

Corruption and Anti-corruption Policy in Estonia

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EXECUTIVE SUMMARY

Estonia is widely regarded as the least corrupt – or among the least corrupt – of the EU candidate States. While this report tends to confirm the perception that corruption is a relatively limited problem among senior officials and politicians, survey evidence indicates significant corruption problems in a number of areas. According to public opinion the most corrupt functionaries are political leaders and police officers, while the Estonian authorities regard local government and the Customs Board and border guard as the main loci of corruption. Corruption may be a particularly important problem at local government level, where the main institutions with a role in fighting corruption appear not to have much impact. An area that is little discussed or researched is organised crime, which anecdotal evidence and Estonia's geographical situation indicate is an important local phenomenon.

Estonia has made major progress towards putting in place a comprehensive anti-corruption framework, ranging from bribery laws, through provisions on conflict of interest and asset declarations to freedom of information legislation. The accompanying institutions for fighting corruption have mostly been established. However, there is no coordinated anti-corruption strategy, although the Government has taken important steps towards formulating one. Moreover, there are some doubts concerning the effectiveness of enforcement and implementation. In particular, several important institutions with roles in fighting corruption appear not to fulfil this role as effectively as they might, notably the Parliament (Riigikogu) Anti-corruption Committee and the Public Procurement Office.

The European Commission has not identified corruption as an important problem and has exerted little pressure on Estonia in the area of anti-corruption policy. However, the Commission has provided some assistance to the fight against corruption and financial crime.

Anti-corruption legislation is very advanced by transition country standards. Estonia is the only country in the region to define corruption separately as a distinct crime under criminal law, and was one of the first countries to ratify the Council of Europe Civil Law Convention on Corruption. Minor changes to bribery legislation to widen

criminal liability of legal entities and foreign officials will be necessary to fulfil all international conventions.

The Anti-corruption Act lays down comprehensive rules on conflict of interest, and imposes duties on public functionaries to submit declarations of assets and income. There is little evidence of violation of these provisions. However, the system for monitoring adherence to them, particularly the operation of the Parliamentary Anti-corruption Committee, does not appear to be effective.

Estonia has made considerable progress towards establishing an integrated system of State financial control, with legislation fully compatible with EU requirements. However, the effectiveness of control and audit concerning corruption does not appear to have been very effective to date, especially at local government level.

The security police has been the agency responsible for coordinating anti-corruption policy and investigating most cases of corruption. The agency appears to have carried out its investigative role well, although the removal from its competence of investigation of corruption cases at local government level raises concerns about the ability of the regular police to take over this function. The Legal Chancellor performs the functions of an ombudsman, although corruption is not a central priority.

There is very little evidence of corruption among executive officials and civil servants, while the resignation of a former Prime Minister indicates that corruption control mechanisms work relatively well at the highest level. The legal framework for the public administration is advanced, with a Civil Service Act in force since 1996 and Public Administration Reform Programme approved in April 2001. However, reform of local government, where there is a need to reduce the number of units of government, has not progressed significantly. The legal framework governing procedures for appealing against administrative decisions has only been completed since January 2002. A Civil Service Code of Ethics exists, although its effectiveness is doubtful. The implementation of conflict of interest and asset declaration provisions remains a concern in this area, however.

The State budget approved by Parliament includes all public revenue and expenditure, although the effectiveness of audit of public expenditure has in the past been blunted by the lack of formal cooperation between the State Audit Office and Parliament. Although there is some evidence of lobbying by business interests that contributed to political parties, survey research indicates that “capture” of parliamentary votes is not a serious problem. The ineffectiveness of supervision of conflict of interest and asset declarations by the Parliamentary (Riigikogu) Anti-corruption Committee makes assessment of this area difficult.

The judiciary is independent, and recent legislation will consolidate this situation further. The effectiveness of the courts in prosecuting corruption cases is subject to

some concerns, including a lack of specialisation, a short statute of limitations for some corruption offences and the apparent leniency of the courts towards those convicted of corruption. International monitoring has drawn attention to a lack of professionalism of courts and prosecution offices in this area, while recent changes to criminal procedure have restricted the competence of the security police to investigate corruption cases. There is almost no evidence of corruption in the courts or prosecution offices.

Regulation of political party funding has undergone major changes with the passage of a new act in 1999. The act introduced relatively strict restrictions on donations and disclosure requirements. However, there is no institutional supervision of party accounts and there are proposals to increase the maximum permitted cash donations. In practice, parties can probably evade the new funding rules fairly easily, and there is some evidence that corruption in political party funding has been a significant problem.

The public procurement process appears to be particularly vulnerable to corruption. Although a fairly advanced legal framework is in place, monitoring of procurement and resolution of complaints is inadequate. In particular, the Public Procurement Office appears to be vulnerable to political interference and is not sufficiently staffed to inspect procurement or check complaints. Although there appear to have been no criminal prosecutions for corruption in public procurement, local observers believe tender fixing is common, and corruption in procurement at local government level is believed to be more-or-less widespread.

There is little evidence of corruption in public services such as health and education. However, the European Commission has drawn attention to the need to fight corruption in the police and customs administration, while GRECO expressed concern at the vulnerability of the customs authorities to corruption and organised crime. Business registration and licensing do not appear to be troubled significantly by corruption.

The Estonian media is free, despite some limited evidence of the use of libel and defamation provisions to deter journalists. Freedom of Information legislation is in place, although its impact on access to information may be subject to doubt. Although the printed press has been increasingly active in exposing corruption, the broadcasting media have played little part in exposing corruption. This is, however, more likely due to lack of financial resources than direct political interference.

1. INTRODUCTION

1.1 The data and perceptions

According to international surveys Estonia is the least corrupt – or among the least corrupt – among EU candidate States. Nevertheless, domestic surveys indicate significant corruption problems. According to public opinion surveys of perception, the most corrupt functionaries are political leaders and police officers, while the authorities regard local government and the Customs Board and border guard as the main loci of corruption. For a number of reasons, corruption may be a particularly important problem at local government level.

Table 1 shows the number of convictions from 1998 to 2001 for the main corruption-related criminal acts. Moreover, the punishments given to perpetrators tend to be very lenient: of 58 convicted for the main corruption offences in 2001, 45 received suspended sentences, while only seven received prison sentences.¹ GRECO expressed the opinion in its 2001 evaluation of anti-corruption policy in Estonia that,

Despite impressive anti-corruption legislation in Estonia and dedicated police and prosecutors, the GET (GRECO Evaluation Team) considered that the results of corruption investigations and prosecutions are not impressive.²

Table 1: Convictions for corrupt acts, 1998–2001

<i>Criminal act</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Accepting a bribe	31	12	17	17
Giving a bribe	8	6	24	18
Arranging a bribe	2	1	2	1
Misuse of official position	12	8	7	8
Abuse of authority	14	10	6	8
Unlawful acceptance of remuneration	[??]	[??]	[??]	0
Corrupt act	N/A	N/A	0	6
Failure to submit declaration of economic interests/presentation of false evidence	2	0	0	0

Source: Ministry of Justice, GRECO, *Evaluation Report on Estonia*, adopted by GRECO at the 6th Plenary Meeting, Strasbourg, 10-14 September 2001.

¹ Ministry of Justice statistics.

² GRECO, *Evaluation Report on Estonia*, adopted by GRECO at the 6th Plenary Meeting, Strasbourg, 10-14 September 2001, p. 24.

Surveys

According to the Transparency International Corruption Perception Index, Estonia is the least corrupt of all CEE countries, with an index of 5.7 in 1997 and 2000 (27th place) and 5.6 in 2001 (28th place).³ The World Bank makes a similar assessment based on its *1999 Business Environment and Enterprise Performance Survey*, concluding that the average level of corruption is relatively low when compared to other CEE countries: 84 percent of companies surveyed said that companies like theirs pay less than five percent of annual revenues in bribes, while none said companies pay more than 20 percent. However, when broken down, the World Bank results do not give such a positive picture, and in a number of important categories, corruption appears to be as big a problem for Estonian companies as for those in other CEE countries, for example in the area of political party financing (see Section 6.3). The World Bank concluded in 2000 that, “[T]he average level of corruption in Estonia is relatively low when compared to other CEE countries, although relatively high with regard to political corruption.”⁴

According to a domestic survey carried out by the Jaan Tõnisson Institute and Saar Poll in 2001,⁵ the proportion of Estonians having had experience of corruption has fallen since 1998: 84 percent of respondents said they had never had any experience with corruption, a sharp increase from 69 percent in a similar survey from 1998, while ten percent said they had. However, 42 percent thought that most officials are corrupt and 12 percent that almost all are. The percentage of respondents considering most or all politicians to be corrupt increased since 1998 from 19 to 25 percent.⁶

1.2 Main loci of corruption

According to popular belief, political leaders and police force officials are the most corrupt public functionaries in Estonia.⁷ However, the evidence on corruption in these spheres is not strong. While a number of high-profile scandals (not all of which have

³ Transparency International, *Annual Report 2000*, available at <<http://www.transparency.org>>, (last accessed, 28 August 2002).

⁴ World Bank, *Anti-corruption in Transition: A Contribution to the Policy Debate*, World Bank, 2000, p. 13.

⁵ Jaan Tõnisson Institute, “Public Opinion Poll About Corruption,” Tallinn 2001.

⁶ Although these results appear to be somewhat contradictory, they might consistently reflect the real situation to the extent that corruption of a type that is not experienced directly by citizens (for example, corruption in political party financing) has increased.

