

Estonia

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Capital: Tallinn
Population: 1.3 million
GNI/capita, PPP: US\$19,370

Source: The data above were provided by The World Bank, *World Development Indicators 2012*.

Nations in Transit Ratings and Averaged Scores

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Electoral Process	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75
Civil Society	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75
Independent Media	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Governance*	2.25	2.25	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
Local Democratic Governance	n/a	n/a	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Judicial Framework and Independence	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Corruption	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25
Democracy Score	2.00	1.92	1.96	1.96	1.96	1.93	1.93	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 passed another political milestone in 2011, when Prime Minister Andrus Ansip and his center-right government secured a new mandate following parliamentary elections in March. His coalition emerged even stronger than before, suggesting that his government could well be the first since 1991 to survive a full four-year term. Equally promising for the government was a modest economic recovery that took hold in 2011. While unemployment remained high and the economy still needed to develop new sectors of innovation to sustain growth over the longer term, the overall picture was turning positive after the severe crisis of 2008–09. The adoption of the euro as Estonia’s currency in January 2011 helped to deepen the country’s integration with the European Union (EU). At the same time, entering the eurozone meant that Estonia became responsible for helping to bail out indebted member states like Greece and Portugal. Given its strong political position, the Ansip government had few problems in securing parliamentary support for such decisions.

However, if the crisis worsens, public disapproval could mount. Already in October, teachers staged a demonstration in the capital, Tallinn, calling for higher pay and comparing themselves directly with their Greek counterparts. Other civil society protest actions took place to oppose the launching of a costly municipal television channel in Tallinn, which activists feared would merely become a propaganda outlet for the city’s ruling Center Party.

The mainstream press in Estonia continued to be free and robust, although its economic situation—in an era of multiple media and information sources, and in a small national market—was always somewhat fragile. The judicial system remained stable, though concerns were raised about the degree to which high state fees for judicial procedures were beginning to threaten effective access to the courts. Corruption issues centered on a number of high-profile bribery arrests at the municipal level as well as one criminal investigator who was charged with selling police information.

National Democratic Governance. Thanks to the reelection of Prime Minister Ansip’s center-right government following parliamentary balloting in March, Estonia’s national democratic governance remained stable in 2011. The fact that the new coalition was based on just two parties made policymaking relatively simple, and the government put together an extensive set of plans for the next four years. In June the government pushed through a measure that eliminated property taxes for most residential property owners, and in the fall it began work on restructuring the financing of higher education. The government had to tread carefully, however, when it came time to decide on Estonia’s participation in various bailout plans

for the eurozone. Having just joined the monetary union in January, Estonia was immediately confronted by the broader European crisis. Nevertheless, the political process was not impaired by these pressures. *Estonia's national democratic governance rating remains unchanged at 2.25.*

Electoral Process. Estonia held two elections in 2011, parliamentary and presidential, both of which passed without incident and led to incumbents being returned to office. In the parliamentary poll, Prime Minister Ansip's Reform Party came out on top, followed by the opposition Center Party. Ansip's coalition partner, the Pro Patria and Res Publica Union, came in third, and the Social Democratic Party placed fourth. With just four parties in the parliament, down from six, Estonia's party landscape took another step in the direction of consolidation. This outcome also facilitated the presidential election process. In August the parliament was able to elect President Toomas Hendrik Ilves for another five-year term with a hearty two-thirds majority. *Estonia's electoral process rating remains unchanged at 1.75.*

Civil Society. Estonia's efforts to build a multidimensional support framework for civil society groups continued in 2011 with the adoption of a new government policy program and the expansion of different funding schemes for nongovernmental organizations. Ahead of the March parliamentary elections, a number of civil society groups spearheaded an effort to monitor the electoral campaign, scrutinizing campaign spending and different political promises, among other activities. *Estonia's civil society rating remains unchanged at 1.75.*

Independent Media. The media in Estonia continued to be free and robust, although controversy continued to surround the launch of a municipal television channel in Tallinn. The high cost of the new broadcaster prompted a group of civic activists to organize a petition campaign calling for the money to be spent instead on renovating kindergartens. They accused the Center Party-led city government of using the channel to promote its own political fortunes. This controversy notwithstanding, *Estonia's independent media rating remains unchanged at 1.50.*

