Country People's Party (which was a part of the winning electoral union) plus the Centre Party of Edgar Savisaar.

The Coalition Party of Tiit Vähi was established in 1991 and largely contained people of the urban establishment of the ESSR. Managers of the Soviet era collective farms dominated the rural parties. A review of the members of the second government of Tiit Vähi shows that two-thirds of the members of the new government had belonged to the Communist Party (Mänd). Tiit Vähi came to his first political position still in the ESSR as the Minister of Transportation in 1989, even before the first competitive elections of 1990. The only politician from the Estonian Country People's Party in the government was the Minister of Environment Villu Reiljan who had spent a considerable part of his Soviet era career as the director of a forestry school. The leading representative of the Centre Party was its chairman Edgar Savisaar as the Minister of Interior.

According to Vello Pettai "*the mid-nineties, the second half of the nineteen nineties was not necessarily a strong continuation of this right/ centre-right pro-western thing. [...] They were not the young very ferocious right-wingers. Mart Laar clearly gave up power in 1995 and sat in opposition for four years. It was a tilt from a very strong Western [orientation] but it did not go to the East either. The way that a lot of Estonian political scientists see the Tiit Vähi crowd is that they weren't ex-communists but they were potentially problematic because they were very much an oligarchic group, [...] strongly pro-business and perhaps less than fully above the board group had they stayed in power. But interestingly they kind of faded. [...] They were allied with the agricultural parties and that was always a very weird mix because you have the old Soviet enterprise directors allied with the old Soviet sovkhos directors.*"

The two consecutive governments of Tiit Vähi (1995 and 1995-1997) did not have the reform zeal of the previous governments. Neither was Tiit Vähi perceived as an anti-corruption champion; on the contrary he was subject to certain corruption suspicions. Revelations of unethical privatization in Tallinn during Vähi's tenure in the City Council in

1993-1995 led to his resignation from the Prime Minister's post in February 1997 (Smith et al. 2002: 100). In hindsight, apparently Villu Reiljan was also not an anti-corruption champion, being one of the highest Estonian officials ever convicted for corruption more than a decade later. On the face of it, the new coalition could be expected to provide more opportunities for well-connected business groups to tap into state resources and return Estonia to higher corruption levels typical of post-socialist transition countries. Still, in the long term, it seems obvious that Estonian tycoons did not gain the kind of control over politics that such groups have enjoyed elsewhere in Eastern Europe (Huang 2002: 4-5). Why did this not happen after the change of power in 1995?

Two political characteristics are important with regard to Vähi's governments and the government of the next Prime Minister of the Coalition Party Mart Siimann (1997-1999) – there was no intent of fundamental reversal and the governments were quite fragile.

The majority of the members of the governments, and Tiit Vähi personally, were not intent on reversing the liberal economic policies of the previous period and remained committed to Estonia's integration into the European Union and NATO. Privatization was by and large complete, with the important exception of several larger (mainly infrastructure) enterprises such as the Estonian Railway. There was no majority will to fundamentally reverse policies. The international monitoring of Estonia's policies together with the first solid signs of economic success in 1995 further weakened incentives for any reversal (Lauristin and Vihalemm 2009: 11-12). Also the historical fear of Russia felt by many Estonians encouraged Estonia's adherence to the standards and rules of Western organizations in economic, administrative, judicial and other policy areas.

Moreover, these governments were politically weak. In November 1995, the Reform Party replaced the Centre Party in the government coalition. Tiit Vähi remained Prime Minister but the Reform Party withdrew in November 1996. The government continued its work as a minority government. After Vähi's resignation in 1997, the next government of Mart Siimann worked as a minority government throughout its tenure until the elections of 1999 and experienced increasing growth of influence of some of the top civil servants in the ministries. Raivo Vare recalls strong skepticism among a group of top civil servants about the capacity of the Mart Siimann government: *"There was a group of [top civil servants] who considered the government so weak that they had to take things into their hand – approximately ten people of the leading ministries [including 7 or 8 chancellors]. There was such a group that from time to time gathered and deliberated matters. They did not pursue any specific partisan or privatization agenda. They were worried about the management capacities of the government."*

The demise of parties with social roots in Soviet era management was marked by the parliamentary elections of 7 March 1999. The previously ruling Coalition Party suffered a major loss, gaining just 7 seats in the legislature, and was disbanded altogether a few years later. There is no proof that the governments of 1995-1999 were fundamentally more corrupt than those immediately preceding and succeeding them, although some could see it as suspicious that, for example, Tiit Vähi gained control over the rare earth processing company Silmet, which was privatized during Siimann's government. By 1999 a portion of the electorate was disillusioned due to corruption suspicions about politicians of various parties (not just the government) (Smith et al. 2002: 100). Additionally, for some of the business supporters the new liberal Reform Party of Siim Kallas represented a more attractive alternative than the

weakened Coalition Party. Eventually the Coalition Party was defeated in the elections of 1999. On 25 March 1999, the second government of Mart Laar took office based on the coalition of the *Pro Patria* Union, the Reform Party, the People's Party and the Moderates.

The governments of 1995-1999 were probably too short-lived, too weak and indeed not quite reactionary enough to reverse many of the positive effects of the reforms of 1992-1995. However, some more general characteristics of the relationship between politics and economic heavyweights in Estonia have to be considered as well. Top officials of the ESSR who became businessmen never returned to the political elite as politicians. Those who wanted to play a role in politics tended to confine themselves to the role of supporters and donors. Additionally, important political parties retained a noticeable degree of autonomy from their sponsors and vested economic interests.

