



Public administration characteristics and performance in EU28:

Estonia

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1 SIZE OF GOVERNMENT

General government total expenditure makes 40.33% of Estonian GDP (2015) which is a smaller share than in a great majority of the EU countries. Out of this, the central government's share is remarkably large – 86.97%. In terms of municipal expenditure as a percentage of general government expenditure, Estonia is below the OECD average (OECD 2016). Municipal finances are very centralised, with approximately 80% of municipal revenues centrally regulated (e.g., personal income tax, grants, and an adjustable land tax).

Table 1: General government budget data

ESTONIA	2010	EU 28 Rank	2015	EU 28 Rank	Δ Value	Δ Rank
Total expenditures (in % GDP)	40.51	26	40.33	23	-0.18	+3
Central government share (%)	85.12	4	86.97	4	+1.85	+0
State government share (%)						
Local government share (%)	24.21		23.48			
Public investment (in % GDP)	4.84	6	5.37	4	+0.53	+2
Debt in % GDP	6.55	1	10.05	1	+3.50	+0
Deficit in % GDP	0.2	1	0.1	2	-0.1	-1

Sources: AMECO, Eurostat

Estonia's public sector as a whole employed 118,253 people in 2015, almost evenly distributed between the government sector (47%) and the local government sector (53%). The size of the public administration has been relatively stable over the past 10 years. In 2011, public sector employment in Estonia amounted to 23.1% of total employment. As a share of the labour force, it has increased from 22.9% in 2005 to 23.8% by 2013. This has been the result of a slight increase in public sector employment, coupled with a decline of the total labour force. As a response, the Estonian Government has set a policy to keep constant the share of government employment to the labour force, which requires consolidation of the government sector. The policy has been continued by the newly elected government in March 2015 and by the government formed in November 2016, requiring decreases in public sector employment as the labour force is expected to further decline. (OECD 2016)

Table 2: Public sector employment*

ESTONIA	2005	OECD EU18 rank	2011	OECD EU12 rank	Δ Value
Total public sector employment in % of total labour force	22.90	8	23.10	5	+0.20
	2005	OECD EU21 rank	2011	OECD EU19 rank	Δ Value
General government employment in % of total labour force	19.40	6	19.40	5	0.00
			2011	OECD EU17 rank	
Central government share of general government employment			47.78	7	

Sources: OECD- Government at a glance

*According to the OECD, public sector employment includes public corporations, while general government employment excludes public corporations.

Table 3: Public sector employment in Estonia

ESTONIA	2015
(1) General government employment (in thousands)*	118 253
thereby share of central government (%)	47%
thereby share of state/regional government (%)	0%
thereby share of local government (%)	53%
(2) Public employment in social security functions (in thousands) ¹	6 304
(3) Public employment in the army (in thousands)	3 974
(4) Public employment in police (in thousands)	4 891
(5) Public employment in employment services (in thousands)	589
(6) Public employment in schools (in thousands)	35 324
(7) Public employment in universities (in thousands)	6 646
(8) Public employment in hospitals (in thousands)	18 270
(9) Courts (in thousands)	1 138
(10) Vocational schools (in thousands)	2 274
(11) County Governments (in thousands)	470
(12) Public employment in core public administration (in thousands) calculated (1) minus (2)-(11)	38 373²
(13) Core public administration employment in % of general government employment (12)/(1)	32%

Sources: National statistics and Ministry of Finance

*According to the OECD, general government employment excludes public corporations.

2 SCOPE AND STRUCTURE OF GOVERNMENT

2.1 State system and multi-level governance

2.1.1 The state/government system

According to the constitution, the President is the head of the state and supreme commander of the armed forces of Estonia. However, as Estonia is a parliamentary republic, the President's executive powers are limited and the President is mostly a symbolic figure with honorary functions. The President represents Estonia in international relations, may return a parliamentary act for revision, approves the dissolution of Parliament, and proposes constitutional amendments.

Legislative authority is vested in the Parliament (Riigikogu). The Riigikogu comprises one hundred and one members. The Riigikogu is elected every 4 years and members of the Riigikogu are elected in free elections according to the principle of proportional

¹ Includes Ministry of Social Affairs and government agencies in the governance area of Ministry of Social Affairs (e.g. Health Board, Agency of Medicines).

² Includes foundations like museums, theatres or Enterprise Estonia, and state agencies like Shared Service Centre or IT-support Centres.

representation. Elections are general, uniform and direct. Voting is secret and involves a possibility of casting a vote electronically. Riigikogu is composed of members of 5-6 political parties, out of which 3 parties normally make up a government coalition.

The nation's supreme executive powers are vested in the Government of the Republic. According to the Constitution, the government's main responsibilities include: implementing the domestic and foreign policies of the state; proposing legislation to the Riigikogu; preparing and submitting the draft of the state budget to the Riigikogu; administering and implementing laws and resolutions of the Riigikogu; administering and implementing the state budget; and presenting a report on the state budget implementation to the Riigikogu. According to the Government of the Republic Act, the government may contain up to 15 ministers including the Prime Minister. The government is headed by the Prime Minister and is comprised of 11 ministries, the Government Office and 15 county governments, as well as executive agencies and inspectorates, and their regional offices. Ministries are responsible for policy making, and their subordinate agencies are mostly responsible for policy implementation. There are currently 15 ministers (incl. Prime Minister) in the 11 ministries.

The activity of the government is directed by the Prime Minister, who is the political head of state. In accordance with the Constitution, the Prime Minister supervises the work of the government, chairs government sessions, signs legislation adopted by the government, holds ministers to account, and proposes to the President any changes in the composition of the government. The Prime Minister is appointed by the Riigikogu on the recommendation of the President, and is usually the leader of the majority party of the coalition government. The Prime Minister's significance and role in the government and his relations with other ministries often depend upon the position of the party led by the Prime Minister vis-à-vis the coalition partners, and on how much influence the Prime Minister possesses within his/her own party. (OECD 2011)

The government is responsible to the Riigikogu, which has various tools and mechanisms at its disposal for influencing the executive – including the power to issue a vote of no-confidence on the government, the Prime Minister, or individual ministers. If the Riigikogu issues a vote of no-confidence on the Prime Minister, the entire Cabinet must resign.

The provision of public services is shared between central and local government. Considering the vertical dispersion of authority between central and local government, Estonia is a small and very centralized country, which has had a single-tier local-government system since 1993. Estonia is a unitary State without self-governing regions which was divided into counties, rural municipalities and cities (183 rural municipalities and 30 cities which in turn form 15 counties) until 2017. Since 2018, the division will change. By January 2018, 15 county governments will be eliminated. In addition, as the result of amalgamation of local governments during the period of 2016-2017, the number of municipalities decreased (64 rural municipalities and 15 cities) (see 2.1.4). The mergers of local governments were enforced in the local elections in October 2017.

Local affairs are managed autonomously by local governments, which are the rural municipalities and cities. Rural municipalities and cities have equal legal status and they form the local level of Estonian public administration. All local governments operate within a county – county governments are part of central administration and represent the central government's interests. The Constitution forbids the establishment of self-governing regions or the creation of a Federal State. Significant guarantees to local self-

government are provided by the Constitution of the Republic of Estonia (see also Mäeltsemees 2012):

- All local matters are determined and administered by local authorities, who discharge their duties autonomously in accordance with the law.
- A local authority has an independent budget which is drawn up in accordance with the principles and procedure provided by law.
- Local authorities have the right, on the basis of the law, to establish and levy taxes, and to impose encumbrances.
- The administrative area of a local authority may not be changed without hearing the opinion of the authority.

Cooperation of municipalities is organized through the work of national local government associations: the Association of Estonian Cities and the Association of Estonian Rural Municipalities. Local government associations still have a very low status as non-profit, nongovernment organisations.

