

# Estonia

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*Capital:* Tallinn  
*Population:* 1.3 million  
*GNI/capita:* US\$19,320

Source: The data above was provided by The World Bank, *World Bank Indicators 2010*.

## Nations in Transit Ratings and Averaged Scores

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Electoral Process	1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.75
Civil Society	2.25	2.00	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75
Independent Media	1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Governance*	2.25	2.25	2.25	2.25	n/a	n/a	n/a	n/a	n/a	n/a
National Democratic Governance	n/a	n/a	n/a	n/a	2.25	2.25	2.25	2.25	2.25	2.25
Local Democratic Governance	n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50	2.50	2.50
Judicial Framework and Independence	2.00	1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50
Corruption	2.75	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Democracy Score	2.13	2.00	2.00	1.92	1.96	1.96	1.96	1.93	1.93	1.96

\* 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

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Since emerging in the 1990s as one of the most economically and politically successful transition countries in post-communist Europe, Estonia hit a rough patch in 2009 with a severe contraction of its economy that precipitated a number of important ripple effects throughout its political system. While democracy itself was not threatened, electoral processes did weaken with parties employing some questionable tactics amid the European Parliament and local elections. Likewise, local governance was undermined by the failure to pass long-discussed plans for administrative reform. Thirdly, the center-right coalition of Prime Minister Andrus Ansip underwent a rift that reduced it to mere minority status in Parliament. Still, the cabinet continued to work and there was no danger of government collapse.

**National Democratic Governance.** By far the most significant political issue in Estonia during 2009 was how to maintain the financial viability of the state. The national budget, originally passed at the end of 2008, quickly proved to be unrealistic, as the slowdown in economic growth caused tax revenues to fall precipitously. This obliged the government to pass a revised budget in Parliament at the beginning of the fiscal year, followed by another adjustment in the middle of 2009. By the end of the year, the cabinet was trying to avoid a third wave of budget cuts by asking ministries to make voluntary reductions. Disagreements about how to deal with the economic situation eventually led Prime Minister Ansip to dismiss the Social Democratic Party as one of the three partners in his coalition government and to continue as a minority cabinet with tacit support from the Estonian Green Party. This left his administration weakened but still viable. *Although the Ansip government succeeded in taking a number of steps to confront the economic crisis in Estonia, it also suffered from ad hoc and temperamental decision-making; thus the national democratic governance rating remains at 2.25.*

**Electoral Process.** In 2009, two elections took place in Estonia. In June, the country held its second election to the European Parliament, won by an independent candidate, Indrek Tarand, who campaigned against political parties and without a substantial political platform. He received almost as many votes as the largest party winner, the Center Party (CP). In October, municipal elections took place in which the CP, the main opposition party in the Parliament, again performed remarkably well, securing (among other victories) an unprecedented absolute majority of the vote in the capital, Tallinn. While turnout was relatively high for both polls, they also stood out for practices that undermined their democratic function. The election campaigns were noteworthy for their use of empty slogans,

negative campaigning, and overall lack of substance. Also, a recurring practice of nominating more prominent politicians as candidates who had no intention of filling their post if elected was widespread. There were and are ongoing problems with the transparency of party financing. *Given these persistent flaws and problematic practices Estonia's electoral process rating worsened from 1.50 to 1.75.*

**Civil Society.** There were no major civil society developments in Estonia in 2009. According to international comparative studies, Estonia's civil society was still the most developed among the Central and Eastern European countries. There were also indications of increasing charitable activity and relatively widespread cooperation between nongovernmental organizations (NGOs) and the government at the local level. Among the most noteworthy national initiatives during the year was the organization of a brainstorming session throughout the country that engaged over 11,000 people in the discussion of many issues of public concern. Likewise, a major NGO umbrella organization compiled a set of election principles for political parties to which the major parties agreed, although in practice their compliance with this code during the local elections was minimal. *Estonia's civil society rating remains at 1.75.*

**Independent Media.** Although the harsh economic crisis that hit Estonia in 2008 and deepened through 2009 also influenced the media, the country continued to have a free and functional media landscape. The recently established media company, Kalev Media, went bankrupt early in the year and two Russian-language newspapers also stopped publishing. But, overall the main media outlets, both electronic and print-based, managed to survive the crisis and falling advertising revenues. Overall, the media remained free of political influence, although in some instances the CP used its position as the governing party in Tallinn to finance public information media that often contained explicitly biased political messages. *Avoiding any major deterioration in diversity and capacity during the economic crisis, Estonia's independent media rating remains at 1.50.*

