

LOCAL GOVERNMENT REFORMS IN ESTONIA: INSTITUTIONAL CONTEXT, INTENTIONS AND OUTCOMES

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The local government reforms of 1989 and 1993 were intended to establish a dual pattern of central-local relations in Estonia. The choice of this model was inspired and supported by the Nordic states. Although the legal framework for local government has remained untouched since 1993, the introduction of institutional mechanisms for strong local autonomy was not a success. The first part of this article seeks to identify the main factors that inhibited the launch of the new institutional model. These were a lack of strategic influence on national policy-making, poor cooperation from local authorities, and the diminishing role of county-level governments and their subsequent liquidation. The second part of the article analyses the objectives and results of the local government amalgamation reform of 2017 as well as the theoretical and practical possibilities to re-establish central-local balances in Estonia. The analysis draws on institutional theory, which explains the effect of deep value patterns and concrete political choices on the institutionalization logic followed after the 1993 reform. It is concluded that the local elites retaining their old value patterns will downplay the effect of the 2017 reform.

Keywords:

local government, reforms, dual model, fuse model, central-local relations, autonomy, balance, institutional theory

Introduction

Having emerged after the collapse of the communist system in Europe, all newly independent states faced the problem of creating a new system of government with local self-government as its most important part. Estonia is no exception in this regard.

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It should be noted that the problems of the Estonian public administration system are of special interest to Russian researchers. In our opinion, the works of such specialists as D. A. Lanko [1], A. V. Smirnov [2], V. Yu. Malinovsky [3] and a number of others are of particular importance. The collective monograph *Poland, Lithuania, Latvia, Estonia: Socio-economic and Political Development* edited by A. P. Klemeshev is of a considerable interest in this regard [4]. Yet in the study of modern Estonia, the problem of local self-government often falls outside the scope of scholarly investigation. In practice, we find the analysis of this problem only in the comparative study of the situation in the Baltic States by E. V. Stepanova [5] and articles by A. V. Kurochkin and E. O. Kurochkina [6; 7]. However, these works date back to the very beginning of the 2000s and, therefore, cannot reflect the current state of affairs in this sphere.

European political science demonstrates quite a high interest to the issues of state and municipal administration of the Republic of Estonia since this country is considered to be a rare example of a successful democratic transition in the post-Soviet space. Still, the main focus here is on national processes, and the problems of local self-government are revealed, for the most part, only by Estonian specialists. Local government studies in Estonia are mainly analysed within the framework of economic geography [8; 9], law [10–12] or economics [13]. Studies of local governance from the perspective of political-institutional development have been provided mainly by the Estonian authors of this article [14–19].

The novelty of this work is that the analysis of the evolution of the local government system in modern Estonia is carried out for the first time from the perspective of historical institutionalism, which, in our opinion, allows us to identify the internal logic of institutionalization and prospects of central-local relations in Estonia. This analysis is based on numerous empirical and conceptual-interpretive studies which started from 1994 onwards. For this reason, we would refer to our previous works for detailed explorations of inquiry and some key findings. Conceptually we draw on the interpretivist version of historical institutionalism [20–22], which considers historical traditions to be an important factor in the modern process of institutionalization [23; 24]. This enables us to avoid largely exogenous explorations of mechanisms of institutional changes of traditional new institutionalist approaches, and to focus on endogenous variables of institutional change in the dynamic context of deep societal changes. Firstly, we can say a lot about the role of *background* ideational variables [25] or habitual strategies in everyday behaviour as well as idealized-normative expectations (myths) and strategic plans [26]. Secondly, we can take into account how different reform pathways in the same space (local vs. central government reforms) could mutually influence and modify each other [20], as well as timing and sequence of political decisions. We specifically focus on the links between contingent short-term solutions and/or long-term expectations [27]. Thirdly, we explore how adequate

choices made by conscious and rational strategic actors may result in unexpected (and undesirable) outcomes even in the case of effective immediate political outputs of these choices. Finally, we attempt to trace changes as creative extensions [21], when the actor's new implicit understandings and interpretations bring about new informal institutional outcomes even in the context of stable formal rules. At the same time we use our case to demonstrate that in some dimensions a new institution building has a self-reproducing and self-reinforcing linear causality ("deep history matters"); but it can equally [22] produce a chain of reactive sequences in which individual events (in our case EU accession) will trigger a totally new vector of change that has not existed in the initial version.