Local Democratic Governance. For yet another year, debate continued to swirl around the need to carry out a reform of the country's fragmented local government system. While Prime Minister Ansip at one point explicitly ruled out any reform in the near future, he relented a short time later, suggesting that the reform process could be rejuvenated by shifting it to the Ministry of Justice. Given that there was no real movement on this issue in 2011, *Estonia's local democratic governance rating remains unchanged at 2.50.*

Judicial Framework and Independence. In the wake of Estonia's failure to pass a major judicial reform package in 2010, the new Ansip government decided to leave the issue aside during 2011. Instead, it pledged to work on smaller problems,

such as reducing the high level of state fees for judicial procedures and shortening the length of judicial proceedings. In view of these rather minor developments, *Estonia's judicial framework and independence rating remains unchanged at 1.50.*

Corruption. One of the key areas in the fight against corruption in Estonia—ensuring the transparency of political party financing—took a half-step forward in 2011, when a special parliamentary commission was formed to review campaign financing reports. Although the commission was controlled by representatives of the political parties themselves, it was a start toward creating a true oversight body to regulate party finance. Influence peddling became a major issue in December, when it was revealed that three prominent right-wing politicians (including two parliament members) had been operating a private business that helped Russian citizens obtain residency permits in Estonia through sometimes questionable investment schemes. *Estonia's corruption rating remains unchanged at 2.25.*

Outlook for 2012. The reelection of Prime Minister Ansip's center-right coalition with an even larger parliamentary majority portended a relatively stable political future for Estonia. The economic upswing that solidified in 2011 promised likewise to ease the challenges of governance. The danger lay in potential overconfidence on the part of the government, which could prompt it to push through policies or appointments without sufficient debate or consultation. At the same time, recent civil society actions as well as the continued strength of the media suggested that the democratic process would remain vigorous. The government could come in for public discontent if the eurozone crisis turns even more serious and Estonia becomes liable for actually paying out bailout money to other eurozone countries. Although most of Estonia's political elite was behind EU policy, new political parties could emerge on the basis of growing Euroskepticism.

MAIN REPORT

National Democratic Governance

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
n/a	n/a	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25

Although much of Estonian politics during 2011 was overshadowed by parliamentary and presidential elections, the political indecision and hamstringed governance that often accompany such interludes did not occur in Estonia. On the contrary, national governance ended up being strengthened, primarily by the fact that incumbents in both polls were returned to office.

The center-right ruling coalition between Prime Minister Andrus Ansip's liberal Reform Party (RP) and the conservative Pro Patria and Res Publica Union (PPRPU) was reelected in March, marking the first time in Estonian history that a coalition remained intact after parliamentary elections. With a healthy majority of seats (56 out of 101) and just two member parties, the coalition seems likely to remain in office for the duration of the parliamentary term. The new, 13-member cabinet formed in April retained nine ministers from the previous cabinet, though some of them changed portfolios. The new government includes not only Prime Minister Ansip, but two former prime ministers, Juhan Parts and Mart Laar, both from PPRPU.

For the first time in independent Estonia's history, indirect presidential elections also resulted in a rapidly confirmed victory for the incumbent candidate, President Toomas Hendrik Ilves. In previous elections, no candidate had obtained the two-thirds supermajority vote in parliament required by the 1992 constitution, so the elections were always transferred to a special electoral college consisting of members of parliament and representatives from local governments. This time, Ilves garnered enough parliamentary votes (73) on the very first ballot, rendering this supplementary stage unnecessary.

Continuity of leadership and the absence of controversy or protracted negotiations over electoral outcomes allowed the government to concentrate on assembling a robust package of policy goals for the next four years. The tempo of Estonia's economic recovery accelerated dramatically in the first half of 2011, exceeding 8 percent growth, the highest rate in the European Union (EU). After two years of economic crisis and one of 2.3 percent growth, this positive development prompted the governing coalition to frame its program around continued recovery through limited public spending and preservation of an attractive investment climate for businesses.

