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EXECUTIVE SUMMARY

The National Integrity System assessment approach provides a framework to analyse the robustness and effectiveness of a country's institutions in preventing and fighting corruption. The concept has been developed and promoted by Transparency International (TI) as part of its holistic approach to countering corruption. A well-functioning national integrity system provides effective safeguards against corruption as part of the larger struggle against abuse of power, malfeasance, and misappropriation.

The National Integrity System (NIS) assessment was carried out in Estonia in 2010-2012. The assessment is based on the analysis of the legal system, previous studies, audits, international evaluations and 40 interviews (2-7 interviews per institution or 'pillar' covered in the assessment). The evaluation covers the years 2009 until the beginning of 2012. The assessment was initially written in English and later translated and edited into Estonian.

The report has been quality checked by the Transparency International Secretariat in Berlin and the Advisory Board comprised of local experts. The analysis methodology follows the standard methodology developed by the Secretariat of Transparency International to a large extent; however there are some differences due to the particularity of Estonia. The NIS of Estonia does not include a chapter on an anti-corruption agency as this body does not exist in Estonia; the Estonian report also does not include the indicator related to the electoral management body's regulation of election campaigns as the electoral committees have no such functions in Estonia. Furthermore, the chapters examining the public sector differ to the standard assessment since local government has been included in addition to the central government. In some instances, the methodology allows for exceptions from the general approach; for example, in the case of the National Audit Office of Estonia the study only evaluates whether the organization has the necessary resources in practice, and not how they are guaranteed under law.

The effectiveness of the anti-corruption system in Estonia has its strong and weak points. Among the analysed pillars, the **ombudsman (the Chancellor of Justice), the National Audit Office and electoral management bodies** are the three strongest. The strengths of the Chancellor of Justice and the National Audit Office are based on similar aspects; both institutions are characterized as operating with practices related to anti-corruption and transparency, and have a clear strive towards ethical organizational culture. Both institutions are independent in their activities, and even though budget negotiations with the Ministry of Finance (which is audited by these institutions) might bring up the question of influence, in practice the independence of these institutions is not considered to be a problem. The Chancellor of Justice and National Audit Office successfully fulfil their tasks: the National Audit Office performs various financial and performance audits and the Chancellor of Justice ensures that legislation is constitutional, deals with potential violations of people's basic rights and freedoms by authorities and officials performing public duties and adheres to the principles of sound administration. Because of up-to-date and informative websites and the systematic exposure of problems in their respective fields, the activities of the National Audit Office and Chancellor of Justice receive adequate media coverage and both institutions have a relatively positive and strong public image.

The pillar of **electoral management bodies** is assessed as the third strongest. Elections are considered to be free and fair in Estonia. Trust in the National Electoral Committee and other electoral committees is generally high and these institutions are also transparent and independent. Despite the lack of integrity mechanisms for electoral committees, corruption is not a problem in organizing elections and the ethical standards of committee members are generally high.

The **Government** has a rather dominating role in Estonian politics; the executive branch is independent legally as well as in practice. The executive branch takes the greatest initiative with regards to anti-corruption activities, but at the same time there are several areas where no one wishes to take leadership, for example, reducing corruption risks in local government and educating the general public on corruption prevention. The relatively weak control of the legislative branch over the executive and the lack of involvement practices by the executive branch that tend to happen formally can also be considered somewhat problematic. Another weakness is that corruption prevention activities have so far only been targeted at the public sector, and not at reducing corruption risks connected to politicians. However, minimal desire to self-regulate is not only problematic for the executive branch, but a general challenge for Estonian politics.

The pillars dealing with state institutions such as the public sector, legislative branch and political parties are the weakest. The main problems with the public sector are the differences between law and practice, and also issues related to resources and independence, which is particularly true at the local government level. The legislative branch is characterized by a lack of interest in preventing corruption risks connected to members of the Parliament (Riigikogu) and adopting anti-corruption reforms. Political parties face problems similar to the legislative branch and the reluctance to deal with regulations involving politicians and initiate anti-corruption reforms is undoubtedly the biggest concern. There is also a lack of transparency in financing political parties and election campaigns. As a result the public trust in the Parliament and political parties is relatively low.

When it comes to detecting, investigating and sanctioning corrupt behaviour, the stronger pillars understandably include law enforcement agencies and the judiciary, with both pillars exerting the same level of effectiveness. The media could also fulfil the role of detecting and investigating instances of corruption through more effective investigative journalism.

Since 2001 one of the priorities of all **law enforcement agencies** has been combating corruption, but so far only the Estonian Security Police has managed to efficiently investigate corruption-related crimes. In this respect the police fall behind the Security Police, especially at the regional level. It should be noted that the Security Police is responsible for detecting and investigating corruption involving highest officials (e.g. MPs, ministers, judges, leaders of 6 largest municipalities etc.) At the same time the structural changes that have taken place in the police forces over the past couple of years give hope that the investigative capacities of the police will also improve in the near future. It is important to mention that even though the work of law enforcement agencies has been effective and these agencies have managed to uncover various important corruption cases, they mainly deal with cases where one of the corrupt parties is the public sector (public

officials), and corrupt practices detected within the private sector are generally minor. This, however, reflects the nature of the business sector itself as fraud and corruption is frequently unreported. The problems for both of these pillars include a lack of resources; the law enforcement has limited budgets and the judiciary has problems with a lack of support staff and their uncompetitive salaries.

