

State of the State in Estonia

Final Research Report

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Preface

The present research report is part of a series published by The DEMSTAR Research Program at the Department of Political Science, University of Aarhus, Denmark. Following the DEMSTAR line of systematic single-country investigations undertaken in transition countries, the objective of this report is to map the capacity of central state institutions to handle the challenges of transition from state socialism to market democracy. As such, it is part of a series with a primarily descriptive focus, which we will later apply in theoretical papers in the hope that other researchers may benefit from our primary data, our compilation and systematization of secondary data as well as the broad and explorative theoretical surveys.

Pursuing this objective we have interviewed 50 current and former Estonian ministers.¹ The interviews were conducted with a dual aim: first, to obtain factual knowledge about internal processes and institutions, and secondly, to obtain a picture of the visions that guided our respondents in their assessments of their own institutional environment.

The interviews were conducted on the basis of standardized questionnaires combining a majority of closed questions (allowing for quantitative analyses) and open questions that allowed the respondents to elaborate on specific topics. The questions focus on three dimensions of the political administrative system and how these relate to the state's capacity to meet the present challenges: a) policy formulation and initiation, b) decision-making, and c) implementation.

This paper reports the results of our explorative research into the capacity of the Estonian central state system. Section one includes a short introduction, while section two contains an outline of the conceptual and theoretical designs that formed the foundation for the empirical work.² Section three summarizes the institutional context and political developments that frame the workings of the central government in Estonia, while section four lists our explicit theoretical expectations. Section five presents the major findings of the study and section six summarizes and sets out tentative explanations and causal models as well as an agenda for further research. Finally, appendices containing the English and the Estonian questionnaires are posted on the DEMSTAR website.³

1. Introduction – from the singing revolution to parliamentary democracy

The singing revolution as the process of regaining Estonian independence has come to be known began just a little more than a decade ago in 1988. In Estonia and the two other Baltic countries, Latvia and Lithuania, people

gathered to sing national songs and express their longing for freedom. One Estonian 'festival' was attended by over 100,000 participants, all demanding the restoration of independence (Estonian Institute a). At the same time, the Estonian flag was again used openly as a national symbol. On February 24 1989, the blue-black-white Estonian national flag replaced the red flag of Soviet Estonia in front of the Estonian Parliament building. Later that same year, on August 23, the independence movement managed to focus international attention on the aspirations of the Baltic nations as one million Estonians, Latvians and Lithuanians holding hands formed a 600-kilometre long human chain from Tallinn to Vilnius. The human chain was the largest political demonstration ever seen in Eastern Europe (Estonian Institute b).

Estonia regained its independence as a sovereign state (officially recognized on August 20 1991) and established a "parliamentary democracy", adopting an extensive amount of legislation in a wide area, and is to become an EU and NATO member in 2004. So Estonia can now be characterized as a sovereign democratic state. Yet, which type of state is it? What role does the state play in society and do central decision-makers perceive that role as appropriate? Who constitutes "the state" and how consolidated is Estonian democracy? How embedded are state-society relations? Are all social groupings represented politically and how democratic is the decision-making process? To answer these questions our empirical investigations were guided by the theoretical framework described in the following section.

2. Concepts and theory

In this section, we distinguish theoretically between the different components of state capacity. The first distinction is between three types of state that epitomize the character and extent of state-society relationships as well as the implications for state capacity. Regarding state capacity, we differentiate between three types of capacity. We use the terminology applied by the World Bank in its report *The State in a changing world* (1997: 3), where capacity at the level of state and government refers to the ability of a state to meet the concerns and objectives of society (Leftwich, 2000).⁴

2.1. State types

During the early phase of transition the majority of local political actors in post-communist countries wanted to drastically curtail the role of the state and state institutions in the transformation process, as reported for Estonia in Steen's (1996) early survey of elites. The state had played a predominant role in the previous regime. The realization that the administrative appa-

ratus was unable to perform under the new circumstances and prospects for personal profit from liberalization and privatization made local reformers easy targets for neo-liberal policy advisors. In a more positive vein, it was expected that the market would generate not only efficient allocation of resources and carve out an international economic position based on comparative advantages, but also the structural prerequisites for a liberal, pluralist democracy. This understanding of what drives social and political change left little room for state intervention. The state was to provide the legal and institutional framework and leave the rest to the political and economic market. State failure was a problem of primary concern in the collapsed system, and a reduced (minimal) state was perceived as a precondition for future success. In an awkward irony of history, the expectation was that the market could succeed where Soviet Marxism had so dramatically failed: to foster the withering away of the state.

It is now broadly acknowledged that market utopia is as incapable of generating development as was the incumbent system. Associated social and political costs soon forced politicians to intervene in order to ameliorate the disruptive effects of the free market focus. By the mid-1990s practical experience, manifestos from international financial institutions (World Bank, 1997), and the functional need to adapt to the global trends of democratic capitalism (Nørgaard, 2000) had led to a general realization that the state and state institutions had important roles to play. First of all, an effective state and government was needed to ensure the social and political coherence of the domestic social fabric and to provide for an economic strategy that capable of carving out a place in the international economy. The prescribed strategy advanced most notable by the European community came to resemble the ideal visions of the developmental states in East Asia⁵ or the West European social democratic states (Leftwich, 1995: 403). Hence in the present phase of development, rather than diminishing the state, the question is what state type best generates development.

A first distinction is between three ideal state types, each representing alternative perceptions of the character and role of the state in economic and political development. *The liberal state* is the insulated ideal-type Anglo-American minimal state, as envisaged in neo-liberal economic theory and reaching back to classical liberal thinkers. There is a distinct public sector, and state-society interaction generally occurs through interest groups trying to convey their demands to the insulated institutions of the state. Also, the state may choose to utilize the private sector to have certain policies implemented, while reserving the right to make the decisions and controlling the

process. The state is legitimized through its protection of specific rights derived from natural law (civic and political rights).

The totalitarian state is the (non-democratic) ideal-type of state machine with institutions designed to promote ideologically defined policy goals and where civil society institutions are conceived of as transmission belts rather than political actors. Here the public administration channels policies to the people – and not vice versa. In this system decision-making was centralized, political loyalty had a high priority and strict ideological control was exercised over personnel and decisions (Sootla & Roots, 1999:28). The totalitarian state is represented by the Leninist state, the state type that characterized the communist region before the regime changes.⁶ Other states legitimized by a comprehensive ideology rather than by the consent, delegation and representation of the governed fall into the same category.

Finally, *the Interdependent state* may be defined as one whose policies have concentrated sufficient power, autonomy and capacity at the center to shape, pursue and encourage the achievement of explicit developmental objectives either by establishing and promoting the conditions and directions of economic growth or by organizing such directly.⁷ The interdependent state is legitimized by its ability to foster specific policy goals. The relationship between state and civil society is mutually dependent and selected structures of society (e.g. business organizations) are invited to undertake independent tasks in design and implementation of policies. The interdependent state is also an 'embedded state' as described by Peter Evans (1996) and further developed in Linda Weiss's (1998) concept of governed interdependence.

Embeddedness is in this context defined as ties connecting public officials to actors outside the public sector. Thus agents of the state participate in networks that cross the public-private sector boundary.⁸ Embeddedness can be divided analytically into two dimensions, a domestic and an international dimension, and both can be either positive or negative. Thus, *domestic embeddedness* may be positive when the state is embedded in society, allowing for bottom-up as well as top-down structures between state and society, thereby establishing synergy between state and society. However, embeddedness becomes negative if it reflects that the state and government have been captured by particularistic interests (elites or societal groups; Schleifer et al, 1998). *International embeddedness*, or governmental integration into the international system, offers a parallel range of prospects and dangers.⁹ On the one hand, international embeddedness can provide the informational, political and financial resources needed for the government to perform adequately under new and unfamiliar conditions. On the other hand, however,

international integration or embeddedness offers a risk of international 'clientistic capture' or 'elite capture' (World Bank, 1997: 80ff) if the domestic policy process becomes subjugated to the agendas of international organizations or foreign powers not reflecting local concerns.

2.2. *State capacity*

For all state types we distinguish between three dimensions of capacity. *Political capacity* reflects non-clientistic embeddedness in society. Political capacity enables the public executive to design and implement policies that meet the genuine concerns of society. In this terminology an effective government (a government with high capacity) is one able to integrate the concerns and objectives of society and includes economic as well as social and political objectives in its policies, yet works autonomously from particular interests. In a democratic or democratizing context an effective government institutionalizes representation of concerned interests in policy design and implementation while not allowing particularistic interests to dominate the policy process. *Technical capacity* encompasses the ability of the state administration by means of its own resources or through institutionalized relations to extra-governmental bodies (think tanks, universities, NGOs, etc.) to design coherent, viable and feasible policies. An important aspect is the capacity to find and make use of information. Technical capacity affects administrative capacity strongly, as the technical suitability of a policy has direct implications for the scope and intensity of implementation barriers. *Implementation capacity* measures ability to implement the policies that have been chosen. Together technical and implementation capacity constitute administrative capacity. Thus, an administratively efficient state will establish institutions with the resources and competences needed to design and implement a chosen policy and the ability to remain autonomous vis-à-vis pressure from specific groups and interest groups.

2.3. *Summarizing State type and State capacity: A Theoretical Perspective*

The category state type describes how states, as expressed by the central decision-makers, perceive their own role and legitimize their activities. The extent to which central decision-makers' self-description of the state matches the analytical classification of the state type is an empirical question. We look into this question in the empirical part of this paper. Likewise, we analyze the capacity of the Estonian state on the above-mentioned three dimensions by comparing self-description with actual performance.

3. The political and institutional context of Estonia

3.1 Historical introduction

Historically, the territory of Estonia has been under the suzerainty of various foreign powers. In the 12th or 13th century a nation nevertheless began to develop with a national language and a distinct culture, reinforced by the emergence of political and economic institutions. Yet, it was not until the change of circumstances around the First World War and specifically the end of the Russian Empire's dominance that Estonia could declare independence on February 24, 1918. De jure independence was established with the signing of the Tartu Peace Treaty on February 2, 1920 (Institute of Baltic Studies).

But Estonian independence was short-lived, from 1920 until the occupation by the Red Army in 1940, after which a rigged election ensured that the occupied state applied for admittance to the Soviet Union (Nørgaard & Johannsen, 1999: 46). There was an Estonian resistance movement, particularly in the beginning of the Soviet occupation, which lasted until the collapse of the Soviet Empire allowed Estonia to officially regain its independence on August 20, 1991.¹⁰

3.2. The Triple Transition

To cope with the challenges of the transitional period as a fledgling democratic state Estonia underwent a triple transition:

- 1) Building the institutions of a democratic state
- 2) Restructuring the economy as a market economy
- 3) Transforming social structures and political orientation and interests

These problems had to be solved concurrently with achieving the integration of ethnic groups within the framework of the Estonian state.