⁷ Ministry of Internal Affairs, “Survey of Victims,” Tallinn 1995.

confirmed individual wrongdoing) may have underpinned the public perception,⁸ there is an impression among journalists that senior officials take their responsibilities seriously and are sufficiently motivated by national interests not to let corruption interfere with processes that are perceived to be key to national interest, in particular accession to the EU and NATO.⁹ In the central State administration, the Ministry of Economy may be a possible weak spot in terms of corruption (see Section 3.6). Although it is one of the smallest ministries, it retains important powers: for example, the Public Procurement Office is subordinate to it.

Among experts on corruption and officials involved in anti-corruption efforts, there is a strong feeling that the biggest corruption problems lie at the level of Estonia's 247 local governments, which, while gaining wide autonomy, have also become progressively less subject to external supervision (see below).¹⁰ In addition, according to the opinions expressed by officials to GRECO, the other main affected area is the border guard and Customs Board, a major issue in a country where 70 percent of State revenues come from customs and excise duties.¹¹

In 1995-2001 the Security Police initiated and forwarded to the court 147 criminal cases concerning malfeasance, of which 118 were tried. In these cases 206 persons were accused and 165 convicted. Suspended sentences were handed down in 112 cases, fines in 34 cases, and 19 people were imprisoned. The accused included local mayors, junior police officers and a number of customs officials and border guards.¹²

⁸ For example, the Prime Minister was forced to resign in 1997 as a result of a scandal involving his previous position as the Mayor of Tallinn; the current Prime Minister was previously the Governor of the Central Bank when several million dollars disappeared, although he was cleared of any personal wrongdoing; the Mayor of Tallinn (a possible future candidate for Prime Minister) was once expelled from office for abuse of power.

⁹ Conversation with Rafael Behr, *Financial Times* correspondent for the Baltic States, 23 July 2002.

¹⁰ OSI Roundtable Discussion, Tallinn, 14 March 2002. *Explanatory note: OSI held a roundtable meeting in Tallinn to invite critique of the present report in draft form. Experts present included representatives of the government and civil society organisations.*

¹¹ GRECO, *Evaluation Report on Estonia*, p. 6.

¹² GRECO, *Evaluation Report on Estonia*, p. 8.

Table 2: Percentage of respondents having experienced corruption in selected areas

<i>Areal/action</i>	<i>Percentage of respondents experiencing corruption in the last three years</i>
Recruitment, keeping one's job	16
Bribery or gift for better medical care	13
Bribery requested but not provided	9
Composing and registering documents	8
Public works	6
Bribing employment bureau official to be offered better job	5
Registering land	2
Getting residency permit	2
Obtaining information about restitution of property	2
Bribing doctors in public health service	1

Source: Jaan Tõnisson Institute, "Public Opinion Poll About Corruption," Tallinn 2001.

The most famous recent corruption case was the conviction in 2001 of the former Chairman of the Board of the Maapank bank for misuse of funds from a State foundation. In 1996 the official concerned worked as the Chairman of the Board and shareholder of the Virumaa Kommertspank and at the same time served as a Board Member of the Agricultural American Foreign Aid Foundation. He was convicted of corruption in 2001 and sentenced to 18 months' imprisonment, specifically in connection with the transfer of €1.9m of Foundation money to Maapank.¹³ Another major case, although not involving a court conviction, was the resignation of the former Prime Minister after revelations concerning allocation of apartments when he was previously Mayor of Tallinn (see below and Section 9.5).

Corruption in local government

Some of the most important corruption problems appear to arise at the level of the country's 247 municipalities, where strong local networks tying business to administration combine with poor control and external supervision. There is a general impression among agencies involved in fighting corruption that local government is literally out of control in this respect.¹⁴

¹³ The money was used to boost Maapank's own equity, enabling it to satisfy Central Bank requirements. Information provided by the Jaan Tõnisson Institute.

¹⁴ OSI Roundtable Discussion, Tallinn, 14 March 2002.

The only control mechanism at the parish and town level is a three-member auditing commission appointed by the local council and consisting of its own members. Commission members often lack any qualifications for such activities, and the Tallinn City Council is the only municipality employing a specialised control department.

A striking development concerning control of local government is the *de facto* removal of external control mechanisms. Under amendments to the Code of Criminal Procedure that came into effect in July 2000, pre-trial investigations of corruption cases involving municipal officials no longer fall under the jurisdiction of the security police, which is the only institution that explicitly fights against corruption.¹⁵ Although the State Audit Office checks the use of State budget funds by local government, it does not audit local government as such, and the extension of its competence to cover this area was only under discussion at the time of writing. Moreover, there is a general feeling that the local press does not play a role in exposing corruption.¹⁶

According to local audit officials,¹⁷ corruption in local government has been concentrated in the following areas:

Restitution/privatisation of property and land. Corruption has varied from bribery to obtain property from municipalities to schemes by which officials obtain property themselves.

Dealing in town property. A number of suspicions and scandals broke during Tiit Vähi's term as Prime Minister, culminating in a scandal that led to his resignation. The case related to his previous position as Mayor of Tallinn and the unauthorised sale of apartments rented by Tallinn city officials. Vähi resigned under public pressure and did not run in the next elections to the Parliament.

Rental contracts that have been favourable to tenants but damaging to the municipality have been relatively common. For example, in 1995 a complex of buildings in Old Tallinn was rented to a private company for 25 years by an order of the municipal government. An audit by the commission established by the Tallinn City Council later found that the tenant did not fulfil obligations to renovate the property and rented the property at a price 15 times the rent paid to the municipality (which alone caused

¹⁵ Although this change was motivated primarily by efforts to distribute tasks more rationally between the security and regular police, its impact on anti-corruption activities may be negative. Previously, the security Police had begun initiating several cases against municipal officials.

¹⁶ GRECO, *Evaluation Report on Estonia*, p. 20.

¹⁷ Interviews with the Head of the Controlling Department of the Tallinn Town Council, Toomas Johanson, and a Senior Auditor, Leho Rehemäe; audits by the Tallinn Town Council and broader research carried out by Mr. Rehemäe.

€101,333 damage to the municipality). The whole situation was made possible due to a total absence of control over rental contracts and procedures.

In another case, Tallinn city sold Tallinn Central Market to individuals connected to the market's governing body for half its market value. The share of stock could have been €1.583–2.216m, but was reduced to €760,000–950,000.

Public procurements. Ordering construction projects and other services from companies involving town officials or related persons appears to be common. For example, between 1996 and 1999 a municipal official of the Haaberst district of Tallinn ordered construction plans from his own firm. In April 2001, the Deputy Mayor of Tallinn was investigated for allegedly allocating contracts to a firm owned by his son.¹⁸

Abuse of study visits. Study visits by local officials to foreign countries have often turned out to be expensive pleasure trips. For example, the Mayor of Võru sent four members of the town government for a week to a seminar in Morocco, exceeding the budget for the trip by 300 percent. The town council of Võru forced the Mayor and his assistant to resign.

According to the opinion of one experienced Estonian business journalist, Tallinn City Council is the most corrupt unit of public administration, with many shady deals, real estate privatisations and public contracts (particularly construction contracts) awarded without tenders.¹⁹

Organised crime

One area that is relevant to corruption in Estonia but has been almost entirely unresearched is organised crime. GRECO expressed concern that the authorities did not seem sufficiently aware of the danger posed by organised crime in a country that is a natural transit route for smuggling, expressing the opinion that, “[T]he absence of visible links between corruption in Estonia and (cross-border) organised crime might be an illusion,” and recommending intensified research to check the existence of such links.²⁰ Foreign journalists are of the opinion that organised crime is well established, and appears to enjoy a degree of impunity from enforcement authorities.²¹

¹⁸ “Deputy mayor faces corruption charges,” *Ceturtdiena*, 19 April 2001.

¹⁹ Interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

²⁰ GRECO, *Evaluation Report on Estonia*, p. 23.

²¹ Conversation with Rafael Behr, *Financial Times* correspondent for the Baltic States, 23 July 2002.

1.3 Government anti-corruption policy

Estonia has made major progress towards putting in place a comprehensive anti-corruption framework and the accompanying institutions for fighting corruption. However, there is no coordinated anti-corruption strategy, although the Government has recently taken steps towards formulating one. As other sections of this report indicate, there are some doubts concerning the effectiveness of enforcement and implementation of anti-corruption policy by several of the institutions with roles in fighting corruption.

As of August 2002, the Government did not possess an explicit national anti-corruption strategy. However, various agencies have developed specific anti-corruption strategies, such as the Ministry of Internal Affairs and Customs Board. Otherwise, Estonia is advanced in the arena of legislation: bribery legislation is already largely compatible with EU and other international requirements, and Estonia was the third country to ratify the Council of Europe Civil Law Convention on Corruption in October 2001. The country was the first among candidate countries to adopt an explicit Anti-corruption Act in 1995,²² which provides the legal basis for prevention and prosecution of corruption, including definitions of a public official and corruption, comprehensive provisions on conflicts of interest and asset declarations and the establishment of a Parliamentary Anti-corruption Committee. An important breakthrough also took place when the Parliament passed the Act on Public Information in November 2000.

The National Strategy for Crime Prevention, adopted in July 2000²³ and lasting until 2003, contains some priorities for the fight against corruption to be implemented by the security police. These priorities include: setting up or improving the work of internal control units in Government offices; exposing cases of corruption in the law enforcement system, larger local government units and ministries connected with smuggling illegal arms, alcohol, fuel, drugs and radioactive material, the illegal issue of residency and citizenship documents; fighting corruption related to public procurement and large State investments; and exposing persons involved in money laundering and identifying their involvement in corruption cases.