The rather effective exclusion of individuals with Communist backgrounds (or with reputation problems) from the political life or at least from the more visible part of it was a recurring topic in the interviews.<sup>6</sup> According to the common narrative they were not able to exert anything close to decisive influence in politics although some managed to gather significant economic resources, including through privatization. For example, the last Prime Minister of ESSR Indrek Toome participated in privatization and became a wealthy person but since 1992 never made any attempt to return to political activity (Ammas 2003, Kaio 2012). Mehis Põlv, the former chairman of the Planning Committee and the Deputy Minister of Economy under the government of Indrek Toome, also became an entrepreneur. The former First Secretary of the Tartu City Committee of the Communist Party Tõnu Laak became a major businessman in several important companies (Bloomberg Business 2015). Neither of them attempted a public political career in the independent Estonia.

Of course, the 1990s also saw the growth of the entrepreneurial elite, including people who were not top officials in the ESSR. In 1993 the Taxpayers' Club established by 13 influential businesspeople and officials ended up in a conflict with several *Pro Patria* politicians including Kaido Kama. A key episode was the privatization carried out by the Bank of Estonia of one third of the Savings Bank to Hansabank without an auction and for what seemed to Kaido Kama a very low price. The crony image of the deal was strengthened by the fact that the President of the Bank of Estonia Siim Kallas, the Chairman of the Board of the Savings Bank Olari Taal and the Chairman of the Board of the Hansabank all belonged to the Taxpayers' Club (Muuli 2012). Eventually the sale remained in force but Kaido Kama still concludes that "*the danger of new oligarchy was sufficiently high*".

There was consensus among the interviewees that a corrupt oligarchy did not become established in Estonian politics. A number of instances show that major donations to ruling parties did not always translate into control over political decisions. For example, donations stemming from Jüri Kõo (son of the previously mentioned Vladimir Kõo) and companies under his control to the *Pro Patria* Union of at least a quarter of a million kroons did not allow them to derail the planned partial privatization of power plants in Eastern Estonia (Huang 2002: 4). The Estonian e-governance expert and MP from the Moderates (1999-2001) Ivar Tallo recalls that "*the association of big businesses [officially in English – the Estonian Business Association] and its chairman Adu Lukas, one of the oil barons in*

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<sup>6</sup> With some important exceptions, for example, the former Chairman of the Presidium of the Supreme Council of the ESSR Arnold Rüütel became the President of Estonia in 2001.

*Estonia, initiated a process to have some institutional influence on politicians because the parties come to them, hands out, - eh, give us some money. All the major party representatives, chairmen and secretary generals were collected [in round table discussions] and then the association raised some issues and allowed them to respond. What was interesting was that in a couple of years when the coalition [of Mart Laar's government] came to power, which had been financially supported by this big business association, they again fell apart with the government. The association said, OK, it is our interest to do this and the politicians said – sorry. [...] I was in the parliament myself. I remember Adu Lukas approached me and was trying to figure out why the politicians don't talk to them anymore and how to remedy this situation. I think they had a little bit the feeling that the politicians owe them. Now that we have supported their election campaign, politicians should pay back something. But the politicians didn't really feel the same way."* Another example of even a major sponsor not consolidating a financial contribution into political control was Olari Taal who sponsored the *Res Publica* party. The party was established in 200 based on the long-existing youth organization related to *Pro Patria* and became one of the winners of the election in 2003. *Res Publica* leader Juhan Parts was the Prime Minister in 2003-2005. Despite securing millions of kroons for the party, Olari Taal was nominated but not elected the vice-chairman of the party (Muuli 2013). According to Ivar Tallo "*Res Publica came with Olari Taal's money and the guys actually introduced this legislation of party funding from the state government budget to get rid of his influence on politics.*" So on many occasions the political parties have felt the need to maintain a degree of autonomy in decision making. The public-interest element (versus the private-interest maximizing) has been present in ruling parties and has been sufficiently strong to prevent oligarchic capture of the state. The effective exclusion of most Soviet era nomenklatura leaders from Estonian politics hints to the important disciplining influence of public opinion. Thus we can presume significant moral constraints on corruption that stemmed from the values of the general public.

The way how this influence worked can be seen through the role of the media. Already during the parliamentary period of 1992-1995, the media exerted strong pressure. At that time experts had differing opinions on whether a dedicated anti-corruption law is needed in Estonia. Jüri Adams recalls that "*we were in the position that there was no way of not adopting such a law in parliament. There was a huge public pressure and mainly from the media.*" Väino Sarnet claims that, before the elections of 1995, the Coalition Party and the Centre Party had informally agreed to remove him from the post of General Director of the Privatization Agency and it was the positive approval and support in the media that prevented the removal: "*The Estonian media rescued me. If you look at the media in the summer of 1994, there were only positive articles considering me. This was very exceptional because privatization as such is not a very positive thing for media usually and not for the general public. [...] Mister Vähi once said that this was a very exceptional situation to carry on with privatization when the general public and media support the privatization chief and you must not remove this man this time.*"

Daimar Liiv referred to another telling episode about the importance of the media: "*Tiit Vähi government had to pass a regulation for the implementation [of the Anti-Corruption Law] and the form of the declaration of interests. There was a date in the law, by which this regulation should be passed to make it possible to start the life of this law. By the very last date, I was not sure whether this government would pass this regulation. But they passed*

*and after that there was no way back. Of course, we talked with journalists, the media about the importance of all this stuff that the government should pass this regulation and then we'd have a very strong cornerstone for anti-corruption. I think they just couldn't not pass it at one moment. We got signals that this new coalition was not very happy with this law because by these times almost everyone had some property."*

There is a consensus among Estonian experts that most media enjoy editorial independence from their owners. The presence of Nordic owners has been a factor encouraging editorial independence, for example, the Norwegian media group Schibsted owned the largest quality daily *Postimees* and other media of the *Eesti Media* concern from 1998 till 2013. Ivar Tallo described the situation: "*Nordic owners are a kind of outside the country so the editors can make up their mind pretty much independently. There is no direct interference. [...] The only thing that has characterized the media clearly is that it's really free.*" Indeed according to the World Press Freedom Index Estonia has the most free media of all former socialist countries (Reporters without Borders 2014).