Within the non-state sector – **the media, civil society and business** – the **media is the strongest**. All major media channels cover the topic of corruption and investigative journalism has managed to uncover various important cases. However, the main strength of the media in relation to corruption prevention is not in uncovering cases, as the share of investigative journalism in Estonia is relatively minor, but in notifying and shaping the anti-corruption perceptions of the public.

The role of the two remaining pillars – civil society and business – in shaping anti-corruption policies and activities has been somewhat modest, since they have so far only focused on their internal development. There are civil society organizations such as Transparency International Estonia (MTÜ Korruptsioonivaba Eesti) that have actively dealt with the issue of corruption, but it is difficult to evaluate the scope of influence of their activities so far. The capacity of civil society to address these questions is limited by a lack of resources, the dominance of project-based work and a general lack of interest in the subject. Businesses also lack the desire to address the issue of corruption, and it is certainly not a priority for smaller businesses. Only major and international companies that often have a practical need and a legal obligation (e.g. publicly traded companies) have systematically dealt with corruption prevention in their organizations.

Generally all pillars **rank highly in transparency and independence**. They are well-positioned in legal terms but in practice, the indicators do not score as highly. One important base that helps ensure the transparency of the public sector is the Public Information Act, which stipulates what kind of information must be made public (budgets, salaries, document registries etc.). A second means to aid transparent practices is the use of websites to systematically share information, which as a rule is easily available. However, it has to be noted that at times the navigational function of the websites is complicated; therefore it can be difficult to find specific information and there are also instances where the information is imprecise, unavailable or outdated. A key problem concerning transparency is related to the use of funds and their allocation in the public sector and in politics; public procurement and the financing of political parties and election campaigns are not transparent enough in practice.

Looking at the **independence of different institutions**, the legal framework is relatively strong. However, in practice problems still occur, such as the politicization of non-political positions in the public sector, which is more severe in local governments. It is equally worrisome when civil society organizations receive short-term financing from the state or local governments, and sense a certain need for self-censorship and therefore do not dare to voice their opinions fully if these are critical towards their funders. The fact that the Ministry of Justice is responsible for administrating the courts of first and second instance (including their budgets) and the Ministry of Finance holds budget negotiations with institutions that monitor the Ministry's activities (such as the National Audit Office and the Office of the Chancellor of Justice) is similarly problematic.

With regards to the **financial means of different institutions**, the timing of the study has to be taken into consideration. Interviews were held after the economic recession, which led to several major budget cuts in the public sector and also reduced available resources for media and civil society organizations. Several drawbacks connected to financial means can be highlighted: for example, there is a lack of support staff in the judicial and legislative branches; finding and hiring qualified personnel in local governments has been difficult; there are limited opportunities for vertical job rotation in the public sector; access to public services differs between regions; the sustainability of civil society funding is not guaranteed; and there is a lack of resources for law enforcement agencies, which have experienced pay cuts and expanding workloads during the recession. Still, it seems that the lack of resources is not the only issue; the effective and efficient use of those resources that are available remains problematic.

Institutional accountability is extremely important for the prevention of corruption, and this is strengthened by the efficient work of such institutions as the National Audit Office, the Office of the Chancellor of Justice and the Estonian Security Police. The weakest link in the system seems to be parliamentary control over the executive branch. This is partly due to the fact that the executive and legislative branches and political parties interlace; therefore parliamentary supervision of the government tends to be only formal and does not expose real problems. This is also partly because of the limitations of the institutional capacity of the parliament in terms of law making and monitoring activities (there is a lack of support staff for MPs and parliamentary committees).

One of the weakest links for an effective corruption prevention system in Estonia is the lack of integrity mechanisms in different institutions. This is so primarily due to the out-dated Anti-Corruption Act - there have been discussions to amend the act for the past few years but no changes have been made. Even though the Anti-corruption Act includes several important guidelines on integrity mechanisms (e.g. restrictions on employment and activities in the public sector and declaration of financial interests), applying these guidelines might be problematic (for example, the validity of the declaration of financial interests needs to be checked, regulations on accepting gifts can be confused and there is a lack of effective whistleblower protection). There are also no guidelines covering other measures for corruption prevention (for example hospitality is only covered in the code of ethics for judges and Office of the Chancellor of Justice, and there is no regulation on lobbying). From the aspect of integrity mechanisms, the most problematic pillars include electoral management bodies, where there are virtually no measures specifically targeting the issue (but nonetheless operate ethically), and civil society and business that only take a minor interest in issues of corruption.

Looking at different trainings on corruption it has to be said that up until now, ethics training has tended to focus on public officials, and only recently has it gradually come to be included in the public sector at large. Some training courses take place for the media, and to a lesser extent for the private sector; however, training activities are not regular. The main obstruction in trainings is connected to educating the general public. Even though the media has been relatively successful in covering cases of corruption, government offices provide

only limited information to citizens on the topic of corruption and the topic is not covered in the school curriculum.

The main recommendations based on the analysis of the National Integrity System in Estonia are as follows:

- Topics dealing with corruption and ethics should be represented in the curricula at different levels of education (value-based education). A strategic plan for educating the public on corruption and ethics should be developed in cooperation with public and private sectors as well as civil society.
- The political culture must be improved and the initiative to start policy reforms dealing with corruption should come from political circles. Political parties, the Parliament and Government should be able to offer solutions acceptable to the public when dealing with issues related to politicians, corruption and transparency (party financing, Code of Conduct for MPs and lobbying regulations).
- There should be stronger initiatives for cooperation between the private sector and civil society in preventing corruption, and the public sector should work to achieve a greater involvement of these sectors. Seeking solutions to problems connected to the anti-corruption capacity of the private sector and civil society should be a priority not only for these sectors, but also for the public sector.