**Local Democratic Governance.** The local government system remains fragmented and in need of restructuring. During 2009, the minister of regional affairs came up with yet another proposal for drastic reform that would have reduced the number of local governments from 226 to just 20. The plan was criticized as "hasty" and torpedoed by the coalition partners, who cited the well-worn argument for more consultation. While the economic crisis offered a rationale for finally pushing through reform, with a large number of local government units facing financial difficulty, even this proved to be an insufficient incentive for overcoming political deadlock. *Failing once again to move forward with reform, Estonia's local democratic governance rating remains stagnant at 2.50.*

**Judicial Framework and Independence.** Although an independent court system has consolidated in Estonia with the establishment of a democratic state,

there are still some reforms needed to ensure its independence and functionality. For example, discussions that started in 2008 on establishing greater administrative autonomy for the courts continued in 2009 with a new Courts Act, which is being developed with some involvement from the judiciary itself. At the same time, there were a number of judgeships still unfilled, hampering the day-to-day judicial process. *Estonia's justice system saw no major changes in 2009, thus its judicial framework and independence rating remains at 1.50.*

**Corruption.** Corruption continues to be an area of concern in Estonia, especially in comparison with Western European countries. In 2009, problems persisted with ensuring effective oversight of political party financing. Corruption in local government also flared, as a significant number of criminal cases were brought against local government officials. The year also saw a provisional end to one of Estonia's most significant corruption cases as the former leader of the People's Union, Villu Reiljan, was convicted of bribery alleged to have taken place when he served as environment minister in the early 2000s. The ruling was appealed and the case continued through the Circuit Court of Tallinn to the Supreme Court. *In light of these events, Estonia's corruption rating remains at 2.50.*

**Outlook for 2010.** Economic hardships in Estonia are likely to increase in 2010 as the economic downturn is predicted to reach its peak. This will also set the tone for political developments. With over a year until the next parliamentary elections, it remains to be seen whether the current minority government will be able to retain its hold on power. This would be exceptional, especially given the economic crisis, as no government headed by the same prime minister has yet been able to stand for an entire electoral period. Solving the country's economic problems will determine how Estonia will function democratically within the established institutional framework. The upcoming parliamentary elections in 2011 will most likely shape the political landscape of the second half of 2010, putting further strain on the smooth functioning of the political system.

# MAIN REPORT

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## National Democratic Governance

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
n/a	n/a	n/a	n/a	2.25	2.25	2.25	2.25	2.25	2.25

Estonia established a reasonably well functioning parliamentary democracy and a free-market economy within a few years of regaining independence in 1991. A democratic constitution was adopted in a national referendum held in June 1992. The constitution established, in turn, a parliamentary democracy with proportional representation in a unitary state. The first parliamentary elections were held the same year, which yielded a center-right, coalition government. Since then, right-leaning coalition governments have been the norm in Estonian national politics.

In 2007, the country reached another governance milestone when then prime minister, Andrus Ansip of the market-liberal Reform Party (RP), was returned to power in parliamentary elections. Having previously governed in an uneasy coalition with the left-leaning Center Party (CP), Prime Minister Ansip used his reappointment to shift his government back to the well-known center-right triumvirate of his own RP, the conservative Pro Patria and Res Publica Union (PPRPU), and the centrist Social Democratic Party (SDP). Yet, while this constellation was in line with Estonia's earlier right-leaning cabinets, the formula soon showed signs of wear as the SDP increasingly turned to profiling itself as a center-left party and grew less compliant with the policies of the other coalition partners.

The first tensions surfaced in 2008, when the RP sought to push through labor market reforms that would restructure unemployment benefits. At the time, the SDP was able to salvage a compromise. However, in May 2009, disagreement over whether to raise excise and other taxes as part of the government's many rounds of austerity measures ultimately led to the coalition's collapse. In fact, Prime Minister Ansip took the unprecedented step of throwing the SDP out of the coalition by asking President Toomas Hendrik Ilves to relieve the SDP's three cabinet ministers of their duties. As a former Social Democrat himself, Ilves was caught in an awkward position, compelled constitutionally as the president to stand above party politics and honor the request.