2.1.2 The distribution of powers between different levels of government

According to the Constitution, functions may be delegated to local government only by law or by mutual agreement. All local issues are dealt with and resolved by local authorities unless assigned to other persons according to law. The main tasks of the rural municipality and the city are stated in the Local Government Organization Act. The functions of local government include the organization of social assistance and services, welfare services for elderly, youth work, housing and utilities, the supply of water and sewerage, the provision of public services and amenities, waste management, physical planning, public transportation in the local area, and the maintenance of rural municipality roads and city streets unless such functions are assigned by law to other persons. (Mäeltsemees 2012)

By means of contract signed with state agencies, local government may also be empowered to provide state functions and services. The largest item in local authorities' expenditures in Estonia is general education (basic schools and upper secondary schools are municipal schools). Social care is mainly a shared function. Pensions, child or family, financed social care of the disabled and unemployment benefits are paid by the state budget. The functions of local authorities also include the maintenance of different kinds of facilities: pre-school, child care facilities, basic schools, secondary schools, libraries, community centres, etc. (Mäeltsemees 2012)

Table 4: Distribution of competences

Government level:	Legislation	Regulation	Funding	Provision
Central government	Defence External affairs Internal affairs Justice Finance/tax Environmental protection Public utilities (water, electricity,	Defence External affairs Internal affairs Justice Finance/tax Environmental protection Public utilities (water, electricity,	Defence External affairs Internal affairs Justice Finance/tax Environmental protection Public utilities (water, electricity,	Defence External affairs Internal affairs Environmental protection Science and research (incl. universities) Education (upper secondary

	transport) Social welfare Health	transport) Social welfare Health	transport) Social welfare Health	schools, vocational schools) Social welfare Health
State/regional government	NA	NA	NA	NA
Local government	-	Internal affairs (municipal police) Finance/tax	Internal affairs (municipal police) Finance/tax	Internal affairs (municipal police) Environmental protection Public utilities (water, electricity, transport) Social welfare Health Education (basic school and upper secondary school)

2.1.3 Fiscal autonomy of local government

The Constitution guarantees that local authorities have independent budgets which form part of the public sector's budget, but are not part of the state budget. Nevertheless, local government finances are to a large degree dependent on the central government budget. The main sources of rural municipalities and city revenues are the taxes imposed by the state and subsidies from the State Budget. Other significant sources of revenue are loans and revenue received from the sale or letting of municipal property. (Mäeltsemees 2012)

The taxes imposed by the state fall into two categories: taxes whose rate cannot be altered by local authorities (personal income tax and natural resources user fees) and taxes whose rates may be modified by local authorities (land tax). The biggest proportion (approximately 1/2) of the income for local budgets comes from the state personal income tax. That high dependency of one type of tax is rather unique for municipalities in other European countries and risky as well. (Mäeltsemees 2012)

The Local Taxes Act determines the types of local taxes, the subject of taxation, exemptions from tax, the basis of the assessment and the rate of taxes. Under these legal conditions, municipal authorities may decide about the type and rate of local taxes. In terms of relative importance, local taxes in Estonia amount to less than 5% of local self-government revenue which means that local governments are very dependent on the State Budget and their fiscal autonomy is very low. (Mäeltsemees 2012) The central government has decreased the fiscal autonomy of municipal authorities even more by reducing the opportunity to implement different kind of local taxes. In addition, the role of general grants for capacity building (as an indicator of local autonomy) has decreased significantly, compared to the tremendous increase in conditional and formula grants, which indicates an increase in financial dependence on central government. In sum, most

local governments remain heavily dependent on central government revenues. This de facto considerably restricts de jure municipal autonomy.

2.1.4 Multilevel governance and public sector reform

Estonia's local authorities constitute an autonomous sphere of public authority. The central government does not have the right to administrative intervention. However, in the last years, the central government of Estonia has increased the use of instruments to influence local policy. For example, it has reduced the involvement of local authorities in the policy process at national level. The national politico-administrative elites have openly pushed Estonian intergovernmental relations towards the fused and centralised pattern of central-local relations. The latter strategy can be implemented easily in a top down manner because of the overwhelming superiority of central authorities over small and mutually competing local authorities.

Local authorities are involved in the policy-making process through national local government associations. In general, the engagement process of local authorities is rather superficial – national local government associations are sometimes asked to participate in the policy-making when the substantive policy decisions have been made already. This means that suggestions of associations that are of a transformative nature (e.g. do not specify only details) might not be considered, especially when inclusion takes place too late. In addition, as mentioned before, associations have a rather low status as non-profit, nongovernment organizations and they lack capacity to contribute to policy-making.

The challenges facing the central/sub-national relationship mirror those at the central government level: weak co-ordination and a lack of capacity to maximise co-ordination mechanisms. This relationship impacts service delivery by all levels of government, as well as local authorities and regional development. (OECD 2011)

Starting 2016, a comprehensive territorial reform with the aim of reducing the number of local government was initiated by the government. The reform consists of two phases: in the first phase, the government gave the opportunity to the local authorities with fewer than 5000 residents to merge on their own initiative. 160 local authorities out of 213 decided to merge on their own initiative. Phase two of the territorial reform foresaw that the government proposed a mandatory merger of local governments with fewer than 5000 residents. Following the second phase, the number of local governments dropped to 79. The mergers were enforced in the local elections in October 2017.

In the beginning of 2017, the Government has decided that all activities of county governments shall be terminated on 1 January 2018. The counties will continue to exist as state administrative units, with the state providing the necessary services to the population. The reason behind this reform is that the county governments have retained very few tasks. According to the government plan, the local tasks of the county governments will be transferred to the local governments and the state tasks shall be transferred to ministries and existing departments. As a result of the reform, the local authorities will engage in planning of county developmental activities, coordination of county cooperation, vital statistics, additional cultural undertakings and regional public transport improvements. The ministries will be responsible primarily for organisation of supervision in different spheres, land actions, implementation of regional development programmes and compilation of state planning documents.

State structure (federal - unitary) (coordinated - fragmented)	Executive government (consensus - intermediate majoritarian)	Minister-mandarin relations (separate - shared) - (politicized - depoliticized)	Implementation (centralized - decentralized)
Unitary Fragmented	consensus	separate, depoliticized	Centralized

2.2 Structure of executive government (central government level)

2.2.1 Machinery of government

There are 11 ministries in Estonia with approximately 2 600 staff including both civil servants and employees. With the exception of two ministries (Ministry of Foreign Affairs and Ministry of Finance), there are 250 or fewer people working in each individual ministry. The internal structure of the ministries is regulated by the Government of the Republic Act. According to this act, a ministry is divided into departments pursuant to the statutes of the ministry. In the cases prescribed by law, structural units in addition to departments may also be included in the structures of ministries. A department of a ministry is a structural unit of the ministry which has no authority of executive power with respect to persons outside the ministry, unless otherwise provided by law. The structure and competence of a department of a ministry is determined in the statutes of the department approved by the minister. A department may include divisions and bureaux. A department of a ministry is directed by the head of the department (in the Ministry of Foreign Affairs by the director general). The head of a department or director general is appointed to and released from office by the minister. Divisions and bureaux of a ministry are structural units within a department. The structure and competence of divisions and bureaux is determined by the statutes of the department. A division or bureau is directed by the head of the division or of the bureau. Structures and higher positions for ministries are generally designed according to the existing legislation and structures of ministries are very similar. The biggest exception is Foreign Ministry, which has specific rules for structure in Government of Republic Act.

According to Government of the Republic Act, the secretary general of a ministry (which is the highest non-political civil servant in the ministry) directs the work of the structural units of the ministry. There are usually a few deputy secretaries general in each ministry. The appointment and release of secretary general and deputy secretary general, as well as their responsibilities is regulated by the Government of Republic Act as well.

There are altogether 43 executive agencies in the Estonian central government with approximately 20 200 of staff (incl. civil servants and employees). The administration of internal structures and positions of agencies is decentralized and there is no central law for it. Only the appointment and release of the position of the head of the agency – director general as well as his/her responsibility, is regulated by the Government of the Republic Act. Because of that, structures of agencies are very different and difficult to generalize. The number of employees varies remarkably between agencies: the biggest agency has approximately 5 000 employees (Police and Border Guard Board); there are two agencies with more than 1 000 employees (Estonian Rescue Board; Estonian Tax and Customs Board), and there are five agencies with less than 50 employees.