According to a number of researchers [5–8; 17; 18], it was in Estonia that the most autonomous and democratic model of local self-government was formed back in the early 1990s. This was possible due to the consensus of political elites and active support of the country's citizens. However, by the end of the decade, the first signs of inconsistency between this model and the practice of real life began to appear. This was especially evident in the relations between the central government and the local government authorities, which even led to contradictions with some of the principles of the *European Charter on Local Self-Government*¹. In 2010, during a debate held in the Estonian Parliament, it was recognized that the accumulated imbalance in central–local relations had begun to have a negative impact on the effectiveness of government in general, and therefore required significant changes².

In this regard, it is necessary to identify the reasons for this kind of development and to better understand the problem of institutionalization of formal structures and behaviors in societies undergoing a process of systemic transformation of all aspects of social life. In this article, we aim to answer the following questions. To what extent political actors are capable to change intentionally established institutional patterns, especially in the case of policy transfer of experience of other countries? What are the main variables and mechanisms, which may favour or constrain the new institution building?

Finally, taking into account existing deep institutional path dependency, what are the perspectives of 2017 amalgamation reform, which intends to return Estonia back to the dual pattern of central–local relations? Or would it be more reasonable to introduce fused patterns of local governance, first of all through strengthening the regional (intermediate) level of self-governance?

¹ CLREA.2010. Council of Europe. Congress of Local and Regional Authorities. Local Democracy in Estonia. 45 p.

² 12. Parliamentary record 2010 Partnership of state and local government. Proceedings of particularly important issue of state development. Record of Riigikogu 23.09.2010. URL: <http://stenogrammid.riigikogu.ee/et/201009231000> (access date: 27.06.2017).

Basic models of relations between the state and local self-government

In our opinion, the explanation of the existence of various models of modern central-local relations should be found in the specifics of cultural and historical development of a particular country, the peculiarities of nation-state formation, and characteristic features of local communities and both central and local political elites.

Historically, regional and local elites in Central, or continental, Europe were strong from the military-political point of view but rather dependent on absolutist state in economic terms [19; 28]. They and the clergy heavily dominated over the local and regional communities through the institution of serfdom. In attempting to consolidate the nation-state, the absolutism tried to weaken the domination of regional elites. The modernisation reforms of the late 18th — early 19th centuries tried to free weak local communities from the economic and social dominance of nobility and church to form at least partly politically and administratively autonomous self-governing local societies [29]. The new administrative system presumed, on the one hand, the implementation of central government/public tasks at the local level under the strict supervision of central government provincial office (the right of general competences remained with local authorities). On the other hand, the system of political immunity of local elites that protected them from central interventions to community affairs was ensured together with direct access of local elites to central government institutions and policymaking through the *cumulation of mandates*, as it was done in France [30]. As a result, the so-called fused pattern (or interaction model) of central — local relations developed [31; 32].

In the Northern part of Europe, local community was more or less autonomous *vis-a-vis* the absolutist state and had self-governing bodies because of the lack, or weakness, of serfdom. A kind of stable but dynamic power balance between the central government and local communities had evolved before the formation of nation-state institutions [33]. As a sign of trust, but also because of the strength of the local communities, central authorities would not intervene into local affairs, assigning the provision of stable taxes to local self-governing bodies and giving them access to decision-making processes on the national level. For example, for many centuries the kings of Sweden, and especially Denmark, could not tax the population even in the event of war without the local elites' consent [34]). As a result, the two relatively independent spheres of public authority, or the dual pattern of central and local relations, emerged [31; 32]. Local self-government was also established at the county (intermediate) level under the leadership of strong and autonomous — in comparison with the rest of Europe — local nobility, which had an important function

to provide the basis for the balance of the two realms of public authority. To a large extent, local government reforms in the 19th century (1837 in Denmark and Norway, and 1862 in Sweden) gave the modern institutional format to those developments.

Recently, within both models — dual and fused — the local elites of European countries have contributed to the development of two important mechanisms for increasing the level of local autonomy. On the one hand, although in different ways, they strengthen the capacity of local and regional authorities, either by merging them (amalgamation), or by strengthening intermediate levels of government — provincial and regional. On the other hand, local elites monitor the possibility of securing their right to vote at the central level in the process of making decisions that are not only directly related to relations between levels of government, but also relate to a wider range of policy issues, which are reflected in special legislative acts that in recent decades have had an increasing influence on those local and regional authorities of the EU that are responsible for their implementation [35].