The most important anti-corruption measure adopted by the previous Government was a regulation approved in October 2000 that mandated the creation of internal audit bodies and procedures in all State institutions (see Section 2.4).²⁴

²² Anti-corruption Act, *State Gazette* I/1999, 16, 276.

²³ Estonian National Programme for the Adoption of the Acquis 2001, Part III, Chapter 24; <<http://www.eib.ee/english>>, (last accessed 31 July 2002).

²⁴ Government Regulation no. 329, General Procedures for Internal Audit in Power Authorities and State Institutions within Their Administrative Area and Additional Requirements Set for Internal Auditors, 18 October 2000.

However, these measures do not amount to a comprehensive anti-corruption strategy. Estonia has not come under pressure from the European Commission to develop such a strategy. Yet, the evaluation carried out by GRECO in 2001 contained a number of important criticisms of the anti-corruption framework, in particular noting the lack of involvement by bodies that normally would play an important role in fighting corruption, notably the State Audit Office and the Public Procurement Office, and the poor functioning of the Parliamentary Anti-corruption Committee.²⁵

Largely in response to the GRECO report, the Crime Prevention Council proposed a joint committee to draft an Anti-corruption Strategy. The expert committee was formed in June by Government decision.²⁶

Role of civil society

Cooperation between the State and NGOs in the preparation of anti-corruption legislation and between public authorities and civil society groups in monitoring implementation of this legislation has been relatively weak. However, civil society organisations are slowly taking on a more significant role in anti-corruption efforts²⁷ and are undertaking a number of activities to complement governmental efforts. The most active NGO in this area is the Jaan Tõnisson Institute, which formed a Corruption Analysis Centre in February 2000 and also hosts the Estonian branch of Transparency International (TI). In 1998, the Institute launched a project on corruption beginning with the first joint roundtable discussion with all State institutions involved, as a result of which Parliament amended the Anti-corruption Act. In April 2002 the General Assembly of the Roundtable of Estonian Non-profit organisations adopted a Code of Ethics.²⁸

1.4 The impact of the EU Accession Process

The European Commission has not identified corruption as an important problem in Estonia and anti-corruption policy has not been a significant component of Accession Partnerships or other recommended measures. The Commission has provided some assistance to the fight against corruption and financial crime.

The Commission's *2000 Regular Report on Estonia's Progress towards Accession* devotes only one paragraph explicitly to corruption, beginning with the observation that,

²⁵ GRECO, *Evaluation Report on Estonia*, p. 33.

²⁶ OSI Roundtable Discussion, Tallinn, 14 March 2002.

²⁷ For example, the Jaan Tõnisson Institute has established a Corruption Analysis Centre which constitutes the executive structure of Estonia's Transparency International affiliate.

²⁸ For details see <<http://www.emy.ee>>, (last accessed 28 August 2002).

Corruption is a relatively limited problem in Estonia. Only isolated cases can be reported, mainly in the local administrations where business and officials are more closely interconnected.²⁹

The Report noted considerable progress in adopting international instruments, and urged only extra attention to fighting corruption in the police and customs administration. The *2001 Regular Report* continues on a similar note, praising further progress and urging in addition only continuing attention to the capacity to enforce compliance with anti-corruption legislation at the local government level.³⁰ The Accession Partnerships contain minimal references to corruption, especially those from 2001.

From January to May 2002, a project entitled “Fight Against Economic and Financial Crime” was carried out as part of the Netherlands pre-accession aid “PSO 2000” programme. The main emphasis of the project was to improve the ability of law enforcement agencies to fight economic crime and corruption and also to focus on prevention. In October and November 2001, two integrity courses were held for 30 officials from the Ministry of Finance, Customs Board, Security Police Board, Tax Board and Central Criminal Police. In October 2001 and February 2002, the program also trained seven officials from the Security Police Board, Police Board, Tax Board, Customs Board and State Prosecutors Office. An internal integrity survey was carried out in the Security Police Board.

Estonia has also participated in the OCTOPUS programme (1999-2000) against organised crime and corruption, a joint programme of the European Commission and Council of Europe. Some preliminary steps have been taken in order to prepare cooperation with OLAF, the EU’s anti-fraud body.

2. INSTITUTIONS AND LEGISLATION

Anti-corruption legislation is very advanced by transition country standards. In addition to standard provisions on bribery and other explicit acts of corruption, the Anti-corruption Act lays down comprehensive rules on conflict of interest, and imposes duties on public functionaries to submit declarations of assets and income; the system for monitoring adherence to them, however, does not appear to be operate effectively. Estonia has made major progress towards establishing an integrated system of State financial control, although doubts remain concerning the effect of control and audit on corruption. The main anti-corruption agency is the security police, which appears to

²⁹ Commission, *2000 Regular Report*, p. 17.

³⁰ Commission, *2001 Regular Report*, p. 19.

have carried out its investigative role well, although the removal from its competence of investigation of corruption cases at local government level raises concerns about anti-corruption mechanisms at that level. The Legal Chancellor performs the functions of an ombudsman, although corruption is not a central priority.

2.1 Anti-corruption legislation

The Anti-corruption Act

The 1995 Anti-corruption Act, which was amended in 1999, provides the legal foundation for the prevention of corruption and prosecution of corrupt officials.

A corrupt act is defined in the Criminal Code but not in the new Penal Code, which is replacing the Criminal Code and will probably come into effect in Autumn 2002. No special definition for a “corrupt act” is considered necessary, since other forms of official misconduct established by the Penal Code can cover the concept.

The Anti-corruption Act provides the legal basis for the prevention of corruption and the prosecution of officials involved in corruption. The Act lays down three sets of provisions designed to prevent corruption, which apply to a long list of officials including MPs, the President of the Republic, ministers, judges, prosecutors, police, the Auditor General and chief auditors of the State Audit Office, county governors, members of local councils, mayors and members of local governments, notaries, members of statutory organs of companies in which the State or local government participates, heads of State agencies administered by Government agencies and bankruptcy receivers. The Act defines a corrupt act as “the use of official position for self-serving purposes by an official who makes undue or unlawful decisions or performs such acts, or fails to make lawful decisions or perform such acts,”³¹ and prohibits officials from committing such acts or entering into relationships with persons involving a risk of corruption or receiving income (widely defined as any benefit) from corrupt acts.

In addition, the Act restricts employment, activities and certain types of actions in order to prevent conflict of interest situations, and establishes a framework under which the same circle of officials are duty-bound to submit declarations of economic interests (see Section 2.2 below).

³¹ Anti-corruption Act, Chapter 1, Article 5 (1).

Bribery

The Criminal Code³² criminalises the giving, request and acceptance of both bribes (in return for an illegal act or omission) and gratuities (in return for a lawful act or omission) by or to a variety of persons. Such persons are those who have an official position in an agency, enterprise or organisation, based on any form of ownership, who perform functions that are administrative, supervisory, managerial, operational or relating to the organisation of the movement of tangible assets or who serve as representatives of State authority, assigned by the State or owner. Penalties range from a fine to five years' imprisonment in the case of gratuities, and from a fine to ten years' imprisonment in the case of bribery. Two paragraphs explicitly extend the scope of bribery to foreign officials.

Persons to whom these provisions apply are bound by law to notify an immediate superior or the head of the agency in writing of any offer, giving or acceptance of a bribe, which becomes known to him or her. Failure to do so constitutes grounds for dismissal.

In order to fulfil the international conventions not yet ratified, some minor changes in bribery legislation are required to widen the criminal liability of legal persons and officials of foreign countries and international organisations.

2.2 Conflict of interest and asset declarations

The Anti-corruption Act sets out two groups of rules designed to prevent conflict of interest situations and abuse of such situations.

*Restrictions on employment and activities to prevent or correct conflict of interest situations*³³

An official may not:

- hold a second job with a workload higher and at a time different than permitted by the immediate superior, if such employment damages the reputation of the position or office, or if the official's duties involve supervision over the other employer;
- be a member of the directing or supervisory body of a company, except as the representative of the State, local government or public legal entity in a company with the participation of the State, local government or legal person in public law;

³² Criminal Code, Chapter 8, sections 164-165.

³³ Anti-corruption Act, Chapter 3.

- be the director of a branch of a foreign company;
- be employed in an office where an immediate superior or directly monitoring official is a close relative or close relative by marriage;
- be a member of a public legal entity and, at the same time, the directing or supervisory body of another legal person directly monitored by the first legal entity;
- be a member of the directing or supervisory body of a company with State or local government holding within three years after resignation from the public service.

Officials are also prohibited from self-dealing (concluding transactions with themselves on behalf of the agencies in which they work), concluding transactions of a similar nature or involving a conflict of interest and may not authorise subordinates to perform such transactions on their behalf.³⁴ Conflict of interest occurs if officials, in the course of their employment, are required to make a decision or participate in the making of a decision which significantly influences their own economic interests, or those of close relatives (including by marriage) or legal persons with whom they have a relationship.³⁵ For example, if a family relationship creates a risk of corruption, the official's superior, employer or appointment body shall be promptly notified in writing by the official who must also apply to be relocated, for the other party to move to another position, for transactions to be entrusted to another person or take other steps to terminate the risk of corruption.

Failure to give notification of a relationship involving the risk of corruption is subject to a fine of 50 to 100 days' salary or up to one year's imprisonment.

Asset declarations

The same officials to whom the above provisions apply are obliged to submit declarations of economic interests every year one month after expiry of the term for submission of income tax returns or within one month after the date of commencement of employment. The declaration must contain data on immovable assets (including assets in joint ownership), vehicles, shares, other securities and dividends, bank accounts, taxable income, debts exceeding six months' salary in value and extra income exceeding ten percent of the previous six months salary. If assets change by more than 30 percent or €6,333, a new declaration must be submitted within one month. Altogether, about 15,000 politicians and officials present such declarations.