In general, the Estonian central government is decentralized and fragmented to a large degree. A central trait of the Estonian administrative system is its reliance on ministerial responsibility. Although ministries are small, they are strong administrative actors with considerable leverage over the issues within their areas of governance. Other

coordinating centres in the system (the Government Office, the Ministry of Finance) are equipped with restricted coordinating powers and, in addition, often constrained by limited resources. The role of the ministries is mostly confined to policy formulation while implementation of policies is carried out by various agencies under their supervision. In accordance with ministerial responsibility, all public organizations are subordinated to specific ministries, and their communication with the cabinet goes through the parent departments. There are no agencies in the administrative system that report to the cabinet as a whole. (Sarapuu 2012)

Although the executive agencies of central government operate closest to the ministries, and this is the only group of agencies that is covered by the civil-service regulations, their management autonomy is restricted more than for other types of agencies. Over the years, the management of support functions (human resources, information technology, and accounting) has become more centralized by the parent ministries. Underlying arguments for centralization arise from the efficiency discourse as well as from the expectation that uniformity and standardization will contribute to organizations' performance. The policy autonomy of government agencies is first of all determined by the legislation regulating their field of functioning. In some cases, there is very high policy autonomy prescribed by law. In addition, due to the complexity of the issues handled by government organizations, their frequent monopoly of expert knowledge and limited resources of the ministries, the influence of agencies on policies can be very high. (Sarapuu 2012)

It is possible to distinguish between four main phases of public sector reforms in Estonia (see also Savi and Randma-Liiv 2016; Sarapuu 2012):

- 1) First, the initial post-communist transformation (1990-1996) witnessed broad-based political, economic and administrative reforms and the establishment of a new legislative and institutional framework. During this period, the functions of the public sector were optimized in relation to private sector (e.g. privatization), and between central and local government.
- 2) Second, during the EU accession period (1996-2004), several reform initiatives (e.g. the establishment of new agencies like foundations) were strongly impelled and shaped by the EU accession criteria and 'conditionality' set by the European Commission (Sarapuu 2012). Two keywords stood out – simplifying and downsizing of the government machinery. The discussion focused on reducing the number of boards and inspectorates, especially the first ones that were seen as centres of autonomous executive power competing with the ministries. Most of the "ungrounded" ones were supposed to be absorbed by the parent ministries.
- 3) Third, the phase of continuous 'fine-tuning' of the existing system mainly aimed at increasing cost-efficiency (from 2004 to 2011). The agencies were established as well as ended and moved between ministries, and the previous trend of abolishing boards was abandoned. During 2008-2010, seven complex mergers or complex reorganizations of the government agencies took place, often also embracing functions from outside the centre of the government. Seven agencies ended their existence in bigger multi-functional structures.
- 4) Fourth, the current phase of public management reforms (from 2011 onwards) which began with the OECD report of 'Estonia: Towards a Single Government Approach' (2011). This report gave a new discourse to the public administration development in Estonia. As suggested by the OECD, the Estonian government

drafted the action plan for the OECD report which became over a decade the central document regarding public administration development. During this period, several extensive reforms (like civil service reform, anti-corruption regulation reform, creation of shared service centres, amalgamation of local governments, elimination of county governments) were implemented which had been postponed by the government earlier. In addition, government focused more on e-governance development by creating special institutions for central coordination (central department for coordination of digitalization of e-services at the Ministry of Economic Affairs and Communication in 2011, Estonian Information Society Strategy in 2013, and E-Estonia Council in Government Office in 2014).

To sum up, the general trend of reform at the centre of government over the 20 years can be characterized as “de-agencification” – although a number of agencies have been established next to abolishing and merging them, in sum the numbers of both the ministries and government agencies have decreased considerably. On the level of agencies, the trend is towards the development of multi-functional organizations. In terms of types, boards as agencies with a wider task specification than inspectorates (oriented specifically to state supervision) have become the preferred form of sub-ministerial executive unit (converse trend until 1998). As the decentralized nature of the Estonian administrative system obtained further inducement from the sector-based nature of the EU-membership negotiations process, structural reforms have also been led by single ministries for their specific areas of governance. (Sarapuu 2012)

2.2.2 The Centre of Government capacity for coordination

The organization of the central government is regulated by the Government of the Republic Act (GRA) adopted in 1995. In terms of horizontal coordination, Estonia operates a segmented administrative system where the responsibility for public policies and programs lies with individual ministries. Such an arrangement is supported by budgetary and strategic planning frameworks. Horizontal coordination mechanisms that have been built into the system (e.g. consultation of draft regulations, management of EU affairs) are mostly based on network-type cooperation. (Sarapuu 2011)

In Estonia, key central coordination functions are shared between the Government Office, the Ministry of Finance, the Ministry of Justice, and to some extent the Ministry of Economic Affairs and Communication:

- The Government Office is charged with supporting the Prime Minister and ensuring effective implementation and management of government strategies, including ensuring implementation and monitoring of the Government Programme.
- Within the Ministry of Finance, key departments are responsible for budget processes (including medium-term expenditure frameworks), civil service co-ordination (except for the senior civil service which is the responsibility of the Government Office), coordination and governance relations with the regions, as well as co-ordination of certain public management developments.
- The Ministry of Justice co-ordinates the regulatory process and oversees the implementation of regulatory impact assessment (RIA) and legislative quality more generally.
- The Ministry of Economic Affairs co-ordinates the management of the state’s information systems and oversees the implementation of the digital government agenda while the Ministry of Interior covers co-ordination and governance relations

with the regions and is responsible for central government emergency preparedness and planning for crisis management.

The central coordinating units in the system, such as the Government Office and the Ministry of Finance, are equipped with restricted coordinating powers and often constrained by limited resources.

2.2.3 Key management, budgeting and monitoring mechanisms

According to the Government of the Republic Act, the Ministry of Finance is the institution responsible for the development of fiscal policy, strategic management and public service. From the line ministries point of view, most mechanisms for steering the performance of subordinate agencies are managerial ones; the annual budget is negotiated for and determined by the parent ministry and strategic work plans are coordinated by the ministries as well (Sarapuu 2012).

The Estonian government has rather centralized budgetary institutions, governing the preparation, adoption and implementation of the budget. The organic budget law adopted in 1994 foresaw a top-down approach to budget preparation and granted the Ministry of Finance extensive powers in the budget process. These included the authority to establish expenditure ceilings for the line ministries at the beginning of the annual budget cycle (from which the ministries had to proceed when compiling their annual budget bids) and to delete or change the line items in the ministerial budget proposals after their submission to the finance ministry. Although the revised organic budget law (1999) increased somewhat the budgetary decision-making powers of the Cabinet as a whole, the overall orientation of the budget process still remained top-down, with the overall expenditure target and ministerial ceilings established early in the budget preparation process. The reform efforts in the 2000s included the establishment of a medium-term fiscal framework and taking steps towards performance budgeting (in the form of creating links between strategic planning, performance management and budgeting). The performance budgeting system in Estonia was created in 2002-2005 via amendments to the organic budget law (the State Budget Act) and the adoption of a regulation on strategic planning. The resulting system can be categorized as presentational performance budgeting, whereby performance information is added to the main budget documents (i.e. the state budget strategy spanning 4 years and the annual budget) but without any direct linkages between performance information and budgetary allocations. (Raudla 2012)

Since the early 1990s, the implementation phase of the budget in Estonia has also become increasingly centralized and the Treasury (in the Ministry of Finance) has assumed an important role in controlling the expenditure flows, aided by the use of ICT solutions. At the same time, the breakdown of the input-based expenditure categories has become less detailed since the 1990s: instead of more detailed classification of operational expenditures, the budget law started to provide lump sum approximations, leaving it up to the cabinet to decide on the more detailed line items. Thus, the general practice since the early 2000s, has been for the Cabinet to decide on the items dividing the operational expenditures between personnel and other administrative expenses (after the budget law has been adopted by the Parliament), leaving the ministries some leeway in shifting funds within those categories. During the fiscal year, the ministries also have a possibility to ask for the cabinet's permission to re-allocate spending between the different line items. (Raudla 2013)

2.2.4 Auditing and accountability

The National Audit Office is an independent institution whose function is to investigate how the state and local authorities have spent the taxpayer's money and what they have given them for it. Thus, the National Audit Office is the auditor of the state that verifies whether public funds have been used successfully – economically, efficiently and effectively – and lawfully. The National Audit Office is not interested merely in the formal compliance of the activities with laws, but it also investigates whether the laws and the government's actions are sufficient to ensure purposeful and advisable use of funds and whether reports give an adequate picture of the spending and results. Based on the recommendations of the National Audit Office, the Riigikogu and the Government can improve the functioning of the state and use the taxpayer's money more responsibly. The National Audit Office also has the right to make proposals to the Government, ministers and local authorities to draft legislation or amend or modify legislation in force. The independence of the National Audit Office is secured by the Constitution and the National Audit Office Act. No one can order the National Audit Office to perform mandatory audit functions. The National Audit Office decides on its own what, when and how to audit. The activities of the National Audit Office are annually audited by an auditor appointed by the Parliament.

