

Estonia

by Vello Pettai and Martin Molder

Capital: Tallinn
Population: 1.3 million
GNI/capita: US\$18,830

The data above was provided by The World Bank, *World Bank Indicators 2009*.

Nations in Transit Ratings and Averaged Scores

| | 1999-2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Electoral Process | 1.75 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Civil Society | 2.50 | 2.25 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 1.75 | 1.75 |
| Independent Media | 1.75 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Governance* | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 | n/a | n/a | n/a | n/a | n/a |
| National Democratic Governance | n/a | n/a | n/a | n/a | n/a | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 |
| Local Democratic Governance | n/a | n/a | n/a | n/a | n/a | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Judicial Framework and Independence | 2.00 | 2.00 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Corruption | 3.25 | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| Democracy Score | 2.25 | 2.13 | 2.00 | 2.00 | 1.92 | 1.96 | 1.96 | 1.96 | 1.93 | 1.93 |

* Starting with the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTE: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.

EXECUTIVE SUMMARY

Estonia's development toward democracy and a market economy has been steady since reindependence in 1991. Under a new Constitution adopted in 1992, the country has consolidated its democratic political system, achieving relatively effective governance at the national level. After an initial economic downturn that lasted until 1995, Estonia enjoyed a roughly 13-year period of renewed prosperity, which undergirded its political progress. All of this allowed the country to enter both NATO and the European Union in 2004, and thus the Western economic and political world. Throughout this period, however, Estonia also struggled to create a strategy integrating its large Russian-speaking minority, left over from Soviet rule and totaling some 30 percent of the population. Controversies over citizenship, language rights, and minority education often flared. Frosty relations with Russia further complicated this issue, with Moscow frequently accusing Estonia of human rights violations, which Estonia denied. The youth riots surrounding the removal of a Soviet-built World War II monument in Tallinn in April 2007 lent renewed urgency to the problem. The government subsequently adopted a new integration program to ease the tension and develop more proactive policy measures.

In 2008, Estonia's major challenge involved reining in the effects of the world financial crisis and the collapse of a local real estate bubble. The center-right government elected in March 2007 was forced to suspend many elements of its policy agenda and instead work out a series of austerity measures, which at times proved difficult politically. The coalition, however, stuck together. Meanwhile, concerns continued to be raised about certain shadowy aspects of party finance. Estonia's chancellor of justice (or ombudsman) lost a case before the Supreme Court demanding a tougher oversight mechanism for party finance. At the same time, media investigations continued to reveal how parties often channeled contributions into their coffers circuitously, either through subsidiary foundations or by accepting services in kind. The media, in this respect, continued to play a watchdog role, although they also focused considerable attention on more populist issues such as campaigning for a salary freeze for top government officials in response to the recession.

National Democratic Governance. The swift downturn in Estonia's economy in 2008 challenged the governing center-right coalition to shift from an expansive policy agenda to a stark set of budgetary cutbacks and recovery measures. All three parties in the coalition were forced to abandon earlier campaign promises. In particular, Prime Minister Andrus Ansip and his market-liberal Reform Party agreed to forgo a plan to further reduce Estonia's flat-rate income tax. At the same time,

the minister for social affairs (also from the Reform Party) tried to push through a major deregulation of labor laws, which she argued would provide more flexibility on the job market. The move, however, met strong resistance from trade unions, which forced the minister to engage in protracted negotiations over the reform. *Given this mix of challenges, as well as the government's relative success in meeting them, Estonia's national democratic governance rating remained at 2.25.*

Electoral Process. With no elections having taken place in Estonia during 2008, attention was focused instead on whether to change any existing electoral rules in advance of future polls. In particular, proposals were made to change the system for electing members of the European Parliament and to ease up on a tough ban on outdoor campaign advertising enacted in 2005. The latter was suggested in particular by Estonia's chancellor of justice, who argued that the ban was a violation of free speech. The chancellor of justice also contested the current system for monitoring party finance in the country's Supreme Court, maintaining that the laxity of the system bordered on being unconstitutional, but lost. *Owing to the lack of any major changes in the electoral process, Estonia's rating stood at 1.50.*