³⁴ Anti-corruption Act, Chapter 24 (1-2)

³⁵ Anti-corruption Act, para. 25/1.

Declarations are submitted to and held by the head of the institution. The holder of the declaration may inspect it on his or her own initiative and is obliged to do so in case of suspicion of corruption. The declarations of high-ranking officials, including MPs, President of the Republic, ministers and secretaries general, Auditor General, Chief Public Prosecutor, judges and county governors, are submitted to the Parliamentary Anti-corruption Committee and published in the *State Gazette*. Since April 2001 the wages of high-level civil servants and members of the boards and supervisory councils of State-owned enterprises have been freely available on the Internet.

Failure to submit asset declarations or submission of an inaccurate declaration is a criminal offence.

The record of public officials' and politicians' adherence to the conflict of interest and asset declaration provisions is covered individually in specific sections of this report. The information submitted in asset declarations does not include assets of any relatives (with the exception of jointly-owned property), underlining their largely formal nature.

The record of the Parliamentary Anti-corruption Committee in scrutinising declarations has received severe criticism. GRECO noted that it was unable to meet with any members of the Committee, and that, according to those whom its team questioned, the Committee:

[L]acked methodology and means to check the faithfulness of declarations, conducted purely formal revisions, made no analysis of collected data and had never contributed to the disclosure of any corruption case.³⁶

Accordingly, GRECO urgently recommended the strengthening of control over declarations and monitoring of conflicts of interest.³⁷

On the other hand, officials say that the declarations do play a preventative role, since the mere fact of having to declare income and assets creates the possibility that the declaration could be checked at some point.³⁸ For example, as of June 2002 a scandal was in progress concerning a loan declared in 2000 by an MP and leader of the largest political party, which was used to buy a house in Tallinn. In 2002 the MP declared that he no longer had the loan, but appeared unable to explain satisfactorily the source of funds used to pay the debt in response to journalistic enquiries.

³⁶ GRECO, *Evaluation Report on Estonia*, p. 15.

³⁷ GRECO, *Evaluation Report on Estonia*, p. 30.

³⁸ Interview with Paavo Paal, lawyer, Ministry of Defence, Tallinn, 31 May 2002.

2.4 Control and audit

Estonia has made considerable progress in the past two years towards establishing an audit system for the public sector, and legislation concerning financial control is entirely compatible with EU requirements. Amendments to the Government of the Republic Act that came into effect in July 2000 established the legal framework for a three-tier system, based on the State Audit Office, the Financial Control Department of the Ministry of Finance and internal financial control and audit departments. Although the establishment of the new system has been in progress, the effectiveness of both external and internal control in fighting corruption has so far been limited.

State Audit Office

The State Audit Office (SAO), in existence since 1990, is the supreme audit institution for the public sector. The Parliament appoints the Auditor General for a five-year term on the proposal of the President, and may dismiss the Auditor General only when divested of legal capacity, if criminal charges are brought or death occurs.

The Auditor General determines the SAO audit plan. The Office conducts financial audits, performance audits and compliance/regularity audits. It has wide competence to audit all activities involving the use of public funds, including the activities of all companies where the State owns more than a 50 percent stake, use of all public subsidies, public procurement's compliance with the law, monitoring of contract fulfilment and disbursement of EU funds. The major exception to this is that the SAO is not competent to audit local government activities.

Under the latest version of the State Audit Act, in effect since March 2002, the SAO's proposals for corrective measures in audited bodies are subject to compulsory review by the corresponding directing body of the agency, enterprise or other organisation, local government, ministry or other Government agency. The SAO shall be notified of the measures implemented within one month after receipt of the corresponding decision or proposal. According to SAO officials, the Office follows up to check implementation of its recommendations after one month and six months, and if audit findings were very serious, repeats the audit a year later.

The SAO submits to Parliament its opinion on the State budget implementation report and on the draft State budget. Until the new Act came into effect there were no formal mechanisms by which Parliament received or dealt with SAO reports, which diminished their impact. According to one SAO official, the impact of reports has been insufficient.³⁹ Under the new Act, the Office sends reports to the Parliamentary

³⁹ Interview with Mare Haljak, Audit Manager, Operational Risk Department, State Audit Office, 13 March 2002.

Finance Committee, which is responsible for supervising the SAO's activities. Audit reports are also available on the SAO's website.

Despite the SAO's wide powers, adequate budget resources and young enthusiastic staff, GRECO also levelled considerable criticism at its role in fighting corruption. In particular, it noted that the SAO does not feel a part of the fight against corruption and even seems to reject the idea of playing such a role. GRECO noted that both the SAO and the Financial Control Department of the Ministry of Finance rely mostly on information provided by the internal control of bodies of audited organisations. If true, doubts about the effectiveness of external audit must be raised, since internal control and audit are only in the process of being developed (see below). The inability of the SAO to audit local governments was also a source of concern, given the indications that local government is seriously affected by corruption. GRECO noted in particular that, "Neither the activities of the Financial Inspectorate [Financial Control Department of the Ministry of Finance] nor those of the SAO are likely to lead to repressive measures for misuse of public funds as none of these bodies considers itself responsible for initiating financial investigations."⁴⁰ That said, the new Act on the State Audit Office explicitly establishes the duty of the SAO to forward information on violations of law to the enforcement authorities. Moreover, in the past year the SAO has initiated criminal cases against senior officials, including the Director of the Estonian Traffic Insurance Foundation, who was convicted of corruption and misuse of official position and had to return more than €1.203m to the State funds.

Internal control

Amendments to the Government of the Republic Act in effect from June 2000, along with secondary legislation passed by the Government in October 2000, imposed a duty on heads of Government and State agencies to implement an internal audit system in all agencies. A person responsible for the internal audit is to be appointed in each agency, and if necessary a corresponding structural unit subordinated to the head of the agency. Prior to the passage of the Act the Ministry of Finance composed guiding material based on IIA standards entitled *Good Practice in Internal Audit* in May 2000.

According to statistics issued by the Ministry of Finance, the formation of internal audit units has been successfully completed, although at the time of writing they were not yet fully functional. The State Audit Office is responsible for providing methodological guidance to State agencies, State enterprises and other State organisations on the conduct of internal audits. As of early 2002, it is impossible to judge the effectiveness of internal control and audit, and this will be a key area to be monitored. This is particularly true in local government, where the almost total absence

⁴⁰ GRECO, *Evaluation Report on Estonia*, p. 29.

of effective control, combined with extensive autonomy and financial power, appears to have exacerbated corruption. According to the security police, the majority of the corruption cases taken to court in 2000 were the result of ineffective internal control systems in governmental institutions.⁴¹

2.5 Anti-corruption agencies

The only agency that explicitly specialises in investigating corruption is the Security Police Board, which is responsible for coordinating implementation of the anti-corruption components of the Government's anti-crime policy (see Section 1.3). The security police appears to perform its anti-corruption role well within the limits of its powers; for example, in 1998 it uncovered a major tax fraud involving organised bribery of customs inspectors, and in early 2002 was proceeding with a case involving well-established bribery practices in the Motor Vehicle Registration Centre.

In line with the concerns raised in this report concerning corruption in local government is the fact that after amendments to the Criminal Procedure Code that came into effect in July 2000, pre-trial investigations of corruption cases involving municipal officials are no longer within the jurisdiction of the security police. Notwithstanding the ongoing establishment of internal audit bodies (see Section 2.4), this indicates that control of corruption at the local government level may be negligible.

The Financial Intelligence Service

With the passage of the Money Laundering Prevention Act in July 1999, money laundering became a criminal offence. The Financial Intelligence Service (hereafter FIU) was created on 1 July 1999 to combat money laundering. By the end of 2000, the FIU had filed 452 suspicious and unusual transactions, and filed 1,829 during 2001.⁴² Criminal proceedings were started in four cases, and one conviction resulted. By the end of 2001, a total of €35.5m had been identified as proceeds from criminal activities.

The FIU has received 28 requests from other countries for assistance. In two cases, one in cooperation with the German authorities and one with the Norwegian authorities, criminals were caught with the help of the Estonian FIU.

⁴¹ GRECO, Evaluation Report on Estonia, p. 7.

⁴² Figures provided by Ministry of Internal Affairs, Internal Security Policy Department.

2.6 Ombudsman

The function of ombudsman is performed by the Legal Chancellor, a position established by the Constitution and now regulated according to the 1999 Legal Chancellor Act. The Legal Chancellor is appointed by Parliament for seven years on the proposal of the President of the Republic. The office's main function is to review legislation for conformity with the Constitution and other laws, but also to investigate the activities of State agencies on the initiative of other institutions, organisations or individuals who believe their constitutional rights and freedoms have been endangered.

The Chancellor has the power to demand information, documents and explanations from agencies it investigates, and to call witnesses. It may propose corrective measures to inspected institutions that are not legally binding, but may not initiate criminal proceedings. According to officials from the Legal Chancellery, the office must forward cases involving corruption to enforcement bodies, but corruption does not seem to be a central concern. In 2001 the Office received 1,516 petitions, concerning mainly the rights of prisoners (111), police activities (95), property reform (84) and national minorities (78).

