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Executive Summary

Since the restoration of independence in 1991, the government of Estonia has met the challenge of establishing a fully functional, stable, modern state. In this time, it has undergone a radical transformation from a centralised, planned economy and insular state to one of broad economic openness, solid democratic institutions, and integration with international political and economic institutions such as the EU.

Estonia has also demonstrated its capacity to respond quickly and agilely in times of societal crisis or great need. This has not only been demonstrated in its history, but also in its rapid and successful response to the global financial and economic crisis. In order to maintain this agility, however, the Estonian public administration needs to learn to work as a single government to design, implement and sustain the government's policy priorities and to help meet new challenges on the horizon. To do so, it will need to capitalise on its strengths, overcome structural challenges, and avoid rigidity in its working methods and structures. Thus, it has asked the OECD to evaluate its public governance and administrative structures, particularly as they impact performance, policy outcomes, and public service delivery.

Towards a single government approach

Estonia faces many of the same pressures as other OECD countries: escalating financial burden and workforce capacity issues due to an ageing population; high levels of unemployment as a result of the global financial and economic crisis; and territorial disparities. At the same time, its public administration operates within the context of a small state, where a variety of characteristics can influence the public governance and management choices Estonia makes in realising its ambitions. Given its small size and exposure to international trends, how can the public administration help the country grow in global competitiveness and national economic and socio-economic development?

While Estonia has enjoyed almost 20 years of growth, in the near future, public resources are likely to remain flat or decline (as in most other OECD countries). In such a context, Estonia needs to maximise limited human and financial resources by building innovative capacity and improving the flexibility and responsiveness of its public administration so that the different parts of the public sector – including the state and sub-national governments – can work as a single government to realise objectives and to prepare for new challenges.

Achieving a single government approach begins with developing a shared understanding of what it means to work in a "whole-of-government" way. This involves some changes in structures and legislation, but more importantly, it requires a change in organisational culture and individual expectations, enabled by reinforcing and guiding existing networks and leaders for the public administration to work in new ways. Developing a common agenda of societal goals and priorities for the government and for the public administration

clarifies why a single government approach is necessary and helps to build a dialogue between the public administration and society as a whole about what changes are needed and how to achieve them. Finally, achieving a single government approach that provides seamless services to citizens and business will require a wide spectrum of actors to work together in new and innovative ways; these partners include central and sub-national government, ministries and agencies, municipalities and counties, and external stakeholders in business and society.

Promoting a "whole-of-government" approach in public administration

A whole-of-government approach, where horizontal co-ordination and integration are embedded in the process of policy design and implementation, helps a government respond to complexity. Whole-of-government approaches can re-calibrate systems that have moved too far into sector-based silos, have become fragmented, or that suffer from poor co-ordination and co-operation. Such an approach, however, requires high-level guidance (*e.g.,* the Centre of Government operating in a stewardship role) to set expectations and ensure overall accountability, as well as cross-sectoral management, and cultural change.

Like most countries, Estonia has a hybrid governance structure, combining strong vertical silos and formal, legalistic arrangements with many personal and informal networks. Moving to a single government approach is a long-term process founded on political commitment and leadership that transcends party lines and individual electoral terms. In Estonia, both the formal and informal will need to be addressed in order to promote informal co-ordination and co-operation, while some processes and networks will need to become more institutionalised in order to improve sustainability of working methods and information management. In addition, mechanisms to strengthen co-ordination and co-operation in both the political and administrative spheres are needed. This can include strengthening and institutionalising networks at the Secretaries General and Deputy Secretaries General levels, building accountability mechanisms and ensuring greater communication regarding reform initiatives. A whole-of-government approach also applies to the management of the public administration itself where greater flexibility of staff and structures and improved co-ordination can help promote staff mobility and a whole-of-government understanding of tasks and roles.

Developing a common agenda

Identifying a common agenda that business and society can support provides a roadmap for achieving a single government approach. Building such an agenda will help Estonia's government balance its values with societal preferences, set objectives and priorities strategically, better understand the costs and benefits associated with specific policy programmes, and evaluate them consistently with agreed-upon objectives. In this way, the public administration can optimise the use of its resources.