Concerning the first aspect of the transition, developing the institutions of a democratic state, Estonia established a unicameral parliamentary democracy. The president is formally the head of state and his position is primarily symbolical. The head of government is the prime minister, who is formally the most powerful individual. This configuration is in accordance with the constitution of the first independent Republic of Estonia (1920-1940). In addition Estonia began to legislate on the basis of the legal framework adopted in the first Republic of Estonia because they rejected legislation adopted during the Soviet occupation. Estonia thus tried to ensure the continuity of the Republic of Estonia as a subject of international law.

However, this desire for continuity has made the development of a legal framework even more vital for Estonia as a newly independent and democratic state. Thus, not all legislation from the First Republic has been restored due to the long time span and general international developments since 1940. However unwillingly, Estonia has had to use of part of the Soviet legislation as interim legislation in order to uphold a legal framework for the state. At present, approximately 5 percent of old Soviet laws are operating (Clairborne, April 8, 2002). Although a complete legislative framework has yet to be finished, the Estonian parliament has passed numerous acts so that most of the fundamental legislation of a modern state is now in place. Estonia has for instance adapted quite well to the conditions set by the *acquis communautaire* (*Regular report from the commission on Estonia's progress towards accession*, 2000) as well as implemented a market economy based on a comprehensive set of privatization laws.

To cope with the second aspect of transition, restructuring the economy, Estonia has opted for a full-scale neo-liberal economic reform of the state system. This reform has been rather successful and Estonia's growth rates have been above average for the European states. Good progress also seems to have been made regarding the liberalization of capital movements. Estonia's current official economic policy is liberal, "characterised by a minimum of state interference" and "a liberal trade policy" (Kallas, 2002). As an indication of just how liberal Estonia's economic policy actually is that Estonia has revoked net taxation of corporate profits since January 2000 (Ministry of Finance, 2002).

Table 1: Economic key indicators for Estonia.

| | 1996 | 1998 | 1999 | 2000 | 2001 |
|--|-------|-------|-------|-------|-------|
| GDP – real growth rate (%) | 4.3 | 4.7 | -1.1 | 6.4 | 5.3 |
| Annual FDI (million EURO) | 116.0 | 515.8 | 284.3 | 435.1 | 597.8 |
| Total government expenditures (% of GDP) | 40.4 | 39.7 | 41.5 | 36.7 | 36.2 |
| 12month consumer price index (%) | 23 | 8.2 | 3.3 | 4.0 | 5.8 |
| Unemployment rate (%) | 10.0 | 9.8 | 12.2 | 13.6 | 12.6 |

Sources: Estonian statistical Office, Estonian Ministry of Economic Affairs and Bank of Estonia.

Estonia has also been quite successful in combating corruption. It still exists, but the problem has decreased steadily and this development seems to continue. The Berlin-based *Transparency International Corruption Perceptions Index* now rates Estonia as no. 28 out of 91 countries¹¹ with a score of 5.6. Thus, Estonia among the former communist countries has the lowest degree

of corruption, just above 5.5, the number Transparency International considers borderline and assigns to countries that do and do not have a serious corruption problem. So corruption still figures, but it is not expected to be a major obstacle to policy implementation.

Regarding the third aspect, transforming social structures and political orientation/interests, it is rather less certain whether Estonia has succeeded, not least in achieving integration of the different ethnic groups within the framework of the Estonian state.

Thus, a successful transformation of social structures and political re-orientation of the population must be in the interest of the people. Yet, after regaining independence Estonia has with the 1992 Citizenship Act chosen to accept as Estonian citizens by birth only those who have at least one parent who is an Estonian citizen.¹² Estonia has thus rendered almost 300,000 residents stateless (plus a number of people who have since acquired Russian citizenship; UNDP 1997). These stateless people can obtain citizenship through a naturalization process based on criteria established in the Citizenship Act. In order to qualify the applicant must have quite profound knowledge of the Estonian Constitution and language, have resided for at least five years in Estonia and have a permanent income. Last but not least, the applicant is obliged to swear an oath of allegiance to the Estonian state. These criteria are quite strict, and the European Commission's Accession Committee has concluded that the Language Law "restricts access of non-Estonian speakers in political and economic life" and "constitutes a step backwards and should be amended" (*Regular report from the commission on Estonia's progress towards accession*, 2000).

Although progress has been made in this field, Estonia has not signed all international conventions protecting minorities, e.g. the "Convention relating to the Status of Stateless Persons"; "International Convention on the Protection of the rights of all Migrant Workers and Members of Their Families" or the "Convention on the Nationality of Married Women" (Office of the High Commissioner for Human Rights).

There is reason to believe that the Estonian state may have less legitimacy among those without Estonian citizenship. Also, the Estonian government might likewise be less legitimate in the eyes of women, as Estonian society is still male dominated and gender equality is not a clearly developed area of Estonian social policy. The respective legislation is insufficient and no institutions have specific competencies and functions on the various levels of gender policy (Papp, 2000). We will investigate these issues further in the empirical section to evaluate the political capacity of the Estonian state.

The aspect concerning democratic institutions will be elaborated further in the following section (3.3), while problems related to the third aspect, transforming social structures and political orientation/interests, will be examined in section 3.4.

3.3 Institutional Configuration – government and administrative structures

Estonia can be characterized as a democratic state as it fulfils the Copenhagen criteria adopted by the European Council in June 1993. This establishes that Estonia has achieved “stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities”¹³ (*Regular report from the Commission on Estonia’s progress towards accession*, 2000). Yet, as stated above, this paper seeks to classify Estonia according to state type. In the following, as a foundation for the empirical investigation, the basic institutional configuration will be summarized.

Government organization

Estonia has achieved stability of institutions and guarantees the rule of law. The “Government of the Republic Act”, the latest of the reorganizations of the Estonian public administration, was adopted on 13 December 1995 (*Regular report from the commission on Estonia’s progress towards accession*, 2000).

The EU Commission reports that the Estonian Parliament operates satisfactorily: “its powers are respected and the opposition plays a full part in its [the Estonian Parliament’s] activities” (ibid.). This indicates that decision-making structures are not entirely in the hands of the government.

However, whether or not the Estonian government does in fact act as a unitary actor is likewise a matter for empirical investigation. We will explore whether decision-making remains concentrated at the top echelon of power or whether it is subject to so considerable negotiation and bargaining between the different ministers that the state is more appropriately conceived of as an arena for bargaining rather than as a singular entity. Thus, the empirical part of the paper will classify the Estonian state by looking at central aspects such as decision-making structures, influential actors in the opinion of the central domestic decision-makers, the role of the state as perceived by central decision-makers and their vision of a desirable role for the state.

Relations between ministers and civil servants - degree of politicization of the administration

Overall, Estonia has come a good deal further with state building than some of the other former communist states. Also the Estonian civil service functions rather well. Yet, the administration still lacks qualified staff, especially at the

middle management and technical levels of the civil service. There are difficulties in attracting and retaining good staff due to low salaries, lack of career opportunities and poor resource management (*Regular report from the commission on Estonia's progress towards accession*, 2000). The turnover rate of civil servants is relatively high,¹⁴ estimated to 15percent p.a. in the World Bank report (ibid.) and estimated at 13.9 percent p.a. by another World Bank paper (Nunberg, 2000: 185). The civil service system therefore suffers from lack of continuity and loss of expertise within certain sectors of the administration.

It is urgent that the civil service reform be completed. It has become clear that the development of public administration lags far behind the economic reforms initiated, and it therefore functions as a barrier to continued reform, further stabilization and preparations for joining the European Union (Randma, 2001: 42). The articles of the Public Service Law (adopted January 25, 1995) have not all been elaborated in supplementary regulations, and in those that have been, procedures are not defined in sufficient detail to enable personnel and practitioners to apply consistent procedures across the civil service system (Nunberg, 2000: 175). The Public Administration Development Concept was agreed upon in 1998 with the aim of establishing a civil service reform to help unlock "the deadlock that has affected reform efforts, especially in the areas of pay, reform and human resource management" (*Estonia: Meeting the Challenges of EU accession*; 1998: chapter 4). So far it does not seem to have had any effect. Efforts are needed especially concerning recruitment, promotion procedures and the payment system. The lack of a training system and human resources management as well as a general lack of co-ordination among key authorities in the civil service policy area (the Ministry of the Interior, the State Chancellery and the Ministry of Finance) reinforces the problems with the payment system, recruitment and promotion procedures (*Regular report from the commission on Estonia's progress towards accession*, 2000).

The institutional instruments listed above are indirectly based on a Weberian principle to correspond to the Estonian aim of a merit based civil service system (Nunberg, 2000: 189), but the law does not explicitly establish the notion of merit-based procedures. Furthermore, there are no specific constraints on political activity besides general statements on conflicts of interest (Nunberg, 2000: 219). This absence of legislative framework can be seen as a legacy of the former weak policy-making capacity where state executives primarily handled administrative functions while governmental functions in important matters were handled by party-bureaucracy. The official role perception of bureaucrats was equated with commitment to and

implementation of the official ideology (Randma, 2001: 42f). State personnel were strongly politicized as party-loyalty and political reliability was officially required of all state employees, and the party de facto controlled all key personnel in the state administration. Public administration remained what has been termed 'a policy implementation machine' (UNDP, 2001: 2). This is significant as the current legislative framework is not sufficiently extensive to ensure that civil service recruitment does not continue to be determined in part by an individual's political loyalties.

Based on the above, it is clear that the Estonian administrative system according to outside observers (e.g. the World Bank teams) is functioning, albeit not flawlessly. In the empirical section we investigate the quality of civil servants and central governmental executive institutions as seen through the eyes of current and former ministers. Do they trust civil servants to be sufficiently competent to provide valid and reliable advice in technical and political matters? We will also examine their views of the progress made in this area; how have competencies developed since independence in the context of the more or less simultaneous change of staff and tasks? Whatever type of state we can identify, such individual competences are indispensable preconditions for a state's capacity to foster development.