3. EXECUTIVE BRANCH AND CIVIL SERVICE

There is very little evidence of corruption among executive officials and civil servants. Corruption does not appear to be a major problem at the highest level, and the resignation of a former Prime Minister as a result of a corruption scandal indicates that corruption control mechanisms work relatively well. The legal framework for the public administration is advanced, with a Civil Service Act in force since 1996 and a Public Administration Reform Program approved in April 2001. The legal framework governing procedures for appealing against administrative decisions was completed in January 2002. However, reform of local government, where there is an urgent need to reduce the number of local government units, has not progressed far. A Civil Service Code of Ethics exists, although its effectiveness is doubtful. Concerns exist regarding the effectiveness of conflict of interest and asset declaration provisions.

3.1 Structure and legislative framework

The most important acts regulating the behaviour of the executive and the civil service are the Civil Service Act, Anti-corruption Act, and the Government of the Republic Act. The Public Service Act entered into force on 1 January 1996. The Act applies to

both central and local government. The civil service has some 20,000 members in central Government, and 4,000 in local government.

Estonia passed a Public Service Act in 1995 and, along with the other acts described earlier, has ensured that, as the European Commission notes, “The integrity of civil servants has long been a requirement of Estonian legislation.”⁴³ All Government officials, executive officers and advisers must be recruited by public competition with the main exceptions of: officials of the Chancellery of the Parliament, Office of the President of the Republic, Office of the Legal Chancellor, Supreme Court and State Audit Office, officials appointed to office by the Government, and advisers to the Prime Minister and ministers and officials appointed by the Prime Minister. Persons who are in a close relationship with an official who has control over the position in question, or who have been punished for an act of corruption under administrative or criminal procedure, may not be employed.

In its *2000 Regular Report*, in which the European Commission was otherwise critical of public administration reform, the Commission judged that, “Overall, Estonia’s civil servants continue to perform their tasks in an impartial and politically neutral way.”⁴⁴ Estonia established an EU training strategy for civil servants, first approved in May 1997 and updated in April 1999. At the beginning of 2000 an implementation plan for the strategy was worked out as part of a PHARE programme.

3.2 Administrative procedure and redress

Until 2002, appeals against administrative decisions and actions could be filed only to the courts. Appeals could (and still can) be filed against activities, omissions or delays by agencies and officials, either directly to an administrative court or through a county or city court, which will immediately forward the action to an administrative court.⁴⁵ In 2001, four specialised administrative courts of first instance were established and all changes were aimed at increasing specialisation of judges in the area of administrative law. By the end of 2001 administrative courts were sufficiently equipped that three judges were able to hear complicated cases, which is expected to improve the quality of

⁴³ Commission, *2001 Regular Report*, p. 19.

⁴⁴ Commission, *2000 Regular Report*, p. 14.

⁴⁵ Code of Administrative Court Procedure, *State Gazette I/1999*.

judgements.⁴⁶ Since 1999 the same court has decided claims for damages suffered as a result of administrative acts.⁴⁷

Amendments to the Code of Administrative Court Procedure that came into force in January 2002 now allow parties to dispute an administrative decision at the level of a higher administrative body, as a non-compulsory alternative to administrative court procedure. The disputed administrative decision can nevertheless be later appealed to an administrative court. The scope of decisions by administrative courts was also widened, allowing them to decide on the substance as well as the formal legality of administrative decisions. The new Code also concentrates rules of administrative procedure, making it easier for citizens to understand and use.

3.3 Conflict of interest and asset monitoring

Conflict of interest and asset monitoring provisions are covered in Section 3.2.2. Problems of officials having ancillary business interests or corrupt contacts with business interests appear to be much more serious at local government level than in the central State administration.

3.4 Interaction with the public

With the adoption of the Anti-corruption Act, the Public Service Code of Ethics was incorporated as an amendment to the Public Service Act. However, the Code is brief and vague, and was not prepared in consultation with the officials it is supposed to affect.

The provisions of the Code are listed below:

1. An official is a citizen in the service of the people.
2. The activities of an official shall be based on respect for the Constitution of the Republic of Estonia provided for in the oath of office.
3. An official shall adhere, in his or her activities, to the legally expressed will of politicians who have received a mandate from the citizens.
4. Public authority shall be exercised solely in the public interest.

⁴⁶ NPAA's *Regular Reports*, see <<http://www.eib.ee/pages.php/02030102>>, (last accessed 28 August 2002).

⁴⁷ Before the Code of Administrative Court Procedure was amended in 1999, claims for damages had to be submitted to a civil court after a ruling by an administrative court.

5. Public authority shall always be exercised pursuant to the law.
6. The exercise of public authority shall always involve liability.
7. The exercise of public authority is, as a rule, a public activity.
8. An official shall be prepared to make unpopular decisions in the public interest.
9. A person exercising public authority shall endeavour to achieve as broad a participation of citizens in the exercise of authority as possible.
10. An official shall always, in his or her activities, subject departmental interests to public interest.
11. An official shall be politically impartial in his or her activities.
12. An official shall make decisions based on public and generally understandable criteria.
13. An official shall avoid creating a situation which arouses or may arouse suspicion with regard to his or her impartiality or objectivity in considering matters under suspicion.
14. An official shall treat property entrusted to him or her economically, expediently and prudently.
15. An official shall use information, which becomes known to him or her through official duties solely in the public interest.
16. A person exercising public authority is characterised by honesty and respect for the public and co-employees.
17. An official shall be polite and helpful when communicating with people.
18. An official shall be respectable, responsible and conscientious.
19. An official shall do his or her best in the public service by constant individual development.
20. An official shall facilitate the dissemination of the above principles in every way.

There are no mechanisms for protecting whistleblowers in the civil service, or any overall law regulating complaints.

3.5 Corruption

There have been a number of successful prosecutions of corrupt senior officials in the past three years. The last example that attracted wide publicity occurred when two top

officials from the Ministry of Finance were prosecuted for corruption in the Autumn of 2000 in connection with a car that was purchased for the Ministry at a special discount and then sold to an official for the same price. Two officials were convicted, one for corruption and the other for misuse of official position. In August 2002 the press reported that the governing council of the Estonian Culture Endowment fired its director, who confessed to gambling away between 6.5 million and 8 million kroons (approximately €415,256–512,315) of the endowment's funds between 1999 and 2002. As of August 2002 the former official was being held by the security police and investigated for abuse of office and theft while in office.⁴⁸

Surveys of public perceptions indicate that political leaders are the most corrupt people in Estonia, followed by top civil servants (see Section 1.2). However, this perception was not confirmed by the research carried out for this report, and may rather reflect the fact that the activities of politicians and top civil servants receive the most attention from the media. Investigative journalists generally perceive corruption in the central State administration level to be within reasonable limits, although there are cases of corruption at senior levels.⁴⁹

On the other hand, the ineffectiveness of the framework for monitoring conflict of interest and officials' assets leaves room for doubt concerning how much is known about potential malpractice among officials at all levels. Moreover, there is some evidence and indication that corruption may be a problem, particularly in the Ministry of Economy, described by one business editor in Tallinn as "the one very weak part of the State."⁵⁰ After the privatisation of the bulk of the economy, the Ministry lost many of its functions, but still controls the Public Procurement Office and regulation of the energy market. There have been a number of cases of "parachuting" by officials from the Ministry to companies towards whom the same officials previously behaved favourably in their official capacity.⁵¹ A scandal in 2001 surrounding railways privatisation provided strong evidence of irregular practices at the Ministry. However, these examples do not even begin to address problems of political interference in the activities of the Public Procurement Office (see Section 7.3).

As previous sections of this report have already emphasised, among ordinary officials, those in local government appear most affected by corruption (see Section 1.2).

⁴⁸ RFE/RL Newslines, vol. 6, no. 155, part II, 19 August 2002.

⁴⁹ Interview with Tiina Jõgeda, journalist, *Eesti Ekspress*, 10 April 2001.

⁵⁰ Interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

⁵¹ Interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

4. LEGISLATURE

The State budget approved by Parliament includes all public revenue and expenditure. The effectiveness of audit of public expenditure has in the past been blunted by the lack of formal cooperation between the State Audit Office and Parliament, although new legislation should lead to improvements in this area. There is no evidence of corruption of MPs, and survey research indicates that “capture” of parliamentary votes is not a serious problem. However, there is some evidence of lobbying by business interests that contributed to political parties. The ineffectiveness of supervision of conflict of interest and asset declarations by the Parliamentary Anti-corruption Committee makes assessment of this area difficult.

4.1 Elections

Elections are free and fair, and there have been no indications or even allegations of irregularities. Parliamentary elections are organised and supervised by an independent Electoral Commission. The Commission is composed of two judges appointed by the Chairman of the Supreme Court, one by a first instance court, one by the Court of Appeal, one by the Legal Chancellor (ombudsman) from his advisers, one by the Auditor General, one by the Director of the Chancellery of the Parliament from his officials, one from the officials of the State Chancellery (the office of the Government of the Republic) and one prosecutor appointed by the Chief Prosecutor. There are also electoral commissions in every district appointed by local councils.

4.2 Budget and control mechanisms

The State budget includes all State income and expenditure. As Section 2.4 described, the main control institution for the State budget is the State Audit Office, and the lack of formal cooperation with Parliament has blunted the impact of its reports in the past. The impact of amendments to the Act on the State Audit Office (see Section 2.4) on this situation remains to be seen.

4.3 Conflict of interest and asset monitoring

Conflict of interest and asset monitoring provisions are covered in Section 3.2. The Anti-corruption Committee is responsible for monitoring whether the information submitted in the declarations of the economic interests of, *inter alia*, MPs is correct and whether the restrictions on employment and activities of members are observed. There have been no

publicised cases of breaches of conflict of interest rules by parliamentarians. However, this appears more likely to be the result of the fact that the Committee does not function effectively than a reflection of clean behaviour by members.