With unemployment still over 13 percent, job creation remained a top priority for the administration. However, instead of experimenting with economic stimulus packages, the government pledged to increase employment by maintaining flexible labor market policies and investing more in retraining schemes. The coalition also

vowed to keep in place Estonia's simple tax system, which includes a flat-rate income tax of 21 percent (set to decrease to 20 percent in 2015) and no corporate taxes on reinvested profits. In June, the coalition went even further in its tax-cutting zeal by approving the abolition of property taxes for most private homes and apartment buildings as of 2013. The measure prompted worries among local governments, since most property taxes go to municipalities. However, the government promised to compensate any major shortfalls, and insisted that the economic growth to be gained through such measures would bring in more tax revenue in the end.

The government's most important social initiative during the year was the introduction of a so-called "parental pension," a special pension contribution by the state for up to three years to parents raising children. The measure, which will go into effect in 2013, will be retroactive, benefitting parents of all children born after 1990. The measure was intended as a follow-up to Estonia's highly successful parental leave policy for newborns, which started in 2004 and allows one parent to take up to 18 months of leave at full pay. These schemes were undertaken with the hopes of increasing the birthrate in the country, as Estonia has suffered a population decline for over 20 years.

Another planned reform—the abolition of tuition fees in higher education for all full-time university students—met with strong resistance from universities dependent on student fees, especially via part-time learning programs, whose rates were also to be cut. The reform had been a campaign promise of the PPRPU, and the special project of Education Minister Jaak Aaviksoo, a onetime university rector and former defense minister known for his resolute policy style. In October, schoolteachers joined the chorus of discontented educators, demanding a long-overdue pay raise.

While teachers protested at home, the government continued to navigate the monetary crisis engulfing the eurozone, which Estonia joined in January 2011. The introduction of the euro in January went quite smoothly, and the new currency gave a further boost to investors' confidence. However, becoming part of the eurozone immediately placed Estonia in the position of having to sign off on different rescue plans for Greece and other indebted member states. Although the government succeeded in getting parliament to approve Estonia's participation in the European Financial Stabilization Fund, it did so against considerable public skepticism in the media and elsewhere. Estonia's protesting schoolteachers noted dryly that their salaries were roughly half those of their Greek counterparts, and yet to them the Estonian government seemed more preoccupied with guaranteeing Greece's well-being than theirs.

Shortly after taking office, Estonia's new parliament completed an important realignment of the country's military command structure. A constitutional amendment confirmed in April handed the prerogative of appointing the commander-in-chief of the armed forces directly to the government. Previously, the commander-in-chief had been nominated by the president, and approved by the parliament. Over the years, however, conflicts between different governments and military commanders often led to deadlock, which could only be solved via a cumbersome process involving

both the president and parliament. To avoid such complications, President Ilves himself proposed the change in 2007. However, enacting the constitutional change required the approval of two successive parliaments. Though the opposition Center Party criticized the measure for concentrating still more power in the hands of the government, ultimately the reform was passed with a near two-thirds majority.

Electoral Process

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75	1.75

Estonia's democratic electoral process was reaffirmed in 2011 with two major elections, one parliamentary and one presidential, both of which passed without significant incident or controversy. The legislative elections in March represented a significant milestone of stability and predictability in the Estonian political system, as only four parties returned to parliament. In turn, the streamlined composition of parliament helped to facilitate the smooth reelection of President Toomas Hendrik Ilves, as three out of the four parties declared their support for Ilves, securing the necessary two-thirds majority for his reelection without the need for a supplementary electoral college vote.

The parliamentary elections themselves kicked off in January with nine parties putting forth electoral lists. Alongside the RP and the PPRPU, the electoral prospects of the two main opposition parties, the Center Party and the Social Democratic Party, were also promising. In comparison, smaller parties represented in the outgoing parliament, such as the rural People's Union and the Estonian Greens, faced an uphill battle. The former had suffered repeated leadership crises ever since its long-standing chair, Villu Reiljan, was convicted of corruption charges in 2009. Meanwhile, the Greens had struggled to find a place on the Estonian political map since coming into parliament for the first time as a start-up party in 2007. When the final votes were counted, neither was able to top the 5 percent threshold.