Administrative capacity

Administrative capacity measures ability to implement policies. As stated above, corruption should not be a major hindrance for implementation. However, as institutional reform has necessitated a vast amount of new legislation in a wide area over a short period of time, it is to be expected that some of the legislation may not have been properly prepared, thereby causing implementation obstacles. Implementation problems such as inadequate resources (lack of time and finances) and poorly designed policy proposals may be expected to be particularly relevant in an Estonian context.

3.4 Cleavages within society and the lack of a coherent state identity

There are serious social and economical cleavages in Estonia as the difference between rich and poor has increased dramatically since independence. Thus, in 1999 Estonia had an income distribution ratio of 5.6 between the 20 percent poorest and the 20 percent richest households (UNDP, 2000).

Today, large segments of the population experience economic hardship in their everyday lives. According to *Baltic Barometer* more than 40 percent of households often or sometimes have to go without food, while almost 50 percent often or sometimes have to do without necessary clothes and shoes (based on data from *New Baltic Barometer I-III*). Also unemployment has been

on the increase since 1991 (UNDP, 2000). The official unemployment rate was 12.6 percent in 2001, and 18 percent in Northeastern region of Estonia that is dominated by Russians (Estonian statistical office). The fear of unemployment is pronounced. Thus, 62 percent of Estonians are worried about losing their jobs, primarily those who have to get by on low incomes (based on data from *New Baltic Barometer I-III*). Their hardship is aggravated by the deterioration of the social security system, the health sector and the educational sector due to lack of resources (Carlsen & Mathiesen, 2002: 48).

Economic inequality combined with the hardships endured by the poorest households create an economic cleavage in the Estonian state. For instance, 34 percent of the less well off named unemployment as the biggest problem affecting their lives, while crime was mentioned most frequently by rich people as the main problem (*Ballad News* 15, June 2001). One of the consequences of the economic conditions is that large segments of the population wish themselves back to (earlier) more secure times with job, pay and more stability. Thus, 35 percent long for “the former simple, more stable way of life” (ibid.), while 47 percent consider that things are getting worse, and only 37 percent believe that things are improving (*Ballad News* 3 May, 2001).

Lacking a coherent state identity

In addition to the social and economic cleavages, Estonia has a relatively large group of minorities who are not formal citizens. They are mostly Russians who generally tend to live in isolation from native Estonians in ghettos in Tallinn or in certain “Russian towns” such as Narva, Sillimäe or Kohtla-Järve. The Estonian income gap was not initially based on ethnic cleavages, but this may increasingly be the case. Thus, Russians are falling more and more behind Estonians in income. The official explanation is that Russians do not speak Estonian and hence cannot get the good jobs. Still, the fact remains that the average Russian-speaking inhabitant is a non-citizen living under greater economic hardship than the average native Estonian, and is isolated (physically, politically and socially) from Estonian society.

Despite the massive presence of non-ethnic Estonians in the population,¹⁵ ethnically based parties are not much in evidence. One reason is that the Russian-speaking minority failed to organize in time for the first elections and since then it has been difficult to organize parties based on ethnic affiliation. Russian-speakers do not in any event constitute a homogeneous group but have a diversified range of interests, especially regarding economic policies. Another and rather unfortunate reason is that the Constitution of the Republic of Estonia stipulates that only Estonian citizens may be members of political parties (§ 48). Accordingly, only non-ethnic Estonians

who have obtained Estonian citizenship can join a party, thereby reducing the political base of ethnic parties.

However, the absence of strong ethnic parties may help minimize ethnic cleavages, aiding integration or assimilation. Thus, the lack of ethnically based Russian parties has made it difficult for Estonian extremist parties to gain support despite a widespread fear among ethnic Estonians that the Russian minority is a threat to the nation. The strong ethnic based identity of Estonians is based on this fear, which is also expressed in the institutional setting of government, e.g. the Language Law and the fact that only Estonian citizens can join political parties.¹⁶

The Russian-speaking minority has developed a *composite* as well as a *diasporic* identity, composite as the Russian-speakers come from various former Soviet Republics and diasporic due to the common feeling of identity that has developed among the minorities because of their common language and history as citizens in the Soviet Union, and in response to their exclusion from the Estonian ethnic national community.

Economic conditions are therefore important as they affect the relationship between the majority and the Russian-speaking minorities. Thus, the relatively good economic conditions as well as a higher level of stability and security in Estonia has contributed to a gradual transformation of a pro-Russia and anti-independence attitude into a more pro-independence one for large parts of the Russian-speaking minority.

However, the loyalty of the Russian residents towards their new home state is not exactly enhanced by leaving them without political influence and excluding them from the social security network that citizenship provides. By and large, it is a weakness that the Estonia does not have the whole population as its legitimate base. As such, the government cannot be said to be representative of the entire population.

In summary, the above figures are indicative of social cleavages and problems in large parts of society. The existence of social cleavages is to be expected as Estonia has undergone rapid growth during the last decade, which has benefited those able to adjust to the new conditions and to grasp the opportunities offered by a market economy, while a residual group has had a hard time coping with the changes. Yet, a legitimate democratic state must deal politically with both social and ethnic cleavages. Thus, if high political capacity is to be achieved it requires that the government integrate the concerns and objectives of the entire population. Accordingly, these issues are present on the political agenda as expected, which will be investigated in the empirical part of the paper. We shall also examine whether all social

groups of a certain size are represented in the political spectrum, indicating consolidating of Estonian democracy.

Furthermore, we will look at party strength as a reflection of the strength of civil society in the political process. Estonia has a multi-party system. Yet, our analysis indicates that the Estonian party system does not adequately represent all the different interests of the Estonian population. In the empirical part we will investigate whether this is the case. We shall also see whether the politicians share the pessimistic view of future development expressed by almost half of the population.

3.5 Geopolitics: small state dilemma, NATO-membership and trade dependency

Estonia is a small state¹⁷ situated in close proximity to a major power, Russia, which historically has proved overwhelming. This has laid the foundation for high public support for joining the North Atlantic Treaty Association (NATO) despite the high costs associated. As the state is still undergoing transition, the demands on state funds are especially heavy and it is accordingly harder to prioritize available resources. Hence, the “guns-versus-butter” trade-off has been and is very high on the Estonian agenda as aspirations for joining a collective defense organization such as NATO may lead to priorities that do not seem to stimulate the economy, the economic well being of the people or otherwise be in the interest of the overall majority of the population. Yet, approximately 60 percent of Estonians support NATO membership (Press spokesman’s office; Estonian Ministry of Foreign Affairs).

However, the traditional threat of Russia using the presence of a Russian minority in Estonia as a pretext for various military arrangements, military intervention being the worst-case scenario, is diminishing with the prospect of NATO membership and the change in Russian foreign policy especially after 11 September 2001, but there may be other less tangible threats. Thus, there is the threat of Russian political pressure on the Russian minorities and Russian claims about the maltreatment of minorities in Estonia, a reality confronting also the surrounding world. Both the OSCE and the EU have stated that no serious discrimination is taking place despite single incidents and problems (*Baltic News Service* 23 March 2001; 16 March 2001). Russian indoctrination strongly affects Russians in Estonia and may stir up ethnic tensions and impair the integration of Russian-speaking Estonians. Russia has among other things advocated that Russian-speakers in Estonia should be eligible for dual citizenship, a proposition that Estonia has firmly rejected. As described above, Estonia has adopted a policy of strictly enforced criteria for granting citizenship to non-ethnic inhabitants. The fear of becoming a

minority in their own state continues to be one of the most urgent concerns among ethnic Estonians.

Degree of dependency and vulnerability to disruptions in flows of trade

The economic growth rate in Estonia is above average for the European states, but dived in 1998 and 1999 due to the Russian economic crisis of 1998. This could indicate close interconnectedness between the Russian and Estonian economies. This interconnectedness is, however, very limited today as the breakdown of the Russian economy triggered a structural realignment of the Estonian economy. When the Estonian crown suddenly was worth two and a half times more¹⁸ in relation to the Russian ruble, the Russian export market was lost.

Since then, Estonia has reoriented trade towards EU member states and managed to establish rather close economic relations especially with the Nordic countries. In 2000, 76 percent of exports went to EU member states, while the corresponding import figure was 63 percent. The main foreign investments came from Sweden and Finland, although investments from other European countries on the increase (Kallas, 2002). As a result, Estonia no longer depends on the Russian economy to a degree that can be said to present a security risk.

The Russian transit trade is distributed across all sectors. There are articles in the newspapers and cries from Estonian businessmen about the possible loss of the income from Russian oil transit if the Estonian application for NATO membership gives rise to Russian sanctions of the transit trade, but the government has so far not been much alarmed by this prospect. There are two reasons: first, the transit duties amount to a relatively low percentage of the overall GDP¹⁹ (Estonian statistical office; year 2000 figures), and secondly, even if – which is becoming increasingly unlikely – the Russian state wants to impose sanctions on the Estonian oil transit trade, the decision may well depend on business rather than state interests.

The Estonian government recognizes the inherent risk of the state relying on a single producer in such an essential area of production. In the Estonian National Security Concept it is stated: “One risk factor is Estonia’s dependence on gas and petroleum imports and, in the case of gas, on one single producer. The interconnectedness of Estonia’s electricity system with that of Russia is also a risk factor...” (*Estonian National Security Concept*, 2001: 8). Yet, this risk should not be exaggerated as the dependency is mutual. Estonia is no more dependent on Russian gas supplies than Russia is on oil-shale energy from the Narva power station. Thus, the dependency on Russia for gas does not expose the Estonian government to much pressure from Russia.

Summarizing, the geo-political context has created a general wish among Estonians to join NATO despite the relatively high defense expenditures associated in relation to other demands on state funds. At present, Estonia does not depend on the Russian economy to a degree that constitutes a security risk and the worst-case scenario of military intervention has diminished considerably with the prospect of NATO membership and recent changes in the Russian foreign policy. A concern with “soft security” issues such as ethnic tensions and social problems nevertheless remains. Accordingly, we do not expect such ministries as ministry of foreign affairs and ministry of defense to be among the most influential, which could have been the case had Estonia been facing immediate security threats.

3.6 State-society relations

Civil society has increasingly gained strength and influence since the restoration of independence, and we would hence expect top-down as well as bottom-up relations between state and society. Yet, if Estonia is indeed a liberal minimalist type state, we would not expect formal state-society structures to be extensive. However, informal structures are likely to have developed and lobbying widespread. We further expect that especially the business sector has become influential in the political arena, as the liberal state type that Estonia formally adheres to focuses primarily on economic development.