Although conflict of interest provisions are fairly comprehensive, there are no specific provisions to regulate lobbying in the Parliament.

4.4 Immunity

Under the Constitution, criminal charges may be brought against MPs only on the proposal of the Legal Chancellor, and with the consent of the majority of MPs. The Legal Chancellor also enjoys immunity, which can only be lifted on proposal of the President of the Republic and the consent of the majority of MPs. Since 1990, only two such cases involving MPs have arisen, one involving alleged abuse of parliamentary powers as a bank employee and another involving misconduct with foreign currencies by the former President of the Bank of Estonia. Immunity was lifted in both cases and both were acquitted.

4.5 Corruption

Local observers have made references to lobbying that appears to have gone beyond mere persuasion, for example by alcohol producers. However, there have been no scandals involving corruption of MPs. According to the World Bank/EBRD 1999 survey, Estonia appears to be among the EU candidate countries least affected by the purchase of parliamentary votes.⁵²

5. JUDICIARY

The judiciary is independent, a situation that will be reinforced by recent legislation. The effectiveness of the courts in prosecuting corruption cases is subject to some doubts: courts and prosecution offices lack specialised departments for dealing with

⁵² Sixty-seven percent of companies responded that the sale of parliamentary votes had no impact on their activities; 19 percent said it had a “minor impact,” nine percent that it had a “significant impact” and five percent a “very significant impact”. See The World Bank, *Business Environment and Enterprise Performance Survey*, <<http://info.worldbank.org/governance/beeps>>, (last accessed 28 August 2002).

corruption, the statute of limitations for some corruption offences may be too short, and the apparent leniency of the courts towards those convicted of corruption may encourage a climate of tolerance towards corruption. International monitoring has drawn attention to a lack of professionalism of courts and prosecution offices, while recent changes to criminal procedure have restricted the competence of the security police to investigate corruption cases. There is almost no evidence of corruption in the courts or prosecution offices.

5.1 Legislative framework

Judicial appointment and independence

Judges are appointed for life, and the rules for removal are not perceived as threatening to judicial independence.⁵³ Since Estonia became independent there have been no discussions or suspicions voiced about political appointments of judges or politically influenced court rulings. Judges are subject to standard exclusion rules in cases where they might be biased, and are subject to the provisions of the Anti-corruption Act, including restrictions on activities and the duty to submit asset declarations. Again, monitoring of this area by the Parliament is, by all accounts, inadequate.

All court decisions are public and available, as are trial proceedings, and journalists are generally granted access to information from case files.

Recent amendments to the Courts Act regulate the organisation of courts and judicial service in more detail, introduce guarantees of budgetary independence, increase judges' salaries and increase the extent of judges' self-governance by establishing a Court Administration Advisory Council.⁵⁴

Public Prosecutor's Office

Public prosecutors are appointed by the Minister of Justice through competitive selection, and may be dismissed only on reaching retirement age or as a result of disciplinary action. The public prosecutor lies midway between the model in which prosecutors are an

⁵³ EU Accession Monitoring Program, *Monitoring the EU Accession: Judicial Independence*, Open Society Institute, Budapest 2001, pp. 150–184.

⁵⁴ The Council will be comprised of the Chief Justice of the Supreme Court, five judges elected by the judges' assembly two MPs, an attorney, the Chief Public Prosecutor or a State Prosecutor appointed by him and the Legal Chancellor or a representative appointed by him. The council will approve the structure of courts, the number of judges in a court, appointment and pre-term release of court chairpersons, the number of lay judges, and the number of judge candidates. It will also give its opinion on candidates for Supreme Court judges and budgeting principles.

independent part of the judiciary and the second model in which prosecutors are part of the executive, subordinate to the Ministry of Justice. The prosecutor is an administrative official who has independence as broad as that of a judge.

A new draft Code of Criminal Procedure would make the prosecutor the head of pre-trial investigation, which is expected to increase the efficiency of proceedings. The influence of this change on corruption prosecutions is difficult to gauge, as the security police have played the main role in pre-trial investigations and specialisation of prosecutors in the fight against corruption is still limited. The Tallinn Public Prosecutor's Office includes a special unit dealing with economic crime, as well as with corruption. In 2000, the department sent around 50 cases to court, most of which concerned giving and accepting bribes. Other city and county prosecution offices are small and lack specialisation. GRECO cited the doubts of "well-informed Estonian practitioners" concerning:

[T]he lack of reliability of the repressive system when it comes to the sanctioning of unlawful public operations... The reason for this would be the lack of professionalism... of judicial authorities and the prosecution.⁵⁵

GRECO cited in particular railways privatisation as an area where prosecution authorities appeared ineffective (see Section 7.3).

In addition to the lack of specialisation, there are two other concerns regarding the judicial and prosecution system. First, the statute of limitations for corruption offences is only two years, running up to the moment a case is given to court. Moreover, the new Penal Code that will probably enter into force in Autumn 2002, sets the period as lasting until the first court decision. Although many corruption crimes probably also involve offences with a limitation of five years, the two-year statute of limitation appears very short and could threaten proceedings, especially of crimes as complicated to investigate and try as corruption crimes typically are.

Second, the very lenient sentences applied to those convicted of corruption offences (see Section 1.1) suggest that the courts do not help to make corruption a high-cost, low-benefit activity. For example, of 54 convictions for "offences in office" handled by the security police between 1995 and 1999, only five defendants were imprisoned.⁵⁶

⁵⁵ GRECO, *Evaluation Report on Estonia*, p. 12.

⁵⁶ Cited in: GRECO, *Evaluation Report on Estonia*, pp. 24–25.

5.2 Corruption

There have been only three prosecutions of judges for corruption offences since 1995 (two of them in 2002), all of which resulted in acquittal. Otherwise, there is no evidence of corruption in the courts system.

Moreover, according to a public opinion poll conducted in October 2000, 45 percent of the population expressed trust in the courts, a relatively high figure for the region and similar to the trust rating enjoyed by the media.⁵⁷ Among the population, the Government and Parliament had much lower ratings than the courts, while the President of the Republic had a much higher rating. According to the Ministry of Justice of the Republic, there has not been a survey on how people view the effectiveness of the courts on limiting corruption.

There is no empirical evidence of corruption in prosecutor offices. However, the press recently reported alleged connections between a candidate for assistant prosecutor and organised crime.⁵⁸ The candidate was appointed as an assistant prosecutor in February 2001 although his brother-in-law was rumoured to have links to organised crime.

6. POLITICAL PARTY FINANCE

Regulation of political party funding has undergone major changes as the result of the passage of a new law in 1999 which established many of the important elements of a transparent and regulated system. However, the absence of any institutional supervision of party accounts enables parties to evade the provisions with relative ease. Moreover, opposition to regulation has been reflected in recent proposals to increase the maximum permitted cash donations. There is some evidence that corruption in political party funding has been a significant problem.

6.1 Legislative framework

Until 1999, the financing of political parties was, as one of the main experts on the country's party finance puts it, "a complete mess."⁵⁹ At that time, it was not clear

⁵⁷ ES Turu-Uuringute, public opinion poll, October 2000.

⁵⁸ T. Ploom, A. Plekksepp, K. Muuli, "Raski raske elu," *Postimees*, 12 October 2000.

⁵⁹ Interview with Daimar Liiv, Praxis Centre for Policy Studies, 13 March 2002.

whether political parties were even required to produce accounts, and companies could finance political parties to an unlimited extent.

The most important provisions of the Act as amended in 1999 are the following:

- Anonymous donations are forbidden, and must be turned over to the State budget within one week. Donations through third parties are also prohibited.
- A number of entities may not provide donations to parties, including in particular: Government or State agencies, local governments or agencies, public legal entities, non-profit associations or foundations in which the State is a member, entities that have received support directly or indirectly from the State, local governments or public legal entities.
- Donations in cash are only permitted up to a value of €63. Banks may only deposit funds in bank accounts, about which they must provide full information in reports.
- Parties must publish accounts every quarter according to the Accounting Act, including the sources of all funds, all donations and the identities of all donors. Donations are defined widely to include non-monetary gifts and support for activities (the difference between the market price of a service provided to a party and the price for which it is actually provided).
- During election campaigns, parties must publish similar accounts every week.

The 1999 Act also introduced State subsidies for parties. Under the Act, political parties represented in the Parliament have the right to subsidies allocated from the State budget in proportion to the number of seats they won in the last elections. The Parliament decides the total State subsidy each year, which in 2001 was €1.267m. Parties that receive less than the five percent threshold necessary for entering the Parliament, or are successful in local elections but not at central level, receive no subsidy.

The 1999 Act contains no restrictions of party expenditures.

Since the new Act came into effect there has been general discussion of the possibility of prohibiting private contributions altogether. Yet a more specific proposal that was under discussion in Parliament in March 2002 would be a step in the opposite direction: the proposal would raise the threshold for permitting cash donations from €63 to €630.

6.2 Control and supervision

Under the new provisions, parties must provide complete accounts including the information mentioned above to the Register of Non-Profit Associations and Foundations, where it must be available to the public free of charge. The 1999 Act does not, however, contain any provisions regarding supervision or audit of political party accounts, which raises doubts over the enforceability of the seemingly strict financing rules. A sign of the difficulty in achieving Parliament's passage of the new Act is the fact that a provision creating a special committee to check party accounts had to be withdrawn from the originally proposed amendments, as did criminal sanctions for violations of the financing rules.