The National Audit Office publishes between 30 and 40 audit reports annually. About half of them are financial audit reports, 10-15 are performance audit reports and 6-8 are local government audit reports. The Peer Review Report (National Audit Office of Estonia, 2015) conducted by the supreme audit institutions of the Netherlands, Poland and Sweden concluded that The National Audit Office of Estonia has competent auditors and is highly respected and valued by parliament, government and stakeholders in society. According to the Peer Review, Estonian audits are technically of a high quality, but strategic quality could be stronger (their added value should be higher). Most audit reports receive close attention from the stakeholders. Recommendations are thought to be taken into account by the responsible government entities, sometimes in the long run if ministries initially respond negatively. At the same time, the results of a survey of 118 Estonian public officials (Raudla et al. 2015) show that auditees can perceive performance audit to be useful even if it does not lead to specific changes in policies or organizational practices. A surprisingly low percentage of the respondents considered performance audit to have been used to hold the audited organization accountable for their actions. The study also indicates that when parliamentarians pay attention to performance audit and when media attention leads to political debate, the adoption of changes recommended by the performance audit report is more likely. (Raudla et al. 2015)

In the ombudsman position in Estonia is the Chancellor of Justice, who is appointed to the office by the Parliament on the proposal of the President of the Republic for a term of seven years. The Chancellor of Justice is legally in his or her activities an independent official whose main responsibility is to review the legislation of general application of the legislative and executive powers and of local governments for conformity with the Constitution of the Republic of Estonia and the Acts of the Republic of Estonia. In addition, the Chancellor of Justice should ensure that authorities and officials performing public duties would not violate people's constitutional rights and freedoms, laws and other legislations of general application, as well as the practice of good administration.

The Chancellor of Justice protects people from arbitrary actions of the power and officials.

In general, the Chancellor's activity is independent, most proposals are taken into account by the Parliament or by executive bodies and they are followed by the review of problematic law. The Chancellor is more dependent on the means of budget, because this body can't submit its own budget requests directly to the legislature. Its budget is negotiated with the Ministry of Finance and the executive power (government), who introduce the proposal about general state budget to Parliament. The percentage of the budget of the Chancellor of Justice is so small and marginal for the Parliament, that it will not have special attention by the Parliament during the budget compilation process.

2.2.5 Coordination of administrative reform

The fragmented character of the Estonian central government, modest political interest in administrative development and reluctance towards investing in the administrative system has influenced the pattern of initiating and implementing public administration reforms. In most cases, reforms have been ad hoc, lacked sufficient central guidance and materialised in piecemeal changes (Savi and Randma-Liiv 2016) initiated by individual ministries rather than addressing government as a whole. The horizontal development of public administration initiatives is not well established in Estonia – the coordination of different reform activities is delegated to various individual ministries and the Government Office. Thus, reforms are rather delivered bottom-up and are initiated by some ministry. Though the Ministry of Finance has most direct leverage over the central administration and also the Government Office holds a coordinating role, their steering power remains rather weak as they tend to lack political mandate and resources for strong central leadership. For example, the fragmented nature of implementing public sector reform became visible during the recent mergers of agencies – the mergers did not rest on central political strategies for changing the administrative system, but each ministry individually reorganised its policy domain.

3 KEY FEATURES OF THE CIVIL SERVICE SYSTEM

3.1 Status and categories of public employees

The Estonian civil service system was established in 1995. When the Public Service Act came into force on 1 January 1996, everybody employed by central and local government agencies automatically received the status of public servants, without passing any examinations or assessment. The Public Service Act determined the abolition of the patronage system and the introduction of recruitment and promotion on merit, competitive examinations, regular appraisal, common grading and salary scales throughout the civil service. Although the preliminary ambition was to build a career-based civil service similar to Germany, the real civil service act was based on the principles of a position system with a few elements drawn from a career system (mainly benefits linked to the tenure). Human resource management in the civil service was, to a large degree, decentralized. Every ministry and executive agency was responsible for the recruitment, probationary periods, training, performance appraisal, promotion and work organization of their officials.

In June 2012, the new Civil Service Act was passed in the parliament and came into force in April 2013. The present Estonian civil service system involves both the civil service (central government) and the local-government service. Only the core of the central

public administration is covered by the open, position-based civil-service. In the rest of the agencies, people work under the general labour law. A few branches within the civil service are career-based and are regulated by special statutes: foreign service, police service, border guard, the court system and few institutions within the administrative area of the Ministry of Defence. The organization of people management in the civil service follows the generally decentralized setup of the government and the new Civil Service Act even deepened decentralization. Every ministry and executive agency is responsible for recruitment, promotion, setting pay levels, evaluation and development of its officials, guided by the legal framework and centrally set advisory guidelines. Minor exceptions concern top officials. The recruitment of 100 top civil servants is partly centralized as the central Competition and Evaluation Committee of Higher State Public Servants screens candidates and suggests the shortlisted applicants for the final selection to the relevant minister or to the Secretary General. Therefore, the final selection of top civil servants is left to the individual institutions. This scheme does not cover the Secretary Generals of the ministries who are appointed by the Cabinet.

According to the Civil Service Act, there are two categories of staff in the Estonian civil service: officials (or civil servants) and employees. Certain groups within the civil service are regulated by special statutes (e.g. the diplomatic corps, the police, the judiciary and the military), including frequently stricter rules for ethics and corruption considering their specialty. In 2015, there were approximately 118 300 employees in the Estonian general government and approximately 29 100 of them were employed in the civil service (2% of general government employees). Approximately 23 500 of them were in the civil service on central government level (including ministries, agencies and inspectorates) and 5 600 in civil service on local government level. In general, there are three types of staff in Estonian civil service on central and local government level:

- 1) Civil servants in central and local governmental level (approximately 11 300 or less than 1% of general government employees) including 96 top civil servants.
- 2) Civil servants regulated by special statutes (approximately 10 200 or 0,9% of general government employees). Although they are civil servants as well, they have their own statutes with special regulations. In total, there are seven different special services: the diplomatic corps, the police, rescue service, the military, imprisonment service, prosecutors, courts.
- 3) Employees working under Labor Law (approximately 7 500 or 0,6% of general government employees).

An official or a civil servant is a person who is in the public-law service and trust relationship with the state or local government. An official shall be appointed to a post in an authority, which involves the exercise of official authority. The exercise of official authority means the performance of the following functions:

- 1) the directing of an authority;
- 2) the exercise of state and administrative supervision, as well as the conduct of internal audit;
- 3) the ensuring of the security and constitutional order of the state;
- 4) the permanent military defence of the state and preparation therefor;
- 5) the proceeding of offences;
- 6) the diplomatic representation of the Republic of Estonia in foreign relations;
- 7) the taking of decisions necessary for the performance of the principal functions of

the Riigikogu, the President of the Republic, the National Audit Office, the Chancellor of Justice and the courts, the substantive preparation or implementation thereof;

- 8) the substantive preparation or implementation of the policy-making decisions within the competence of the Government of the Republic, local government council, municipal or city government and authority;
- 9) the activities which, in the interests of strengthening and developing the official authority, cannot be given to the competence of a person who is only in the relationships governed by private law with the authority.

An employee is recruited for the job, which does not involve the exercise of official authority but only work in support of the exercise of official authority. The employee shall work under the employment contract. Employment according to Civil Service Act is primarily:

- 1) accounting;
- 2) human resource work;
- 3) records management;
- 4) activities of procurement specialists;
- 5) activities of administrative personnel;
- 6) activities of information technologists;
- 7) other work in support of the exercise of official authority.