Estonian voters came out strongly for Prime Minister Ansip's RP, giving it its strongest electoral showing ever, with 28.6 percent of the vote and 33 places in the 101-seat parliament. PPRPU received 20.5 percent of the vote and 23 seats in parliament, putting it in third place. Together the coalition partners secured a comfortable majority, likely to keep them in government for the next four years.

The strongest opposition force remained the Center Party, with 23.3 percent of the vote and 26 seats in parliament. However, it lost roughly 3 percent of its vote compared to the last elections, primarily because its longtime leader, Edgar Savisaar, was once again embroiled in a scandal questioning his political ethics. At the end of 2010, the Estonian Security Police disclosed that it had carried out secret audio recordings of Savisaar trying to get financial support for his party from senior Russian Federation railway authorities. Although Savisaar claimed that he was merely looking for sponsors to build a new Russian Orthodox Church in Tallinn,

the controversy caused a quiet rift within the Center Party that kept it from putting on a strong electoral campaign.

Thanks in part to this dissension in the Center Party's ranks, the other opposition party, the Social Democrats, posted the largest electoral gain of any of the parliamentary parties, going from 10.6 percent in 2007 to 17.1 percent in 2011. The party had decided in October 2010 to appoint a new and younger leader, former defense minister Sven Mikser. The contrast between the 38-year-old Mikser and the 60-year-old Savisaar worked to the SDP's advantage among opposition voters, reversing for the first time the two parties' ranking order.

The final winner of Estonia's parliamentary elections was the country's innovative system of internet voting. Since its introduction in 2005, the system has steadily gained in popularity, accounting for nearly a quarter of all votes cast.¹ The procedure allows voters to cast their ballot via the National Electoral Committee's website, using their national identity card, which is embedded with a computer chip and special security codes. Since these same tools are used by Estonians regularly to give digital signatures and access all kinds of e-government services, the system is widely seen as trustworthy.²

The second poll of the year, the presidential election in August, was in many ways determined by the results of the parliamentary one, as the incumbent President Ilves had the support of both the two governing parties and the Social Democrats (his onetime party). The lone party to oppose him, the Center Party, sought to save face by proposing the candidacy of Indrek Tarand, the maverick politician elected to the European Parliament in 2009 with a spectacular 25 percent of the vote. Tarand welcomed the chance to shake up the race with his nonconformist style and refused to issue any political program until the day of the election, when he sought to imitate the 16th century actions of Martin Luther by nailing nine theses to the front door of the parliament. In this declaration, Tarand promised to challenge what he saw as a growing domination of politics by cartel-like political parties and an overcentralized government. His critiques notwithstanding, parliament reelected Ilves with a convincing vote of 73 to 25.

Civil Society

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75

In 2011, an Estonian government policy program to develop the third sector, the Development Plan for the Support of Civic Initiative 2007–2010, came to an end. In its final report, the Ministry of Interior, which was responsible for the program, noted that during the four-year duration of the program, the number of nongovernmental organizations (NGOs) registered in Estonia had grown by 30 percent to 31,208 and the number of foundations by 19 percent to 851.³ About half of these associations are actually apartment cooperatives, which are registered like NGOs. Moreover, the ministry's report noted that just under half

of all nonprofit associations were inactive, judging by the fact that they had not submitted a financial activity report for the previous year. Meanwhile, a survey conducted by Statistics Estonia about people's use of their time showed that in 2009–10 only 4.5 percent had participated in voluntary activities and 9.2 percent of the population had made a donation to an NGO in the last three months. While one report showed the latter figure going up over time, it was still far off trends elsewhere in the democratic world based on the *World Giving Index*.⁴

To address these lingering problems, the government approved a follow-up program focused on expanding civic education; improving the capacity and viability of NGOs; developing partnerships with NGOs in the area of service provision; expanding participation; and strengthening charity.⁵ In August, the government approved an additional program to improve public financing of NGOs alongside the National Foundation for Civil Society and a network of county-level development centers coordinated by the Enterprise Estonia Foundation.⁶ A web page for these development centers was also launched in autumn 2011, to serve as an information gateway about funding, training, and other events aimed at NGOs.