Civil Society. The Estonian government took some steps to enhance the country's civil society by approving the creation of the Civil Society Foundation, which would provide financial support for various projects sponsored by nongovernmental organizations. The measure was meant to bolster implementation of Estonia's nearly decade-old Civil Society Development Concept, which had languished in recent years because of a lack of complementary financing. At the same time, ethnic relations remained delicate following the April 2007 relocation of the Bronze Soldier statue in Tallinn and the riots that followed. While the government approved a new, large-scale minority integration program, a special study of integration showed that Russian speakers continued to feel uneasy about their place in Estonian society. *Based on these trends, Estonia's rating for civil society remained at 1.75.*

Independent Media. Estonia continued to have a free and vibrant mass media in all its forms. The main public broadcaster, Estonian Television, opened a second digital channel in August, focusing on children's programs, leaving more airtime on the primary channel for public affairs programming, which was partially filled with Russian language programs after the idea of opening a full-scale Russian-language channel was once again set aside. Meanwhile, questions continued to be raised about the political leanings of new media, Kalev Media, after the company secured a contract from the Tallinn city government to air a regular show about the city. *In light of these events, Estonia's media rating of 1.50 did not change.*

Local Democratic Governance. Estonia's long-standing need for local government reform remained unresolved in 2008 despite efforts by the minister for regional affairs to put together a plan to consolidate the number of rural municipalities. Local governments have been unsuccessfully encouraged with monetary incentives

to merge voluntarily for several years. A new minister (appointed in January) posed the question of eventually forcing local governments to merge, but this was met with resistance not only from local government leaders, but also from members of the ruling coalition. *By year's end, the plan had once again been shelved. The rating for local democratic governance remained at 2.50.*

Judicial Framework and Independence. In another enduring debate, the Estonian government sought anew to find a better plan for financing the country's court system. While the budget of the Supreme Court is approved separately, the lower courts receive their funding via the Ministry of Justice. This has raised concerns about judicial autonomy. Ultimately, the Supreme Court pushed for an integrated financing system, which would include independent authority to determine salaries and organize judicial training. However, no final legislation was passed. *Estonia's rating for judicial framework and independence remains at 1.50.*

Corruption. Catching up on a weak spot from last year, the Estonian government approved a major action plan to combat corruption. Stretching all the way to 2012, the program will include renewed enforcement efforts, legislative changes, public awareness campaigns, and extensive survey research. At the same time, a number of high-profile trials and media investigations showed that corruption, particularly in the realm of party finance, continued to be an important problem. *Estonia's corruption rating remains unchanged at 2.50.*

Outlook. Estonia's first and foremost challenge for 2009 will be dealing with the escalating economic and financial crisis. These tasks will, in turn, require holding together the governing coalition as well as maintaining social stability. Although Estonia appeared to have less social tension building up than, for example, neighboring Latvia, the country still faces mounting unemployment and economic hardship. These political pressures threaten to derail other reforms like the proposed restructuring of Estonia's administrative system, and are also likely to overshadow the June 2009 European parliament elections, and municipal elections due in October, although parties will still jockey for these contests. Lastly, three important court rulings are expected: one from the Supreme Court on the freezing of salaries for MPs, one in the corruption case against Villu Reiljan and one in the espionage trial of Herman Simm.

MAIN REPORT

National Democratic Governance

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| n/a | n/a | n/a | n/a | n/a | 2.25 | 2.25 | 2.25 | 2.25 | 2.25 |

With almost two decades passed since its transition to democracy, Estonia continues to have a functional and stable democratic political system, including effective legislative, executive, and judicial branches of government, and military and security services firmly under democratic oversight.

The coalition government formed after the 2007 parliamentary elections among the market-liberal Reform Party (RP), the national-conservative Pro Patria and Res Publica Union (PPRPU), and the centrist Social Democratic Party (SDP) remained in office, although tensions among the partners flared up over issues such as enacting economic austerity measures and redefining labor regulations.