Main stages of intergovernmental relations development in Estonia

Local self-government started to evolve in the current Estonian territory after the partial abolition of serfdom in 1816–19 in Baltic provinces (Estonia and Livonia) of the Russian empire. These reforms were inspired by German reforms and by Emperor Alexander I's adviser Heinrich Friedrich Karl Reichsfreiherr vom und zum Stein, the former Prussian Minister of Economics and Finance, who had played an active role in Hardenberg's reforms including the foundation of local self-government system. However, manor estates owned mainly by the Baltic Germans continued to dominate economically over the Estonian peasant community until the 1866 law on municipalities and the 1870 law on towns were adopted. Those laws (with amendments) were in force in independent Estonia up to the 1937 [36].

The central — local relations of the independent Estonia (1918–1940) were based on the typical logic of the fused system: local authorities with extensive political autonomy had the primary task of adapting national policies to local specificity [37]. The scope of autonomy depended on the level of government and was much more extensive at the county level, which did not fit in the fused logic of central- local relations. This triggered high political pressures from municipalities but also from the central government elite towards the abolition of the county level [38; 39]. Under the authoritarian regime, established in 1934, these fierce political debates were over with and the classical fused pattern of

central — local relations, among which one could identify a strong prefect and prefecture at county level, was introduced by the new Parish, City and County Acts in 1937—38³.

In the Soviet period the county government became a stronghold of the central state administration machine at the local level whereas the municipal level retained only the selected routine administrative tasks. Formally both levels had councils (Soviets) and elections were held, but they actually consisted of the previously selected managers and working class representatives who were to control the actions of the executive. A large proportion of social services were provided by socialist enterprises, especially so in the rural areas; and it was only in the cities that the local government provided communal services and infrastructure. So, in fact, the Soviet system restored the subordination of local communities to the logic of political and economic domination from above that had been abolished by the 19th century modernisation reforms. This helped strengthen the corporatist — collectivist values in the Estonian society [26].

The democratic local government system began to take shape in Estonia in 1989 when Estonia was still a part of the Soviet Union. Even prior to the next local council elections, there were favourable conditions for the restoration of democratic and autonomous local government. Like in 1918, the two-tier self-government was established, however, in contrast to the interwar period, the central — local relations were formed in accordance with the logic of the dual model of local self-government. This choice was determined by a clear political orientation of the Estonian elites towards learning from the experience of their Northern neighbours — Finland, Sweden, and Denmark — and by direct professional assistance that had been received from them. This phase of reforms provided for a transition period until 1994.

After independence in 1991, the local government issues were carefully and — largely thanks to the experience of the 1989 reform— professionally debated⁴ at the Constituent Assembly. As a result, local government's autonomy was guaranteed by the new Constitution adopted in 1992. In 1993, the new Local Government Organisation Act (LG Act) was adopted to harmonize local governance with the Constitution. The county self-government was abolished: its representative bodies were eliminated and the county government was established as an autonomous central regional government agency. Two facts should be taken into account: that this law was adopted in a hurry prior to the upcoming local elections, and that at the time Estonia was in its deepest economic and social crisis, so both central and local government faced the possibility of fiscal and

³ Seaduste Kogu eriväljaanne. II köide. Omaavalitsused. URL: <http://www.hot.ee/seadustekogu/index2.html> (access date: 23.09.2012).

⁴ CCA 1997. Constitution and Constitutional Assembly. Tallinn: Juura URL: <https://www.riigikogu.ee/tutvustus-ja-ajalugu/riigikogu-ajalugu/pohiseaduse-assamblee/pohiseaduse-assamblee-stenogrammid/>(access date: 25.02.19).

resource supply collapse. Moreover, in the summer of 1993, a referendum was held in Estonia on the autonomy (in fact, secession) of the North-Eastern part of the country, where the majority of the population were Russian-speaking people. This led to the fact that specific local interests, especially in fiscal policy, were swept away.

Already in June 1994, the law On Assistance in the Cooperation between Municipalities was passed. It indicated an urgent need for capacity enhancement through cooperation and mergers. In 1996, the drafting of a new local government act started at the Ministry of Interior.

In 1997, a committee of experts led by the regional minister without portfolio was formed to design a new conception for local government⁵. Among other things, this conception included an idea of voluntary and compulsory mergers and an idea of further curbing the autonomy of county government. The reform paper was shelved at the beginning of 1999, and a few months later a new government started to work out yet another conception of local government reform. The core of the new reform strategy was to merge municipalities into larger entities. In 2001, the reform strategy plan was once again put on the back burner.

Another attempt of the local government reform in order to balance it with the central government through re-establishing of the second tier of local government was made in 2003, and then again in 2007. However, both attempts failed because of the decisive *veto* of the Reform Party, the leading member of the coalition since 1999 (which had also halted the 2001 reform). What is more, county governments and their leaders first lost the majority of administrative roles and were mainly reduced to the role of a supervisor over the legality of municipal acts; and then decentralised government field offices at the county levels were reorganized into de-concentrated subdivisions of central ministries.