One of the hallmarks of the second Laar government was the adoption and implementation of transparency provisions. Internet access and transparency received a boost from the adoption of the new Telecommunications Act on 9 February 2000. The law guaranteed provision of internet access to everyone regardless of geographical location. The electronic ID card and common contact point of the state at [www.eesti.ee](http://www.eesti.ee) were introduced in 2002. The early 2000's marked the beginning of wide accessibility of public services via the internet. On 15 November 2000 the Public Information Act was adopted providing guarantees of access to information. The Data Protection Inspectorate was entrusted with the responsibility for the implementation of the act. The Director of the Criminal Statistics and Analysis Division in the Ministry of Justice Mari-Liis Sööt named the transparency measures as a key milestone in Estonia's anti-corruption policy: "*[A key milestone] is [...] that our public information act allows or actually prohibits hiding of information. There have been some steps back as the ministries and all kinds of public agencies have become cleverer and have had some bad experiences with too much publicity. But in general I think this is the main corner stone – transparency of decision making and different processes, which has also been supported by the IT technologies, which allow people to make transactions online.*" Also other interviewees stressed the importance of openness of information. According to Mart Laar "*the second period [of Laar in the Prime Minister's office] was mostly usual anti-corruption matters, publication. We made everything public and that also worked very good. That was the start of e-government reforms.*"

In the interviews transparency recurs as an explanation for Estonia's ability to consolidate and strengthen relatively non-corrupt governance. New legal guarantees of public access to information and the advent of broad access to online public services acted as new constraints on corruption possibilities (see also Kasemets 2013: 70-71). It can be surmised that the virtuous circle perpetuated by the interplay between, on the one hand, pressures of public opinion (largely through the media) requiring more efficient and universalistic governance and, on the other hand, initiatives from governments in response to public needs (for example, by providing more transparency). More transparency, in turn, added yet more opportunities for public oversight.

## **Other factors**

One paradox of Estonia lies in the fact that the cleanest of the EU-FS countries has not officially prioritized anti-corruption policy quite to the extent that some other countries of the region have done at least in words. Estonia does not have a dedicated, autonomous anti-corruption body and its first comprehensive anti-corruption strategy was adopted as late as 2004. Estonia slightly resembles Scandinavian countries, where corruption is rare but the formal anti-corruption framework limited. This does suggest that explanations for Estonia's ability to keep corruption under control lie in the way the political system has changed and performed more generally. However, once the dominant ideologies, constellations of political groups and public demands had exerted their thrust for universalistic governance, the effects of rather mainstream anti-corruption activities should not be neglected.

Estonia has a framework of **legal constraints of corruption**, which started developing in the early 1990s. In 1991, the Security Police Bureau was created within the Police Board. In 1993, the parliament made the decision to establish the Security Police as an independent institution (Security Police of the Republic of Estonia 1999: 10). The head of the Security Police Jüri Pihl enjoyed the confidence of the ruling political parties despite his career in the interior system of the ESSR since the 1970s. With hindsight, it can be argued that the detection of the offer of a bribe by the former Prime Minister of ESSR Indrek Toome to an officer of the Security Police in November 1994 attested to the appearance of effective restraints on corruption (Security Police of the Republic of Estonia 1999: 37). The case did not challenge the ruling elite as Indrek Toome was not active in politics anymore and there was no political pressure on the Security Police to halt the investigation. Quite to the contrary, Kaido Kama who was the Minister of Interior at the time remembered: "*Jüri Pihl called me – Toome wants to give, what do we do? Catch! That's all.*" In the 1990s, the activity of the Security Police clearly represented a constraint on middle- and higher-administrative levels corruption in national and local government institutions (see, for example: Security Police of the Republic of Estonia 1999: 38, Freedom House 2003).

In 2006, for the first time the Security Police launched a criminal investigation into corruption of ruling national government politicians, which ended with convictions. This can serve as an indication of established capacity to counter corruption of members of the political elite. In 2006, the leader of the People's Union and the Minister of the Environment Villu Reiljan was forced to resign after the Security Police detected corrupt deals with his involvement. In May 2009, a Tallinn court convicted Villu Reiljan for bribery in connection with the auction of an office building (the conviction was upheld by the Supreme Court in 2010). In 2009 another trial began against Villu Reiljan and six co-defendants (including the MP and former Minister of Agriculture Ester Tuiksoo). The case involved kickbacks for helping certain businessmen exchange land in nature conservation areas for high-value urban properties. The defendants were first acquitted but, in June 2013, the district court reversed the acquittal and carried out a conviction with suspended sentences of varying lengths (Freedom House 2008: 220). The Supreme Court upheld the conviction in 2014. The cases can be interpreted as signs of universalism because the investigators have been able to successfully target members of the governing elite.