In the spring, signs began to mount that Estonia's lengthy economic boom was coming to an end. Industrial production slowed, inflation crept into double digits, and the country's trade deficit continued to swell. After acknowledging that a series of austerity measures would probably be needed, Prime Minister Andrus Ansip tried to hold off enacting any until fall. Under pressure from Finance Minister Ivari Padar, however, Ansip agreed to pass a set of spending cuts totaling between 7 and 9 percent of each ministry's budget. Parliament approved the full package in June.

As the year progressed and Estonia's economic outlook became even gloomier (growth turned negative by the fall), the government turned to the next challenge of finding even further cuts for 2009. At this point, however, two challenges arose, one constitutional, another political. As one immediate gesture of belt-tightening, many coalition leaders began to echo media calls for a freeze on the salaries of top state officials, including the president, members of Parliament (MPs), government ministers, and judges. Parliament adopted two measures to this effect in November, but President Toomas Hendrik Ilves vetoed the amendment lowering the salaries of MPs. Ilves maintained that Section 75 of the Constitution allows the legislature to change parliamentarians' salaries only in relation to the next composition of Parliament. This, he insisted, applies even if a sitting Parliament wants to cut its salary. When leaders of the coalition in the Parliament forced an override of Ilves's veto, the president appealed the law to the Constitutional Review Chamber of the Supreme Court, whose decision would not come until 2009. In the meantime, the MPs' salaries were left unchanged.

At the political level, the governing coalition also had to make a formal decision about whether to forgo a number of campaign promises the parties had made during the 2007 elections. In particular, the RP had long stood for a continual, gradual decrease in Estonia's flat-rate income tax. This rate was meant to drop another

percentage point to 20 percent in 2009. The coalition's other partners, balked at this, and insisted that taxes should not be lowered. In September, Prime Minister Ansip finally agreed to suspend his party's tax plans, and thus, legislation initially enacting the tax cuts and other benefits was changed.

Questions about the governance level of the coalition were raised when the cabinet later finalized a budget optimistically predicting economic growth in 2009, and for the first time in Estonia's recent history, forecast a nominal budget deficit of 0.9 percent. While the cabinet did cut back on some social benefits, it stuck to an increase in defense spending and a rise in pensions. Opposition politicians and some business leaders decried the priorities the government had set, going so far as to demand Prime Minister Ansip's resignation. Yet, Ansip maintained that the country needed to prepare for a restructuring of the economy and that if necessary, some of Estonia's financial reserves would be tapped.

Ansip's reference to reorganizing the economy alluded to the coalition's second major dispute in 2008 over labor market reforms. In January, the minister of social affairs, Maret Maripuu (RP), announced a series of changes to the Labor Contracts Act, which she argued would better adhere Estonia to the principles of employment "flexicurity" set forth by the European Union (EU). The measure, however, envisioned reducing layoff compensation payments to one month's salary and layoff notification periods for recent hires to just two weeks. The reforms took the RP's other coalition parties by surprise, not to mention employees associations, all of which vocally criticized the proposal. A long series of consultations ensued between the minister, trade unions, and employers federations, after which a preliminary agreement was reached in April. By autumn, however, controversy over the draft law resurfaced during legislative proceedings when the trade unions claimed that the Ministry of Social Affairs had substantially altered the spring agreements. A new round of negotiations finally led to the measure being passed in December. While the dispute never threatened to actually bring down the government, it did highlight the underlying tension within the coalition between the pro-market RP and the market-leery SDP, with the PPRPU often serving as a tiebreaker.

Personnel changes were not a source of instability for Estonia in 2008. Only one minister, Vallo Reimaa (responsible for regional affairs), was replaced in January, after his own party (PPRPU) expressed no confidence in him. Meanwhile, Parliament quickly filled the vacuum left by its controversial December 2007 decision to deny Chancellor of Justice Allar Joks a second term. In February, deputies approved President Ilves's choice of Indrek Teder, a respected private attorney, to succeed Joks as Estonia's chief constitutional watchdog and ombudsman. Within a few months of taking office Teder identified two legal issues related to electoral law to directly contest.