6.3 Party finance in practice

The results of the World Bank/EBRD *1999 Business Environment and Enterprise Performance Survey* indicated that corruption in political party financing is a significant problem, and an exception to the country's favourable image in other areas. Seventeen percent of respondents said that private contributions to political parties had a significant or very significant impact on their business, which places Estonia in a worse position than all candidate countries except Bulgaria, Romania, Slovakia and Latvia.⁶⁰ A number of major companies have tended to make donations to all important parties, including oil companies, alcohol producers and breweries. In 1997, the Pro Patria Union pushed through favourable excise taxes on beer and the Reform Party is widely regarded as closely tied to big business and the financial sector. Evidence is very scarce, however, since parties did not have to publish the names of donors before the new Act came into effect.

Disguising donations as contributions from members appears to have been a widespread practice. Prior to the elections of 1999, a €6,333 lump sum provided to the Estonian People's Union was deposited gradually in 1,000 kroon (€63.3) units as a series of donations from a number of party members, including the Chairman of the Parliamentary Anti-corruption Commission. The Central Party collected no money in membership contributions in 1999, but suddenly collected €31,670 in 2000 and €6,340 in 2001. In 1999, the Chairman of the Estonian United People's Party donated €9,500 to the party, equal to two-thirds of his income in the previous year.⁶¹ According to press reports from July 2002, the Reform Party is suspected of having disguised

⁶⁰ See <<http://www.worldbank.org/wbi/governance/beepsinteractive.htm>>, (last accessed 15 May 2002).

⁶¹ Jaan Tõnisson Institute, Archive Collection of Articles, Tallinn 2001.

donations from unknown sponsors as contributions from party candidates in the 1999 municipal elections. A State prosecutor was cited as saying that the party could not be sued due to the vague wording of the party financing law, and pointed out that there are no sanctions for violation of the law anyway.⁶²

Although the new legal provisions on party finance might be expected to somewhat improve the situation, the absence of provisions for monitoring appears to preserve parties' capacity to easily violate or get around the law. According to a number of Estonian observers, parties have implemented the letter but not the intent of the law. Many ways of getting around the law still exist, including the practice described above of disguising donations under the guise of public collections or membership contributions, or using shell companies to channel funds from real donors.⁶³

7. PUBLIC PROCUREMENT

Public procurement appears to be particularly vulnerable to corruption. Although a relatively advanced legal framework is in place, monitoring of procurement and resolution of complaints is inadequate, and the Public Procurement Office appears to be vulnerable to political interference. Local observers believe tender fixing is common, and corruption in procurement at local government level may be a serious problem.

7.1 Legislative framework

Public procurement is regulated by the 1995 Public Procurement Act, which has since been amended four times. The most important amendments came into effect in April 2001 and were motivated mainly by the need to harmonise the law with EU directives.

The PPA does not apply to a number of procurements, including cases when:

- adherence to the Act would result in the disclosure of a State secret;
- procurement involves water, electricity, gas, thermal energy, cable distribution and telecommunications services, if such services can only be supplied by one person;

⁶² "Parties guilty of breaking financing regulations," ETA, 4 March 2002.

⁶³ Comments at OSI Roundtable Discussion, Tallinn, 14 March 2002; interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

- procurement involves weapons, ammunition, battle equipment and related training equipment.⁶⁴

Contracts for goods or services with a value of less than €6,340 are not subject to any tender requirements (€31,670 for construction work, contracts for draft legislation or contracts between utilities companies and penal institutions). Contracts with a value of over €12,670 must be allocated by open tender, or by restricted tender or negotiated procedure (sole sourcing) under certain conditions:

- A restricted tender may be used for example when “the contracting authority has approved objective selection criteria for the tenderers, and... it is economically expedient to verify the qualifications of applicants before submission of the tender documents.”⁶⁵
- A negotiated procedure with prior publication of tender notice may be used under certain conditions, particularly if all bids in an open or restricted tender were rejected, if it is not possible to estimate the value of the procurement or the specific terms and conditions in advance.
- A negotiated procedure without prior publication of a tender notice, in other words classic sole sourcing, may be used under certain typical conditions under which such a procedure is allowed. For example, if for unforeseeable events, rapid completion of the procurement is necessary to save lives or prevent substantial damage to property or if the procurement is supplementary to a previous tender and only one contractor can provide compatible goods or services.

The PPA forbids dividing contracts into smaller parts, although its officials admit this is very difficult to monitor and the Act is not sufficiently clear to allow the Office to intervene in questionable cases.⁶⁶ The PPO also regards the conditions under which sole sourcing can be used as rather wide, particularly a provision that allows sole sourcing for works or services that were not included in the initial public procurement, have become necessary due to unforeseen circumstances, cannot be separated from the initial procurement and do not exceed 50 percent of the value of the initial procurement. According to PPO officials, the Office has had many conflicts with authorities wanting to use sole sourcing.⁶⁷

⁶⁴ Public Procurement Act, Article 4.

⁶⁵ Public Procurement Act, Article 55 (1).

⁶⁶ Interview with Tom Annikve, Deputy Director General, Public Procurement Office, Tallinn, 13 March 2002.

⁶⁷ Public Procurement Act, Article 57 (3). Interview with Tom Annikve, Deputy Director General, Public Procurement Office, Tallinn, 13 March 2002.

Procuring entities may organise tenders as they see fit; in other words, they may allow proceedings to be run by one individual, by a commission or even hire external experts. Bidders have the right to be present at the opening of bids.

The PPA contains provisions designed to prevent nepotism and conflicts of interest: neither representatives of the authority conducting a tender nor external experts hired to carry out tender procedures may be persons who have been in contact with the supplier that could give rise to suspicion about their objectivity. Officials dealing with public procurements are also subject to the conflict of interest and asset monitoring provisions of the Anti-corruption Act.

Public procurement regulations are available to the public. All tender notices and procurement decisions are entered into the State procurement register on the Internet, and in the case of very important contracts are advertised in the press.

7.2 Review and audit

Under the PPA, the Public Procurement Office *inter alia* exercises State supervision to verify compliance of procurements with the law, implements a public procurement information system, organises the State register of public procurements, and reviews protests against procurement decisions. The Minister of Economy appoints the Head of the PPO.

Participants in public procurement proceedings may protest procurement decisions to the Public Procurement Office, and may appeal at the same time to an administrative court. Upon receiving a complaint, the PPO must suspend the tendering procedure until the resolution of the protest. Complaints must be filed “within seven days after the date the person becomes or should have become aware of the violation of rights or damage to the interests of the person, but not after the contracting authority has accepted the successful tender.”⁶⁸ This appears to prevent bidders from complaining to the Office about violations discovered after the completion of the tender. Review of protests is carried out by the PPO, which may annul tenders on the basis of a well-founded protest or its own inspection protests. Decisions of the Office may also be appealed to an administrative court.

As far as supervision and inspection of contracting authorities is concerned, the capacity of the PPO is very limited. As of March 2002, the Office only had three people to carry out this task (including checking protests). Moreover, although the Office can impose fines of up to €31,670 for violations of the PPA, it can only do so

⁶⁸ Public Procurement Act, Article 62 (2).

against legal entities and not State agencies, municipalities or local government agencies.

The State Audit Office is also competent to audit public procurements *post hoc*, and has begun to concentrate on procurement specifically in 2002. However, the SAO only audits the use of funds in procurement, not adherence to procedures.

7.3 Corruption

There have been no important successful criminal investigations into corruption in public procurement. However, the lack of any evidence on corruption indicates inadequate supervision rather than the absence of any corruption, especially given the defects in the system for monitoring procurement outlined above.

Moreover, both the GRECO evaluation⁶⁹ and evidence collected for this report indicate that the Public Procurement Office has been subject to political interference and lacks force when contracting agencies ignore it. The most important case concerns the privatisation of Estonian Railways, where the PPO tried to annul the tender for the adviser for the privatisation,⁷⁰ but the Minister of Economy ignored the Office and went ahead. The Minister later resigned despite strong support from the Government, although his resignation may not have been connected with the privatisation.⁷¹ According to PPO officials, the case was one of several in which the Minister attempted to influence PPO decisions.⁷² GRECO also cited testimony indicating that the allocation of public contracts in return for donations to political parties may be common.⁷³

According to a number of Estonian officials, most problems with public procurement are not the result of the law, but of the strength of personal networks and the fact that “everybody knows everybody,” resulting in widespread collusion.⁷⁴ According to local observers, the formulation of tenders to suit only one party is quite common; for example, a tender organised by the Ministry of Defence and in progress in early 2002

⁶⁹ GRECO, *Evaluation Report on Estonia*, p. 18.

⁷⁰ The tender was won by Gibbs Ltd, although the adviser’s offer was more than three times more expensive than that of PriceWaterhouseCoopers.

⁷¹ For details, see articles: “Minister charged with shady privatization,” *Ceturtdiena*, 29 March 2001; “Financing pulled from under railway deal,” *Ceturtdiena*, 2 August 2001.

⁷² OSI Roundtable Discussion, Tallinn, 14 March 2002.

⁷³ GRECO, *Evaluation Report on Estonia*, p. 18.

⁷⁴ OSI Roundtable Discussion, Tallinn, 14 March 2002; interview with Mare Haljak, Audit Manager, Operational Risk Department, State Audit Office, Tallinn, 13 March 2002.

to purchase boots for the army allegedly contained requirements that meant only one Finnish company could win. PPO officials also regard tailor-made tenders as the main problem, and regard procurement at the local government level as particularly devoid of control.⁷⁵

8. PUBLIC SERVICES

Although there is very little evidence of corruption in public services such as health and education, the European Commission has drawn attention to the need to fight corruption in the police and customs administration, and GRECO has expressed concern at the vulnerability of the customs authorities to corruption and organised crime. Business registration and licensing do not appear to be troubled significantly by corruption.