This resulted in a profound shift in the perception of actors. On the one hand, the “romantic” expectation held by the local elites of autonomous self-governance as the cornerstone of the nation and efficient statehood was gradually superseded by the practical need to protect local government from further extension of the central government restraints and interventions. On the other hand, the central government began to treat local authorities as incapable actors with low efficiency and to increasingly upstage local authorities in decision-making at the central level even over issues directly related to the local government and its functioning.

As a result, one of the most decentralized versions of central — local relations first introduced in 1993, by the end of the 2000s developed into a highly centralized but loosely integrated structure of formally autonomous actors. High level of trust and cooperation between actors was replaced by competition over scarce

⁵ AHAA 1998 = Avaliku halduse arendamise alused. Seletuskiri. (Basic of public administration development. Explanatory letter). Ministry of Interior, Tallinn. (Personal archive) 12 p.; AHAK 1998 = Avaliku halduse arendamise kontseptsioon. (Conception of Public Administration Development) Ministry of the Interior, Tallinn. 10 p.

resources concentrated in the hands of the state. All parties involved in this situation agreed that something had to urgently change, yet they were not able to come to any meaningful consensus about the nature of the changes required.

Thus, the process of constructing and deconstructing the dual model of central — local relations has been going on throughout the entire period of the newly independent Estonia's existence. As a result, local autonomy has weakened in two interrelated ways.

First, local autonomy in the dual model can be ensured by effective channels of impact of local interests and involvement of their representatives in the process of national policymaking. This is both the premise and the outcome of power balance, but it is also important for partnership with central authorities in national policy implementation. Within the first two decades of the existence of the Estonian state these channels weakened significantly. An attempt to change the situation by introducing the post of the Minister of Regional Affairs (instead of the Minister without portfolio) had no impact on the existing power dynamic [40].

Hopes for the effectiveness of local government associations' activities had not been fully justified either. Restoration of local self-government associations abolished by the Soviet government in 1940 was carried out during the period (1990) when most municipalities had not yet been formed. Later in 1993, the county-level local self-government bodies created their own associations, resulting in increased competition and contradictions between different associations. In February 1994, the Assembly for Cooperation of Associations of Municipalities was created, which acted as a representative of all local government units in the country in negotiations with the government on the matters of budget allocation. It should be noted that today it is the only significant platform for regular negotiations between representatives of local and central authorities. Despite this, local elites were not able to create an organization strong enough to ensure a balance of power between the local government and the centre, and act as an equal partner in negotiations with the central government.

Second, a very important role in ensuring the power balance in local-central relations is played by the intermediate tier of government — whether by the second tier of self-government, or by regional self-government or by a strong prefecture (like in France or Poland). We should mention a number of aspects of such impact. First, it serves as an important link between municipalities and central authorities helping to ensure effective local implementation of national policies, on the one hand, and on the other — helping to formulate an articulated input of local interests into national policy. Second, the intermediate level is to a certain extent able to protect local authorities from excessive pressure from the center and the intervention of individual ministries and agencies. Third, it can become an integrating centre capable of binding together and coordinating the efforts of different actors. Finally, intermediate level can take responsibility for local tasks that require significant resources and management capacity. This role

could be taken by municipalities only in case of amalgamation into larger units or in case of extremely effective cooperation, which presumes usually effective steering by intermediate level.

It should be noted that the problem of the intermediate level of government, as well as the issue of compulsory or voluntary amalgamation of municipalities, has been and continues to be extremely acute throughout the period of the local government reforms in Estonia. Suffice it to say that since 1996 at least seven attempts have been made to restructure the existing institutional system, including one which was meant to adapt the intermediate level to the requirements of the EU's regional policy [41]. However, none of the options offered even reached the stage of discussion in the Parliament until 2015 due to purely political differences within the executive branch itself.

Paradoxically, in 1998, the German expert J. Hesse accurately foresaw such a development basing his point of view on the analysis of local government reforms in Central and Eastern Europe. He wrote, "Whilst local government reform legislation has, undoubtedly, greatly strengthened the role of the local level and succeeded in establishing a sphere of genuinely autonomous government, many argue that the reforms have shown too little appreciation of the need for active inter-governmental co-ordination and co-operation and integrated policy-making./.../The problems of sectoralisation are compounded by the fragmented nature of the local government map. Weak intermediate institutions mean that central bodies are increasingly required to try to build up direct links with local governments, a task made more difficult by the great number of local units and, especially in case of many small localities, the lack of professional capacity. Conversely, local governments cannot rely on the county councils to represent their interests at the central government level, but need to find alternative channels of access. As a result, the sectoralised and fragmented nature of intergovernmental relations is perpetuated." [42, p.172].