A major jolt for Estonia's national security came in late September when a former high-ranking intelligence official, Herman Simm, was suddenly arrested and charged with selling top-secret information to Russia. Although officials from Estonia's Security Police Board were extremely tight-lipped about the allegations, it was known that Simm had headed the Department for the Protection of State Secrets at the Ministry of Defense from 2000 to 2006, having thus had access to all

kinds of classified documents at a time when Estonia was undergoing the sensitive process of joining NATO. In 2006, Simm was transferred out of the job and made a simple adviser at the ministry. But it was not until Estonian and NATO officials began working together to find a suspected leak in the Estonian intelligence services that attention turned to Simm. Originally officials arrested Simm's wife as a possible accomplice, but she was later released. Simm himself remained in jail pending the start of his trial in 2009. The entire incident raised concerns about how much Russia might have infiltrated other parts of the Estonian government or even other new member states of NATO and the EU.

Electoral Process

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| 1.75 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |

No elections were held in 2008. Instead, debate focused on possible changes to existing electoral and party law, some of them of constitutional concern, others merely politically motivated.

In February 2007, the previous chancellor of justice, Allar Joks used his powers to appeal the constitutionality of certain legislation before the Estonian Supreme Court to contest the way in which Estonia's Political Parties Act regulates—insufficiently, in his view—financial accounting procedures for political parties. Joks argued that by leaving most of the oversight to a simple anticorruption committee in Parliament, parties were avoiding true transparency and real accountability in their financial affairs. The case was part of a broader attempt to stem the way in which Joks believed parties increasingly colluded to prevent serious competition among themselves. Ultimately, Joks lost the appeal, although by the time the ruling came in May 2008, he was out of office. While the Supreme Court split over the issue, a majority found that control over party finance had to be seen from a wider perspective, including the accounting and tax rules applied to nongovernmental organizations (NGOs). Taken together, these were sufficient, the Court maintained, to ensure democratic control.

Following Joks's departure, the new chancellor of justice, Indrek Teder, formally called on legislators to reexamine sweeping legislation Estonia had passed in 2005 prohibiting outdoor political advertising 40 days before an election. The measure had been designed to rein in the influence of crass advertising during electoral campaigns following many parties' use of gigantic billboards and banners during the 2004 European Parliament elections. Teder, however, argued that banning such forms of political communication prior to an election was a violation of the right to free speech as well as an infringement on the rights of candidates and parties to campaign. While Teder agreed that in many respects the objectives of the legislation were legitimate, the means to achieve these goals (that is, the circumscription of key democratic freedoms) were disproportionate and therefore unconstitutional. In

deliberations following Teder's statement, lawmakers formally agreed to revisit the regulation. Actual legislative work on rescinding the ban dragged on into 2009.

Chancellor of Justice Teder's second contestation came in November, when he sent a letter to Parliament requesting that it reexamine the distribution of electoral districts in the capital, Tallinn. For years, seats in the Tallinn City Council have been allocated based on city districts. However, a considerable discrepancy has existed in the number of seats awarded in relation to the actual number of voters in each district. For example, Pirita, a mostly Estonian borough, has two and a half times the number of seats it should have in proportion to Lasnamäe, a much larger and mostly Russian-speaking district. Generally, this difference has benefited the center-right parties rather than the largest party in the capital, the Center Party, and explains why the former have been loath to change it.

By year's end, electoral process issues turned to actual politicking in advance of the European Parliament elections in June 2009. In November, the governing coalition again appeared split over whether to change the electoral system and revert to a procedure using open (as opposed to closed) lists in the election. Under a closed system (used in most other European countries), voters cast their ballots for an entire list and parties determine the order in which candidates are elected off the list. Under an open system, voters vote for single candidates, and the winner is determined by those totals. While the RP favored a closed system (which it helped enact in 2006), the PRRPU sought to return to an open system employed during the last European elections in 2004. As with the question of outdoor advertising, however, the Supreme Court had ruled that major amendments to the country's election laws can be deemed unconstitutional if they take place too close to the election date (for example, less than six months beforehand) and thereby upset the ability of parties and voters to rationally calculate their interests.