Now overseeing a two-party coalition with just 50 seats in the 101-member Parliament, Prime Minister Ansip turned to the agrarian People's Union (PU) and its 6 members to safeguard a new majority. However, fearing that it would be drawn into a government faced with only hard economic decisions, the PU somewhat surprisingly turned down the prime minister's coalition offer despite several rounds of talks. Ultimately, the RP and the PPRPU secured an agreement with the Greens (also with 6 seats) for their support, although the party was not formally added to the coalition. In the end, Prime Minister Ansip continued with his former cabinet (after filling the SDP's vacant ministerial posts with other RP and PPRPU

members) and did not seek formal re-investiture. However, in practical terms, he was reduced to a minority coalition.

Prime Minister Ansip attempted to deflect criticism of his weakened administration by claiming the shake-up was necessary to keep Estonia on the road toward potentially adopting the euro as the country's currency in 2011. In order to do this, Estonia would need to keep its budget deficit below 3 percent of GDP, which, in the prime minister's words, meant greater austerity, not higher taxes. Yet, for many observers his dogged pursuit of the euro seemed more like a search for a panacea rather than balanced economics. With a negative economic growth of as much as 15 percent in 2009 and unemployment topping 14 percent, the single act of changing the currency was not likely to revive business nor solve the country's long-term structural weaknesses.<sup>1</sup>

Throughout the year, Prime Minister Ansip made cost-cutting concessions by agreeing, for example, to suspend the so-called second pillar within Estonia's pension system (in which the state contributed extra payments to individual retirement accounts). In May, he further consented to a sharp hike in unemployment insurance rates to cover increasing demand for jobless benefits. In June, Parliament approved an increase in Estonia's value-added tax. In August, the cabinet even agreed to an opposition proposal to scrap a planned 3 percentage-point cut in personal income tax rates by the year 2012 (a signature platform item for the prime minister's Reform Party). Still, in many cases these shifts seemed more like forced responses than proactive measures, and they often emerged from closed-door coalition talks after rosy forecasts had proven illusory. Estonia was managing the crisis somehow, but by fits and starts.

### Electoral Process

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.75

In 2009, Estonia held two elections, one for the European Parliament (EP) in June and another for local government councils in October. Both transpired without major incident and were considered free and fair, although each had its own surprise outcome. In terms of democratic participation, both polls featured an unexpectedly high turnout. In the EP elections, participation was up nearly 14 points over 2004 to 44 percent, while the municipal elections also drew over 60 percent of voters to the ballot box (up from 47 percent in 2005). In part, these figures were a sign of the economic crisis and voters' desire to voice their apprehension. The EP elections, for example, yielded a kind of protest victory for unaffiliated candidate, Indrek Tarand, a one-time, high-ranking civil servant and rather controversial public figure since appearing at a sports event in 2005 wearing a T-shirt bearing the slogan "Commies into the oven!". Although Tarand was not the author of the T-shirt slogan, the association it evoked with the Holocaust generated intense media discussion and even prompted a cabinet minister to resign. For his EP campaign, Tarand continued

his rebel image and succeeded in racking up nearly 26 percent of the national vote. Meanwhile, the main opposition, CP, did well in both polls, scoring 26 percent in the EP elections and over 31 percent in the municipal ballot.

Tarand's astounding performance in the EP elections stemmed partly from a change in Estonia's electoral law. In contrast to the previous practice of elections based on open party lists with voters casting their ballot for individual candidates, this year's EU election allowed only closed lists and voters were forced into a party vote. Tarand used this perceived narrowing of choice to his benefit, running as a single, unaffiliated candidate and calling on voters to reject the partocratic system. In fact, Estonia was merely conforming its European electoral system to that of most other EU members. Yet, amidst the ongoing economic crisis as well as an overall lack of confidence in politicians, Tarand's maverick call was well received. On election night, a shocked Tarand said he himself had not expected such success, but he vowed to take the people's confidence to Brussels.

Among the political parties, the CP only slightly edged out Tarand's singular performance (with 26.1 percent), while Prime Minister Ansip's RP came in a distant third with just 15.3 percent of the vote. The PPRPU finished with 12.2 percent and the SDP with 8.7 percent. Thus, Estonia's six EU Parliament seats were split almost evenly among the main parties, with the CP getting two and the other parties each getting one alongside the upstart Tarand. Estonia's other two parliamentary parties, the Greens and the PU, scored 2.7 percent and 2.2 percent, respectively.