Estonia also developed a high degree of independence of the judiciary. Freedom House ranks Estonia's judicial framework and independence higher than in any other former Soviet country (Hinsberg et. al. 2015: 43), as does the Rule of Law Index of the World Justice Project on such factors as constraints on government power, absence of corruption,

open government, regulatory enforcement, civil justice, and criminal justice (World Justice Project 2014).<sup>7</sup> None of the governments of the 1990s had both sufficient will and ability to subdue judiciary institutions to particularistic political control. Daimar Liiv described the relationship between politicians and the judiciary in the following words: *“Rait Maruste [...] very strongly pushed the idea that courts should be independent. And politicians at least in 1995 and even in 1999 [...] were respecting judicial [independence]. I don’t know why. The first parliament – probably because there were almost no lawyers in the parliament. Very few. And in the second parliament there was the same situation. So they respected the power of the judiciary. Of course, there were several little attempts to influence but the general mood was that they should not go into this business what the judiciary does and what was important that all ministers of justice accepted this. Let’s say – didn’t try in some way with public means to attack the Supreme Court. They said OK the Supreme Court has its responsibility and they had to make their decisions. It’s not our power, not our field to do. We may say that we’re not very happy with this but we have to accept it. It’s their power.”*

Overall it seems fair to say that encouraging the development of impartial institutions has been a stronger anti-corruption factor than an explicit anti-corruption policy as such. On the administrative level, the relatively low level of politicization of the civil service has served as evidence of universalism as the dominant mode of operation. According to Tiina Randma-Liiv, apart from state-owned enterprises, there “are no state agencies where politicians feel that these are important enough to keep them under control”. Based on a survey carried out in 2007 and 2008, Jan-Hinrik Meyer-Sahling and Tim Veen published scores of the overall politicization of the senior civil service in eight countries of Central and Eastern Europe where Estonia had the lowest score of 14 (on a standardized scale of 100) (Meyer-Sahling and Veen 2012: 9) although among Estonian experts concerns persist about the politicization of the public administration especially on the local level (Korruptsioonivaba Eesti 2012; Tõnnisson and Muuga 2013: 11, 12, 16).

**Articulated anti-corruption policy** emerged in Estonia in 1994-1995. On 19 January 1995, the first Anti-Corruption Law was adopted introducing incompatibilities and declarations of economic interests for public officials. A group of MPs had submitted the bill. Jüri Adams and Daimar Liiv were among the principal co-authors who crafted the draft of the bill to its final version. In January 1999, the Public Service Code of Ethics was added to the Public Service Act. However, the adoption of the Code did not bring about any immediate change in the operation of the public administration. In July 2000, the National Strategy for Crime Prevention was adopted, which included priorities for the fight against corruption. On 19 February 2004, the beginning of a comprehensive anti-corruption policy was marked by the approval of the first comprehensive anti-corruption strategy “An Honest State” 2004-2007. The leadership and civil servants of the Ministry of Justice took on a leading role in the development of anticorruption policies (largely relying on efforts by Mari-Liis Sööt since 2005). The ministry has been leading the drafting of anti-corruption strategies. According to Mari-Liis Sööt, since the time of Juhan Parts’ government, favorable personal attitudes of ministers of justice (e.g. Ken-Marti Vaher) in combination with motivated civil servants have contributed to the centrality of the anti-corruption policy development and coordination role of the Ministry of Justice.

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<sup>7</sup> The Rule of Law Index does not cover all of the former Soviet countries. For example, Latvia and Lithuania are not included.

Within and outside state structures, particular individuals continued efforts at reform regardless of changes in government. For example, the then teacher at the Euro Faculty of the University of Tartu and advisor to the government administration reform commission in 1997-1998 Ivar Tallo authored the Public Service Code of Ethics, which was promoted by such actors as the Secretary of State at the Government Office Uno Veering and the Chairman of the Legal Committee of Riigikogu Daimar Liiv. In 2004 Heiki Loot (the Secretary of State at the Government Office since 2003) initiated strengthening the management of public service ethics with a major emphasis on training. Later the responsibility for public service ethics management was transferred to the Ministry of Finance.

The official start of Estonia's **EU membership** bid was on 24 November 1995 when Estonia presented its application for membership. In June 1996 the government approved the Activity Plan for Joining the European Union, which can be regarded as the beginning of the pre-accession period. The EU membership application evidenced the fact that the suspected political backlash exemplified by Tiit Vähi's government did not affect the fundamentals of Estonia's geopolitical orientation.

The interviewed experts and actors provided differing opinions as to the particular role of EU accession vis-à-vis Estonia's anti-corruption achievements. There are assertions that most of the significant reform steps were adopted without EU conditionality and therefore the EU's role with regard to Estonia's control of corruption was minimal. According to Mart Laar, EU conditionality was not a factor explaining Estonia's ability to control corruption. On the other hand, the EU's role is acknowledged in the strengthening of the general framework of public administration, thus entrenching universalistic principles therein and helping to "clean up the system". All in all it does seem that the logic of EU accession served as a safeguard against possible reversals in a number of areas and in a number of ways.

The European integration process also facilitated exchange of information with EU countries such as, for example, the Nordic countries Finland, Sweden and Denmark. In addition to strict conditionality, the exchanges served a socializing role with policy makers reviewing rules and regulations of other European countries as models for adaptation, being exposed to various concepts and ideas within trainings, seminars, twinning projects and personal contacts. Given that the sustainability of Estonia's anti-corruption success is rather due to gradual strengthening of the institutional framework than an aggressive anti-corruption policy, such learning and socializing influences could have played an important role.