Hence, by 2010s Estonian local authorities had managed to retain rather high political and organizational autonomy (or immunity), which prohibited all administrative intervention into local affairs, a rule that remains unbroken to this day. The only way to ensure coordinated policy implementation at local level is a combination of national legislation and fiscal policy measures. However, as we have seen, local authorities in Estonia have not been able to build up effective policy input channels into policy-making at central level to ensure (or balance) local interests in national policymaking. On the one hand, central government (and its ministries) were thus able to start burdening local authorities with various responsibilities without providing supplementary funding. Following the procedure set in the Constitution, Tallinn city authorities appealed to State Court in 2009 in order to get rid of this additional burden. However, this had no practical implications to local budgeting. Simultaneously, central ministers started to concentrate regional capacity development via EU programs in their hands, especially so in education and social affairs. On the other hand, the tax legis-

lation, which emerged in 1993–1994 in the context of national crisis and with reference to prioritising national interests, has not changed. As a result, Estonian local authorities' current expenditures comprise 22–24% of public expenditures, with the role of local taxes falling below 1% and the main source of local budget revenues being categorical and general grants [43].

Studies of local autonomy by the EU Commission indicate that Estonia has medium-high degree of local autonomy (ranking 17th among 39 countries).⁶ However, the local government in Estonia scores differently in various dimensions of autonomy. The scores of political and organisational autonomies are the highest possible (100) in Europe, while fiscal autonomy (score 32) and the level of vertical influence of local authorities (score 33) are among the lowest. This is completely supported by our qualitative-historical study of the local government development in Estonia.

Local government and the Administrative Reform of 2017

By 2015, all political forces in the country began to realize the inevitability of reforms. A new coalition formed by three parties — the Reform Party, the Social Democratic Party of Estonia, and the Union of the Fatherland and Res Publica (since June 2018, Fatherland) initiated a new reform in the spring of 2015. Unlike previous attempts, this reform started with major changes in the organizational structure. The coordination of local government policy was transferred from the Ministry of Interior to the Ministry of Finance, and responsibility was assigned to the Minister of Public Administration.

The reform was originally designed to increase the capacity of municipalities by merging them. At the same time, it was to achieve a purely instrumental goal, i.e. reaching a political consensus on this issue. In the end, the reform program was mostly reduced to the merger of municipalities into administrative-territorial units with a minimum population of 5,000 inhabitants. The optimal number was set as at least 11 thousand inhabitants, with exceptions provided only for island municipalities (4) and for cases where the territory of the merger of three municipalities exceeded 900 square km.

However, as the reform unfolded, it became increasingly clear that in the long term, it should not only be about the potential strengthening of local government in terms of efficiency and resource savings, but also in terms of their capacity to be strategic actors in their country and the entire Baltic region. In this regard, the following main issues were raised in the discussion with the center:

1. Creating a new organizational structure for the municipality, where the functions of policy making and strategic planning would be separated from the day-to-day activities of providing services and regular citizens feedback.

⁶ Self-rule Index for Local Authorities. European Commission 2014. URL: https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/self_rule_index_en.pdf (access date: 27.11.2018).

2. Developing real opportunities for inviting high-quality professionals to work in municipalities, those who could provide a strategic direction for municipal policy. First of all, they would be capable of professional financial analysis, necessary for long-term investment planning and risk management of investments, as well as for the development of partnerships, growth of human resources, etc. The Ministry of Finance has run analyses that demonstrated that municipalities had to have a minimum of about 8 thousand people to need a competitive financial manager.

3. Achieving sustainable investment potential in order to apply for large projects, primarily those funded by the EU. The minimum indicative threshold was set at 0.5 million Euros of own investment opportunities per year, which together with loans would allow having fairly large investment projects with acceptable risks. The minimum size of a municipality with this capacity is 6—7 thousand inhabitants.

4. Ensuring that each municipality had specialists who could provide citizens with modern services, primarily in the field of consulting and assistance in the social sphere and education. An analysis of the situation with two officials — advisers on child protection and construction planning — allowed to determine the threshold for the minimum population of the municipality of 5,000 inhabitants.