As stated above, one type of government dimension is the level of centralization/decentralization. We therefore need to look into the role of regional interests in the policy-making process. One aspect is the capacity of the party system to accommodate regional interests advocating a range of policies – at one point the Ida-Virumaa region even seriously debated outright secession. However, that region is populated primarily by residents of ethnic origin other than Estonian and the secession debate was based on ethnical cleavages. Combined with the fact Estonia is a very small country, regional interests are not expected to be dominant in the policy-making process.

Nevertheless, it remains an empirical question how important regional interests actually are in the policy-making process as well as the degree of embeddedness of the Estonian state and whether this generates a positive synergy or rather to capture by particularistic interests and, finally, (partial) state capture. In the empirical investigation we will therefore also analyze how much remains of the communist legacy as the totalitarian state penetrated society by linking the state to societal structures, using the state to transform society according to an ideological blueprint. Furthermore, we

investigate the attitudes and visions of the state's central actors to state-civil society relations in order to make a qualified prediction about the future development in this field.

3.7 The role of international actors

The influence of international actors in decision-making is expected to be rather significant in Estonia because of the membership criteria set up by the EU and NATO. In addition, economic organizations such as the IMF and the World Bank are most likely influential as they have set the course and evaluated the progress of the Estonian economy, which has been of primary concern in the transition period. The desire to attract foreign direct investments (FDI) is expected to enhance the role of 'foreign' business actors.

In the empirical sections we evaluate the central domestic political players' perception of the roles played by foreign actors in decision-making as well as their attitudes towards advice and interference from international organizations and corporations. Are central domestic political players open to advice and investment that can contribute to the national project? This is to be expected in the interdependent state vision as well as in the liberal state vision.

4. Setting the research agenda

The ambition is through interviews of a subset of centrally placed domestic decision-makers in core policy areas to map state type and state capacities on 5 parameters:

1. *Decision-making structures.* We investigate the structures of decision-making as seen through the lenses of current and former ministers. The aim is to classify the Estonian state type by looking at central aspects such as decision-making structures, which ministries are seen as highly important decision-makers, who are the influential actors, what role does the state play and what role do central decision-makers think the state ought to play.
2. *Role of the state and state-society relations in decision-making.* Aspects such as the perceptions central state actors about the state's current relations to civil society and their thoughts on how these relations should be will be examined. The theoretical expectation is that manifest societal structures are not widespread as the Estonian state claims to be a liberal state. However, the degree of embeddedness of the Estonian state is an empirical question and likewise how much is left

of the communist legacy. Furthermore, we will look into whether the social, economical and ethnical cleavages in Estonia are dealt with by the political system. If they are not it may hinder the development of a fundamental feeling of identity and coherence in the population. We also examine the how important business actors and business interests are as we expect this to be a key factor in explaining state structure, capacity and change. Finally, we inquire about the views of politicians concerning the future development of the Estonian state.

3. *Role of international actors in decision-making.* Do foreign actors play a role in decision-making or it is exclusively a domestic game? We also look into the attitudes among domestic players towards advice and interference from international organizations and corporations. Are they open to advice and investments that contribute to the national project as we would expect in the liberal and interdependent perspectives? Based on our theoretical research, international organizations are expected to be rather important not only because of the size of the country but also because of Estonian aspirations to EU and NATO membership.
4. *Quality of civil servants and central governmental executive institutions in the eyes of ministers.* To map the technical and administrative capacity of the Estonian state we focus on whether the central domestic decision-makers trust that civil servants are competent to provide valid and reliable advice in technical and political matters. We also inquire into their view of progress made in this field; how have competencies developed since independence in the context of the more or less simultaneous change of staff and tasks? Whatever type of state we can identify such individual competences are essential for a state's capacity to foster development. Our theoretical expectation is that the Estonian ministers regard the civil service system as well functioning and that the quality of civil servants has improved compared to Soviet times.
5. *Implementation.* This aspect examines the state's ability to implement decisions and the character of the major obstacles to efficient implementation. Corruption is not of an alarming scope and is not expected to be a major obstacle to implementation. However, as institutional reform has led to vast amounts of new legislation over a short period of time, implementation problems such as inadequate resources (lack

of time and finances) as well as poorly designed policy proposals are expected to be relevant.

The ambition of the empirical aspect of this report is descriptive as well as analytical – to map political, technical and implementation capacities of Estonia to pursue its liberal objectives combined with an attempt to speculate about causal patterns linking contextual factors and policy objectives to the state's capacities.

5. Empirical Findings

5.1 Decision-making structures

This section examines the decision-making structures as seen through the eyes of ministers. The aim is to classify Estonia's type of state by looking at central aspects such as decision-making structures – as perceived by central domestic decision-makers. Which ministries are assigned high importance as decision-makers, who are the influential actors, what is the role played by the state, and what role do central decision-makers think the state should play?

Insulated state institutions

Data show that the government is a very powerful actor indeed and a majority of the respondents regard the government as the most important decision-making forum (see Table 2). However, individual members of government – the ministers – are also powerful and seem to be master, at least in their own house (see Table 3). In this regard a vast majority of the respondents feel that it is the ministry itself that initiates policy relevant proposals to be put forward in the cabinet and for public debate (see Table 4). Our findings hence indicate that even if decision-making remains concentrated at the top echelon of power, it is nevertheless subject to considerable negotiation and bargaining between the different ministers. The state can therefore be conceived of as an arena for bargaining rather than as a singular entity.

The government may still also be seen as a unitary actor consisting of ministers who are indeed powerful, but intention cooperating as an entity. This view is supported by the fact that more than 80 percent of the ministers find that civil servants should be allowed to provide information to other ministries without prior permission (see Table 5) and a majority states that this in fact happens in practice (see Table 6). This indicates that information flows quite freely among the ministries and that each ministry is intent on cooperation rather than obstructing and playing political games. Accordingly, the picture of the government as a unitary actor prevails.

Table 2. Responses to question 30 on “the most important forum with regard to decision-making of relevance for the respondent’s ministry”. Weighed index of 1st, 2nd and 3rd placements; percent, N of 1st placements in parentheses.

| | | |
|---|------|------|
| Government | 59.7 | (40) |
| Parliamentary Committees | 20.7 | (2) |
| Meetings in and of the ministry | 6.4 | (2) |
| NGOs / Interest Groups | 3.5 | (1) |
| Parliament | 2.6 | (0) |
| Civil servants | 2.0 | (0) |
| Courts | 1.8 | (0) |
| Prime Minister | 1.3 | (0) |
| Parliamentary Factions of Political parties | 1.1 | (0) |
| President | 0.4 | (0) |
| Local, regional and municipal governments | 0.4 | (0) |
| Total | 99.9 | |

Table 3. Responses to question 29: “Try to rank the most important formal decision-makers affecting decisions in your ministry”. Weighed index of 1st, 2nd and 3rd placements; percent, N of 1st placements in parentheses.

| | | |
|---|------|------|
| Minister | 34.9 | (26) |
| Prime minister | 24.5 | (10) |
| Formal ministerial advisors | 8.8 | (2) |
| Civil servants | 5.7 | (0) |
| Government | 3.9 | (2) |
| Parliamentary Factions of Political parties | 3.7 | (1) |
| Departmental directors | 3.7 | (0) |
| Committee of Parliament | 3.2 | (2) |
| Individual members of Parliament | 3.2 | (1) |
| Parliamentary Coalition | 2.7 | (1) |
| Vice Minister | 1.2 | (1) |
| Chairman of parliamentary Committee | 1.2 | (0) |
| Political Parties | 1.0 | (0) |
| Business interests | 1.0 | (0) |
| Other Ministries | 0.8 | (0) |
| Total | 99.5 | |

Table 4. Responses to question 1 on initiative regarding policy relevant proposals.

| | N | Percent |
|----------|----|---------|
| Agree | 46 | 92.0 |
| Disagree | 4 | 8.0 |
| Total | 50 | 100.0 |

Question: The ministry commands the initiative and the political proposals to be put forward for public debate and the cabinet originate from within the ministry.

Table 5. Responses to question 14: "In your opinion should civil servants in one ministry be permitted to provide information to other ministries without prior permission?"

| | N | Percent |
|-------------------|----|---------|
| Strongly agree | 16 | 33.3 |
| Agree | 23 | 48.0 |
| Disagree | 8 | 16.7 |
| Strongly disagree | 1 | 2.0 |
| Total | 48 | 100.0 |

Table 6. Responses to question 15: "If you agree, was/is this a common occurrence between yours and other ministries?"

| | N | Percent |
|-------|----|---------|
| Yes | 35 | 89.7 |
| No | 4 | 10.3 |
| Total | 39 | 100.0 |

When viewed as an entity, the government is by far the most powerful decision-maker both formally and as reported of the ministers. It seems that the prime minister is the single most influential person (see Table 7). It is striking that informal institutions such as NGOs and international influence are not mentioned at all as 'most influential political actor' within the various fields of responsibility. However, more than half of the respondents (see Table 8) deem that their own political party is important or very important in government decision-making. Also, Parliamentary Factions of Political parties and/or Political Parties are mentioned as 'important formal decision-makers' and 'most important fora with regard to decision-making of relevance for the respondent' (see Tables 2 and 3). But neither is placed on top. So political parties or political party factions do have some level of influence even though they are not key fora for ministerial decision-making.

Table 7. Responses to question 17: “Name the most influential political actor in your field of responsibility as a minister during your term (reflect upon the current or latest ministerial post)”.

| | N | Percent |
|-----------------------------|----|---------|
| Prime Minister | 18 | 43.9 |
| Other ministers | 8 | 19.5 |
| Ecofin ministers | 2 | 4.9 |
| Ministry of foreign affairs | 2 | 4.9 |
| Minister of Justice | 2 | 4.9 |
| Political parties | 2 | 4.9 |
| President | 1 | 2.4 |
| Political Party factions | 1 | 2.4 |
| Supreme court | 1 | 2.4 |
| Government | 1 | 2.4 |
| Experts | 1 | 2.4 |
| Parliament | 1 | 2.4 |
| MPs | 1 | 2.4 |
| Total | 41 | 100.0 |

Estonia has many of the features attributed to the classical liberal state with insulated state institutions, and quite fittingly, NGOs and interest groups are mentioned only as *informal* decision-makers followed by business interests (see Table 9). Furthermore, informal decision-makers seem not to be as important as formal decision-makers. There is thus a high degree of accordance between important formal decision-makers and most important fora with regard to decision-making of relevance for the respondents (see Tables 2 and 3).