In the context of international integration, Estonia's special **closeness to Finland and other Nordic countries** deserves particular mention. In addition to such factors as the Soviet era exposure to Finnish television and the general cultural proximity of Estonians and Finns, rapidly developing links with Nordic (particularly Finnish) economies arguably influenced the business and indirectly also the political environment of Estonia. From all former-Soviet countries, Estonia was the most exposed to foreign investment from some of the most universalistic states of the world. In 1994 direct investment from Finland amounted to 637.4 million Estonian kroons, followed by Sweden (531.6 million), and only then Russia (422.6 million) (Bank of Estonia 2002: 65). The positive effect of integration with the Nordic economies was mentioned as a factor by several interviewees. The economist and MP of the Moderates faction in 1992-1995 Ivar Raig argues that strong spillover effects took place as Estonia's business with non-corrupt countries and their enterprises influenced the country's situation: *"Even the Russian mafia, it seems to me, partly left Estonia. They found out that*

*Estonia was not interesting for them so much because more and more investment came from Finland and Sweden.*” According to the experienced journalist and editor Tarmu Tammerk the impact of co-operation between Estonian, Finnish and other Nordic companies can be traced back even to the final years of the 1980s when joint ventures were permitted and those who had Nordic partners gave up, for example, the so-called double bookkeeping (one set of records for themselves, and another for the authorities).

Even after reviewing a great amount of empirical data and a reasonable degree of understanding of how changes happened in the 1990s, one may be left wondering why many Estonian politicians were seemingly unwilling to exploit all of the opportunities for personal enrichment that the environment of the post-Soviet transition offered. Their personal social and educational background, previous professional and political activities, external social pressures may provide helpful hints as to why they acted this way. However, motivations are inherently hidden and asking the actors to explain their motivations may not necessarily provide reliable answers because this can prompt the respondents simply to portray themselves in a socially desirable light. **Culture** is one factor, which could provide some additional explanation.

This study did not particularly focus on mapping cultural traits. However, some interviewees did provide insights into cultural factors. There was a recurrent mention of certain traits of the Estonian mentality (allegedly Nordic-type) as a possible explanatory factor, e.g. distance in personal relations except for a narrow circle, inclination toward rules-based and transparent behavior in public life, a high level of intolerance toward particularistic gains of public figures. One of the interviewed public officials commented on the Estonian mentality as follows: *“We have relatively few friends. It also can mean that our friends are closer to us but it’s a relatively little circle and our friends are relatively similar to us. It’s not very probable that some of my friends could be very corrupted persons [...] Friends are persons I know better and friends are not just someone I say hello to. In this sense it’s easier to act by the book if you don’t have such close relations and such moral obligations towards many, many people or to your relatives up to the tenth generation and so on.”*

A study focusing on the legacy of the political culture of Estonia in the inter-war period reached a finding which is compatible with the above statement, and notes “strong expressive individualism, which saw the individual as the source of his or her own fortune but who also held the right to claim reward for his or her achievements” (Bennich-Björkman 2007: 337). This individualism is coupled with a particular type of egalitarianism akin to the principle of equality of opportunity. Both of these characteristics may be factors that prompt individuals to organize their relations based on rules and not so much on personal loyalties and group ties. In addition, Bennich-Björkman highlights a civic culture emphasizing solidarity and cooperation. Estonia is among those societies of the world exhibiting the most rational-secular values (World Values Survey), a factor that tends to limit corruption, at least moderately (Sandholtz and Taagepera 2005: 113-114).

Another theme, which threads through the interviews, is intolerance towards visible signs of corrupt gains. As one of the interviewees expressed, *“a bribe, in whatever form, especially in a monetary form, always, including the Soviet time, was considered an ugly thing. [...] To boast with one’s corrupt relations was never considered a good tone with us.”* The need to conceal corrupt relationships and gains creates a moral constraint for corruption, which remains even if legal constraints are not sufficiently strong.

## Summary and Conclusions

Despite overall success, episodes of particularistic acts (in legally punishable or other forms) are recurrent in Estonia. By 2003, the public had become so upset with perceived corruption that the new challenger party *Res Publica* could win elections with the slogan “Incorruptible!” Political patronage and shady party finance deals keep rocking Estonian politics to this day. Let us recall, for example, the revelations of the former MP Silver Meikar in 2012 when he is alleged to have been given cash to pass on to the ruling Reform Party in 2009-2010. The Secretary General of the Reform Party Kristen Michal (the Minister of Justice at the time of the revelations) allegedly initiated this financial intermediation scheme. Eventually Silver Meikar was expelled from the Reform Party and Kristen Michal resigned from his ministerial post (Pettai and Mölder 2013: 225, 226). Also the practically unchallenged dominating position of the Reform Party in the government since 2005 probably favors political corruption and particularism. The media has used the term oligarch to describe the entrepreneur, politician and key sponsor of the Reform Party Neinar Seli, fined in a conflict of interest case by the court of first instance in 2014 (Höbemägi 2012, Err.ee 2014).

Nevertheless, Estonia is probably the least corrupt of all former socialist countries even though anti-corruption has rarely been at the top of the country’s political priorities. Historical legacies apparently helped create this state of affairs. Although Soviet Estonia had the same bargaining economy and particularistic distribution of resources as other parts of the Soviet bloc, it was special at least in comparison with other republics of the Soviet Union. Estonia was by and large the wealthiest republic with the most developed elements of autonomous civil society and considerable exposure to Western information. A peculiar mixture of cultural traits inherited from pre-war times survived and featured individualism coupled with cherishing the equality of opportunity, solidarity and cooperation. Certainly, despite having a small population, Estonia also has a variety of cultural traits and attitudes. The levels of tolerance against corruption vary between ethnic Estonians and the Russian-speaking minority, the peculiar cultural background of the pre-war era is not present among those who immigrated to the country in the Soviet time and is expressed unevenly also among the ethnic Estonians themselves. At the local level, relations of public authorities are persistently described as more particularistic than at the national level. Still, it seems that during the democratization process, the country never deteriorated to such comprehensive lows of corruption observed in many other transition countries.