In early 2011 the third sector also became involved in the electoral process as a public watchdog. During the 2011 campaign, the Network of Estonian Nonprofit Organizations (NENO) issued reports on how the parties and candidates had followed guidelines related to transparency of campaign funding, non-abuse of political power while campaigning, and a number of other practices to which all parties had agreed in 2009. Their performance on these indicators was made visible on the elections web page of the Estonian Public Broadcasting Company and other media outlets. Following the election, NENO offered the new RP-PPRPU government suggestions for the development of civil society for inclusion in their coalition agreement, many of which were accepted.

Estonia's gender pay gap, one of the highest in the EU, attracted significant attention during the year. According to a study released by a consortium of policy researchers, men in Estonia earned 31 percent more than women in 2008, the year for which the most reliable data were available.⁷ The researchers controlled for a wide range of explanatory factors, including employment sector, background education and management level, and found that a large share of the pay gap remained unexplained, indicating that there was a definite glass ceiling in the Estonian job market. Gender disparities were also reflected in the parliamentary elections, as only 22.6 percent of the candidates were female, only 19 percent of the new members of parliament (MPs) were women, and all but one of the 13 new government ministers were male.

Some good news emerged toward the end of the year, however, when the government began work on a bill regulating domestic partnerships, defined as both heterosexual and homosexual couples. Originally, the issue had been stalled within the governing coalition because of opposition from the conservative PPRPU, which did not want to be seen as condoning same-sex marriage. However, when observers began to stress the fact that 30 percent of couples in Estonia live in domestic partnerships⁸ and 59 percent of children are born outside of marriage,⁹ even the

PPRPU realized that this domain needed to be reviewed. Estonia's chancellor of justice (ombudsman) later echoed this viewpoint, saying that a situation where no legal framework existed to regulate the partnership of same-sex couples could be seen as unconstitutional.

Estonia's highly successful civic engagement movement "Let's Do It" sought to go global in 2011 by setting up affiliate groups in as many as 69 other countries.¹⁰ The movement called on people to organize campaigns to voluntarily clean up public spaces and their local environment. For 2012, the organizers hope to mobilize millions as part of a World Cleanup initiative.

Independent Media

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

The year 2011 brought no major changes to the Estonian media landscape, though controversy continued over how certain media outlets are financed. Overall, Estonian media can be divided into national and local media as well as Estonian- and Russian-language forums. On the national level, the landscape was dominated by three major television channels, the public channel ETV and two private channels TV3 and Kanal2, along with a handful of minor channels. There are four national Estonian-language daily newspapers (*Postimees*, *Eesti Päevaleht*, *Õhtuleht*, and *Äripäev*) and two major Estonian-language weeklies (*Eesti Ekspress* and *Maaleht*). Of these, the two most successful dailies (*Postimees* and *Õhtuleht*) averaged a circulation of around 50,000–55,000 copies, while the weeklies sold 31,000–43,000 copies. At the regional level there were over a dozen county newspapers, usually appearing three to four times per week. All national as well as many of the regional Estonian-language papers maintained internet news portals, which for the most part were free.

Among Russian-language media, the landscape was much barer, especially considering the potential market of some 400,000 Russians, Ukrainians, and Belarusians in the country. The only Russian-language daily, *Postimees na Russkom Yazyke*, was distributed by its Estonian-language equivalent. Though generally seen as a respectable publication, the newspaper was still relatively young (founded in 2007) and had a circulation of just 10,000 in September 2011. Older Russian-language papers such as *Estoniya* and *Molodyozh Estonii* went bankrupt in 2009. The country's one Russian-language weekly, *Den za Dnjom*, also suffered from the tight media market, with a circulation of around 10,000. All of Estonia's regional newspapers in Russian were concentrated in the northeast, where two papers, *Viru Prospekt* and *Severnnoe Poberezhye*, had circulations averaging around 5,000 to 7,000 each. The relative paucity of minority-language print media stemmed from the fact that Russian Federation–based media are also widely available in Estonia, including localized versions of Russian Federation newspapers. Among electronic media, the Baltic-wide TV channel Pervyi Baltiiskii Kanal was also very popular.