Table 8. Responses to question 32 on the significance of the political parties.

| | N | Percent |
|----------------------|----|---------|
| Very important | 5 | 10.0 |
| Important | 22 | 44.0 |
| Of little importance | 15 | 30.0 |
| Of no importance | 8 | 16.0 |
| Total | 50 | 100.0 |

Question: “In your time as minister, how important was your party (for example party leader meetings, party organizations, party donors) for government decision-making?”.

Table 9. Responses to question 31: “Name the most important informal decision-making forum affecting your ministry?” Percent, N in parentheses.

| | | |
|---|------|------|
| NGOs and Interest Groups | 25.5 | (12) |
| Government | 14.9 | (7) |
| Business interests | 10.6 | (5) |
| Parliamentary Factions of Political parties | 8.5 | (4) |
| Press and Public Opinion | 4.3 | (2) |
| Civil servants | 2.1 | (1) |
| Political Parties | 2.1 | (1) |
| Foreign influence or relations | 2.1 | (1) |
| None | 29.8 | (14) |
| Total | 99.9 | |

Core Ministries

Scrutinizing the governmental decision-structures more thoroughly, we find that truly influential ministries are primarily those of economy, finance and justice; together these three ministries account for 82 percent²⁰ of all cases where other ministries try to influence decision-making in the respondents' ministries (see Table 10). The data hence supports the expectation that domestic issues (e.g. economic and social affairs) take priority over foreign affairs, and that defense issues prevail in the absence of an immediate security threat to Estonia. The ministry deemed most powerful is undoubtedly the ministry of finance (see Tables 10 and 11).

Table 10. Responses to question 20.1: “In the cases where other ministries tried to influence proposals in your own ministry, who did it most frequently?”

| | N | Percent |
|------------------------------|----|---------|
| Minister of Finance | 22 | 50.0 |
| Minister of Justice | 10 | 22.7 |
| Minister of Economy | 4 | 9.1 |
| Minister of Environment | 3 | 6.8 |
| Minister of Agriculture | 2 | 4.5 |
| Minister of Foreign Affairs | 1 | 2.3 |
| Minister of Interior Affairs | 1 | 2.3 |
| Minister of Education | 1 | 2.3 |
| Total | 44 | 100.0 |

Table 11. Responses to question 18: "Which ministry do you consider to be the core ministry in terms of influence on decision-making in other ministries?"

| | N | Percent |
|-------------------------|----|---------|
| Minister of Finance | 43 | 87.8 |
| Minister of Justice | 5 | 10.2 |
| Minister of Agriculture | 1 | 2.0 |
| Total | 49 | 100 |

Summary

All in all, the above data show that real decision-making is concentrated within a structure dominated by the government as anticipated in the visions of the liberal state. There may be internal disputes between ministers, but the government effectively acts as a unitary actor and as such constitutes the most important forum for decision-making both formally and as perceived by the ministers. Other state institutions such as parliament and the presidency appear to be unable to compete with the government regarding influence. It seems that Estonia has not yet established an effective institutional system of checks and balances, despite the European Commission's judgment of the parliament as fulfilling its role. In any case, Estonia must be characterized as a classical liberal state with insulated state institutions. NGOs and interest groups are important merely as informal decision-makers and are not accorded the same importance as formal decision-makers.

5.2 The role of the state and state-society relations in decision-making

State-society relations in decision-making

We noted above that the Estonian state institutions could be characterized as liberal and hence insulated. Third parties outside the state apparatus are, however, able to influence the decision-making. Thus, nearly three quarters of the ministers believe that actors outside the political arena could have interfered in the decision-making in their own ministry (see Table 12). In the examples provided by the respondents to this question, private business is the most commonly mentioned third party in this connection. The data hence support our theoretical expectation that the private business sector is an important actor. But there are no indications that business interference is likely to be a key factor in explaining state structure, capacity and change, as only about one third of the respondents often have felt under pressure from outside actors like business interests (see Table 13). The Estonian has heavily emphasized the economy and the promotion of liberal market reforms, and

the business sector may therefore not have had to interfere except in a limited number of cases where they saw their interests threatened. Based on our data, however, we cannot arrive at any firm conclusion, so further investigation in this field is required.

Table 12. Responses to question 21: "From your point of view, when other ministries or parties interfered in your business, could it be that a third party outside the realm of politics has interfered in the decision-making?"

| | N | Percent |
|----------|----|---------|
| Agree | 29 | 72.5 |
| Disagree | 11 | 27.5 |
| Total | 40 | 100.0 |

A clear majority (74 percent) of the respondents supports society's engagement in state affairs, thereby expressing views consistent with the interdependent ideal state in which citizens organize to gain influence (see Table 14). Only 6 percent want to confine popular influence to voting as in a pure representative democracy. It seems that domestic decision-makers have overcome the communist legacy where the goal of the totalitarian state was to penetrate society by linking the state to societal structures and using the state to transform the society in accordance with an ideological blueprint. The ministers support bottom-up as well as top-down interaction and express views indicating that a positive synergy is developing between state and society as in interdependent states.

Table 13. Responses to question 24: "Have you ever felt under pressure from outside actors (NGOs, non-state organizations, peak level business, etc.) to initiate new legislation?"

| | N | Percent |
|---|----|---------|
| Often | 15 | 30.0 |
| Often, but not concerning really important issues | 5 | 10.0 |
| Sometimes | 24 | 48.0 |
| Rarely | 4 | 8.0 |
| Never | 2 | 4.0 |
| Total | 50 | 100.0 |

Further along these lines, a majority of respondents (84 percent, see Table 15) believe that decisions are generally improved when concerned interests are incorporated in the process of policy formulation as a vast majority (88

percent, see Table 16) consider lobbying to have a positive effect as they find that decisions are generally improved when concerned interests are incorporated. Slightly fewer believe that lobbying is positive because it provides support from concerned groupings. About one fifth believe that lobbying is negative either because they find that the information is generally biased or because it may erode the impartiality of the ministry (see Table 16). A few of the respondents actually had difficulties deciding whether they believe lobbying to be generally positive or generally negative. The comments to this question indicate that this is due to their awareness of the possible negative side effects of lobbying. As one respondent says, "Lobbying is positive but it is hard to catch the ethical line for how far you can go without having negative effects". However, it is clear that a substantial majority of the respondents in most cases support incorporation of concerned interest in the political process.

Table 14. Responses to question 45 "What role should the public primarily play in politics and government?"

| | N | Percent |
|--|----|---------|
| Public should elect representatives and let them run the country | 3 | 6.0 |
| Public should take an interest in politics and communicate views | 10 | 20.0 |
| Public should become engaged in organizations to gain influence | 37 | 74.0 |
| Total | 50 | 100.0 |

Table 15. Responses to question 28 on incorporation of concerned interests.

| | N | Percent |
|-----------------|----|---------|
| Yes, mostly | 42 | 84 |
| Yes, sometimes | 7 | 14 |
| No, only rarely | 1 | 2 |
| Total | 50 | 100 |

Question: Do you believe that decisions are improved when concerned interests are incorporated or consulted in the process of policy formulation?"

That the ministers actively seek to engage in state-society relations is supported by the fact that 94 percent of them use external advisors regularly, 54 percent always or often, and only 6 percent rarely (see Table 17). However, the use of external advisors is not institutionalized but seems to take place when and where it is in the interest of the government. The figures do not

reveal whether the ministers support formal structures regulating state-society interaction as in the interdependent model or whether they prefer the state to remain a formally unitary actor vis á vis a society ‘reduced’ to gaining political influence through informal channels such as lobbying and ad hoc consultancy at the behest of the politicians. Some comments indicate that this is indeed the case – as one respondent puts it: “When concerned interests are incorporated constantly, it may lead to indecision”. But the majority of the comments focus on the positive effects of incorporating concerned interests, e.g. greater knowledge, improved quality of decisions and incorporating interests as one of the fundamental aspects of democracy.

Table 16. Responses to question 27 about lobbying. Percentages responding “agree” to the following statements. (Multiple answer).

| | N | Percent |
|--|----|---------|
| Lobbying is positive because it provides the information you need to make the right decision | 44 | 88.0 |
| Lobbying is positive because you get support form the concerned groupings”. | 35 | 70.0 |
| Lobbying is negative because the information you receive is biased”. | 10 | 20.0 |
| Lobbying is negative because it erodes the impartiality of the ministry”. | 10 | 20.0 |

Consultancy not having been formalized, the ministers are not obliged to consult for example relevant interest groups, and they generally prefer to rely on academic specialists for advice rather than NGOs (see Table 18). As only 4 percent of the ministers always use external advisors in the policy-making process, it does not seem that they are obliged to consult external advisors and/or particularistic interests before taking action (see Table 17), thus rejecting capture of the decision makers.

Table 17. Responses to question 4a: “To what extent are these advisors used in the policy-making process?”

| | N | Percent |
|--|----|---------|
| Always | 2 | 4.0 |
| Often | 25 | 50.0 |
| Sometimes, concerning important issues | 20 | 40.0 |
| Rarely | 3 | 6.0 |
| Total | 50 | 100.0 |

On the whole, Estonia appears to have the characteristics of a liberal state type regarding state-society interaction. Central domestic decision-makers are nevertheless generally positive towards public engagement in politics, but it remains unclear whether central domestic decision-makers believe that Estonia should move more in the direction of an interdependent state characterized by greater domestic embeddedness of the state apparatus.

Table 18. Responses to question 4: “To which extent are external advisors used in the policy-making process?” Multiple marks allowed.

| | N | Percent |
|--|----|---------|
| Academic Specialists | 36 | 72 |
| NGO specialists | 22 | 44 |
| Parliamentary Group of Political Parties | 17 | 34 |
| Political Advisors (from the government) | 13 | 26 |
| Party Leaders | 10 | 20 |
| External Party Organization | 9 | 18 |

Government – representative of society?

The influential political actors in Estonia are primarily well-educated ethnic-Estonian males, and none of the ministers has a non-Estonian ethnic background. Furthermore, very few are women (only 14 percent; see Table 19). That minorities are underrepresented indicates support of the theoretical proposition that there are ethnical cleavages in Estonia. The data also indicates a cleavage between educated and uneducated, which could be the manifest expression of societal cleavages based on economic position. Thus, 96 percent of the ministers have a university degree (see Table 20).²¹

These are all indications that the government does not represent the entire population of the state. Also, as stated above, there is a lack of minority legislation (see section 3.2.). Regarding gender equality there is insufficient applicable legislation and the government has failed to develop national gender equality machinery and to prepare and adopt concrete action plans to promote such equality (Papp: 2000). These findings show that the political system is not addressing social cleavages in society, but further investigation is needed in this area to find the root causes. The data collected so far does not allow us to judge whether the Estonian government is in reality able to integrate the concerns and objectives of the whole population, and accordingly, to generate high political legitimacy and capacity.