The radical reforms in 1990-1995 (and especially in 1992-1995) and gradual strengthening of the legal constraints on corruption in the period prior to Estonia’s accession to the European Union and afterwards have led to the current relatively universalistic state of governance. The story of Estonia’s development is a mix of a “big-bang” and evolutionary development.

The strong anti-communist and nationalist mood of Estonians appear to be a key driving force behind the drastic replacement of the ruling elite, which culminated in the 1992 parliamentary elections. The rather large pool of people who had qualifications for elite positions but had kept their distance from Soviet power structures became politically active and created reforms that had defining effects for several decades in the future. At least in the first years of regained independence, many members of the new ruling elite had strong idealistic commitments to ideological principles such as the non-recognition of the legality of

Soviet rule in Estonia, rule of law and free market economy. Several of the new parties also benefited from support by ideologically close partner parties from Germany and Scandinavian countries.

The reforms of the judiciary, property and other areas show that the Supreme Council had already laid the groundwork for fundamental changes prior to the parliamentary elections of 1992. The coming to power of the government of Mart Laar maintained this drive for reform, ensured sustainability of the changes and added new reforms. Individual integrity of particular politicians in the Riigikogu and the government clearly played a role in getting corruption under control. The withdrawal of the state from economic operations reduced material resources available for corruption while the acute anti-communist position (which associated among other things nepotism and clientelism with the socialist type of rule) gave a boost for the normative constraints on corruption. Moreover this new elite group and many of their voters did not have any inhibitions against excluding non-Estonians and former Soviet officials from political power and administrative structures. On the other hand, they were inviting and open to the rich supply of advice and practical work done by Western consultants generously paid for by international donors. The foundations laid in 1991-1995 changed the state apparatus as well as the relationship between the state and society to such an extent that a certain path dependency emerged for Estonia's further evolution towards universalistic governance.

The ruling groups changed in 1995 but the governments of 1995-1999 were probably too short-lived, too weak and indeed not quite reactionary enough to reverse many of the positive effects of the reforms of the previous period. Transparency is perceived as a key explanation for Estonia's ability to consolidate and strengthen relatively non-corrupt governance. New legal guarantees of public access to information and broad access to online public services came after 1999 to serve as a new layer of constraints on corruption. More broadly, it can be surmised that a virtuous circle developed, perpetuated in the interplay between, on the one hand, pressures of public opinion (largely through the media) requiring efficient and universalistic governance and, on the other hand, initiatives from government in response to public needs (for example, by providing more transparency). More transparency, in turn, added yet more opportunities for public oversight.

During the second half of the 1990s, the Security Police (currently known as the Internal Security Service) developed a permanent capacity to counter corruption incidents of a criminal nature. The body of recently recruited civil servants and judges stabilized. With a few important exceptions, the end of the 1990s brought the final break of the political elite from the nomenklatura and managerial members of the establishment of Soviet Estonia. The political power of these people had dwindled for good. Meanwhile, important political parties retained a noticeable degree of autonomy from their sponsors and vested economic interests.

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## Appendix – political parties and associations mentioned in the report

### Parties in the ancestry of *Pro Patria* Union

**Estonian National Independence Party** (*Eesti Rahvusliku Sõltumatuse Partei*) – established in 1988. The party included a number of prominent dissidents such as Lagle Parek, the Minister of Interior (1992-1993), and Jüri Adams, the Minister of Justice (1994-1995). It also had several other ministers in Mart Laar and Andres Tarand governments (1992-1995). The party merged with *Pro Patria* National Coalition Party in 1995.

**Estonian Christian Democratic Party** (*Eesti Kristlik-Demokraatlik Erakond*) – established in 1988, merged into *Pro Patria* National Coalition Party after parliamentary elections in 1992. Among its leaders was Toivo Jürgenson, the Minister of Economy of Mart Laar and Andres Tarand governments (1994-1995), and the Minister of Roads and Communication in the second Mart Laar government (1999-2002).

**Estonian Christian Union/ Estonian Christian Democratic Union** (*Eesti Kristlik Liit/ Eesti Kristlik-Demokraatlik Liit*) – established in 1988 (as a party in 1989). Merged into *Pro Patria* National Coalition Party after parliamentary elections in 1992. Among its leaders were the Prime Minister Mart Laar (1992-1994, 1999-2002) and Trivimi Velliste, the Minister of Foreign Affairs of Mart Laar government (1992-1994).

**Estonian Conservative People's Party** (*Eesti Konservatiivne Rahvaerakond*) - established in 1990, merged into *Pro Patria* National Coalition Party after parliamentary elections in 1992. Among its leaders was Kaido Kama, the Minister of Justice (1992-1994) and Minister of Interior (1994-1995).

**Republican Coalition party** (*Vabariiklaste Koonderakond*) – established in 1990, merged into *Pro Patria* National Coalition Party after parliamentary elections in 1992. Among its leaders were Jüri Luik, the Minister of Defense of Mart Laar governments (1993-1994, 1999-2002), the Minister of Foreign Affairs of Mart Laar and Andres Tarand governments (1994-1995), Indrek Kannik, the Minister of Defense of Mart Laar government (1994), and Ülo Nugis, the Chairman of Riigikogu in 1992-1995.