The merger of municipalities was considered to be the first stage of local government reform. After the October 15, 2017 elections, the country's 219 municipalities were merged to only 79⁷. Such a radical change in the administrative-territorial structure should have led to other changes in the system of sub-national governance. Firstly, the reform program assumed that the merger would be followed by a reorganization of the county (intermediate) level of government. Secondly, the fiscal policy should have found a solution to the problem of increasing the share of local taxes in local budgets and defined a formula for compensating the losses of the rapidly declining population (and, consequently, taxpayers) in rural areas outside the cities. Thirdly, it was expected that the increase in the size of municipalities would allow the state to delegate them some of its functions.

However, after the change of the ruling coalition in the fall of 2016, the new coalition limited the whole reform to its first stage, formal merger. Moreover, in 2018, county governments were abolished. This has led to a growing power gap between the center and the local government. Their functions are now divided between ministries, municipalities, and associations of municipalities. As a result, a specific dual model of central-local relations with the centralization of power, policy, and resources continues its existence in Estonia, at least for the foreseeable future.

⁷ Municipal council election 2017. URL: <https://www.valimised.ee/en/municipal-council-election-2017> (access date: 22.01.2019).

Institutional path dependency

Our brief analysis of the situation naturally raises a question: why did the process of forming a democratic system of local self-government in Estonia turn out to be so long, contradictory and full of paradoxes of institutionalization? It seems that it is impossible to get an adequate answer without analyzing the cultural component of the processes taking place in the country.

In his 1995 paper, *The Primacy of Culture*, Fukuyama developed one of the most convincing concepts of the stages of consolidation or levels of sustainability of democracy. The easiest and simplest way is to accept democracy at the level of normative beliefs and expectations, and then to build formal institutions in a more or less favourable international environment. It is much more difficult to achieve enduring consolidation of democratic patterns at the level of civil society structures through the “bottom up” spontaneous actions of citizens. The most difficult thing, according to Fukuyama, is to achieve consolidation of democracy at the level of individual culture/values of behaviour. “The deepest level includes phenomena such as family structure, religion, moral values, ethnic consciousness, “civicness” and particularistic historical traditions.” [44, p. 8].

On the cultural level the most general and volatile are the values linked to normative expectations which enable passive and purely emotional affiliation to certain values or ideals. These ideals are not only more easily accepted but also manipulated, including by those from the political power. The most enduring values that are “passed on through traditions” are those, which presume a very active realisation in the most meaningful everyday activities of a person, like family and relations with other people etc. They could be defined as existential or archetypical values. These are the deepest values, which a person may not be discursively aware of, but which are followed spontaneously and sincerely even in the most critical situations. Those values or predispositions could be specific cognitive filters, which determine the scope and limits of institutional innovations [45; 46].

From the cognitive institutionalism point of view, it means that the most effective carriers of institutionalized values and norms are not formal organisations or the state institutions but archetypical structures, defining our everyday way of life. Hence, we can also conclude, that political regimes (among them the communist regime) would have a rather superficial impact on the most enduring and sincere values and beliefs which up to the 20th century at least in Estonia, developed primarily at the community level. Ordinary people usually translate political and social formal institutions and rules into their own language and action patterns. In interaction with formal institutions, they are shaping their own version of institutions, which are understandable and practically acceptable for them. Of course, they may consciously follow the formal rules and norms, while interpreting them according to their own vision. This would often happen during the

Soviet period, especially in its post-totalitarian stage of existence. It is obvious that those deep behavioural patterns and archetypical values could last for a very long period and survive through different periods of political history.

So, in developing new structures, in our case — local government or inter-governmental relations, — even those actors who consciously make their design may in certain periods and in making more general normative decisions follow the externally prescribed patterns of action (for example, from the EU). Yet, sooner or later, they begin to develop their own interpretation of these structures, and as we have seen from the post-Soviet NIS practices, institutionalisation may result in a different institutional pattern if the archetypical values are in conflict with the values that have formed the original meaning of formal structures. British researchers J. Mahoney and K. Thelen called this mechanism “conversion” [21]. This can also explain why transitions to democracy succeed or fail.

Based on this, we have tried to find out what impact these archetypical values may have had and continue to have on the process of reforming local government in Estonia. To understand the deep foundation of everyday attitudes and behaviours, it seems appropriate to use the well-known study of value attitudes by Hofstede⁸ that makes it possible to assume what exactly *does not allow* the Estonian political elites (despite their sincere desire to ensure the autonomy of the community) to implement the institutional models borrowed from Nordic countries in practice. It is obvious that this study indicates not only the historical roots of the dominant national cultures, but also reflects the attitude of other citizens of the country who have a different ethnic and cultural identity (i.e. Russians in Estonia, Swedes in Finland).