With regard to internet media, growth has been steady, although internet usage as a whole in Estonia was not much higher than in other European or Western countries. According to the International Telecommunication Union, the percentage of individuals using the internet in 2010 (74.1) was just above that of the United States (74) and well behind the Nordic countries and Germany.¹¹ Still, the overall number of internet users in Estonia has influenced the media landscape as virtually all newspapers and media outlets provide online content. In order to raise revenue and compensate for the declining role of print media, many papers have started to charge a fee for some or all of their online content, while others have also starting providing mobile applications. Delfi.ee is the most popular online news portal, with close to 900,000 weekly visits at the end of 2011,¹² followed by the online version of *Postimees*. The Estonian television channels, especially the publicly financed ETV, have also started to offer their own content online.

In 2008, the Tallinn city government first announced a plan to create a municipal channel called Tallinn TV. Although Tallinn mayor and Center Party leader Edgar Savisaar argued that the new medium was essential for delivering municipal information to residents, the idea was seen by many as another politically motivated project by Savisaar's Center Party. In January 2011 the channel began regular broadcasting, featuring a range of programming including children's shows, cultural programs, sports, news from other municipalities, as well as movies and entertainment. The channel was soon broadcast via cable free of charge across Estonia.

Opposition politicians in Tallinn refused to participate in any current affairs programming produced by Tallinn TV. Moreover, when the operating costs for the new broadcaster (more than €2 million per year) became known, the issue sparked an unprecedented civic campaign to stop the profligate spending. A group of Tallinn residents began a Facebook page calling for the exorbitant sum to be transferred to financing kindergartens, where a shortage of places had long been a source of suffering to young families. The appeal was so successful that the movement shifted to a full-scale webpage, and activists quickly gathered enough signatures to force the city government to consider a special citizens' initiative demanding the financing transfer. The city government vacillated over the bill and then finally passed it on to the city council, where the Center Party held an absolute majority and could easily have disposed of the measure, had they wanted to. However, when a 3-year-old boy died tragically in a Tallinn kindergarten while playing unattended on an old, broken jungle gym in November, city authorities immediately promised increased funding for kindergartens in 2012.

Local Democratic Governance

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
n/a	n/a	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

The principle problem with Estonia's system of local government remains its fragmentation, with some 220 municipal units ranging in size from the capital Tallinn (roughly 400,000 inhabitants) to local governments like Piirisaare with less

than 100 people. Indeed, more than 60 percent of rural municipalities in Estonia have fewer than 2,000 residents. For more than 10 years, countless attempts at consolidating these municipalities have failed, and while the national government has attempted to provide monetary incentives for local governments to merge, only a handful have chosen to do so.

Discussions over the need for administrative reform resumed toward the end of 2011, though there seemed to be no agreement between the coalition partners over the urgency and nature of the problem. Whereas the PPRPU included administrative reform as part of its electoral platform, the RP seemed to move in the opposite direction by proposing to abolish the post of Minister for Regional Affairs altogether. As a compromise, both parties agree to forego the issue in their final coalition agreement.

The other two parliamentary parties also seemed divided on the issue. In their electoral platform the Social Democrats put forth an idea to create a second level of local government above the current one in order to consolidate certain state services higher up the chain of bureaucracy. The Center Party's platform, meanwhile, remained silent on the matter, and subsequent statements by the party's top leaders were ambivalent at best.

Despite the stalemate, new players added their voices to the demands for change. Minister for Regional Affairs Siim Valmar Kiisler (PPRPU) stated in an October newspaper interview that administrative reform had been shelved for political reasons. A few days later, a team of geographers released Estonia's local government capacity index, a study measuring the ability of local governments to govern effectively, taking into account indicators such as land area and population, local economy, welfare of the population, the financial situation of the local government unit, and services provided by the local government.¹³ The strongest local governments included the capital Tallinn and its surrounding municipalities, while the least capable were concentrated in eastern and southeastern Estonia. One of the most important conclusions of the study was that the ability of local governments to govern effectively depended strongly on the size of the local population, with local governments encompassing less than 5,000 inhabitants being significantly less effective than larger local government units.

