

Action plan for developing administrative capacity and implementing the recommendations of the OECD Public Governance Review

“Our goal is more flexible and open management of the state. The share of employees receiving their salary from the state must not increase; in these conditions, the governmental authorities must successfully cope with the long-term challenges facing Estonia, such as increasing economic welfare and ensuring security. At the same time, the citizens and entrepreneurs expect better public services in all fields of life and for that we must be able to suggest, but also implement innovative solutions. Three targets must be followed in order to achieve these central objectives:

- *The Government’s work is more efficient and administrative burden decreases*
- *The share of the governmental sector of the working-age population will not grow*
- *The general government expenditure as a share of the GDP will not increase”*

Taavi Rõivas, Prime Minister

I. Background and objectives of the action plan

The development of administrative capacity and public governance are not objectives in themselves. Their main **objective is to support the capacity of state for solving long-term and cross-sector problems by enhancing design and implementation of policies intended for that, as well as supporting structural changes, which improve the services of the public sector.**

These problems are generally not unknown. With an ageing and declining population, there will be a lack of workers with skills necessary for sustainable economic growth in the future, which in the long term, puts the competitiveness of our society to test. To solve this problem, it is essential to improve the quality of education, help persons with reduced work-capacity to join the labour market, and continue making the creation of jobs more attractive by lowering the tax burden on labour. The use of natural resources must be sustainable; at the same time, producing as big an economic added value as possible. The cohesion of society must be improved through successful integration, good health, poverty reduction, and the strengthening of civil society. The tense security situation has clearly underlined the necessity to more broadly engage in national security and ensure that the residents feel safe and irreversibly integrate with the international security organisations.

According to the OECD report¹, the Estonian public sector could solve such long-term and cross-sectoral problems with more ease if the main direction is towards more cohesive governance. In this way, the following problems need to be addressed:

¹ OECD (2011), Estonia: Towards a Single Government Approach, OECD Public Governance Reviews, OECD Publishing. http://www.valitsus.ee/UserFiles/valitsus/et/riigikantselei/uldinfo/dokumendiregister/Uuringud/OECD_Public%20Governance%20Review_Estonia_full%20report.pdf

1. Fragmented public management, where problems are solved inside fields of governance and cooperation is seen as unnecessary bureaucracy and resistance, that does not support the opportunity to achieve better cross-sector results in policy-making and implementation;
2. The compiled strategies do not have sufficient impact on targeting the areas – the solutions are overly focused on institutions, the strategy landscape is fragmented, the objectives lack consistency and there is no direct link with the national budget and no flexibility towards changes;
3. Knowledge-based policy-making is used insufficiently and there is room for improvement in increasing the transparency of policy-making processes and involving the citizens' associations and interest groups;
4. The level of public services is very uneven in comparison across the ministries, as well as regionally; often, there are no determined minimum standards to which the services should correspond – cooperation is not used enough and processes are not harmonised.

II. Main changes

1. More flexible public management

To react to the problems in a more flexible way and set new focuses, it is necessary to change the public management in a way that enables redistributing policy areas more easily and target people to address the priorities. By decreasing the burdens in order to restructure the activity focuses of the governmental authorities in a quick manner, if necessary, it is possible to take a step from the management model of a single institution to a target-based management model.

With the amendments to the Government of the Republic Act, the Prime Minister has been provided with a more flexible option to form the government in a way that each minister's area of responsibility may be changed according to the issues that need to be solved. In order to implement new principles in a broader way, it is necessary to make further amendments to other legislation, but also solve practical issues arising from management models and work organisation.

The government has levers to flexibly change the structure and management of executive power. The task of the ministries is to develop a policy; the institutions are responsible for the implementation. Central offer of support services contributes to saving resources and supporting changes.

The principle of the flexibility of common public management is also supported by the guide of the State Secretary on processing of the EU affairs, which ensures timely and coordinated intervention in the decision-making processes at EU level. The guide includes guidelines on the preparation of Estonia's opinions by using involvement practices known from the proceedings of national legislation. In order to improve the quality of the proceedings of the EU affairs, it is planned to carry out training sessions under the training program and monitor the implementation of the principles of common governance in the daily work of the EU Coordinating Body.