Table 19. Respondents' sex.

| | N | Percent |
|--------|----|---------|
| Male | 43 | 86.0 |
| Female | 7 | 14.0 |
| Total | 50 | 100.0 |

Table 20. Respondents' level of education.

| | N | Percent |
|-----------------------------------|----|---------|
| Secondary, special | 1 | 2.0 |
| College or other higher education | 1 | 2.0 |
| University degree | 48 | 96.0 |
| Total | 50 | 100.0 |

The future development of the Estonian state

In view of the findings described above, it is rather surprising that the Estonian ministers point to the Nordic countries as role models. Thus, while they answer that their country currently resembles primarily Latvia (30 percent) and central European countries such as the Czech Republic and Hungary (15 percent respectively, see Table 21), almost 80 percent point to a Nordic country when asked which other country Estonia will most resemble in 10 years (see Table 22). If the responses of domestic policy makers are credible Estonia is aiming for a Nordic welfare model rather than the liberal

Table 21. Responses to question 54a: "Which other country in the world do you think Estonia resembles most at present?"

| | N | Percent |
|--------------------------|----|---------|
| Central European Country | 2 | 4.3 |
| Latin American Country | 2 | 4.3 |
| Czech Republic | 7 | 14.9 |
| Estonia | 1 | 2.1 |
| Finland | 3 | 6.4 |
| Hungary | 7 | 14.9 |
| Latvia | 14 | 29.8 |
| Poland | 3 | 6.4 |
| Slovenia | 6 | 12.8 |
| N/A | 2 | 4.3 |
| Total | 47 | 100.0 |

state model indicated by the extremely liberal economic reforms initiated after independence and the liberal economic policy characterized by a minimum of state interference to which Estonia officially adheres to today.

Table 22. Responses to question 54b: “Which other country in the world do you think Estonia resembles most in 10 years?”

| | N | Percent |
|------------------------|----|---------|
| Denmark | 6 | 12.8 |
| Finland | 28 | 59.6 |
| Germany | 1 | 2.1 |
| Hungary | 2 | 4.3 |
| Ireland | 1 | 2.1 |
| Latvia | 1 | 2.1 |
| The Netherlands | 1 | 2.1 |
| Scandinavian Countries | 3 | 6.4 |
| Portugal | 1 | 2.1 |
| Slovenia | 1 | 2.1 |
| N/A | 2 | 4.2 |
| Total | 47 | 100.0 |

While 50 percent of the respondents are in favor of more individual initiative in the economy and society, only 36 percent would like to see more state involvement and social provisions (see Table 23). Having the Nordic countries as development models does not really indicate a willingness to change the liberal strategy that Estonia has followed until now and adopt a Nordic welfare system instead, but rather expresses an expectation of an increasing living standard. It can also be interpreted in view of increasing cultural resemblance and as an indication of the Nordic orientation of Estonian decision-makers, and that corresponds with the historic Nordic orientation of the Estonian nation, which through history often has been under Swedish or Danish rule. In other words, whether Estonia will opt for a Nordic welfare model in the future is questionable, and a more plausible explanation of the findings is a feeling of cultural resemblance and expectations of rising living standards.

The data suggest that the Estonian political elite are optimistic concerning Estonia’s ability to rejoin the Nordic community despite the differences that have arisen because of the different circumstances after the Second World War. Where Estonia before World War II had a GNP per inhabitant about equal to Finland’s, they now have a lower living standard

and a quite different economical situation. But while the ordinary Estonian might be skeptical about the future (see section 3.4), the political elite expresses optimism by mentioning Nordic well-developed countries as representing the overall direction that Estonia is aiming for.

Table 23. Responses to question 44 “What is your preferred degree of state involvement in the economy and society?”

| | N | Percent |
|--|----|---------|
| Much more state involvement and/or social provisions | 4 | 8.2 |
| Some more state involvement and/or social provisions | 14 | 28.6 |
| Current balance | 6 | 12.2 |
| More individual initiative | 20 | 40.8 |
| Much more individual initiative | 5 | 10.2 |
| Total | 49 | 100.0 |

Summarizing

In summary, Estonian domestic decision-makers express optimism by mentioning the well-developed Nordic countries as representing the overall direction that Estonia aims for. Yet, our findings indicate that using the Nordic countries as role models does not express willingness to change the liberal strategy followed by Estonia so far and instead adopt a Nordic welfare system (West European social democratic state type), but merely expresses an expectation of rising living standards and/or increasing cultural resemblance.

The Estonian ministers support both bottom-up and top-down structures. They are also willing to engage society in decision-making as in the interdependent state type. Yet, there is a low degree of domestic embeddedness as the state-society interaction is not formalized. Accordingly, the Estonian state comes close to the ideal liberal state type regarding state-society structures.

The Estonian government may not be representative of the entire population of the state, and there is a lack of legislation protecting the rights of minority groups. Available data, however, does not allow us to judge whether the Estonian government is able to integrate the concerns and objectives of the whole population.

5.3 *The Role of international actors in decision-making*

This section investigates the role of foreign actors in the decision-making process. Are foreign actors involved in decision-making or is this exclusively

a domestic game? We also examine the opinion of the domestic actors towards international organizations and corporations.

A majority of 70 percent of the ministers (see Table 24) believe that in cases where foreign actors did have influence on ministerial policies this influence often or always had a positive effect on the solutions of domestic problems, while only 4 percent of the respondents believe that the influence of the foreign actors in most cases had a negative effect. Domestic actors thus generally express positive attitudes towards advice and interference from foreign actors, as the ministers believe that it contributes to national development. This openness on the part of domestic actors to advice and investment is in accordance with what we would expect to find in liberal and interdependent states.

Table 24. Responses to question 23b: "In general, in those cases when foreign actors did have influence, would you say that their influence on the decisions to be made had a negative effect on the solutions of domestic problems?"

| | N | Percent |
|------------|----|---------|
| Always | 0 | 0 |
| Most cases | 2 | 5.6 |
| Rarely | 23 | 63.9 |
| Never | 11 | 30.5 |
| Total | 36 | 100.0 |

Based on theoretical expectations, we expect the role of international organizations to be rather important in Estonia because of the limited size of the country as well as its aspirations for membership of both the EU and NATO. As international organizations do not have formal influence it is not surprising that they are not mentioned in the ranking of important formal decision-makers. But it is surprising that only 2 percent mention foreign influence as being among the most important informal decision-making fora affecting their ministry (and only one minister – minister of interior affairs – mentions it as the most important; see Table 25). In addition, international relations and influence are not mentioned at all when the respondents were asked to rank the most important forum with regard to decision-making of relevance to the respondent’s own ministry (see Table 2, above). Nevertheless, international relations and perceptions must have some weight for a country aspiring to EU-membership. So either the phrasing “decision-making forum” has made international influence seem irrelevant as international actors are not physically present or the Estonians feel that they are acting in accordance with their own wishes when implementing legislation

to comply with EU-requirements. There are examples, though, that the latter is not the case, e.g. in the atypical slacking of legislation concerning ethnic groups.

Table 25. Responses to question 31: “Name the most important informal decision-making forum affecting your ministry?” Percent; N in parentheses.

| | | |
|---|------|------|
| NGOs and Interest Groups | 25.5 | (12) |
| Government | 14.9 | (7) |
| Business interests | 10.6 | (5) |
| Parliamentary Factions of Political parties | 8.5 | (4) |
| Press and Public Opinion | 4.3 | (2) |
| Civil servants | 2.1 | (1) |
| Political Parties | 2.1 | (1) |
| Foreign influence or relations | 2.1 | (1) |
| None | 29.8 | (14) |
| Total | 99.9 | |

When asked to rank the most important international actors, the respondents name the IMF, the EU and the Nordic countries as high-ranking. Almost 18 percent mention the IMF as the most influential international actor, around 14 percent mention the EU, and the influence of the Nordic countries is emphasized by some 24 percent (see Table 26). These findings should be seen in light of the responses reported above where the ministers identified the Nordic countries as role models for the Estonian state. Situated in close proximity the Nordic countries have the potential to exert much influence.

However, another reason for the position of the Nordic countries as influential actors may be their relatively strong economic relations with Estonia. Finland was Estonia’s main trading partner in 2001, accounting for 35.5 percent of exports and 18 percent of imports, while Sweden was the second most important exporting country with 14.6 percent (Ministry of Foreign Affairs a). Foreign direct investment (FDI) in Estonia primarily comes from the Nordic countries (78 percent of the total FDI in 2000; Ministry of Foreign Affairs b). The FDI has been increasing steadily (see Table 1, section 3.2), and the significance ascribed to FDI may enhance the influence of the states in question. Thus, some of the importance ascribed to business interests (see Table 9 above), which about 10 percent of the respondents list as most important informal forum (i.e., the third most important informal decision-making forum) may also comprise foreign business interests.

Nonetheless, based on these data foreign business actors are not assigned importance to an extent that renders them likely to be a key factor in explaining state structure, capacity and change.

Table 26. Responses to question 22: “During your time in government, did foreign actors (governments, international organizations) try to influence policy and regulations in your ministry? Name the three most important international actors”. Weighed index of 1st, 2nd and 3rd placements; Percent, N of 1st placements in parentheses.

| | | |
|----------------------------------|------|-----|
| IMF | 17.7 | (6) |
| EU | 13.3 | (3) |
| Finland | 12.3 | (2) |
| The Scandinavian countries | 11.4 | (3) |
| OSCE | 8.2 | (2) |
| Germany | 7.7 | (2) |
| World Bank | 6.4 | (1) |
| EU Phare Program | 4.1 | (1) |
| Foreign governments (in general) | 4.1 | (0) |
| NGOs/interest groups | 3.6 | (1) |
| Russia | 2.7 | (1) |
| EBRD | 2.7 | (0) |
| WTO | 1.4 | (0) |
| USA | 1.4 | (0) |
| Grey Cardinals | 0.9 | (0) |
| Foreign advisors/experts | 0.9 | (0) |
| UN | 0.9 | (0) |
| Total | 99.7 | |

Summarizing

We have found that the Estonian ministers consider their state to be very autonomous vis-à-vis international actors and organizations as can be expected in the liberal state model. Nevertheless, the ministers are generally positive towards advice and interference from foreign actors as they believe this contributes to the national development. Thus they express attitudes that we would expect to find in a liberal state type where the domestic elite allows for learning and exploitation of resources available from international organizations and corporations (which can contribute to a higher capacity of the state, that is, both political, technical and implementation capacity). Yet,

there is no evidence that foreign actors are sufficiently important to be regarded key factors in explaining state structure, capacity and change.