8.1 Police

There have been no major cases of corruption initiated against the police. In the last few years approximately ten traffic policemen have been dismissed for bribery in connection with violations of traffic regulations. Five corruption cases were investigated in 1998, seven in 1999, four in 2000 and 13 in 2001.⁷⁶

According to the State Police Board, there have been a number of criminal cases involving higher police officers who were convicted for official misconduct, for example two chief constables. In March 2002 Võru County Court convicted a senior officer in the Põlva district of intentional misuse of official position and repeated acceptance of bribes. He was sentenced to nine months' imprisonment.

Citizen trust in the police is relatively high, and rising. According to the *2000 International Crime Victim Survey*, 51 percent of Estonians found the police to be rather or very professional, a rise from 17 percent in 1993. According to a survey carried out by the Estonian Conjecture Institute in January 2000, 60 percent of respondents said the police do a good or very good job.⁷⁷

⁷⁵ Interview with Tom Annikve, Deputy Director General, Public Procurement Office, Tallinn, 13 March 2002.

⁷⁶ These cases are mainly reported in local government offices where business and officials are more closely interconnected.

⁷⁷ For Estonian Police statistics, see <<http://www.pol.ee/politseistatistika/politseistatistika.htm>>, (last accessed 28 August 2002).

The conditions under which the police work are relatively favourable from the point of view of susceptibility to corruption. The minimum police salary is around 25 percent less than the national average wage, but one of the highest in the public sector. A Disciplinary Unit of the Police Department is subordinated directly to the General Director of the Police. Complaints about police activities may be filed to the Legal Chancellor, the Internal Control Department of the Ministry of Internal Affairs, the Public Prosecutor's Office, the courts and the security police.⁷⁸ The latter institution investigates allegations or suspicions of corruption. Perhaps most important, the security police – the main body responsible for investigating corruption – is functionally independent of the police.

8.2 Customs

The Estonian Customs Board is the only specific sector for which the European Commission has stated a need to concentrate on the fight against corruption.⁷⁹ Estonia has adopted several new acts to harmonise customs legislation with EU customs procedures. The Customs Board has taken a number of important anti-corruption measures, in particular the establishment of an Internal Control Department to conduct financial audits and monitor compliance with the Anti-corruption Act, and an Investigation Division and five investigation units to participate in the investigation of corruption cases. In addition, several changes in procedures have been introduced to make corruption more difficult, including the compulsory presence of two officers (“four eyes control”), division of tasks, rotation of staff and a six-month probation period for new officers.

These measures appear to have worked to some extent, with some 50 officers prosecuted for corruption offences in recent years. Despite this, GRECO expressed concern about a seeming lack of awareness of the danger of organised crime given Estonia's position as a transit route for smuggled goods, a danger illustrated by a major fuel tax fraud uncovered by the security police in 1998 involving bribery of customs inspectors by an organised crime group.⁸⁰ In addition, the lack of coordination between the Customs Board and the border guard was also criticised, including disparate salaries.

⁷⁸ See <<http://www.kapo.ee>>, (last accessed 28 August 2002).

⁷⁹ Commission, *2001 Regular Report*, p. 35.

⁸⁰ GRECO, *Evaluation Report on Estonia*, p. 22.

8.3 Licensing and regulation

Corruption in licensing and regulation appears to be a limited phenomenon. Business registration seems relatively clean, partly because registration is not carried out by courts but by the Commercial Register. Registration can take up to a month. There are occasional rumours of clerks being bribed to speed up registration and one bribery case was prosecuted in 2001.⁸¹ There may be reason for concern over the functioning of the Competition Board, responsible for monitoring compliance with the Competition Act. The Board appears to be a largely nominal institution that has so far failed to move against anti-competitive behaviour, for example price-fixing by milk producers in 2000.⁸²

9. ROLE OF THE MEDIA

The Estonian media is free, although there is some evidence of the use of libel and defamation provisions to deter journalists. Freedom of information legislation is in place, although its impact on access to information may have been uneven. The broadcasting media have played little part in exposing corruption, probably more due to lack of financial resources than direct political interference. Investigative journalism has been relatively underdeveloped, at least until recently, but the printed press has become increasingly active in exposing corruption.

9.1 Freedom of speech

The Constitution enshrines the principle of freedom of expression and forbids censorship. The legal environment for the media is liberal; for example, no licence or permission is required to set up a printed publication. There is no general press law, although there have been attempts to write one. There are a decreasing number of media outlets, and Scandinavian media companies control much of the national media.

Libel and defamation provisions have been used on occasion to deter journalists. The new Penal Code, which has been passed by Parliament but is not yet in effect, has abolished libel and defamation provisions after strong lobbying by the media. The Estonian Newspaper Association also successfully campaigned for the abolition in the

⁸¹ Interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

⁸² Interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

draft law of a proposed two-tier set of punitive measures on libel, offering special protection for high officials.

The Estonian press has been affected significantly by the case of Enno Tammer, a journalist who was found guilty in 1996 of the criminal offence of degrading the honour and dignity of a politician's wife. Tammer subsequently took the case to the European Court of Human Rights, which upheld the verdict of the Estonian court. The Estonian Newspaper Association has information about cases in which reporters have withdrawn their statements or retracted a story after having been warned of a "Tammer scenario."

9.2 Access to information

A major breakthrough in access to public information was achieved when a new Act on Public Information came into effect in March 2001. Although the Constitution declares that public information must be freely available, media activities have been hampered by arbitrary access to information.

The Act defines information that must be disclosed by public authorities in a digital document register, including contracts into which the agency enters. Requests for information must be complied with promptly and no later than five days from the request, although the deadline may be extended by up to 15 days if the request requires further specification or if searching for identification of the information is time-consuming. Information is provided for free with the optional exception of restricted charges for copying. The Act specifies a long list of information that must be disclosed, including draft legal acts and regulations, assets and budgetary funds that have been transferred to legal entities established by the State or local government.

The Data Protection Inspectorate is responsible for supervising compliance with the Act. As of June 2002, the DTI had received 21 complaints, but was not able to provide any statistics on its decisions.

The Act requires State and municipal bodies to keep a webpage with information about their activities. Public libraries all over the country will have the task of opening public Internet access points and providing advice to citizens who want access to public information.

Although the duties given to authorities under the Act are extensive, journalists give mixed accounts of access to information in practice. According to the business editor of the main local wire service, officials often arbitrarily appeal to exceptions in the Act in order to withhold information, or charge fees exceeding the costs of copying, and

quality of access varies considerably among ministries.⁸³ According to the local correspondent of a major international newspaper, the authorities are much more advanced than neighbouring Latvia or Lithuania in terms of access to public officials and provision of information, although a lack of professionalism among local journalists and an unwillingness to “wash dirty laundry” in public may result in a lack of effectiveness in investigative journalism.

9.3 Broadcasting regulation

Broadcasting is governed by the 1994 Broadcasting Act, which lays down procedures for the allocation of licenses and the regulatory framework for public service television and radio.

Estonian TV and Radio are the public broadcasting stations. They are regulated by a Broadcasting Council appointed by the Parliament. On the proposal of the Parliament’s Cultural Affairs Committee, Parliament appoints five MPs and four outside experts to the Council. The Council is therefore dominated by politicians; whenever the Government changes, the Chairman of the Council is also changed. Despite this, journalists perceive that direct political interference in public broadcasting has been less of a problem than financial difficulties that restrict their ability to carry out investigative journalism, while GRECO also cited financial constraints and the dependence of public media on direct State funding as a possible “obstacle to objectiveness and criticism.”⁸⁴

9.4 Corruption in the media

According to journalists, corruption is not a systematic problem in the print media. Pressure from private companies through advertising also does not appear to be a major problem except at the local level.

9.5 Media and corruption

In practice, neither public nor private TV stations cover corruption at all. Until recently, as GRECO noted, “investigative journalism as such” was not developed and it

⁸³ Interview with Anvar Samost, Chief Economic Editor, Baltic News Service, Tallinn, 15 March 2002.

⁸⁴ GRECO, *Evaluation Report on Estonia*, p. 20.

was not the media that uncovered corruption cases.⁸⁵ However, there have been exceptions, and as a result of journalists' disclosures of scandals, senior officials and a number of mayors have been forced to resign. Indeed, the Prime Minister, Tiit Vähi, was forced to resign in 1997 after the media revealed a complex scheme by which he bought State apartments cheaply for himself and his family in Tallinn, in cooperation with the Mayor of Central Tallinn District Jüri Ott.

Corruption has been covered to an increasing extent as investigative skills have grown. For example, in the last two years, the media devoted extensive space to the privatisation of Estonian Railways and corruption in the issuance of driving licences, and revealed that it is possible to register documents in the Commercial Register faster with bribes.⁸⁶ Corruption is very rarely reported in the local press.

10. RECOMMENDATIONS

The following recommendations have been highlighted as particularly important to Estonia. For additional recommendations applicable to candidate States generally, please see Part 5 of the Overview report.

1. Carry out a review of the activities of the Parliamentary Anti-corruption Committee.
2. Review the adequacy of control of local government activities.
3. Establish an institutional mechanism for monitoring and supervising party finances.
4. Review the independence of the Public Procurement Office, and strengthen its capacity to monitor and impose sanctions.

⁸⁵ GRECO, *Evaluation Report on Estonia*, p. 20.

⁸⁶ Comments from OSI Roundtable Discussion, Tallinn, 14 March 2002.