EU ballots have generally been seen as second-rate contests with only limited relevance for measuring national political trends. In Estonia's case, however, they presaged the results of the municipal poll to follow in October. Here the CP again triumphed with 31.5 percent of the vote across the nation. Moreover, in the capital Tallinn, where CP leader Edgar Savisaar served as mayor, the party achieved an unprecedented popular majority, capturing over 53 percent of the vote. This victory was again in part thanks to Estonian electoral law, which allows resident noncitizens to vote in municipal elections. This meant that all of Estonia's roughly 107,000 stateless persons, as well as 97,500 Russian Federation citizens also had the right to vote, and these voters leaned heavily toward the CP.<sup>2</sup> Yet, despite having gained an absolute majority in the city council, the CP still formed a coalition with the SDP, most likely in an attempt to gain allies for the 2011 parliamentary elections.

Success for Savisaar came despite a protracted struggle with the parties of the center-right over how to draw electoral districts in the capital. The dispute arose in 2008, when the CP charged that electoral districts in Tallinn were divided disproportionately and were therefore unconstitutional. Estonia's chancellor of justice, or ombudsman, agreed to take up the case and called on Parliament to rectify the situation. While the center-right majority in the Parliament did adopt some changes in December 2008, these did not actually redraw any of the electoral districts, and therefore Savisaar pressed on with his campaign. In February, the city submitted a petition directly to the Supreme Court calling for a review of the issue, but this was turned down on procedural grounds. Finally, the city tried simply to abolish the administrative units on which the electoral districts were based. However,

this caused the center-right parties in Parliament to again torpedo Savisaar's efforts by altering the national law to ensure that with or without municipal boroughs, the electoral districts would remain the same. When the infighting ceased, Savisaar's opponents were able to win the battle over electoral geography, but they lost the war for votes, as Savisaar and the CP ended up only strengthening their political control over the capital. For the chancellor of justice, the matter was still not satisfactorily resolved and he vowed to continue pressing for a review of the districts in 2010.

The municipal elections also struck a death knell for the agrarian PU. After long having been a powerhouse in Estonia's countryside, and despite being the second-largest party in Estonia, the PU polled just 1.9 percent of the vote in October, forcing it out of practically every local government. Shortly thereafter, party leaders announced a period of reflection on whether the party should continue or merge with another entity. Edgar Savisaar quickly issued an invitation to unite with the CP; however, many in the PU were wary of disappearing within the CP's ranks. Meanwhile, the SDP also invited the PU to talks (along with the Greens) in what promised to be a much more equitable encounter. After extensive intraparty discussions, the PU decided not to merge and continued on its own.

Estonia's failings in terms of electoral democracy became evident soon after the municipal poll, as dozens of members of Parliament, cabinet ministers, and other party leaders elected to municipal seats or even the European Parliament announced in succession that they were relinquishing their mandates in order to stay in their higher posts. In part, the politicians were obliged to do so since a law passed in 2006 forbids individuals from occupying more than one elected post. Still, this did nothing to deter parties from continuing to nominate these politicians as candidates, thus confusing voters and rendering the elections somewhat of a farce. Voters, too, were partly to blame, since they continued to give their votes to these "decoy ducks," as they became known in Estonia, thus reinforcing the parties' impression that they were doing the right thing. On the whole, the phenomenon served to gravely distort the nature of representation in the country, especially at the local level.

#### Civil Society

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2.25	2.00	2.00	2.00	2.00	2.00	2.00	1.75	1.75	1.75

In the years immediately following renewed independence in 1991, Estonia devoted most of its attention to economic rebirth and integration with Western Europe. Civil society issues took a backseat until the end of the 1990s when a number of important initiatives began to take hold. In 2002, Parliament adopted the Civil Society Development Concept, which outlined a formal set of roles and principles for cooperation between the public and the third sector. In 2008, the National Foundation of Civil Society was established with the goal of developing a more vibrant civil society acting in the public interest, with a primary function to provide



funding for various civil society activities. Meanwhile, within the third sector the Network of Estonian Non-profit Organizations (NENO) was the main impetus for change, relying on its support base of over 100 civil society groups. NENO also publishes *Good Citizen*, a bulletin that publicizes news and developments about civil society. Thus, steps have been taken to develop a more functional and active civic sector, yet paradoxically the state is still often seen as the most important actor in civil society building.