In order to support the achievements of objectives, it is important to develop the quality of management and various management systems and organise the structures and processes of the institutions. These activities are supported by the activities of the preparatory measure of the Ministry of Finance – “Increasing national capacity through developing human resources and improving institutional capacity”.

Flexibility is also supported by ongoing development activities that are related to the centralisation of the support services (TUTSE project), which enable uniform practises and quicker implementation of the structural changes. Optimised work processes and information systems are used in financing, staff and salary accounting reports, which must be offered to all governmental authorities by means of the national support services centre. Additionally, a self-service portal of public staff is under development, a direction has been taken towards machine-readability (moving information, which can be used to create e-documents or paper documents) and services are developed on a multi-channel principle (in a suitable way for various technical devices).

The implementation of further innovations significantly enables to increase cost efficiency and transparency. All institutions that have been transferred to the SAP, start using the self-service portal and e-invoices. Machine-processable e-invoices are planned to be made obligatory in the settlements between the public and private sector, in so far as the direction of the development of company-related services is to fully use e-channels. In doing so, the accounting-related legal environment will be reviewed, the awareness of the institutions of public sector and entrepreneurs will be raised, and the impact of the changes on local governments will be assessed. Full transition to the organisation of electronic public procurements has been also planned, including creating options for using electronic tools of public procurement (e-auction, e-catalogue, e-invoice, dynamic procurement system).

2. Financing multidisciplinary programs and activity-based budget

In order to ensure effective achievement of the objectives, enhance the use of resources and strengthen the cooperation forms between the ministries, it is necessary to also further develop such a budgeting model that would increase the solution options of cross-sectoral problems, which are based on common objectives.

The basis for the development of a financing model that is jointly planned between the areas in the budgeting process and based on used resources is the State Budget Law that entered into force on 23 March 2014. This enables to prepare **inter-ministerial multidisciplinary programs** with their main objectives, scope and volume approved in the development plan on the level of the Government of the Republic. Several ministries can contribute to the same program and more precise design and implementation of the programs takes place on the levels of the ministries.

The government budget for 2020 is activity-based and includes inter-ministerial programs that exceed the borders of the governance areas.

Program-based management and financing helps to improve the overview on the objectives to be achieved across the ministries and the financial resources to be targeted towards the achievements of the objectives, and supports **the transition to an activity-based budget**. This increases the opportunity to ensure flexibility and respond to changes.

Better preconditions for the implementation of objectives set for joint responsibility of the ministries will be created by means of comprehensive financing of areas crossing the borders of the governance areas of the ministries and coordinated activities. Although several development plans are already multidisciplinary, traditional governance-based national budget financing model does not fully support their implementation. The new solution should contribute to the achievements of specific objectives after which such activities can be completed or restructured.

In order to support developments, the new State Budget Law draft implementing acts will be prepared, the methodology of strategic management will be developed (including the preparation of a new strategic planning rule book), and activity-based cost accounting will be explained, as well as preconditions for other budgetary innovations will be created. There will also be developments in the budgeting information system. As a result of these amendments, the inter-ministerial programs will be introduced by areas and the preconditions for the transition to an activity-based budget have been created by 2020.

3. Policy-making capacity development

In order to increase the performance of the policy-making, the deciders must have a clear understanding of the probable consequences of these decisions. A systematic knowledge-based analytical approach to the policy-making process that involves all important participants will contribute to improving this capacity. Even if there has been progress with the description of problems and setting goals, there are still significant gaps in proposing functioning solutions and financing priorities.

The development of policy-making performance must be addressed in a more systematic and analytical way than done so far. If knowledge-based and open policy process is a central objective, which involves more comprehensive and methodological assessment of impacts² and creating more opportunities for participating in the policy-making for stakeholders and the public, then focus must be additionally turned to **the diversification of the policy-making instruments and the development of skills**, at the level of the ministries, as well as at regional and local level. In addition to task forces and expert groups, it is also planned to support the wider use of different types of policy documents to create discussion on problems and their solutions.

In planning and after each major intervention, its cost efficiency and impact will be assessed in order to ensure the best result for every euro spent.