Estonia's public administration functions on the basis of multiple strategic plans, many of which do not become operational. Given that 2013 marks the end of the current strategy planning period, Estonia's ministries and agencies have the opportunity to re-assess how they go about their planning and prioritisation, identify ways to build greater cross-sectoral

collaboration, and better integrate strategic and budgetary planning. To this end, Estonia is looking to strengthen the links between strategic planning and budget frameworks, and intends to develop its performance budgeting processes as a means to improve capacity for decision making, prioritisation and accountability. Enhancing its evidence-based decision-making capacity and building citizen engagement practices could strengthen Estonia's anticipative, innovative and adaptive capacity.

Delivering public services effectively

A single government approach can also strengthen public service delivery, particularly as services are delivered, either directly or indirectly, by all levels of government. Direct public service delivery by government is diminishing, as decentralisation together with alternative forms of public service delivery increase. While success in public service delivery is often thought of in terms of service effectiveness (including efficiency), improving service delivery may require placing greater weight on citizen satisfaction, rather than simply focusing on public administration needs and concerns. This, in turn, may have implications for how service delivery is structured and organised, including developing more consistent processes and approaches to service delivery and greater use of shared services.

Estonia faces a series of inter-connected challenges to delivering high-quality public services. At the central level, the government has begun to consolidate "back-office" operations for county governments, and to experiment with rationalising "front-office" activity by merging all local State representation into one physical working environment. At the local level, however, the lack of standards and performance measures, and the mismatch between fiscal capacity and devolved responsibilities put pressure on local government service capacity. Estonia needs to take an integrated and innovative perspective in developing solutions. This would entail tailoring service delivery requirements to population needs, matching service sets to municipal capacity, building scale, and linking action at the municipal level with a broader vision for territorial development and regional policy. Given the many elements involved, the central/sub-national relationship will need to be strengthened through greater institutional co-ordination and collaboration.

Case studies

This report includes two case studies that help to illustrate the need for working as a single government: one focusing on education, and the other on social services for the elderly. Both policy areas face service delivery challenges due to changing demographic contexts and municipal capacity, as well as governance needs that include vertical and horizontal co-ordination and co-operation.

Estonia places a high societal value on education, which is reflected in a number of international measures, including the OECD Programme for International Assessment (PISA) and the United Nations Global Human Development Index. There are concerns, however, that Estonia will need to do more to ensure that its education system sustains high quality and equity of outcomes, and that what students are learning is relevant to evolving social and economic needs across the country. These concerns include education funding, local government capacity, and overcoming resource scarcity through horizontal co-operation. In

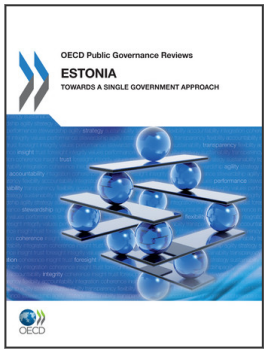
some ways, this is a classic management dilemma – how to do more with less – but the debate also raises fundamental questions on governance of the education system.

European countries are rapidly ageing, and Estonia is not an exception. Estonia's elderly are one of the poorest and most vulnerable segments of the population, as health and social care expenditures are lower and reported health problems among the aged higher than in other European countries. Estonia's policy makers are confronted with how to organise the financing, provision, and regulation of social services for the elderly in the face of increasing demand. The challenges include finding adequate resources (both financial and human capital), clarifying government-provider relationships, co-ordinating with centrally funded health services, and improving knowledge of elderly care needs. At issue is improving outcomes for Estonia's elderly through more sustainable and co-ordinated delivery of services.

The inclusion of these two case studies, presented as individual chapters, evaluates these questions within the broader context of public governance in Estonia, including co-ordination mechanisms for a stronger whole-of-government approach.

Moving forward

Due to its small size, Estonia cannot afford to be fragmented. Developing a single government approach may become a key factor in its continued success as it matures in its statehood. Senior public administration officials seem open to making structures more flexible, improving communication, overcoming inter-ministerial/inter-agency barriers, making strategic planning more cross-sectoral, and matching implementation structures to issues rather than the other way around. Critical public administration reforms are needed, however, to give shape to this vision by providing the structural and legal means for greater flexibility; the data and indicators to underlie decision making, prioritisation and accountability; and the skills and capabilities to better lead the public administration, engage with society and to develop and embody a single government approach.



From:

Estonia: Towards a Single Government Approach

Access the complete publication at:
https://doi.org/10.1787/9789264104860-en

Please cite this chapter as:

OECD (2011), "Executive Summary", in *Estonia: Towards a Single Government Approach*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264104860-2-en

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