While Estonia still works to consolidate its civil society gains, it has nonetheless stood out in comparison with other countries in Central and Eastern Europe. For years the United States Agency for International Development (USAID) has ranked Estonia among the best in the region for civil society change. In mid-2009, USAID published its NGO sustainability index for 2008, which evaluated the functioning of nongovernmental organizations via such dimensions as legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure and public image. Among these categories, civil society in Estonia placed strongest with regard to legal environment, advocacy, and infrastructure and weakest in financial viability and service provision.

Likewise, a survey carried out by TNS Emor, an Estonian market research company, showed that although Estonia has a comparatively low ranking with regard to charitable activities (in the context of other, more developed European countries), such activities have increased considerably in the last few years.<sup>3</sup> The biggest shortcoming in this area appears to be the lack of a clear legal framework regulating and facilitating charitable activities, as well as a lack of awareness among the population. Another research project evaluated the cooperation between NGOs and local governments in public service provision, concluding that such activities are relatively widespread and increasing.<sup>4</sup> The third sector, however, often is still not seen as an equal partner by local governments. With regard to NGO cooperation with other sectors of society, another report issued by NENO concluded that overall NGOs acknowledge their role as social actors and are aware of their opportunities to fulfill that role, yet their ability to cooperate with the public sector is impeded by a lack of established practices of cooperation.<sup>5</sup> NGOs frequently see themselves as initiating contact only to later experience efforts by the public sector to unduly influence their activities.

As for specific activities in 2009, two initiatives stand out. After an immensely successful effort in 2008 to clean up the Estonian countryside (drawing more than 50,000 volunteers), activists set their sights in 2009 on organizing a nationwide brainstorming session on issues of public importance. On May 1, more than 11,000 people from all over Estonia gathered in small groups to discuss health care, governance, safety, and culture, amongst other issues. The over 4,000 ideas generated were gathered into a databank that was made available to the public for further discussion and elaboration. The discussions were also analyzed by experts from the think tank PRAXIS. Although the project was still ongoing at year's end, it was noteworthy if only for the opportunity it provided for thousands of people to come together and discuss matters of public concern.

Meanwhile, as part of the two elections Estonia held in 2009, NENO attempted to promote an electoral and campaign ethics code. Aiming to increase the democratic substance of political campaigning, the code called on parties to limit their expenses on media campaigning, to not use public resources for campaign purposes, to only nominate candidates who intend to fill the position they are campaigning for, and to avoid negative campaigning. Although all the major parties agreed to the principles, the initiative appears to have had no substantial effect on the campaigns. On the most general level, the campaigns of the major parties still lacked substance, negative campaigning was widespread, and many prominent politicians still ran although they had no intention of actually filling the positions.

The freedom of assembly in Estonia came under question in 2009. Following the acquittal of several Russian-community activists charged with having instigated the April 2007 “Bronze Soldier” riots in Tallinn, the government coalition tried to adopt a set of legislative changes in June termed the “Bronze Night Legislation.” These changes included allowing the prosecution of organizers of such protests if the actions of demonstrators turn violent. In addition, the bill proposed taking away the citizenship of naturalized persons in cases where they had been convicted of such offenses. When the amendments reached his desk for promulgation, President Ilves declared them unconstitutional and duly vetoed them. Thereafter, Parliament took up the issue again, reworking some of the controversial amendments (for example, regarding the organization of protests that might turn into riots) and leaving out others (for example, regarding citizenship issues). President Ilves then promulgated the laws, although according to some critics the legislation still curbed the right to organize protests.

#### Independent Media

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50

While the current economic crisis has brought changes to Estonia’s media landscape, the sector persisted as a regional leader in media freedom. At the end of 2009, the international media watchdog, Reporters Without Borders issued its yearly media evaluation, reporting once again that Estonia ranked among the top countries on the list, although its position dropped from fourth to sixth place. Estonia was still the highest-ranking post-communist country regarding freedom of the press; next was Lithuania, which ranked tenth.