The need for reform was emphasized again by Estonia's chancellor of justice during his annual report to parliament in late October.¹⁴ The chancellor stressed that if poor local government capacity meant that citizens were being deprived fair access to government services, the question could become a constitutional rights issue. A few days later, Estonia's auditor general also chimed in by reminding parliament that in 2010 the Estonian Supreme Court had issued a ruling warning the government to be clearer in the tasks it imposes on local governments on top of those specified by the constitution.¹⁵ The combination of constitutionally-mandated functions and state-imposed tasks has often left local governments in a financial bind, further complicating their governance abilities.

Under this barrage of criticism, Prime Minister Andrus Ansip defiantly repeated his claim that no local government reform was necessary. He declared that Estonia's local governments had evolved over the course of 1,500 years and that if anyone

wanted to break up that system, they would be acting like a conqueror, whose first goal was always redrawing borders and renaming localities. Ansip later softened his tone, saying that reform would probably happen someday, and suggesting that the issue be transferred to the Ministry of Justice, which was controlled by his RP colleague, Kristen Michal.

Many local governments were also wary of a new tax reform that was pushed through during the first months of the reelected Ansip government. In it, property taxes for all residential dwellings under 1,500 square meters were abolished, meaning local governments were set to lose an important independent source of their revenue. The government promised to compensate local governments by raising the share of personal income tax that would come their way, but since this share had already been reduced in 2009 during the financial crisis, many local leaders suspected that this readjustment of rates would still leave them with less money than before.

Judicial Framework and Independence

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Following the failure of a major attempt at judicial reform in 2010, many of the outstanding issues within Estonia's court system remained largely untouched in 2011. The fact that the court system is formally administered by the Ministry of Justice continues to raise concerns about the independence of the judiciary. Although to date there have been no serious problems in this regard, the executive branch should not be in a position to potentially put pressure on the judiciary by influencing the amount of administrative financing it receives. According to a comment by the new minister of justice, his office had not yet made plans to rectify this issue, which was also left out of the new government's coalition agreement.

The state fees charged for different judicial procedures in Estonia are significantly higher than in most other European states. In 2011, this issue began to raise questions about the principle of fair access to judicial proceedings, as plaintiffs who know they will face unusually high court fees may feel they cannot afford to demand their rights. In April, the Estonian Supreme Court took a stand on the issue, finding in favor of a company that had been denied a waiver of such fees while appealing a financial dispute with the Estonian state worth some €2.5 million.¹⁶ Under current rules, such an appeal would cost the plaintiff almost €100,000, on top of any previous judicial action. The Supreme Court sided with the plaintiff, and followed up its decision by issuing in May a research report showing that Estonia's fees were comparatively high across the EU.¹⁷ The study acknowledged that a special judicial aid fund does exist where plaintiffs can request financial assistance to pay their fees; however, they may still be liable for these amounts if they lose. Moreover, the report found that it is not justified to have a practice whereby fees are high and a majority of plaintiffs end up asking for financial assistance, as this goes against the principle of effective access to judicial relief.

A third judicial matter to receive attention in 2011 was the length of court proceedings in Estonia. In a special report issued in May by the Estonian Supreme Court, analysts noted that while average statistics about the duration of single judicial proceedings are not very excessive, these do not count whether a case has been sent back on appeal to a lower court for re-adjudication.¹⁸ In such instances, the case is counted as a new judicial procedure, although for the parties involved it is still one long saga. These issues, the report said, required attention, since over the past ten years Estonia has lost several cases in the European Court of Human Rights, where plaintiffs have complained over the excessive length of their judicial proceedings. The issue also found resonance in the new coalition agreement between the RP and the PPRPU, where the parties pledged to make judicial proceedings less expensive and more efficient. They also hinted at the possibility of lowering state fees and increasing the availability of free legal aid, although by year's end no specific proposals had been passed.