Differences for civil servants compared to employees are:

- 1) holiday is 35 calendar days long (28 days in Employment Contracts Act);
- 2) obligation to conduct development or assessment interviews with civil servants;
- 3) obligation to organize public competition for each vacancy to avoid discrimination and patronage;
- 4) types of salary are defined and its prohibited to pay other types of salary than mentioned in the Civil Service Act;
- 5) disclosure of remuneration - the basic salary and variable pay and other income are made public in the total amount for the previous calendar year on the central web page of the civil service;
- 6) restrictions on activities:
 - a. the appointing authority shall prohibit partly or wholly the ancillary activity of an official if the volume or nature of labour spent on the ancillary activity interferes with the regular performance of functions or the ancillary activities lead to the breach of the service function;
 - b. an official is prohibited to exercise direct and constant supervision over a person connected to himself or herself or a connected person;
 - c. an official is prohibited to earn profit for the ancillary service if the same activity is included in his or her functions.
- 7) there is a strike ban on officials;
- 8) secretary general of a ministry and deputy secretary general of a ministry shall be appointed to the service for 5 years;
- 9) there is disciplinary liability of officials because of the wrongful breach of duties. The types of a disciplinary penalty are a reprimand, the reduction of the basic salary by up to 30 percent for up to six months, and the release from service;
- 10) a contract under public law may be concluded for the participation in the resource-intensive training in which the obligation is imposed on an official to work for the authority after the completion of the training within a determined period but for no longer than three years.

- 11) to follow the Code of Ethics of Officials and values of civil service (perform his or her functions honestly, competently, diligently, impartially, and behave respectably both in the service and outside the service).

The rights and obligations of the officials are regulated in the Civil Service Law. The rights of the officials are concerning the right to get salary for the work, regulation of working time³ (incl. on-call time, overtime work, night work, work done on public holiday, rest time), right to get holiday, reimbursement of expenses for performance of functions, social guarantees of official in case of being killed, death and decrease in capacity for work, and other rights with regard to secondment. Obligations of the officials are concerning lawfulness of activity of official, strike ban on official, restriction on activities, obligation to perform supplementary one-time functions, maintenance of information not subject to disclosure, and other general obligations⁴.

According to new Civil Service Act (§12), in 2013 Government of the Republic formed a Council of Ethics of Officials to the Ministry of Finance (hereinafter Council of Ethics) the purpose of whose activities is to reinforce the core values and ethics of officials. There are 9 members in the Council of Ethics for Officials. Although the Council is expected to be independent, four of its members are top civil servants, one was a top civil servant some years ago, and one is a civil servant from local government. There are only three representatives from academia. In 2015, Council of Ethics approved the new Code of Ethics for Officials.

3.2 Civil service regulation at central government level

An influential reform of the Estonian civil service was implemented in 2012. Before that, there were no significant reforms in the Civil Service Law which was implemented in 1996. In June 2012, the new Civil Service Act was passed in the parliament and came into force in April 2013. The reform endorsed further the open and segmented nature of the Estonian public administration and aimed at abolishing the perceived "disparities" that there were between the civil service and private-sector employment. The reform included the following sub-goals or instruments:

- a) The new Civil Service Act restricted the 1995 institutionally-based definition of the civil service even more and re-oriented the system toward differentiating officials who are engaged in executing the public power and employees who do not have this function. About 25% of civil servants lost their status and became employees.
- b) The Ministry of Finance was nominated as the main central coordinator of civil service policy. So far, according to law there was no central institution responsible

³ The working time of an official is 40 hours over a period of seven days (hereinafter full time work). In general, the working time is eight hours per day. The working time together with overtime work shall not exceed on average 48 hours per a period of seven days during the calculation period of up to four months.

⁴ An official should perform his or her functions honestly, competently and diligently; impartially. An official should take guidance from the service-related lawful instructions and orders issued by the immediate or higher supervisor, as well as from the job descriptions. An official should behave respectably both in the service and outside the service, including refrain from actions which would discredit him or her as an official or harm the image of the authority. An official shall use the property and resources entrusted to him or her prudently and purposefully. An official shall facilitate the performance of the functions of the authority, arising from law, within the frames of the service and trust relations. An authority shall stand up for the professional interests of an official within the frames of service and trust relations, including guarantee the conditions suitable for the performance of functions.

for civil service development although Ministry of Finance was dealing with that already since 2010.

- c) The new Act made open competitions mandatory for all civil service positions. For the entire civil service institution, it became mandatory to publish its job advertisements in a central web-page.
- d) Civil service pensions and seniority pay were abolished.
- e) Public sector job security was reduced and terminating a job (firing) became equal to that in the private sector.
- f) Managerial discretion over pay increased (see p.19).
- g) With regard to top civil servants, the new act filled in the previous legal vacuum whereby the top civil service (96 positions in 2016) did not have a solid formal basis. The act made participation in the top civil servants' development program compulsory for the target group and ended the era of voluntarism.

All these reforms were immediately carried out.

In 2013, the Green Book of the State as an employer was introduced by the Ministry of Finance which outlined issues concerning human resource management of state agencies. The Green Book was followed by the White Book in 2014 where main strategic goals and directions of human resources of state agencies were proposed. In 2015, the action plan of the White Book was developed but because government priorities changed with the new government in 2015, the implementation and screening of the implementation of the action plan is rather poor.

3.3 Key characteristics of the central government HR System

3.3.1 Organization of HRM

Because of the high decentralization, the discretion of managers is very high, the management of human resources is very fragmented and the level of human resource management quality varies substantially among institutions.

Although the management of human resources is decentralised in the Estonian civil service, there are several institutions which have some coordinating responsibility:

- 1) The Government Office is responsible for the recruitment, selection and development system of civil-service top executives;
- 2) The Ministry of Finance is responsible for the general development of public administration, the development of personnel and training policy, the development of remuneration policy in the civil service, the planning and implementation of civil-service training and development, the promotion of quality development in the civil service, development of regional and local administration;
- 3) The Ministry of Justice is responsible for general public law development, including civil service legislation;
- 4) The Ministry of Social Affairs leads the pay negotiations with the trade unions of state employees and calculation of the length of service of the civil servants and of their pensions.

The current Estonian institutional framework does not ensure the fulfilment of the functions that a central civil-service coordination is expected to perform. The central coordinating units in the system only enjoy limited coordinating powers and are often constrained by limited financial and human resources. Although in 2010, the Ministry of Finance was designated as the responsible institution for civil-service policy, its coordination activities have been limited in most cases to technical functions without strategic involvement in policy design.

3.3.2 HR core functions such as recruitment and selection, promotion, appraisal, development and training

Recruitment and selection. According to the Civil Service Act, all vacant posts of civil servants are filled by way of public competition and are published in central webpage (<https://www.rahendusministeerium.ee/et/avalikud-konkursid>). There are specific rules for about 100 top civil servants. Obligation of public competition is not for position of employees who are working in ministries or agencies under Employer Contracts Law. A special civil service examination procedure is not used in Estonia. The civil service law does not require candidates to pass a special examination to enter the civil service. The most popular channels of recruitment among Estonian civil service institutions are institutions' web pages and major daily newspapers. According to the Public Information Act (§17), upon organizing a public competition, a vacant post or arising vacancy has to be published on the central web page of the authority and civil service.

Promotion. Estonia has an open, position-based civil-service. There has been a move away from institutional to more individual responsibility for careers. Special services within the civil service are career-based and have career-paths (e.g. foreign service, police service, border guard, the court system). Because Estonian civil service is open and position-based, inside and outside candidates have equal opportunity when higher-level positions are advertised. The Civil Service Act does not regulate and guarantee promotion, and "automatic" promotion cannot be expected when entering the civil service. Although most state institutions would like to promote from inside the organisation, they often lack qualified candidates and have to recruit from outside the organization. The Estonian civil service is very small having actual career ladders with only 2-4 levels. This often means that it is difficult to design smooth individual career paths and there are limited opportunities for career progression and promotion. Accordingly, many people may reach the peak of their careers very quickly and then encounter a career plateau.