Despite its small size and therefore limited market, Estonia has a vibrant media landscape, both at the national and local level. The mass media market is shaped by three national television channels (the publicly owned ETV and two commercial channels TV3 and Kanal2), four national Estonian-language daily newspapers (*Eesti Päevaleht*, *Postimees*, *Õhtuleht* and *Äripäev*), but only one Russian-language daily newspaper, *Postimees na Russkom Jazyke*. Two other daily newspapers in the Russian language—*Molodjzoh Estonii* and *Vesti Dnja*—stopped publishing due to economic hardships. There are two major weekly newspapers in the Estonian-language

(*Eesti Ekspress* and *Maaleht*), but only one in Russian (*Den za Dnjom*). Thus, the diversity and long-term viability of Russian-language media in Estonia remains a concern. Estonian state radio continued to broadcast a separate Russian-language radio channel and there are a number of private stations. However, local Russian outlets found it increasingly difficult to compete with Russian Federation media, especially in the entertainment sector. Meanwhile, the traditional print media (in particular the newspapers *Postimees* and *Eesti Päevaleht*) decided to undertake their own revenue-enhancing measures by restricting the online publishing of content from their print editions with the aim of increasing circulation.

In 2009, the economic crunch brought down, once and for all, Kalev Media, the upstart conglomerate formed in 2007 by the food industry magnate Oliver Kruuda. At first the company announced that it would stop publishing a number of magazines. This was soon followed by a shutdown of the Kalev television channel, and finally an announcement of bankruptcy in June. The announcement put the Tallinn city government in a bind, since it had a contract with Kalev for the broadcast of a number of municipal information programs. These programs had already drawn criticism due to Kruuda's tight relationship with the CP, the party in power in the capital. The city government had already been disparaged for dramatically increasing its overall public relations budget since 2005 to pay for a slew of borough newspapers, which officials said served to disseminate vital municipal information but critics ridiculed as political advertising. In May 2009, Tallinn Mayor and CP Chief Edgar Savisaar went further, announcing a plan to create a separate municipal television station by 2011, when the city will take on the EU title, "Cultural Capital of Europe". Whether these different communication channels would further cement the CP's hold on power in the capital was uncertain, but they clearly factored into the party's political strategy.

#### Local Democratic Governance

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
n/a	n/a	n/a	n/a	2.50	2.50	2.50	2.50	2.50	2.50

In 2009, the key problem of local governance in Estonia—its fragmentation into myriad local government units of unequal proportions—remained unchanged. By the end of the year, there were 226 local governments in the country (33 cities and 193 rural municipalities), a decrease of just one compared to 2008. The largest local government was the capital Tallinn, with about 400,000 inhabitants and a budget of over 6 billion Estonian kroons (US\$555 million), while the smallest was Piirissaare with less than a hundred inhabitants and a budget of just over a million kroons (US\$93,000). There were about 40 local governments with less than 1,000 inhabitants, half of the local governments had less than 2,000 inhabitants, and two-thirds had less than 3,000 inhabitants. Meanwhile, there were only three municipalities with more than 50,000 inhabitants (the cities of Tallinn, Tartu, and Narva).<sup>6</sup> Not surprisingly, this stark variation in size and resources also manifested

itself in serious differences in the capacity of local administrators, as a 2009 study commissioned by the Ministry of Interior revealed.<sup>7</sup>

Although the need for local government reform has been acknowledged for over a decade, no meaningful action to improve administrative capacity has ever been taken. The main approach so far has been to encourage voluntary mergers between individual local governments. Between 1993 and 2009, 61 municipalities merged, reducing the total number of municipalities to 226. Still, at this pace it would take decades to pare the number down to a more reasonable figure. Over the years, successive governments and ministers for regional affairs have attempted to draw up reform proposals as well as threaten local governments with more forceful action if they fail to collaborate. Yet in each case the politicians have backed down, often unwilling to undercut their fellow party leaders in the countryside or wary of what effect radical reform would have on Estonia's presidential electoral system, where, according to the constitution, local government representatives have considerable sway in electing the head of state when election in the national Parliament fails.

There was no exception to this political merry-go-round in 2009, when in early March the Minister of Regional Affairs, Siim-Valmer Kiisler (PPRPU), came out with yet another plan to reorganize the local government system in Estonia. His proposed plan would have formed local government units on the basis of the 15 existing counties, while 5 of the biggest cities (Tallinn, Tartu, Narva, Kohta-Järve, and Pärnu) would remain separate units. The plan would have replaced the over 200 municipalities with just 20. Furthermore, Kiisler wanted to start the reform before the 2009 municipal elections, with its completion set to coincide with the 2011 parliamentary elections. While Kiisler argued that economic crisis was precisely an opportunity for action and that local government leaders would themselves see his rationale behind consolidation amidst massive budgetary retrenchment, he ultimately succumbed to the classic counter argument in politics (that is, haste) as critics deemed his plan "unrealistic" and akin to steamrolling change. After some discussion, the RP pronounced Kiisler's plan a failure, while the SDP suggested involving more experts and people from all walks of life in the debate. Kiisler himself backed down after just two weeks but vowed to revive the issue once the municipal elections were over. By year's end there was still no movement.