***Pro Patria* National Coalition Party** (*Rahvuslik Koonderakond Isamaa*) – established after parliamentary elections in 1992 in the process of merging of four political parties that had formed a common election coalition. The party's chairman was Mart Laar (Prime Minister in 1992-1994, 1999-2002, Minister of Defense in 2011-2012). The party merged with the Estonian National Independence Party in 1995.

***Pro Patria* Union** (*Erakond Isamaaliit*) – established in 1995 in the merger of *Pro Patria* National Coalition Party and Estonian National Independence Party. *Pro Patria* Union was in opposition in 1995-1999. In 1999-2002, its leader Mart Laar was the Prime Minister.

### Parties in the ancestry of the current Social Democratic Party

**Estonian Social Democratic Party** (*Eesti Sotsiaaldemokraatlik Partei*) - established in 1990 in the merger of several parties. Between 1990 and 1995, the chair of the party was Marju Lauristin (Minister of Social Affairs in 1992-1994, since 2014 MEP). The party formed the electoral alliance Moderates (*Mõõdukad*) with the Estonian Country Centre Party in parliamentary elections in 1992 and 1995. As part of the Moderates, the party participated in the governing coalition of the governments of Mart Laar (1992-1994) and Andres Tarand

(1994-1995) (the latter himself belonged to the Moderates). In 1996 the two parties merged into the Moderate Party.

**Estonian Country Centre party** (*Eesti Maa-Keskerakond*) – established in 1990. The party formed the electoral alliance Moderates (*Mõõdukad*) with the Estonian Social Democratic Party in parliamentary elections in 1992 and 1995. As part of the Moderates, the party participated in the governing coalition of the governments of Mart Laar (1992-1994) and Andres Tarand (1994-1995) (the latter himself belonged to the Moderates). In 1996 the two parties merged into the Moderate Party.

**People's Party** (*Rahvaerakond*) – registered under this name after a merger of the Estonian Peasants' Party and the Republican and Conservative People's Party in 1998. The party's chairman was Toomas Hendrik Ilves, the Minister of Foreign Affairs (1996-1998, 1999-2002). Ilves was an MEP in 2004-2006 and is the President of Estonia since 2006. In 1999, the People's Party merged with the Moderate Party and formed the People's Moderate Party (since 2004, it is called the Social Democratic Party).

### **Parties in the ancestry of the Estonian Reform Party**

**Estonian Liberal Democratic Party** (*Eesti Liberaal-Demokraatlik Partei*) – established in 1990 and, through a merger, became the Estonian Reform Party – Liberals in 1994. The Liberal Democratic Party participated in the parliamentary elections of 1992 as part of the *Pro Patria* coalition and participated in the governing coalition of Mart Laar and Andres Tarand governments in 1992-1994. Heiki Kranich and Andres Lipstok were the Ministers of Finance in Mart Laar government in 1994 (Andres Lipstok also in the government of Andres Tarand in 1994-1995 and he was the Minister of Economy in 1995-1996; Heiki Kranich was also the Minister of Environment in 1999-2003). Toomas Vilosius was the Minister of Social Affairs in Mart Laar and Andres Tarand governments in 1994-1995, the Minister of Social Affairs in 1995-1996.

**Estonian Reform Party** (*Eesti Reformierakond*) – established in 1994 as the Estonian Reform Party – Liberals in a merger between the initiative group of the then President of the Bank of Estonia Siim Kallas and the Estonian Liberal Democratic Party. Several Prime Ministers of Estonia belong to the Reform Party – Siim Kallas (2002-2003), Andrus Ansip (2005-2014), Taavi Rõivas (since 2014).

### **Other parties**

**Estonian Communist Party** (*Eestimaa Kommunistlik Partei*) – established in 1920, merged into the Communist Party of the Soviet Union (CPSU) in 1940. As a unit of the CPSU, the party held official monopoly power in the ESSR between 1940 and 1990. In 1990, the majority of the Estonian Communist Party split from the CPSU and formed an independent Estonian Communist Party (in 1992 renamed as the Estonian Democratic Labour Party). The part of the Estonian Communist Party that remained loyal to the CPSU was banned in 1991.

**Estonian Centre Party** (*Eesti Keskerakond*) – founded in 1991 on the basis of the Popular Front of Estonia. Edgar Savisaar has been the chair of the party since its establishment (with a brief interruption in 1995-1996). Edgar Savisaar was the Prime Minister in 1991-1992 and the Minister of Interior in 1995 (government of Tiit Vähi), the Minister of Economy and Communication in 2005-2007 (government of Andrus Ansip), mayor of Tallinn in 2001-2004

and since 2007. The party was a part of the governing coalitions in 2002-2003 and 2005-2007 and currently has the largest opposition faction in the Estonian parliament.

**Estonian Coalition Party** (*Eesti Koonderakond*) – established in 1991 and dissolved in 2002. The party stayed in opposition between 1992 and 1995, and after 1999. Two Prime Ministers – Tiit Vähi (1992, 1995-1997) and Mart Siimann (1997-1999) belonged to the Coalition Party.

**Estonian Association of Pensioners and Families** (*Eesti Pensionäride ja Perede Liit*) – established in 1991 as Estonian Democratic Union of Law (renamed in 1994). The party participated in the electoral union “The Coalition Party and Country People’s Union” in the parliamentary elections of 1995 and became a part of the ruling coalition under the Prime Ministers Tiit Vähi and Mart Siimann. The party merged with Estonian People’s Union in 2000.