Appraisal. According to Civil Service Act, at least once a year the immediate supervisor conducts an interview with his or her subordinate official during which the performance, professional development and training needs of the official are evaluated and the objectives of the next period discussed, while the official shall give feedback to the superior with regard to management (hereinafter development and assessment interview). The assessment of the performance of the official and the discussion of the professional objectives for the next period may also take place separately in the form of a discussion. The procedure for conducting a development and assessment interview is established by the head of authority or a person authorized by him or her. The results of the development and assessment interview are formalized in a format enabling reproduction in a written form.

The development and assessment of *top civil servants* is regulated separately and this procedure is organized by the Government Office. The Secretary General conducts the assessment interview with top civil servants in their governance area (Deputy Secretary General and Director General) and with heads of units in their ministry. Assessment interview with Secretaries General are conducted by the Secretary of State. For assessing the competencies of top civil servants, the 360-degree method is used, including partners and subordinates in the evaluation process. The assessment interview should be conducted at least once a year, but the evaluation of competences is conducted every other year based on the competency framework of top civil servants. The evaluation of competences is organized by the Top Civil Service Excellence Centre of the Government Office.

Development and training. To a large extent, training and development is the responsibility of each organisation. Each government organization has its own training budget and spends it as it sees fit. A smaller part of training activities are centrally coordinated and funded by the Ministry of Finance. For top civil servants, the Top Civil Service Excellence Centre in the Government Office is coordinating the training programmes of top civil servants. Those programmes are focused on the individual

development of and do not seek to develop top civil service collectively as a coherent group. 52% of central training budget was spent on about 100 top civil servants in 2015.

De jure, there is a national centre for training of civil servants in Estonia. The Centre for Public Service Training and Development (Avaliku Teenistuse Arenduskeskus – ATAK) that used to be in the governing area of the Government Office was merged with the Public Service Academy (a Fachhochschule type of training institution mostly focused on education and training of internal security specialists; belongs to the governing area of the Ministry of the Internal Affairs) in 2005. De facto, ATAK performs as any other training provider in the civil service training market. It has to compete for its clients with tens of other training providers.

3.3.3 Existence of a specific senior executive system

The following tasks are the main responsibilities of Top Civil Servants Excellence Centre (TCSEC):

- 1) Providing support to the selection of top civil servants. TCSEC is responsible for development of recruitment and selection system and providing assistance to the selection committee.
- 2) Organizing the development of top civil servants. TCSEC is advising top civil servants in their development, offering and organizing relevant development activities, assessment of competencies, development of relevant e-tools.
- 3) Cooperation with relevant institutions and networks on the international level. Structural funds-based financing has made the administration of top civil service unintentionally “too independent” from other central government actors and other development activities in the civil service. There has not been much institutionalized cooperation between the TCSEC and the Ministry of Finance, or between the TCSEC and the HR departments of the ministries and agencies. On the one hand, this has supported the perceived role of the TCSEC as neutral, objective and discreet. On the other hand, there are also negative effects. First, it has somewhat fused the responsibility between the TCSEC and individual organizations for their top civil servants’ development. Second, the cooperation and information-sharing between the TCSEC and individual organizations has been insufficient, although there has been some improvement over the past few years. In sum, the existing setup reflects the fragmentation of the Estonian executive and has not contributed to the emergence of a coherent approach to the development of the civil service as a whole. (See Sarapuu et al. 2015)

3.3.4 Social dialogue and role of trade unions

There is no universal union for civil servants or public employees but there are specific unions for individual categories of employees. The biggest unions of the Estonian civil service are for officials in specific services (e.g. police, rescuer) and for employees in the Estonian Tax and Customs Board. Although there is no formal data on union membership, it can be said that very few civil servants are participating in trade unions and it can be said that unions are rather weak and do not play a substantial role in the management of civil servants in central level.

3.3.5 Degree of patronage and politicization of recruitment/appointments

The degree of patronage and politicization of recruitment/appointments is not very high in the Estonian civil service (in fact, Estonia can be characterized by one of the lowest politicization rates in Central and Eastern Europe, see Meyer-Sahling, 2011). Open

competitions and advertisements are popular and the attitude towards competitions is generally positive in the Estonian civil service. For Estonia, there are other issues with recruitment in civil service. For example, the experience of many organizations proves that the best candidates do not apply for positions which are advertised, they rather expect personal job offers. In addition, there are some issues with promotion - supervisors and HR managers do not understand the reason of the open competition when they already have the suitable candidate for a vacant post (the person whom they want to promote internally). Institutions are announcing fake-competitions which devalues the idea of open competitions.

3.3.6 Remuneration

- Regulation. The salary of civil servants is regulated by the Civil Service Act. There is no central regulation for employees working under employment contract. For officials in special services, there are separate regulations for salary in their special statutes. It means that the salary is regulated centrally only for 35% of central government civil service and the regulation is rather general. The Civil Service Act defines the components of salary. The salary of an official is comprised of the basic salary, variable salary and additional remuneration defined in the law. According to law, the basic salary is a fixed part of the salary which is determined on the basis of the functions of a post and the service-related knowledge, skills and experience of the official (assessed by each organization individually). The variable salary is an irregular part of the remuneration of an official which may be paid as a performance payment, as an additional payment for the performance of additional duties or as a bonus for exceptional service-related achievements. A variable pay of up to 20 percent of the basic salary of the official may be paid in addition to the basic salary of the official. Because the interpretation of types of salary is the responsibility of individual institutions, the implementation of the salary system is inconsistent among institutions. Although there is a limitation for variable salary (up to 20 percent of the basic salary of the official may be paid in addition to the basic salary of the official), frequency and purpose of the variable pay is completely in the discretion of managers. Because of that, some institutions are paying variable salary for all civil servants, at the same time other institutions do not pay it at all.
- Collective bargaining. There is no general public sector union for collective bargaining. Just some unions for officials in specific services play a modest role in bargaining in the governance area of their ministry. For civil servants or employees there is no central bargaining with unions.
- Fixed vs variable. In general, compared do the period of 2005-2007 (the economic boom) when irregular part of salaries reached to the peak (approximately 10% of basic salary), during the last 3 years the use of different kind of irregular components of the salary has been rather modest (approximately 4% of the basic salary) although according to law a variable pay of up to 20 percent of the basic salary of the official may be paid in addition to the basic salary. With the economic growth, the popularity of irregular salary increases. At the same time, during the fiscal crisis, irregular components of compensation were first targets of cutbacks.
- Compared to the private sector. The general salary-policy in the civil service of central government is that ministries and agencies can't be the leading employer in the labour market. The average salary of central civil service is 33% higher compared to the average salary of Estonia. This is so because the structure of workforce in civil service differs from the structure of workforce in the Estonian labour market. For better comparison, job families are used which help to find comparable jobs from

private sector. In general, the competitiveness of the salary level of civil service in central government differs among responsibility levels. Generally, competitiveness of compensation declines with the increasing responsibility level. Heads of departments and top civil service is underpaid compared to similar responsibility level in private sector. At the same time, assistants and support staff with lower responsibility level have a very competitive salary compared to the private sector. Especially in the fields where the demand for qualified workforce is very high in labour market (e.g. IT-specialist).

Coherence among different government levels (high, medium, low)	Compensation level vs. private sector (much higher, higher, same, lower, much lower)	Formal politicization through appointments (high, medium, low)	Functional politicization (high, medium, low)
Low	Lower for high levels; higher for low levels	Low	Low

HR system (Career vs. position based)	Employment status (civil servant as standard; dual; employee as standard)	Differences between civil servants and public employees (high, medium, low)	Turnover (high, medium, low)
Position based	Dual: civil servants and employees	Low	Medium

4 POLITICAL ADMINISTRATIVE SYSTEM AND POLITICAL ECONOMY

4.1 Policy-making, coordination and implementation

4.1.1 State system

Estonia is a parliamentary democracy. Legislative authority is vested in the Parliament (Riigikogu). Members of the Riigikogu are elected in free elections every four years according to the principle of proportional representation. Elections are general, uniform and direct. Estonia is an example of consensual democracy: Riigikogu is composed of members of 5-6 political parties, out of which 3 parties normally make up a government coalition. The nation's supreme executive powers are vested in the Government of the Republic.

The executive government of Estonia operates as a fragmented and decentralised structure. A central trait of the Estonian administrative system is its reliance on Ministerial responsibility. Although ministries are small, they are strong administrative actors with considerable leverage over the issues within their areas of governance.