#### Judicial Framework and Independence

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2.00	1.75	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50

Over the course of the past 20 years, Estonia's functioning and fair judicial system has undergone several stages of reform, but judges and other officials agree that a number of crucial changes remain to be implemented. One peculiar aspect of the court system is that while the Supreme Court is a fully autonomous entity, the lower courts are, in effect, administered by the Ministry of Justice. This has raised questions about maintaining separation of powers between the executive and the judiciary, although

so far no actual conflicts have occurred. Since 2008, experts have been working on preparing a new Courts Act that would better regulate this relationship, and in early 2009 Estonia's main association of judges weighed in on the process. By the end of the year, a new bill had begun to make its way through Parliament, although its future remained uncertain as it came under increasing scrutiny by legislators.

In June, the Chief Justice of the Estonian Supreme Court, Märt Rask, delivered a report to Parliament on other problems facing the Estonian judiciary. These included significant regional disparities between courts in terms of the time needed to process cases. The court system also lacked a number of judges, with positions going unfilled for months. Lastly, Rask warned that austerity cuts could create a situation where the wages of judges were no longer competitive compared with the private sector, which in turn could undermine the overall competence of the judiciary.

Perhaps the most significant criminal case to be heard in 2009 was brought against those accused of having organized the so-called Bronze Soldier riots in Tallinn in April 2007. In early January, the Harju County Court issued a surprise ruling acquitting all four of the defendants (Dmitri Linter, Dmitri Klenski, Maksim Reva, and Mark Sirök) due to insufficient evidence. While the court said that the four men had been present during the riots and helped organize the protests that preceded them, there was no compelling proof that their actions had resulted directly in the riots that caused considerable damage to the city center. In what was for most Estonians an open-and-shut case, the verdict came as a shock and immediately prompted a range of criticism from various Estonian politicians. The PU issued a declaration accusing the Estonian Security Police Board (ESPB) of incompetence in gathering the evidence, and the prosecutor's office of being unprofessional in trying the case. Other prominent members of the PPRPU also expressed outrage. Prime Minister Ansip and President Ilves withheld any comment, perhaps sensing the need to avoid rekindling passions about an incident that had already been so divisive between the Estonian and Russian communities. In May, the Tallinn court of appeal confirmed the acquittal, while in July the Supreme Court refused to hear the case, thus ending the saga definitively. Three out of the four defendants, meanwhile, prepared petitions demanding compensation from the Estonian state for unwarranted arrest and detention. Under Estonian law, they were eligible for up to 300,000 kroons (US\$28,000). All three were compensated by the end of the year.

## Corruption

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
2.75	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50

Indicators of corruption in Estonia were mixed during 2009. On the one hand, a growing number of reported cases and declining public confidence implied an increase in corruption. At the same time, several high-profile court convictions and heightened media scrutiny suggested that accountability in the area was rising. The disheartening crime statistics were reported in April by the Ministry of Justice

in its annual crime report.<sup>8</sup> The data for 2008 showed a 17 percent increase in the number of corruption cases occurring in the public sector (up from 278 to 326). Although this final number was still lower than in 2004–06, it remained worrisome as most of the new cases involved bribery. In 2008, Estonia also saw a 68 percent increase in economic crimes, including tax crimes and money laundering.

A victory in the battle against corruption was achieved in May when a Tallinn court formally convicted a veteran politician, the former head of the PU and former minister of the environment, Villu Reiljan, of bribery in a case that began in 2006. Reiljan received a suspended sentence of less than three years, whereupon he immediately appealed the verdict. The Circuit Court of Tallinn did not revise this sentence, and an appeal was sent to the Supreme Court at the end of the year. In March, Reiljan and his party colleague and former minister of agriculture, Ester Tuiksoo were charged in a second set of corruption counts, involving the solicitation of bribes from real estate developers and other businesspeople in exchange for preferential treatment while the two were in office. This trial also kicked off in the fall, but was expected to continue well into 2010.