Civil Society

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| 2.50 | 2.25 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 1.75 | 1.75 |

As in many countries of Central and Eastern Europe, meaningful indicators of the state of civil society can be difficult to come by. For instance, as of October 1, 2008, there were 27,625 citizen organizations registered in Estonia: 807 foundations and 26,818 nonprofit organizations.¹ Moreover, it was estimated that such organizations employ around 4–5 percent of the workforce.² Yet such numbers are rather misleading owing to the fact that nearly half of these nonprofit organizations are apartment cooperatives. While in some cases such cooperatives serve as important sites for citizen teamwork, they remain rather removed from the broader goals of civil society such as building social capital and strengthening democratic participation.

To meet these objectives, Estonia created the Civil Society Development Concept in 1999. Yet it was only in January 2008 that the minister for regional affairs announced the creation of the Civil Society Foundation to work out a long-term financing scheme for NGOs working in the public interest. During the year, the foundation gave project funds to over 40 NGOs.

In June, the United States Agency for International Development (USAID) released its latest report regarding the sustainability of NGOs in Central and Eastern Europe and Eurasia. The report ranked Estonia alongside Slovakia, Poland, the Czech Republic, Hungary, Latvia, and Lithuania as having one of the strongest civil society networks in the region. Still, dependence on short-term project-based financing, a low capacity in providing public services, and a small number of paid positions across the organizations were brought out as some of the main factors hindering the development of civil society in Estonia.

Concerning ethnic relations, the Tallinn city government continued its “civic peace forum” as a way of working through the aftermath of the April 2007 “Bronze Soldier” riots. The forum met seven times, discussing topics such as history, democracy, and the place of youth in Estonian society. Still, in November a new government-commissioned survey of ethnic relations showed that the Russian minority continued to be critical of developments in Estonia, while ethnic Estonians remained wary of allowing too many Russians into high-level state positions.³ The government formally adopted a new Integration Strategy 2008–2013 in early April, which included measures to address the way in which the two ethnic communities understood their history. It also stressed reducing social barriers between Estonians and minorities and ensuring equal opportunity for all.

As part of the direct aftermath of the Bronze Soldier incident, the trial of four men accused of having organized the riots, Dimitri Klenski, Maksim Reva, Mark Sirok, and Dimitry Linter, started in January and continued throughout the year. Prosecutors accused the men of having called on people to engage in disorderly conduct as early as a year before the actual events, as well as fanning the tensions right before the crisis. The trial went on through 2009, but one person, 20-year-old Sergei Tablitski, was sentenced in 2008 to three years and five months in prison for large-scale theft during the first night of rioting.⁴

Independent Media

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| 1.75 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |

The Estonian media system has generally been considered free, and there are no major deficiencies. According to the international press freedom advocacy and monitoring organization Reporters Without Borders, Estonia is currently ranked fourth (together with Finland and Ireland) in the world in terms of press freedom, and thus is the highest-scoring country among those in Central and Eastern Europe that democratized in the beginning of the 1990s.

The Estonian media landscape is shaped primarily by three national TV channels (the publicly owned and operated ETV and two private channels, Kanal2 and TV3), four national Estonian-language dailies (*Eesti Päevaleht*, *Postimees*, *SL Ohtuleht*, and *Aripäev*), and three Russian-language dailies (*Molodjzoh Estonii*, *Vesti Dnja*, and *Postimees na Russkom Jazyke*). Among major weekly newspapers, two are in Estonian (*Eesti Ekspress* and *Maaleht*) and one is in Russian (*Den' za Dnjom*). There are numerous local newspapers, most of which appear several times a week. Estonian Radio broadcasts in Estonian and Russian, along with individual programs in other minority languages. Several nationwide private radio stations feature both current affairs and entertainment programming. Increasingly, people in Estonia follow these media over the Internet.