Coordinating centres in the system (the Government Office, the Ministry of Finance) are equipped with restricted coordinating powers and, in addition, often constrained by limited resources. (Sarapuu 2011) The fragmented character of the Estonian central government has influenced the pattern of initiating and implementing public administration reforms. In most cases, reforms have been ad hoc, lacked sufficient central guidance and materialized in piecemeal changes initiated by individual ministries rather than addressing government as a whole. (Savi and Randma-Liiv 2016)

The civil service in Estonia is, by and large, de-politicized. In fact, it is one of the least politicized countries in Central and Eastern Europe (Meyer-Sahling, 2011). Thus, minister-mandarin relations are separate and non-politicized. Although the civil service system is highly decentralized with lots of discretion delegated to individual ministers and public sector managers, and the system offers very limited social guarantees to civil servants, the overwhelming administrative culture strongly supports merit values.

State structure	Executive government	Minister/ Mandarin relations	Distribution of powers	Coordination quality (high, medium, low)	Fragmentation (high, medium, low)
Unitary	Consensual	Separate Not politicized	Shared	Low	High

4.1.2 Policy making

The Estonian policy-making context can be characterized by the simple polity with a marginal role for unions, social partnerships and constitutional veto players, as well as by corporatist structures in the policy-making process (Kattel and Raudla 2013).

In 2002, the Parliament approved the Estonian Civil Society Development Concept that determined the principles for partnership between public authorities and civil society (Randma-Liiv et al. 2008). An important follow-up activity was the formulation of the Good Practice of Engagement by the Government Office, ministries and civil society organisations in 2004-2005. The Good Practice of Engagement elaborated the key principles that support civil society participation in policy-making, such as informing relevant stakeholders of policy initiatives that affect them, allowing sufficient time for stakeholder consultations, requirement of feedback, etc. In addition, the Estonian government adopted the Open Government Partnership action plan in 2014. By joining this global initiative in 2012, the Estonian government acquired the obligation to establish a national coordination mechanism involving government and civil society in the implementation and monitoring of good governance practices.

However, despite the measures taken towards the open government, transparency of policy-making process has not improved much over the past decade. More active nongovernment organisations claim that on paper and in policy documents, the situation might have improved, but in reality, there is little interest, time, and energy from the public sector to involve non-governmental partners in the policy-making processes (Tönnisson 2016). In addition, non-governmental parties do not always participate or contribute, and the government does little to motivate participation. Studies show that by the time non-governmental actors are asked to participate, the substantive policy

decisions have been made already. This means that interest groups' suggestions that were of a transformative nature (e.g. do not specify only details) might not be considered, especially when inclusion took place too late (Tönnisson 2016). At the same time, only very few non-governmental partners have been able to develop the capacities necessary for the professional engagement in policy-making process, by that presenting a larger problem of new democracies. Representatives of businesses and employers as well as environmentalists stand out in this regard, and they represent the groups which have had most impact on the policy-making process (Randma-Liiv et al., 2008).

The Estonian government has made a serious effort in promoting e-participation tools alongside with its broader priority of developing e-government. The Estonian government created the first e-participation platform in 2001. The e-participation platform Today I Decide (Täna Otsustan Mina or TOM) was launched as an online platform where citizens could propose policy ideas to decision-makers. TOM soon encountered challenges, such as a limited number of active users, low quality of ideas, limited impact of citizens' proposals and the prevalence of formalistic responses by state officials over an open attitude to dialogue. By 2004, e-democracy experts had declared it a failure (see Toots, Kalvet and Krimmer 2016). Government institutions lacked an understanding of how to integrate TOM-generated ideas into their work process and citizens lacked the knowledge and skills to formulate their ideas in formats that officials could work with. As the quality of the ideas was generally low, officials were reluctant to discuss and respond to them. There was a gap in the regulatory, strategic and political context – as government-wide discussions on citizen engagement policies only started around 2004-2005, the ground for e-participation was not yet fertile. Another e-participation portal Osale.ee ("Participate"), also dubbed "Improved TOM", was launched in 2007 with the functionality of public consultations on legislative drafts. The new portal faced a number of similar problems as TOM, and declined by 2015 (Toots, Kalvet and Krimmer 2016). All in all, one can say that despite the government rhetoric, e-participation has not been a priority to politicians or top government officials in everyday practice which has led to dying out of relevant initiatives. Too many portals and web tools seem to exist and they have been largely underused. Estonian e-participation projects have never achieved true integration with existing political processes and their mandate has remained unclear. The problems with existing e-participation channels are few public consultations, little feedback from the public, technically not updated, etc. (Tönnisson 2016)

Political economy (liberal coordinated)	Interest intermediation (corporatist pluralistic)	Citizen participation (strong – weak)	Policy style
Liberal	corporatist	Weak/moderate	Incrementalism

4.1.3 Policy advice and changes in human resources, public service bargains

The civil service of Estonia is largely de-politicized which means that administrative staff does not necessarily change after elections. Only political advisers of ministers will be replaced after elections. At the same time, fixed 5-year contracts of around 100 top civil servants and a very open position system where government organizations are perceived

as any other employer in the labour market and the recruitment process is highly decentralised, contribute to turnover in the civil service (e.g. in 2015, the general turnover was 11% and voluntary turnover 7% in the Estonian civil service). This in turn, opens (de jure) possibilities for potential politicization, which, however, has not materialized, de facto. In fact, Estonia remains one of the least politicized countries in Central and Eastern Europe (Meyer-Sahling, 2011).

All vacancies of the positions of civil servants are subject to open competition. This does not mean that ministers have no say over the appointment to the highest non-political post – the one of Secretary General – in the ministries. Ministers can refuse the proposals that are made to them by the central top civil servants' recruitment committee. Ministers can dismiss Secretaries General one year after they have gained their appointment as minister. This means that a new minister is required to 'live' with an old Secretary General for a while. This solution has proven to be rather effective, as it provides time for ministers and secretaries general to develop relations of mutual trust and hence reduce the pressure to change senior personnel for the sake of politically controlling the bureaucracy. In accordance with the neo-liberal emphasis on the division of politics and administration, political and administrative careers are normally separate in Estonia. It seems that technical and institutional expertise is in the majority of cases considered more important than political concerns when it comes to top appointments. Very often, top civil servants have grown out of specialists within the public service by developing general expertise in a certain policy field.

Public service bargain in Estonia is thus dominated by agency-type relationships which is also in line with treating government organisations as any other employer. On the public service bargain types, Estonia witnesses the hybrid model, which is described by Hood (2001, 16) as a bargain in which politicians share blame with public servants and public servants have no defined sphere of autonomy. Fink-Hafner (2007, 824) notes that the actual division of politico-administrative roles in Estonia appears to be more like an *ad hoc* private deal. From 2000 on, the behavior of top civil servants became more akin to that of 'rational rent-seekers' when individual officials started negotiating higher personal benefits, leading to substantial individualization and 'marketization' of public service rewards (Järvalt and Randma-Liiv 2012). The growing role of personal interests contributed to the emergence of calculating individualists, at times leading to an underestimation of 'the service of the state' as a reward in its own.

Merit principles are generally valued in the Estonian civil service. While politicization is low, the high autonomy of individual public sector managers has led to several cases of patronage in the civil service (more in local than central government), although this is by no means widespread. Such practices have been facilitated by rather underdeveloped recruitment and selection methods (no centralised written tests and a frequent reliance on interviews only) which have allowed subjective factors to prevail over more objective assessment of knowledge and skills of candidates.

There are no specific provisions in Estonian legislation concerning policy advice. Ministers have the right to appoint and dismiss political advisors who are directly subordinate to them. Such advisers are recruited without open competitions and for the term of office of the given minister. One minister usually has two to three political advisers. The degree and type of advice provided to ministers by top civil servants is difficult to generalize and depends to a great extent on the personal expectations of a specific minister and his/her relationship with those top servants. To a certain extent, it is also dependent on the home-party of the minister, as the capability of Estonian parties to provide or draw upon

policy know-how differs considerably. In the policy-making process, political leaders rely mostly on policy advice of civil servants. As characteristic to a small country, there are often only a handful of experts in a policy field. External experts are being used from time to time, but their role in the policy-making process has remained rare and opaque. At the same time, advice by foreign experts can receive major attention by the Cabinet (e.g. OECD, 2011).