5.4 Relationship between politicians and civil servants

The Estonian administrative system is functioning, albeit not flawlessly. The following section presents an empirical investigation of the quality of civil servants and central governmental executive institutions as seen through the eyes of ministers.

Degree of politicization of the administration

The Estonian civil service is based on the Weberian ideal of a neutral merit-based civil service system, as described in section 3.3. However, despite a high turnover rate of civil servants, only 12 percent of the respondents find that there are considerable replacements other than those due to political considerations and change of government (see Table 27). Using an inverse logical argument, these findings indicate that a substantial part of the turnover is due to political considerations. In the comments to the questionnaire the respondents mention “trust”, “political loyalty” and “political views” as frequent reasons for dismissal besides incompetence. The data hence support our theoretical expectation that besides merit recruitment continues to be determined by political loyalty and ethnic background.

Table 27. Responses to question 10a: “Besides replacements of civil servants due to political considerations and changes in government are replacements considerable in your ministry?”

| | N | Percent |
|-------|----|---------|
| Yes | 6 | 12.2 |
| No | 43 | 87.8 |
| Total | 49 | 100.0 |

Accordingly, relations between ministers and civil servants are based on trust and loyalty as well as on professional qualifications and merit, which is evident in that almost half of the respondents indicate that political loyalty is important to them, at least regarding top level civil servants (see Table 28). A majority of the ministers also prefer to be able to appoint civil servants themselves (approximately 60 percent, see Table 29). The ministers do not intend to establish a nomenclatura where the civil servants are all members of a governing party (see Table 30), but they still seem to be divided as to whether they really want neutral civil servants or civil servants able undertake the role of political advisor. Whereas 96 percent of the ministers believe that

civil servants should advise on technical matters, a little more than half believe that civil servants should advise on political strategy (see Table 31).

Table 28. Responses to question 11a: "Is political loyalty to you as a minister more important for the higher level civil servants than for lower ranked civil servants?"

| | N | Percent |
|-------|----|---------|
| Yes | 21 | 46.7 |
| No | 24 | 53.3 |
| Total | 45 | 100.0 |

Table 29. Responses to question 13: "In your opinion, is it better when ministers themselves can appoint their civil servants?"

| | N | Percent |
|-------------------|----|---------|
| Strongly agree | 3 | 6.4 |
| Agree | 25 | 53.2 |
| Disagree | 18 | 38.3 |
| Strongly disagree | 1 | 2.1 |
| Total | 47 | 100.0 |

Table 30. Responses to question 11: "Do you agree, that it is better if civil servants are members of a governing coalition party?"

| | N | Percent |
|--------------------|----|---------|
| Agree | 5 | 10.0 |
| Disagree | 27 | 54.0 |
| Of no significance | 18 | 36.0 |
| Total | 50 | 100.0 |

The category "Agree" comprises the responses "strongly agree" and "agree", and the category "Disagree": "strongly disagree" and "disagree".

Table 31. Responses to questions 12a and 12b on civil servants' advise.

| | Civil servants should advise on technical matters? | | Civil servants should advise on political strategy? | |
|----------|--|---------|---|---------|
| | N | Percent | N | Percent |
| Agree | 48 | 96.0 | 22 | 46.8 |
| Disagree | 2 | 4.0 | 25 | 53.2 |
| Total | 50 | 100.0 | 47 | 100.0 |

The functioning of the civil service system

Whatever the type of state, the qualifications of civil servants are indispensable preconditions for that state's capacity to foster development. It is therefore reassuring for the future development of Estonia that a clear majority of the ministers generally believe that the quality of civil servants has improved since 1989 (see Table 32). Hence, the ministers feel that the qualifications of civil servants have developed positively despite the relatively rapid turnover of staff and the simultaneous change of staff and tasks that followed independence. Only one minister in the survey does not trust civil servants to provide reliable and intelligent information (see Table 33). Consequently, it seems that the civil servants contribute positively to the technical implementation capacities of the Estonian state.

Table 32. Responses to question 5: "Has the quality of civil servants improved or declined since 1989 regarding the ability to provide advice?"

| | N | Percent |
|-------------------------|----|---------|
| Significant improvement | 29 | 60.4 |
| Some Improvement | 12 | 25.0 |
| No change | 3 | 6.3 |
| Declined | 4 | 8.3 |
| Total | 48 | 100.0 |

Table 33. Responses to question 3: "Could you trust your ministerial officials to provide reliable and intelligent information?"

| | N | Percent |
|----------------|----|---------|
| Yes, mostly | 43 | 86.0 |
| Yes, sometimes | 6 | 12.0 |
| No, not at all | 1 | 2.0 |
| Total | 50 | 100.0 |

Summarizing

In light of the above findings, it seems that Estonia despite a relatively well functioning civil service system still has not managed to establish a genuine merit-based civil service system. Trust and loyalty still affect relations between ministers and civil servants. Furthermore, the ministers appear to be divided as to whether they want a Weberian civil service system. Approximately half of them value political loyalty, the right to personally appoint civil servants and want the civil servants to provide both political advice and advice on technical matters.

A great majority of the ministers trust civil servants to provide reliable and intelligent information, however, and thereby note that civil servants possess qualifications and skills that are indispensable preconditions for a state’s capacity to foster development. So despite flaws in the civil service system, the civil service system is rather well functioning and the technical and implementation capacities of the Estonian state are above average for former communist states.

5.5 Implementation

This aspect pertains to whether the state is able to implement decisions and examines the character of major obstacles to efficient implementation. Estonian institutional reform has led to a vast amount of new legislation over a wide area within a short time span. Consequently, implementation problems such as inadequate resources (lack of time and finances) as well as poorly designed policy proposals are expected to crop up. In accordance with our theoretical expectations, about three fourths of the ministers rank inadequate resources as the most common implementation problem (see Table 34). Other high-ranking implementation problems such as lack of understanding and agreement on objectives and lack of coordination and information are likewise to be expected in the given context. However, insufficient staff motivation comes in fourth, ahead of poor policy design. The difficulties of the Estonian civil service system (see section 3.3) in attracting and retaining good staff due to low salaries, lack of career opportunities and poor resources management may be the root cause of insufficient staff motivation, which is a frequent implementation problem.

Table 34. Responses to question 39 on implementation obstacles encountered.

| | Yes, N | Yes, Percent |
|---|--------|--------------|
| Inadequate resources (time and finances) | 38 | 76 |
| Lack of understanding and agreement on objectives | 33 | 66 |
| Lack of coordination and information | 29 | 58 |
| Insufficient staff motivation | 23 | 46 |
| Poor policy design | 21 | 42 |
| Lack of monitoring and evaluation activity | 20 | 40 |
| Tasks were insufficiently specified | 13 | 26 |
| Interference in the program from outside | 13 | 26 |

Question 39: “Some people claim that there are many obstacles to have a policy implemented effectively and efficiently... Please specify whether you have experienced these in your ministry”; ordering re-arranged, multiple answers allowed, total number of respondents is 50.

All ministers have encountered implementation problems because of the combination of great demands on state resources, the vast amount of legislation to implement and the flaws of the civil service system. Thus, 68 percent of the respondents (34 out of 50) report that they have encountered three or more than three types of such problems (see Table 35). It is nevertheless surprising that almost one third do not have confidence that their staff is able to implement decisions as intended (see Table 36). Despite this lack of confidence in their civil servants, 94 percent take personal responsibility for implementation problems (see Table 37). In view of this lack of confidence by 30 of ministers and the fact that they report to have encountered just about every implementation problem in the book, this willingness to assume personal responsibility is quite remarkable.

Table 35. Frequency of the combined number of implementation problems encountered.

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Total |
|---------|---|---|----|----|----|----|---|---|---|-------|
| N | 0 | 3 | 13 | 12 | 6 | 5 | 4 | 4 | 3 | 50 |
| Percent | 0 | 6 | 26 | 24 | 12 | 10 | 8 | 8 | 6 | 100.0 |

Question 39: "Some people claim that there are many obstacles to have a policy implemented effectively and efficiently... Please specify whether you have experienced these in your ministry"; the table shows the combined number of implementation problems encountered by each respondent; total number of respondents is 50.

Table 36. Confidence in staff to implement decisions as intended

| | N | Percent |
|-------|----|---------|
| Yes | 35 | 70 |
| No | 15 | 30 |
| Total | 50 | 100 |

Question 38: "Were you generally confident that decisions made in your ministry would be implemented as intended by your staff?"

Table 37. Responses to question 40: "In the cases where the implementation or a policy-program faced difficulties, did you take personal political responsibility?"

| | N | Percent |
|-------|----|---------|
| Yes | 47 | 94 |
| No | 3 | 6 |
| Total | 50 | 100 |

As the theoretical expectation is that legislation may not be thorough enough, it is interesting to note that more than half the respondents would solve problems by administrative means concurrently with initiating law changes if the current laws preclude a problem being solved (see Table 38). 18 percent would solve the problems by administrative means regardless of laws, while 27 percent would initiate law change first. That almost 20 percent choose to work out solutions by administrative means regardless of laws seems a high percentage given that Estonia is a democratic state based on the rule of law. This does not seem to be fertile ground for a public debate on the problems encountered in a democratic state.

Table 38. Responses to question 37 on problem solving.

| | N | Percent |
|--|----|---------|
| Initiate change of legislation before addressing the problem | 12 | 27.3 |
| Solve problems by administrative means, initiate law change | 24 | 54.5 |
| Solve problems by administrative means, regardless laws | 8 | 18.2 |
| Total | 44 | 100 |

Question: “If solutions to problems are hindered or cannot be solved by current legislation, what do you believe to have been the general response in various ministries?”; total number of respondents: 44.

However, as newly developed states like Estonia have been saddled with an immense legislative burden, these figures may also reflect that ministers as heads of administration have accepted that it may take a good deal of time before legislative instruments truly come into function. The data signal a problem-solving attitude. This urge to act, in some cases at the expense of a democratic debate, is illustrated by the fact that almost three fourths of the ministers believe that powerful business actors can escape regulatory measures; slightly fewer believe that powerful interest organizations and powerful individuals are also able to escape regulatory measures (see Table 39).