² Read more about impact assessment here: <https://riigikantselei.ee/et/valitsuse-toetamine/mojude-hindamine-ja-tarkade-otsuste-fond>

“Good involvement practices” has been established in the area of involvement, including on public consultations. Training supports both the assessment of impacts and the promotion of skills related to involvement among state public servants and non-governmental partners, according to the approach based on stakeholders. In June 2014, the Government of the Republic approved Estonia’s action plan for participation in the Open Government Partnership for 2014–2016, which was based on the recommendations of the third sector and partner organisations on making the public management more open. The funding of the activities meant for improving the involvement and participation capacity initiated in the joint creation of them and the others is provided for from the structural funds.

In relation to the impact assessment, the work organisation of the ministries will be further developed and harmonised to increase the analytical capacity to make policies, plan and coordinate their implementation activities, and raise early intervention capacity in the EU affairs. The impact of a policy already implemented must be assessed on a regular basis in order to ensure the accuracy of the taken direction and rational use of money, and further development of monitoring systems must ensure necessary information for timely intervention. Carrying out impact analyses must become a common practice and the institutions of national and local governments and the Government of the Republic must use the results of the analysis in making decisions.

4. Use of thematic task forces and horizontal networks

The special feature of horizontal and vertical coordination in comparison with the daily work of the ministries is finding solutions to the problems, which are clearly not the responsibility of one ministry or require coordinated and good cooperation between the participants. The work of task forces and expert groups, which will be created for the development of solutions for strategic issues requiring the cooperation between several ministries, governance levels (vertically, state-region-local government) or sectors, will be centrally organised. Their work will result in precise duties and responsibilities of the parties for future work and either institutional or work organisational changes will implemented, if necessary.

Functioning cooperation and coordination networks for exchanging information and harmonising work organisation between several task performers (for example, people engaged in the EU affairs, legislative drafting managers, development managers, financial managers, staff managers, involvement contact persons, and ICT developers) have already been created under the management of responsible institutions. Work results in solving problems between various fields have so far been uneven. The key to greater efficiency lies in broader institutionalisation, based on several successful examples provided so far.

Task forces or expert groups work to solve central problems and new cooperation networks of the employees with similar tasks are created.

5. Development of legal environment and legislative drafting in important areas

Rules for good legislative drafting and standard techniques have been implemented in the field of legislative drafting, which provides that from 2014 onwards all legislative acts must be prepared according to the new rules, including impact assessment. In addition to preparing new drafts according to the new rules, more systematic organisation or **codification** of the applicable law **in several important areas** takes place. In the course of this activity, a comprehensive, substantial and systematic analysis of the legal area will be carried out and then, the legal area will be harmonised to a necessary extent and also updated. Each codification project must contain facilitation, the analysis on the implementation of the EU law, consideration of alternatives, impact analysis, and the involvement of stakeholders. So far, the legislation of four areas has been codified and the legislation of up to six areas is still waiting to be codified. Pursuant to the priorities of the Government of the Republic, decisions may be taken to modify the codification areas. **Sectoral legal analyses** are supported as a new instrument with their main precondition lying in the interest of several ministries or across the sector.

With regard to the quality of legislative drafting, the Ministry of Justice has a leading role in **systematic development of lawyers engaged in legislative drafting** (including training and the undergrowth program), which ensures better result by valuing common work practices and cooperation experience and setting greater demands on competency.

6. Adjusting public governance staff policy to demographic trends

The public sector employment must be in compliance with the development trends of the population. To achieve this, the government needs a thoughtful staff policy on how to correspond to expectations set for the public sector to also ensure services in the conditions of shrinking labour force and ageing population without increasing its proportion. The Ministry of Finance is responsible for the staff policy of the whole state as an employer and therefore, targets and supports the development of the public sector to adapt to changes arising from the external environment and cope with substantive goals of the government. To achieve this, the central objectives of the public sector development must be brought together with the activities of institutions in planning compositions and budgets.

7. Development of staff administrative capacity

The public sector and its partner organisations must be innovative and function as leaders in their area, which allows them to jointly contribute to the development of the state as a whole. Common and repeated use of means and solutions of the staff area allows the public administration to function more efficiently and ensures more consistent service quality.

Deepening the cooperation culture with harmonised solutions of the central staff policy will ensure an attractive employer for the skilled workforce.