In 2008, questions of media independence continued to swirl around the role being played (or sought) by a new print and broadcasting company, Kalev Media, founded in 2007 by Oliver Kruuda, a prominent food industry magnate. Kruuda, who has strong affiliations with the Center Party, first landed a major contract with the Tallinn city government, controlled by the Center Party, to broadcast a weekly TV show about the city. Later, Kalev announced the acquisition of a small cable-based entertainment program, *Neljas*, which it claimed would complement its previously existing sports network. The entire company, which included a 24-hour Internet news portal and a sports magazine, grew to some 100 people by year's end. While the news portal remained relatively small, the sports TV channel had some 40,000 daily viewers.⁵

For more than a decade, Center Party chief Edgar Savisaar has supported the publication of city-financed local district newspapers. While to some degree these papers have served to inform residents about municipal affairs, they have also been accused of being political propaganda as they often feature articles exalting city officials. In October, an opposition deputy in the Tallinn City Council denounced the publication of a long, laudatory article about Kalev Media in one of these papers.

In September, Tallinn city officials announced a plan to expand their media efforts into a full-scale TV channel for the city by 2011. Part of the city's argument for a separate station was to expand the range of Russian-language information available to minority residents. Russian speakers make up some 45 percent of the capital's population, and city officials vowed that a large share of the broadcasts would be either in Russian or subtitled into Russian. This dovetailed with plans announced by Estonian state television to increase as of January 2009 the amount of airtime devoted to Russian-language news and public affairs programming. In August, Estonia's minister for population and ethnic affairs, Urve Palo, had expressed regret that earlier plans for creating a fully fledged Russian-language public broadcasting channel (as a partial response to the 2007 disturbances in Tallinn) never materialized. Palo's comment was rebuked by Prime Minister Ansip, who maintained that any attempt to compete with Russia's gigantic media industry (which is fully available in Estonia) would be ineffective and a waste of money. Instead, he called for boosting spending on local Russian-language radio, which he said reaches a large part of the minority population and is a trusted information

source. Estonian television did launch a second (digital) broadcasting channel during the Beijing Olympics, which later switched to children's programming.

Local Democratic Governance

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| n/a | n/a | n/a | n/a | n/a | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |

For years, the major challenge for local democratic governance in Estonia has been how to deal with a bloated number of local governments in the country. Of the 227 at the end of 2008, 33 were cities, while the remainder were rural municipalities averaging fewer than 2,500 residents each. These municipalities were grouped into 15 counties with limited powers to monitor government functions. Moreover, local governments have often played a critical role in Estonia's presidential elections, since they constitute the bulk of delegates appointed to a special electoral college when Parliament fails to elect the president. For many small-town officials, this has been their only chance to participate in national politics.

In January, the minister for regional affairs, Vallo Reimaa, was unexpectedly dismissed, apparently over his failure to draw up a credible administrative reform program during his first eight months in office. His successor, Siim-Valmar Kiisler (PPRPU), avoided the issue until September when he stated that he saw no way around a forcible merger of local governments and called on coalition partners to agree on this basic principle. Kiisler claimed his preferred scenario would be to reduce the number of local governments to the 15 existing counties and 5 major cities, an option that had been raised nearly 10 years ago during a similar reform effort and that would not change any current borders. Kiisler said he was also ready to consider a less radical plan involving 60 to 80 local government units.

Despite these options, Kiisler's basic principle of forcible mergers was immediately rejected by his coalition partners, the RP and the SDP, as well as by the main opposition parties. Instead, the RP recommended an increase in the amount of "bonus money" given to local governments that agree to merge. The SDP meanwhile called for the completion of a full-scale review of administrative reform (begun under Reimaa) before any geographic issues were decided.

Estonia's administrative system was indeed struggling with dysfunction. For example, in order to improve regional planning and build administrative capacity, some counties have begun taking on larger-scale functions, such as applying for EU structural funds and managing more directly issues like public transportation subsidies. At the same time, the constitutional-legal role of counties remains mostly one of oversight, meaning that county governors are foremost responsible for monitoring the regulations issued by local governments, not determining them. In the past, Estonia's chancellor of justice has argued that any attempt to quietly expand county powers without a redefinition of this formal legal structure would be unconstitutional.