Country/Value	Power Distance	Individualism	Masculinity	Uncertainty Avoidance
Sweden	31	71	5	29
Denmark	18	74	16	23
Estonia	40	60	30	60
Finland	33	63	26	56
Germany	35	67	66	65
Hungary	46	80	88	82
Poland	68	60	64	93
Russia	93	39	36	95

We see that Estonian values differ greatly from those in Denmark and Sweden but are largely similar to everyday social attitudes in Finland and Germany. Firstly, Nordic people are more likely to value solidarity and consensus (femininity values), while citizens of the new EU member states from continental Europe (Hungary and Poland) prefer achievement and competition (masculinity).

⁸ Hofstede value survey URL: <https://www.hofstede-insights.com/product/compare-countries/> (access date: 20.03.2019).

Estonians and Finns occupy an intermediate position in this regard. Secondly, we see a similar picture in relation to uncertainty. Residents of Nordic countries calmly accept the uncertainty and ambiguity of the situation, the lack of rules (low level of avoidance of uncertainty), while people in the new democracies of continental Europe prefer to avoid uncertainty, would rather have strict codes of behaviour and do not accept non-traditional ways of behaviour. Estonians and Finns again occupy an intermediate position from this point of view. Thirdly, although the general image of Estonians is dominated by individualism, they are still, to a large extent, collectivists. Strong level of legitimization of national (in the sense of ethnic) interests of Estonians also indicates the important role of collective values. A. Realo [47] explains this by the controversial development of the country and Estonian nation, but this is not the only reason. The phenomenon of individualism and collectivism itself is much more complicated than it is commonly believed to be. A. Realo points out that H. Triandis and M. Gelfand [46] differentiate between horizontal individualism and collectivism. *Horizontal individualism* emphasizes the value of autonomy and distinctiveness, whereas *vertical individualism* accentuates a kind of egoistic-competitive attitudes to others, which is characteristic to masculine cultures. Horizontal collectivism treats interdependence and cooperation as a positive variable but does not accept the priority of the group over the individual, whereas the latter is characteristic of the vertical collectivism, which, besides, considers out-groups as “strangers” or even “adversaries”. A number of historical and contextual factors make it possible to assume that Estonians are closer to values of vertical individualism and collectivism, while the horizontal individualism and collectivism, their famous consensual individualism, is primarily characteristic of the Nordic nations.

One of the leading Estonian sociologists, M. Lauristin, argued that the social capital that had developed in the context of traditional peasants’ society and the experience of existence during the ESSR had a great impact on modern values and attitudes [48]. Co-operation of free individuals presumes a different set of common values and novel relations of trust from that of community solidarity. Collective defensive solidarity, developed as a result of various practices of foreign domination, is difficult to correlate to open, as well as more uncertain relationships between people.

Thus, Estonia does not follow patterns, which support high autonomy and horizontal cooperation (solidarity), which are basic presumptions of dual pattern and substantial autonomy. At the same time, the Estonian pattern is also rather different from other transition continental countries, which have adopted German pattern of local authorities, yet it is almost identical with Germany as a classical fused model of central-local relations. In this case, we cannot assume that there are causal links between historical traditions and people’s attitudes, on the one hand, and the development of institutional patterns, on the other. However, we hold the position that these traditions and attitudes at crucial moments prevented

from or contributed to the choice of specific political decisions, which, in the long run, rendered the introduction of the dual model of political governance in the life of the Estonian society impossible.

The survey demonstrates a similar pattern of attitudes in Finns. How to explain then that the Finnish local authorities are still enjoying extensive autonomy and pronounced voice in national policymaking? On the one hand, although there are extensive similarities between nations at both shores of the Finnish gulf, there are two substantial historical differences, which would cause variations of politico-administrative cultures. First, unlike Estonia, there was no serfdom in Finland and the country has had a long tradition of autonomous and self-governing local community. Second, after becoming the Grand Duchy of Finland as the part of the Russian empire, Finland developed its national government institutions (Senate, and other institutions of central government), and thus, differently from Estonia, Finland has had extensive experience in balancing central-local relations.

On the other hand, Finland has until recently (before reforms in Denmark 2007) differed from other Nordic countries by having one tier of local self-government and having (like in Estonia) an indirectly appointed regional self-government councils as representatives of municipal self-governments instead. From 1967 onwards Finnish government initiated municipal amalgamations several times, none of them succeeded. Moreover, several stages of regional governance reform took place within the last decades, so Finland is still searching for optimal institutional structure for its dual model, which would be based on a broad consensus and a balance of top-down and bottom-up approaches.