Workforce planning and development are predominantly based on an institution or area, with some exceptions. Program “Central training 2012–2013” and the development of senior executives already function as centrally managed. Soon, an analysis will be carried out on how to reorganise **the activities of the central training unit**. In doing so, it is further necessary to evaluate the results of the employees in a more comprehensive way and update the principles of the development activities of the employees.

The mobility and rotation of the employees of the public sector have been used little so far. For the purpose of sharing knowledge, distributing the best practices and strengthening the cooperation between institutions, the EU Secretariat of Government Office has been guided by the rotation principle, meaning that officials and employees are employed from other ministries or other governmental authorities for a certain period of time. The challenges of wider implementation of rotation include uneven salary levels, lack of a general rotation system and career model, as well as legal bottlenecks (for example, lack of a rotation opportunity between the employees and officials).

The management of leaders plays a key role in the development of a state apparatus that functions in a coordinated way and collaborates well. The general management quality of the institutions is greatly influenced by senior executives, including the fact how knowingly modern management instruments are used for the improvement of the performance of an institution or whole governance area. The level of middle managers and other managers as the level of important knowledge pooling and the after-growth of senior executives has still not been systematically developed according to the needs of the state as a whole.

In order to increase **the coordination capacity of the EU topics**, the use of existing people and structures has been agreed on as a horizontal principle in preparing for the Presidency. Personnel strategy and training schedule have been prepared and approved for the preparation of the Presidency. These include a fixed-term transfer between the governmental authorities while recruiting the staff of Presidency, and subsequent implementation of the gained experience after the completion of the fixed-term transfer. In 2014, a central placement program for the officials and employees concerned with the ministries and EU affairs was launched in Government Office for the Permanent Representation of Estonia to the EU in order to improve the knowledge on the EU, social networks and collaboration.

III. Relations with other documents

The objectives and activities designed for the changing of public services in a better way have already been extensively covered with regard to administrative capacity and governance in two sectoral development plans approved on the governmental level: in case of services provided on the local level in “Estonian Regional Development Strategy for 2014–2020”³ and in “Estonian Information Society Development Plan for 2020”⁴ determined to make use of ICT options. Furthermore, a number of other documents and principles have been submitted, which also contribute to the development of administrative capacity and public governance.

³ https://valitsus.ee/sites/default/files/content-editors/arengukavad/eesti_regionaalarengu_strateegia_2014-2020.pdf

⁴ https://valitsus.ee/sites/default/files/content-editors/arengukavad/eesti_infouhiskonna_arengukava_2020_0.pdf

The activities of the sub-objective of **the information society action plan** “Smarter public governance” must contribute to the achievement of a situation in which the management and functioning of the public sector is smarter, more efficient, more comprehensive, more sustainable, and more open thanks to the skilful use of ICT opportunities. ICT contributes to the development of public services and to the promotion of involvement and participation opportunities, as well as making a better use of the options of the data analysis to offer services of better quality. ICT solutions improve the proceeding processes and promote the multi-channel service delivery options in public administration, contributing to the efficiency of the administration at both national and local level, as well as to the increase in the availability of services. This allows the public sector to offer a high-quality and user-friendly services with limited resources to the citizens and entrepreneurs.

In 2014, an analysis was carried out in three chosen areas to evaluate the tasks of local governments and the revenue base, through which:

- *The actual level of the task fulfilment will be assessed through the basic parameter characterising the performance of tasks assigned by law to local governments;*
- *The average estimated cost will be ascertained by chosen services;*
- *Required and recommended standards and requirements will be ascertained.*

A methodology for the assessment of budget impacts will be developed for the local governments in case of adding tasks to them. The analysis results in making necessary proposals for changing the principles of the revenue base of the local governments (for example, changing the formula of the equalisation fund and its alternative options) and developing statistics harvesting necessary for assessing the adequacy of the revenue base.

The focus of the development plan of regional development is on the promotion of employment and entrepreneurship, as well as living environment. In doing so, an important role is based on the capacity of local and regional performers to plan the development of the area, including the provision of services, in a comprehensive and systematic manner, while taking into account region-specific preconditions and changes taking place in the environment (for example, decrease in population, ICT development). Regional development strategy also emphasises the need to better coordinate the regional impact of area policy, including all that concerns the availability of public services.

In spring 2014, the Government set its goal to determine the levels of the fulfilment of public tasks and design financing principles necessary to implement them. The corresponding proposals will be prepared by the Ministry of the Interior and the Ministry of Finance as a **concept of the local government reform**.