In order to get around this problem, most rural municipalities have organized themselves into local government associations, which have the status of NGOs but work to coordinate affairs at the county level. Yet here again, the possibility of transferring certain state functions to such NGOs would be unconstitutional.

Judicial Framework and Independence

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| 2.00 | 2.00 | 1.75 | 1.75 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |

Estonia has a three-level court system established by the Constitution and the Courts Act. On the first level there are four county courts, which handle civil, criminal, and misdemeanor matters, and two administrative courts, which handle disputes in public law. Such a separation of public law from other law exists in Estonia's court system only on the first level. The second level of courts comprises three circuit courts, which handle appeals from the lower levels. At the top of the court system is the Supreme Court, which according to the Constitution is both a court of cassation, where decisions of circuit courts can be appealed, and a court of constitutional review. The constitutionality of a legal act can be investigated by the Supreme Court upon a request of the chancellor of justice, the president of the republic, a local government council, or the Parliament, as well as the lower-level courts.

During 2008, this judicial framework saw few changes, and those that were made were carried out mainly to ensure an improved functioning of the court system. In the first half of 2008, the Administrative Cooperation Act was amended with the aim of improving procedures for judicial training. Additionally, the Courts Act was amended in February to abolish one of the circuit courts in order to make the court system more cost-effective. But, in June Minister of Justice Rein Lang announced the formation of a special task force to draw up an entirely new Courts Act, which he said would help unify Estonia's court system. For many years, observers have pointed to a discrepancy in the way in which the Supreme Court is largely its own institution, while the lower courts are managed by the Ministry of Justice. The new task force was charged with developing a system that would allow all of the courts to be administrated more independently, while still ensuring internal oversight and accountability.

A number of so-called deportation trials continued in 2008 involving elderly men who had been charged with organizing the forced relocation of hundreds of Estonians to Siberia during Stalinist repressions in 1949. Arnold Meri, an 89-year-old former Soviet war hero, stood accused of having organized the deportation of 251 Estonians on the island of Hiiumaa. In November, a court-ordered review of Meri's medical health recommended that Meri not be subjected to excessive emotional or physical stress. The chief prosecutor in the case, however, claimed

the diagnosis did not rule out court proceedings as such, and that he would thus continue to push his case. In September, similar charges were brought against Jaan Pahn and Vello Paltmann, who also belonged to Meri's special KGB unit in 1949.

Corruption

| 1999–2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------|------|------|------|------|------|------|------|------|------|
| 3.25 | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |

Estonia's fight against corruption in 2008 focused very much on party finance. On the one hand, the Supreme Court (as noted above) rejected the chancellor of justice's demand that current measures to oversee party finance be declared unconstitutional by virtue of their ineffectiveness. In April, the Council of Europe's Group of States Against Corruption issued an expert report on Estonia in which it recommended specific measures to improve the monitoring of party financing. The most important of these was a suggestion to create a truly independent body with the mandate, legal prerogatives, and financial resources to oversee the compliance of political parties with all relevant financial regulations. These would include tax laws, accounting rules, and campaign spending reports. In addition, the report recommended extending the scope of such oversight to any auxiliary organizations associated with political parties such as youth sections and grant-making foundations.

Indeed, party foundations seemed to represent a new breed of shadowy party finance in Estonia. For instance, since 2003 the Center Party has run its own Juri Vilms Foundation, named after one of the members of the committee that declared Estonia's independence in 1918. Originally, the foundation devoted itself to publishing the party's weekly newspaper. In late 2006, however, it bought one of Estonia's Russian-language dailies, *Vesti Dnja*, prompting speculation that the party wanted to begin influencing the Russian-language media market. (The party draws roughly 40 percent of its voters among Russian speakers.)