Table 39. Responses to question 42 on potential ability to escape regulatory measures.

| | N | Percent |
|---------------------------------|----|---------|
| Powerful business actors | 36 | 72 |
| Powerful interest organizations | 34 | 68 |
| Powerful individuals | 33 | 66 |

Question: “To what extent do you agree with the following proposition? ... can escape regulatory measures?”; number of respondents that agree or strongly agree; total number of respondents: 50.

It is interesting that nearly half the respondents (see Table 40) state that civil servants implemented political decisions more efficiently under the communist system than they do now. They also state that the quality of civil servants is now higher (see Table 32) while implementation efficiency has declined. This indicates that many more implementation problems exist today than during the communist era. Some comments from respondents who do not believe that implementation was more effective under communist rule than today indicate that attitude towards the issue is ideological. As one respondent says, "There is nothing effective in non-democratic systems".

Table 40. Responses to question 43: "In your opinion, did the civil servants implement political decisions more efficiently under the communist system than they do now?"

| | N | Percent |
|-------------------|----|---------|
| Strongly agree | 5 | 10 |
| Agree | 18 | 36 |
| Disagree | 21 | 42 |
| Strongly disagree | 4 | 8 |
| Difficult to say | 2 | 4 |
| Total | 50 | 100 |

Corruption

According to the theory corruption should not be a major hindrance to implementation. This is supported by the findings as less than 30 percent of respondents find that misuse of status positions is common in Estonian politics (see Table 41), and only 20 percent have actual knowledge of unlawful activities in either their own or other ministries (see Table 42). The respondents believe that misuse is most common at the intermediate level (e.g. departmental directors; see Table 43). The ministers point to the low moral quality of the civil servants as the main cause of corruption. This is in accordance with the belief that the current laws are fairly sufficient for combating corruption if they are applied and complied with (see Table 44). Thus, the majority feel that the reason for whatever corruption remains is not the legislation itself but the implementation of that legislation.

Table 41. Responses to question 49: “Do you agree that misuse of status positions is common in Estonian politics?”

| | N | Percent |
|----------|----|---------|
| Agree | 14 | 28.6 |
| Disagree | 35 | 71.4 |
| Total | 49 | 100 |

Table 42. Responses to question 51: “In your time as minister did you obtain any knowledge about persons engaged in irregular (unlawful) activities on the governmental level?”

| | N | Percent |
|--------------------------|----|---------|
| Yes, in my own ministry | 6 | 12 |
| Yes, in other ministries | 4 | 8 |
| No, but I assume so | 23 | 46 |
| No, not at all | 17 | 34 |
| Total | 50 | 100 |

Table 43. Responses to question 53: “In your opinion, what are the main cause(s) of corruption in the state administration?” Weighed index of 1st, 2nd and 3rd placements; Percent, N of 1st placements in parentheses.

| | | |
|---|------|------|
| Low moral quality of civil servants | 48.4 | (39) |
| Salaries are too low | 22.9 | (7) |
| Legacy of the Soviet system (nomenclature networking) | 18.2 | (9) |
| Illegal organizations (Mafia) | 10.5 | (0) |
| Total | 100 | |

Table 44. Responses to question 52 on the sufficiency of current laws in combating corruption.

| | N | Percent |
|-------------|----|---------|
| Yes | 19 | 44.2 |
| Yes, almost | 14 | 32.6 |
| No | 10 | 23.3 |
| Total | 43 | 100 |

Data is summarized based on responses to the open question: “In your opinion, are current laws sufficient for combating corruption?”

Summarizing

Estonian core ministers are experiencing problems regarding ability to implement decisions. In their perspective the primary obstacles to efficient implementation are inadequate resources, lack of understanding and agreement on objectives, lack of coordination and information and insufficient staff motivation. The ministers display a problem-solving attitude, at times at the cost of a democratic debate; that almost 20 percent of the ministers would try to work out solutions by administrative means, regardless of current laws, seems to be a very high percentage given that Estonia purports to be a democratic state based on the rule of law. This question should, however, be seen in light of an immense legislative burden. By expressing a problem-solving attitude, the ministers signal their will to enhance the administrative (technical and implementation) capacity of the state, and a remarkably high percentage (94 percent) take personal responsibility for implementation problems despite having encountered just about every implementation problem in the book.

Corruption exists in Estonia but is not a major hindrance to implementation. Three fourths of the ministers believe that the current laws suffice if they are applied and fully complied with. The majority state that what corruption remains is not due the legislation itself but to implementation, and they point to the low moral quality of civil servants as the main cause. Altogether, Estonia has implemented an impressive amount of legislation over the last decade, but implementation capacity is still a problem.

6. Conclusion and agenda for future research

Estonia comes close to the ideal classical liberal state with insulated state institutions and real decision-making concentrated within a structure dominated by the government. NGOs and interest groups are not considered to have independent decision-making power, but are important merely as informal decision-makers, i.e. less important than formal decision-makers. Furthermore, Estonian ministers perceive the state as exceedingly autonomous vis-à-vis international actors and organizations. However, in view of Estonia's aspirations to NATO and EU membership and the rather strict application criteria, this seems somewhat questionable and requires further investigation (anticipatory adaptation).

Technical and implementation capacities in Estonia are above average for former communist states. Unlike in many other such states corruption is not a major problem. However, the Estonian state has other problems that affect administrative capacity. The ministers identify the major obstacles to efficient implementation to be inadequate resources, lack of understanding

and agreement on objectives, lack of coordination and information as well as insufficient staff motivation. These implementation problems mean that despite having implemented an impressive amount of legislation, powerful individuals, organizations and businesses are still very much able to escape regulatory measures.

The Estonian civil service system actually functions quite well, but a genuine merit-base has yet to be established. Estonia will have to contend with the communist legacy of a politicized civil service system to achieve their aim of a well-functioning Weberian type civil service system, a prerequisite for achieving the technical and implementation capacities that will bring the Estonian state into the same league as the established Western democracies. How these problems are addressed also depends on developments at the small scale of Estonian public administration. Thus, transitional problems and a small public administration may mutually reinforce each other as there are several overlaps between small state public administration problems and transitional problems (Randma, 2001; Bray & Packer, 1993). How and to what extent the size of the public administration affects the development of a civil service system is a subject that requires a comparative large scale study of small and large states at the same stage of development.

Our findings show that Estonia has yet to attain its full potential state capacity. The country must become better at integrating the concerns and objectives of the whole population if it is to generate high political legitimacy and become a fully consolidated high capacity democracy. Yet, the assessment of state capacity in Estonia has to take into account that the political executive is fully integrated in the constitution and that legal traditions date back to the first independent republic of Estonia. In development perspectives this means that there is a solid foundation for continuing capacity building, an attitude shared by the domestic decision-makers who express optimistic attitudes by pointing to Nordic well-developed countries as representing the overall direction in which their country is heading.

Notes

1. See appendix 1 for a list of respondents.
2. See our theoretical research report “Measuring State Capacity” (forthcoming) for an extensive review of the theoretical framework.
3. The web-version can be found at www.demstar.dk
4. The World Bank further conceptualizes capability and efficiency (at the levels of state and government) as the ability to undertake and promote collective action of whatever nature and consequence. In this report we do not distinguish between capacity and capability, but prefer the distinction between political, technical and implementation capacity.
5. Elaborated e.g. by Peter Evans (1996; Evans & Rauch, 1995), Linda Weiss (1998) and Leftwich (2000).
6. In reality, the former communist regimes may have been more embedded in society than propagated by the official ideology. Still, public administration remained what has been termed ‘a policy implementation machine’ (UNDP, 2001: 2).
7. There is remarkable similarity between the interdependent state envisaged in this paper and Leftwich’s developmental state (Leftwich, 1995).
8. See Evans (1996: 1120) for a related definition of embeddedness.
9. DEMSTAR has previously attempted to estimate ‘international embeddedness’ in alternative modes by constructing an International Integration Index (Triple I) measuring the extent to which newly independent states manage to integrate into the international system. See Nørgaard & Johannsen (1999, Chpt. 1).
10. The Soviet Union recognized Estonian independence on September 6, 1991.
11. Transparency International Corruption Perceptions Index.
12. The criteria have changed several times in the last decade, becoming more lenient in 1993 in that either the father or the mother had to be an Estonian citizen, whereas before it had to be the father.
13. Nevertheless, the Commission report states that Estonia should amend its Language Law (*Regular report from the commission on Estonia’s progress towards accession, 2000*).
14. International standard is turnover-rates below 5 percent; see Nunberg, 2000: 15).
15. Estonians constitute 65.3 percent of the population, Russians 28.1 percent, Ukrainians 2.5 percent, Byelorussians 1.5 percent, Finns 0.9 percent and 1.7 percent others (as of January 1, 2000).
16. The Constitution of the Republic of Estonia stipulates that everyone has the right to form non-profit associations and unions. Yet, only Estonian citizens may belong to political parties (§ 48).
17. Estonia has a population of approximately 1.5 million.
18. The Estonian Kroon is pegged to the Deutsche Mark and consequently competitiveness in the European markets was preserved (Europarl-briefing 10: 6).

19. 1.3 percent of GDP in 2000 (IMF, 2001: 19).

20. This percentage, as well as all following percentages, should be interpreted in light of an overall number of respondents of no more than 50. This number is nevertheless a high percentage of the overall population of current and former Estonian ministers and we will therefore use percentages.

21. Education is not free in Estonia and grants can be hard to win; therefore university level education could indicate that the ministers belong to the upper strata of society who can afford university education.

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Data

DEMSTAR State of the State survey

New Baltic Barometer I-III

Appendix 1. List of interviewees

Table 1. Ministries held by respondents.

| | N | Percent |
|---|----|---------|
| Prime Minister | 3 | 6 |
| Minister of Foreign Affairs | 1 | 2 |
| Minister of Defence | 1 | 2 |
| Minister of Economy | 6 | 12 |
| Minister of Finance | 2 | 4 |
| State Secretary | 1 | 2 |
| Minister of Transport and Communication | 6 | 12 |
| Minister of Agriculture | 4 | 8 |
| Minister of Justice | 3 | 6 |
| Minister of Interior Affairs | 6 | 12 |
| Minister of Education | 4 | 8 |
| Minister of Trade | 2 | 4 |
| Minister of Social Affairs | 5 | 10 |
| Minister of Reform | 1 | 2 |
| Minister of Culture and Education | 2 | 4 |
| Minister of Ethnic Affairs | 1 | 2 |
| Minister of Construction | 1 | 2 |
| Minister of Industry and Energy | 1 | 2 |
| Total | 50 | 100 |