A recurring saga involving corruption in party financing continued during the year. After the chancellor of justice failed to persuade the Supreme Court to force a tightening of Estonia's lax oversight procedures in 2008, the issue seemed moot for a while. Then scandal emerged again in 2009 as the Jüri Vilms Foundation, a private fund with close ties to the CP, declared bankruptcy in June. The organization, which published the party's weekly newspaper, as well as the Russian-language daily *Vesti Dnja*, had been accused of laundering illicit financial contributions for the party. Earlier in March, the ESPB had frozen the foundation's accounts and launched a criminal investigation against the organization's director, Elmar Sepp, for financial irregularities. The ensuing press spotlight also turned up indiscretions with the RP's Civic Education Foundation, which was said to have received millions of kroons in donations but refused to disclose the names of its contributors or how money was spent.

By year's end, the Ministry of Justice had introduced a significantly revamped version of Estonia's Anti-Corruption Act to Parliament in order to fix some of the loopholes in existing legislation. The act will reportedly redefine the notion of an official and his or her responsibilities, specify the limits of his or her actions, and make the system of declaring interests more efficient. Legislative proceedings over the bill will continue in 2010.

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- <sup>1</sup> Ministry of Finance, “2009, aasta suvine majandusprognoos,” [Economic Forecast. Summer 2009], <http://www.fin.ee/doc.php?101118> (accessed November 20, 2009).
  - <sup>2</sup> In 1992 Estonia adopted a restrictive policy on citizenship, which accorded automatic Estonian citizenship only to those who had it before the 1940 Soviet takeover of the country or who were descendents of such people. Soviet-era immigrants to Estonia were given the option of becoming naturalized citizens but only based on a language and civics exam. As a result, an estimated 400,000 people were left stateless in the early 1990s, although Estonia agreed to provide them permanent residency. Over time, this number has declined, partly due to naturalization but also due to many people taking Russian Federation citizenship or simply moving away from Estonia. Still, from the perspective of local politics, this addition of resident non-Estonians dramatically changes the voter rolls. In Tallinn, for example, the number of eligible voters expands by some 35 percent to 326,000 people.
  - <sup>3</sup> TNS Emor and Praxis, “Vabatahtlikus tegevuses osalemine Eestis,” [Participation in Voluntary Activities in Estonia], [http://www.ngo.ee/orb.aw/class=file/action=preview/id=27927/Vabat\\_ahklikus+tegevuses+osalemine+Eestis.pdf](http://www.ngo.ee/orb.aw/class=file/action=preview/id=27927/Vabat_ahklikus+tegevuses+osalemine+Eestis.pdf).
  - <sup>4</sup> Praxis, “Kohaliku omavalitsuse üksuste avalike teenuste lepinguline delegerimine kodanikeühendustele,” [The Contractual Delegation of Local Government Public Services to Civic Associations], <http://www.ngo.ee/orb.aw/class=file/action=preview/id=27929/Kohaliku+omavalitsuse+%FCksuste+avalike+teenuste+lepinguline+delegerimine+kodanike%FChendustele.pdf>.
  - <sup>5</sup> EMSL, “Suutlik Sektor. Uuringu aruanne,” [Capable Sector Project Report], <http://www.ngo.ee/orb.aw/class=file/action=preview/id=28056/Suutlik+sektor+uuringu+aruanne.pdf>.
  - <sup>6</sup> Ministry of the Interior, “Kohalik omavalitsus Eestis,” [Local Government in Estonia], [http://www.siseministerium.ee/public/Kohalik\\_omavalitsus\\_Eestis\\_2008.pdf](http://www.siseministerium.ee/public/Kohalik_omavalitsus_Eestis_2008.pdf).
  - <sup>7</sup> Geomedia, “Eesti kohaliku omavalitsuse üksuste võimekuse indeks,” [An Index of Efficiency for Estonian Local Government Units], [http://www.siseministerium.ee/public/KOV\\_v\\_imekuse\\_indeks\\_SM\\_Press\\_22.09.pdf](http://www.siseministerium.ee/public/KOV_v_imekuse_indeks_SM_Press_22.09.pdf).
  - <sup>8</sup> Ministry of Justice, “Kuritegevus Eestis 2008,” [Crime in Estonia], <http://www.just.ee/orb.aw/class=file/action=preview/id=42878/Kuritegevus+Eestis+2008.pdf>.