In October, the business daily *Aripaev* reported that the foundation had received over 1 million Estonian kroons (roughly US\$85,000) from different companies, which ostensibly bought advertisements in the foundation's two newspapers.⁶ Yet a review of the newspapers over many months revealed that far fewer advertisements had appeared than the paid amounts would suggest. Moreover, *Aripaev* intimated that the contribution from one of the companies, a pharmaceutical firm in Tallinn, may have been connected with the company's desire to build a new high-rise building at the site of its headquarters. Officials from the Center Party-controlled city administration had previously rejected the request, citing existing zoning regulations. A few months after the payment they reversed their opinion. When asked to comment on the report, the Office of the State Prosecutor said if further information was to turn up, a criminal investigation could be started, but based on the existing newspaper article, there was not enough indication that any legal norms had been violated.

The issue of corrupt party financing was also taken up by a new Estonian government strategy document on fighting corruption, released in early April. Designed as a wide-ranging policy program for the years 2008–2012, the document listed preventing corruption in party financing as one of its goals. Specifically, it called (akin to other observers) for the creation of a body more independent than the Parliament's anticorruption commission to monitor party financing issues.

The government also stated it would take action in the spheres of the private sector and medical services against corruption. The policy document noted that corruption also takes place when two companies collude during a bidding competition or when an employee takes a kickback from another company to fix prices. Likewise in the health sector, corruption occurs when a patient pays a bribe to a doctor to have an operation done sooner or to receive a disability certificate.

The strategy document set specific goals to be reached by 2012, including an increase in the number of corruption cases reported but also a decrease in the number of people saying they had come into contact with corruption. The latter would be measured by continuing a series of innovative public opinion surveys on corruption in 2010, where not only the general public but also civil servants and businesspeople would be interviewed.

This systematic approach to combating corruption earned Estonia an improvement in Transparency International's 2008 Corruption Perceptions Index from 6.6 to 6.5. Meanwhile, in June 2008 an anticorruption working group from the Organization for Economic Cooperation and Development (OECD) released a report on Estonia's compliance with certain international treaties regarding corruption. While the report noted that Estonia had made considerable efforts in fighting corruption, it called on the government to do more to fight foreign bribery or instances where Estonian companies might buy off foreign officials. In its new policy program, the government included a measure to hold seminars with business leaders to inform them about the OECD's conventions and recommendations.

Among corruption cases widely reported in the media, the trial of the former leader of the People's Union, Villu Reiljan, formally opened in September. Reiljan was forced to resign in late 2006 as the Environment Minister when accusations surfaced that he had demanded a bribe in exchange for the sale of a government building in downtown Tallinn. As the trial got under way, a number of prominent businessmen were called to testify how they had been approached by an intermediary asking for 1.5 million kroons (US\$130,000) to facilitate the deal.⁷ The witnesses all said that they understood the money was to go to Reiljan. A verdict in the trial was expected in April 2009.

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 - ² Network of Estonian Nonprofit Organizations, <http://www.ngo.ee/6093>.
 - ³ Erik Rand, “Palo: venekeelsete elanike hinnangud on muutunud negatiivsemaks” [Palo: “Evaluations among Russian-speaking residents have become more negative”], *Eesti Päevaleht*, November 7, 2008.
 - ⁴ BNS, “Kohus saatis aprillirahutustes osalenud noormehe vangi” [Court sent young man involved in April disturbances to prison], *Postimees*, June 12, 2008, <http://www.postimees.ee/120608/esileht/krimi/uudised/336521.php>.
 - ⁵ Postimees, “Kalev Sporti vaatab 40 000 inimest päevas” [40,000 people a day watch Kalev Sport], June 3, 2008, <http://www.postimees.ee/050608/esileht/majandus/334816.php>.
 - ⁶ Koit Brinkmann, “Sõõrumaa raha käänuline teekond Keskerakonnani” [Sõõrumaa’s money and its circuitous path to the Center Party], *Aripaev*, October 8, 2008. http://www.aripaev.ee/4098/uud_uudid_x_409806.html.
 - ⁷ Kadrin Karner, “Tunnistaja: sularaha liikumisest jääb vähem jälgi” [Witness: shifting around cash leaves fewer traces], *Aripaev*, September 22, 2008, <http://www.ap3.ee/Default2.aspx?ArticleID=a37e5ec3-6092-405e-b2dd-e677fcc5c0eb>.