Corruption

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25

Although much has already been done to raise awareness in Estonia about bribery, fraud, and conflicts of interest, the fight against corruption remains high on the public agenda. The Estonian Security Police (KAPO) has increased its role in the battle against high-level corruption in Estonia. Alongside its regular powers to investigate charges of corruption against high-level state and local officials, KAPO's jurisdiction was broadened in September 2011 to include legal entities (companies, foundations) established by the state or with state participation, as well as legal persons governed by public law (such as universities). In their new coalition agreement, the RP and PPRPU also pledged to extend the mandate of KAPO to encompass all corruption cases that are declared a threat to national security. This proposal was presumably motivated by the Edgar Savisaar case of alleged party fundraising from Russian Federation officials.

Some of the more prominent corruption cases arising or continuing in 2011 showed that corruption at the municipal level remained an important issue. In early 2011, a trial began against Ivo Parbus, a high-ranking Tallinn city government official accused of taking some €60,000 in bribes while working as an advisor to the deputy mayor of Tallinn. In August, the Harju County Court convicted a planning official in the Tallinn city government, Toomas Õispuu, and a high-profile private lawyer, Viktor Kaasik, when it was revealed that Kaasik had been offering bribes in order to speed the approval of a real estate project in the capital.

Among law enforcement authorities, KAPO arrested a prominent police investigator, Indrek Ploompuu, on charges of selling confidential information about police activities. Ploompuu had been responsible for investigating economic crime

in southern Estonia, including organized criminal activity. KAPO officials alleged that Ploompuu had agreed to sell police information to certain suspects for a price. He was arrested in January and convicted in March after a plea bargain. In April, a former director of the Tallinn Municipal Police, Kaimo Järvik, was also convicted of taking bribes. In his case, prosecutors alleged that Järvik had taken money from the owner of a collection agency in exchange for steering the collection of outstanding municipal fines to this company. Järvik, too, was convicted on a plea bargain and sentenced to 2.5 months in jail and two years of probation.

The party financing system in Estonia, especially its provisions related to oversight of donations, has for years been a locus for corruption. Until 2011 there was no real system of oversight for these matters, even though state funding for parties amounted to nearly €5.5 million in 2011,¹⁹ roughly matched by private donations. Following several years of debate over the issue, parliament finally agreed to create a special commission, tasked with reviewing parties' regular economic activity reports. However, the commission consists primarily of representatives from the major political parties, and only a few independent members—nominated by the chancellor of justice, the National Electoral Committee, and the auditor general—are included. The new commission began its work immediately after the March parliamentary election, but found no irregularities with the major parties' campaign expense reports. Instead, it focused on chasing independent candidates for their reports, even though some of these individuals had spent only a few hundred euros on their campaigns. A few weeks into the commission's work, Commission Chair Ardo Ojasalu complained that the body had not been given enough money to remunerate its members' work.

Influence peddling as a form of corruption became a high-profile issue in December, when a pair of investigative journalists revealed that three prominent members of PPRPU (including two MPs) had for years been running a consultancy business helping citizens of the Russian Federation obtain residency permits in Estonia by allowing each of them to register a business in the same address as the consultancy firm itself. Under a special provision of Estonian migration law, individuals from non-EU countries who invest at least €63,912 in the Estonian economy can apply for a long-term residency permit. However, oversight in terms of what counts as a real investment has been lax, and easy to exploit—allegedly to the tune of up to €4000 for each successfully registered business, in the case of the PPRPU politicians. The scandal was all the more shocking since the nationalist PPRPU had long been seen as the most vocal critic of excessive Russian political and economic influence in Estonia. One of the PPRPU MPs accused in the case, Indrek Raudne, was also accused of pressuring his party colleagues, Economics Minister Juhan Parts and Interior Minister Ken-Marti Vaher, to increase the yearly quota for expedited residency permits, thus further promoting his own business interests. As the recriminations ensued, Raudne resigned from parliament and Nikolai Stelmach, one of the others accused of complicity in the permit scheme, resigned from the Tallinn City Council. The third accomplice, MP Siim Kabrits, remained in politics, since his role in the company was apparently relatively minor.

Nonetheless, Interior Minister Vaher promised to immediately review the ways in which external investments are monitored and pledged to rescind any residency permits issued under false pretenses.

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