Common public governance is acting as a **recurring theme** in preparing action plans of all areas and planning the support measures of the new EU budget period by taking into account the objectives and criteria set for the development of public management by means of the guide for considering recurring themes.

Several specific issues and trends of designing staff policy have been handled in **the white book of staff policy of a state as an employer**.

IV. Implementation of the action plan

The action plan is primarily focused on new extensive structural changes, the need for which arises from the aforementioned long-term challenges, and which comply with one or several following criteria, meaning that the implementation results in the following:

- Increase in the policy-making capacity;
- Achieving better public services;
- Decrease in administrative burden for citizens and businesses;
- Improvement in cooperation between the participants;
- More efficient resource usage.

In doing so, the updates carried out in cooperation with different ministries are preferred.

Action plan for developing administrative capacity and implementing the recommendations of the OECD Public Governance Review will be approved by the Government of the Republic and it shall be reported and updated every year.

In order to support the implementation of the action plan, the State Secretary will convene **the Sectoral Commission of Administrative Capacity Development**⁵, which consists of the State Secretary, the secretary generals of four ministries (RM – Ministry of Finance, MkM – Ministry of Economic Affairs and Communications, SiM – Ministry of the Interior, JuM – Ministry of Justice) and partners who are most involved in public governance. The Sectoral Commission of Administrative Capacity Development will monitor the state of the implementation of the action plan and the achievement of the objectives and makes proposals on enhancing the activities and updating the action plan. The sectoral commission also observes the indicators of the achievement of the results of the measures and provides recommendations for strengthening the measures.

The role of the sectoral commission is to also perform all obligations arising from the Structural Assistance Act and provide guidelines for establishing major substantial and thematic focuses of the projects to be implemented by means of the priority axis of administrative capacity. The projects necessary for the management of comprehensive changes related to solving the problems mentioned in Chapter I generally include a component that is financed from several measures, for example, both an analysis and training sessions at different levels. In the event of changes of great importance, the sectoral commission can target support as a whole for all necessary components, which the participants carrying out various activities take into account.

⁵ The implementation of the components of the action plan by means of the EU structural funds takes place with the following measures of the priority axis of the administrative capacity: “Development of the quality of policy-making”, “Increasing national capacity through the development of human resources and the improvement of institutional capability”. The objectives are also supported by the information society development measure: “Development of the provision of public services”.

Instrument	Output indicators	Target level	Cost in euros	Deadline	Responsible bodies
Measures to increase national capacity through the development of people and the improvement of institutional capacity	Number of participation times in training	26,600 ⁶	24.8 million	2023	RaM, SiM, EAS
Measures to improve the quality of policy-making	Task forces and expert groups Involvement projects Impact, legal and future analyses	15 9 65	8.5 million	2023	RaM, Government Office, JuM, Estonian Employers' Confederation, Confederation of Estonian Trade Unions
Smart development of existing and new information systems. Carrying out analyses and research and the organisation of the work of cooperation networks and training activities	Number of projects carried out with the objective to improve the public services ⁷	200	98.6 million	2023	MKM/RIA
The main result indicators characterising the implementation of the action plan					
The government has been provided with levers to flexibly change the structure and management of executive power				2016	Government Office, JuM
New/modified codifying areas will be based on the priorities of the Government of the Republic				2016	JuM
The national budget finances the inter-ministerial programs that exceed the limits of governance areas				2016	RaM
The public sector will only accept e-invoices				2016	RaM
In case of each major intervention, its cost efficiency and impact will be taken into account				2017	Government Office
Central training centre has been restructured				2017	RaM
State budget is activity-based				2020	RaM
Impact indicators of the implementation of the action plan					

⁶ The target level includes the training sessions both at the central level and the local level and the development of organisations.

⁷ The projects contribute to achieving the sub-objective of the development plan of information society "Smarter public governance" and this indicator will be observed by the sectoral commission of information technology.

The government's work is more efficient and administrative burden decreases⁸
The share of government spending in GDP does not exceed 42%
The share of public management staff in working-age population will not exceed 13.4%

⁸ The target levels of the objective to enhance the efficiency and reduce the administrative burden of the government will be designed after the basic level has been evaluated.