Conclusion

The formation of a new democratic system of local self-government in Estonia took place in the context of a complete overhaul of political, social and economic relations in the society. Contextual variables at the initial stage included, on the one hand, the almost complete destruction of old institutional patterns, and on the other — attractive images of the practices of the prosperous neighboring Nordic countries. At the same time, Estonia clearly lacked the experience of building a balanced central-local relationship.

However, despite certain specificities, the analysis of local government reforms in Estonia allows, in our opinion, to draw a number of conclusions that are important not only for this country, but also for other post-Soviet states.

Firstly, institutional traditions matter. The core reason of the failure to promote institutional pattern installed at the beginning of the transition was the different historical experience of Estonia and, hence, different mind-set and patterns of practical behaviour of Estonian elites as compared to the values and patterns, from which the dual or autonomous pattern of central — local relations in Northern Europe historically draws. In our opinion, it was not only, and not so much,

the post-communist legacy, but a much deeper historical path dependency that had played a decisive role in the institutionalization of democratic patterns during the transition.

The collective-corporatist community values based on the opposites of “us” and “them” heavily restrain cooperation and consensus building between local authorities. Community autonomy in this case is grounded on values of “defensive autonomy”, which favours a stance of political immunity of local elites provided by central authorities. This creates a strong deference to the central authorities; no wonder that after elections or promotion to the national governing institutions Estonian local leaders break away their local identity and favour centralized instruments in central-local institution building.

Secondly, institutional (historical and cultural) path dependency, but also critical junctures and contingencies, which shape the directions of development at critical stages of history, matter. In this sense, the policy transfer should be handled very skilfully and cautiously. The decision in favour of Nordic pattern of central-local relations transfer at the beginning of 1990 was supported by the strong normative expectations as well as unique political context that temporarily emerged in Estonia. These normative expectations started to weaken as soon as the Estonian society started to move from the state of emergency to the stage of stable development. After stabilization, the habitual patterns of behaviour and attitudes towards central-local relations that could be observed after the birth of the Republic of Estonia in 1918 began to dominate again.

Thirdly, democratic politics matters. National integrity and unity would be important, especially in a society with multicultural cleavage, but those values should not foreshadow that the democratic society is based on the ability to recognize and balance the conflicts of different interests, among them interests of local, regional, central and, we would say, global actors. The only way to manage those conflicts in a democratic way is to balance them and, if possible, to negotiate them in the framework of mechanisms of multilevel governance.

This balancing strategy is risky and time consuming, especially in the context of insufficient experience in mutual trust and, consequently, attitudes to cooperation. Thus, both local and central government elites started searching for suitable and fast results by building walls in the realm of formal authority rather than developing mutually beneficial intergovernmental relations. The first step towards the former purpose was the restraining and finally abolishing an unsuitable competitor, an autonomous county governor. Here, local elites made a logical and also historical miscalculation: the lack of balance and weak channels of intergovernmental negotiations favoured the power position of the central government in any case. Local elites' counter-reaction was the development of protective and re-active stance of local policy. In this way they perfectly adapted behind the shield of political immunity granted by the central authorities that was acceptable for the latter. As a result, the dynamics of central-local relations froze, which hindered local government reforms.

Fourthly, only proactive innovation can ensure the consistent implementation of reforms. The reforms of the beginning of 1990s were temporary solutions. However, gradually, the support to innovations faded and orientation to *status quo* began to prevail. At the same time both sides — central and local authorities — were dissatisfied with their partnership. In 2015, differences of interests and opinions were so extensive, that politicians unanimously in favor of reforms failed to achieve much more than an agreement on the future size of a municipality.

Hence, a more substantive conclusion could be deduced. In a democracy, one should not expect to have to wait for the success of grand opportunities of re-engineering of institutions and to rely on a breaking reform narrative, but must rather take a permanent proactive stance promoting continuous innovations.

Finally, the main question today is whether the new political power of the country will be able to carry out the long-overdue transformations of the local government system. So far, in addition to the amalgamation of municipalities by merging them and eliminating the county level, no other important steps have been taken, as there has been no financial decentralization or redistribution of powers in favor of local governments (except for the transfer of some functions of the intermediate level).

Perhaps, however, Estonian political elite should give up trying to “return” to subjectively preferred Nordic institutional patterns of local governance, because overall Estonian basic attitudes and behavioral scripts (informal institutions) do not support those formal patterns in everyday governance anyway. A more reasonable and pragmatic solution could entail the introduction of strong intermediate regional administrations and elected councils.

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