**Estonian Country People's Party** (*Eesti Maarahva Erakond*) – established in 1994 (chairman Arnold Rüütel, President of Estonia in 2001-2006). The party participated in the electoral union “The Coalition Party and Country People’s Union” in the parliamentary elections of 1995 and became a part of the ruling coalition under the Prime Ministers Tiit Vähi and Mart Siimann. In particular, it had the post of the Minister of Environment (Villu Reiljan 1995-1999; 2003-2006). In 1999, the party was renamed Estonian People’s Union.

**Res Publica Party** (*Erakond Res Publica*) – established in 2001 (registered as the Union for the Republic – Res Publica in 2002). Juhan Parts of *Res Publica* party held the Prime Minister’s office in 2003-2005 (Minister of Economy and Communication in 2007-2014). In 2006, the party merged with *Pro Patria* Union and formed *Pro Patria* and *Res Publica* Union.

## Associations

**Estonian Students Society** (*Eesti Üliõpilaste Selts*) – a students’ organization based on life-long membership, established in 1870. The organization carried out its activities in Tartu until 1940 when it was banned. A number of chapters of the organization existed in exile after 1945. The organization was reestablished in Tartu in 1988, it played an important role in the social processes of the late 1980s. Its members include numerous prominent Estonian political figures.

**Estonian Heritage Society** (*Eesti Muinsuskaitse Selts*) – a citizens’ initiative established as an organization in 1987 to protect Estonia’s historical heritage. The organization’s founder and first chairman was Trivimi Velliste. Its leaders included also Mart Laar. The organization’s activities had a strong pro-Estonian political character, for example, it was one of the main supporters of the movement of citizens’ committees and participated in the elections of the Congress of Estonia. The Estonian Heritage Society still exists nowadays although not as a political organization.

**The Popular Front of Estonia** (*Eestimaa Rahvarinne*) – broad social movement established in 1998 initially with the official aim to support the reforms of the so-called Perestroika. The Popular Front quickly evolved to support the independence of Estonia and gained the plurality of votes in the elections of the Supreme Council in 1990. It remained in the opposition after the parliamentary elections of 1992 and dissolved in 1993. The public initiator and a key founder of the Popular Front in 1988 was Edgar Savisaar who became the Prime Minister in 1990-1992. A number of other politicians who later acted in different political parties used to belong to the leadership of the Popular Front.

**Estonian Business Association** (*Eesti Suurettevõtjate Assotsiatsioon*) – a non-profit organization established in 1996 with the stated mission to contribute to the development of competitive business and social environment as well as welfare in Estonia, exert influence to achieve greater effectiveness and goal-orientation of public and social organizations. Its members include the former Prime Minister Tiit Vähi.

## List of interviews

1. Jüri Adams, MP 1992-2003, Minister of Justice 1994-1995.
2. Kaido Kama, MP 1990-1994, Minister of Justice 1992-1994, Minister of Interior 1994-1995.
3. Priit Kama, civil servant since 1993, Undersecretary of the Ministry of Justice responsible for the Prison Service.
4. Mart Laar, MP 1992, 1994-1999, 2002-2011, 2012-2013, Prime Minister 1992-1994 and 1999-2002, Minister of Defense 2011-2012, Chair of the Board of the Bank of Estonia.
5. Daimar Liiv, MP 1992-1999, judge.
6. Uno Lõhmus, Judge of the European Court of Human Rights 1994-1998, President of the Supreme Court 1998-2004, judge of the European Court of Justice 2004-2013.
7. Peeter Mardna, Chief Inspector of the Health Board.
8. Elmar Nurmela, former long time police officer, adviser of the Police and Border Guard College of Estonian Academy of Security Sciences.
9. Vello Pettai, Professor of comparative politics at the University of Tartu (lecturer since 1995).
10. Aive Pevkur, adviser at the Government Office 2004-2009 and the Ministry of Finance 2010, teacher and researcher at the Tallinn University of Technology.
11. Jüri Pihl, former Director General of the Security Police 1993-2002, Attorney General 2003-2005, Minister of Interior 2007-2009.
12. Ivar Raig, MP 1989-1995, Professor at the University of Tallinn.
13. Tiina Randma-Liiv, Professor at the Tallinn University of Technology.
14. Jüri Saar, Professor of criminology of the University of Tartu.
15. Leno Saarniit, lecturer of governance at the Tallinn University of Technology, member of the Public Service Ethics Council at the Ministry of Finance.
16. Külli Sarapuu, Researcher at the Tallinn University of Technology.
17. Väino Sarnet, Director General of the Estonian Privatization Agency 1993-1999.
18. Anneli Sihver, adviser at the Public Administration and Public Service Department of the Ministry of Finance.
19. Mari-Liis Sööt, Director of the Criminal Statistics and Analysis Division of the Criminal Policy Department of the Ministry of Justice.
20. Rein Taagepera, Professor emeritus at the University of Tartu.
21. Ivar Tallo, MP 1999-2001, founder and Research Director of the e-Governance Academy.
22. Tarmu Tammerk, editor and writer since 1990, Media Ombudsman at the Estonian Public Broadcasting Company, board member of TI-Estonia.
23. Tiit Vähi, Minister of Transportation 1989-1992, MP 1997, Prime Minister 1992, 1995-1997.

24. Raivo Vare, State Minister 1990-1992, Minister of Roads and Communication 1996-1999, Chairman of the Council of the Estonian Railways.



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## 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

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