It is rather difficult to assess policy sustainability (extent to which policy-making is influenced by political changes) of Estonian governments, since from the regaining of independence in 1991, the governing coalitions have been led by reform-oriented neo-liberal political parties. Without major political changes, the political programmes in their main directions have remained the same. A more substantial government change took place at the end of 2016 and the new government coalition is led by a more leftist political party. It is yet to be seen how this impacts policy sustainability.

Sources of policy advice (mandarins, cabinets, external experts)	Administrative autonomy (high – medium – low)	Patronage & politicization (formal, functional) (merit – patronage) (high – medium – low)	Public Service Bargains (Agency – Trustee)	Stability (high – low – no turnover after elections)
Mainly cabinets and mandarins	High	Politicization low; some cases of patronage; rather merit-based with high managerial discretion	Agency bargain dominant	Low turnover after elections by general turnover medium (not determined by politics but by general public-private sector mobility)

4.2 Administrative tradition and culture

The neo-liberal worldview has dominated Estonian political, economic, and social development over the past two decades (Kattel and Raudla, 2013). The two main parties that have embraced that viewpoint – Pro Patria Union and the Reform Party – have been firmly institutionalized in the political landscape, and have a long record of being in power. The Reform Party held the position of Prime Minister from 2005 to 2016, and had a steady role in Estonian government since 1999 (17 years in a row). This has brought along values such as “lean state”, cost-efficiency, openness of the civil service and government in general, cutting red tape and managerial discretion widely represented in

Estonian public administration reforms. The Estonian public management reforms have been driven predominantly by cost-efficiency motives since the early 2000s. The reform trend towards the “lean state” has to do with prevailing anti-state attitudes among the citizens, fueled by legacies of the communist past as well as consecutive neo-liberal governments. Cost-efficiency continued to be one of the main aims of reform even during the years of economic boom in the mid-2000s. The years of fiscal crisis and its immediate aftermath only strengthened the cost-efficiency motives of the government.

In their comparative analysis of administrative traditions of the three Baltic States in 1993 and 2001-2002, Nørgaard and Winding (2005) concluded that out of the three, Estonia was leaning the most towards the contractual state epitomized by Anglo-Saxon countries. Although a certain over-idealization of the private sector and free market prevails (Tõnnisson and Randma-Liiv 2008, 95), a closer look reveals that Estonian public administration actually represents a peculiar mix of managerial and continental legal traditions. The first relates to the dominating neo-liberal worldview as explained above. The second derives from its historical background of eight hundred years of German influence, and close connection of pre-WWII legislation to the German legal system. Due to the idea of ‘restoring’ the Estonian state in the 1990s and the idealized legacy of the First Republic, its administrative law has been influenced heavily by the German Rechtsstaat. This has led to a development of a hybrid of managerial and procedural logic with managerial approach dominating. At the same time, rule of law is highly valued, and hard work, precision and punctuality are the norm in Estonian public administration as characteristic to cultures with high uncertainty avoidance. (Sarapuu et al. 2015)

The economic development of a state has a powerful impact on cultural values – wealthier countries tend to emphasize self-expression related values, while poorer countries are inclined to accentuate survival values (Inglehart and Baker 2000). The survival element of the World Values Survey (*ibid.*) reveals a significant difference between post-communist countries – including Estonia – and Western European countries. While people in Western European countries tend to value self-expression, quality of life, and feelings of accomplishment over material possessions and security, people in post-communist countries, like Estonia, that have undergone rapid social changes and experienced high economic uncertainties put their emphasis on economic and physical security. Post-materialist values focusing on living a life of excitement and variation, leisure, and tolerance can only be widely supported in a society where economic and physical security are taken for granted (Realo 2003). This finding is well represented in the value structure of Estonians who are focused on material well-being and are characterized by low trust in other people, low tolerance, and low political activity, all of which represent survival values. Estonians do not believe in the supremacy of authorities (God, state, or family), do accept divorce, abortion, and suicide, and do believe in the progress of science and technology (Eesti Koostöö Kogu 2013). The latest survey results from 2011 reveal that the Estonian position on a traditional vs. secular-rational values dimension and a survival vs. self-expression values dimension has not changed much over the years (Eesti Koostöö Kogu 2013, 49). Nevertheless, increase in trust, tolerance, and well-being has shifted Estonia a bit more towards the dimension of self-expression (*Ibid*, 50).

The Code of Ethics for Officials was composed and adopted by the Council of Ethics of Officials in 2015, which replaced the old one. The old code of ethics was accepted in 1999 and it was an additional part of the Civil Service Act. The new code of ethics is value-

based and does not include sanctions. The main goal of this code is to inform and educate officials, not to punish them. The code prescribes 6 values that all public servants are expected to hold (see the table below).

Administrative culture Rechtsstaat, Public Interest	Welfare state (liberal, conservative, social-democratic)	Public Sector openness (open, medium, closed)
Rechtsstaat	Liberal	Open

Key civil service values	Managerial vs Procedural (Managerial. Mixed, Procedural)	Red Tape (regulatory density) (very high to very low)	Discretion/autonomy (high, low, medium)
Legality Trustworthiness Proficiency Impartiality Focus on people Openness and cooperation	Mixed, dominated by managerial	Medium	High

When analyzing the position of Estonia on the individualism-collectivism dimension according to the Hofstede’s typology, the Estonian culture seems to include both collectivistic (i.e. low level of self-expressive values) and individualistic (high level of secular/rational values) elements. Estonians tend to emphasize their individualistic outlook in terms of secularity and rationality, the community of cross-cultural researchers tends to stress the collectivist tendencies of Estonians on the basis of their low scores for self-expression (or high scores for survival values). Estonians see themselves as individualists whereas in cross-cultural literature Estonia occupies a stable position amongst the collectivist countries. The reason behind this discrepancy is that the definitions and conceptualizations of individualism and collectivism by cross-cultural psychologists and Estonians are indeed only partially overlapping. If Estonians speak about their individualism or collectivism, they seem to emphasize their being/acting alone versus being/working in groups, whereas for cross-cultural researchers the defining attributes of individualism are striving for affective and intellectual autonomy and egalitarian values versus conservatism. In sum, as long as the low levels of interpersonal trust, tolerance and societal participation continue to prevail in Estonian society, Estonia

remains marginally located somewhere in-between individualism and collectivism. (Realo 2003)

At a score of 30 in masculinity dimension, Estonia is a feminine country. The commentator of the score states that passive silence and listening are very much part of the communication style in Estonia. This is very true. As commentator claims: "Although Estonians communicate in a direct way, they do tend to shy away from conflicts. They are reluctant to raise problems for this reason and are quick to take constructive criticism personally". On the other hand, the commentator claims: "Many of the companies in Estonia are run and staffed by people of a younger generation, who favour an informal, democratic and consultative management style. Thus, decisions are ideally made by gaining support through participation." In general, staff surveys like job satisfaction survey or commitment survey are becoming more popular in central government, but the implementation of the recommendations based on those surveys is rather modest. Surveys are rather done because of the human resource specialists interest in the topic not as the mandate from the top management. In addition, engagement of different stakeholders into policy making process is not very popular among managers in civil service.

The commentator statements on the power distance score (40) and uncertainty avoidance (60) score describe Estonian culture pretty well. Estonians are rather negatively predisposed toward strong central authority (rather low value in the power distance). Estonians do not readily obey and respect people in authoritarian positions based merely on their rank and status as power-holders. Instead, Estonians welcome managers that give them the opportunity to state their opinions and express disagreement, as well as to be included in the decision-making process. At the same time, Estonians prefer the structure and codification of everyday rules of conduct (i.e. working tasks and routines) as conferred by a central governing body (rather higher value in the uncertainty avoidance).

At the same time, Estonia has a very high score in long term orientation (82) which means that Estonian culture is shown to be highly pragmatic and the society has an ability to adapt traditions easily to changed conditions. It is noticeable in public sector administration as well because the Estonian public sector is quite reform oriented and various public administration reform initiatives are being concurrently pursued.

Hofstede national culture dimensions		
Dimension	Value	Average EU28
Power Distance	40	52
Individualism/Collectivism	60	57
Masculinity/Feminity	30	44
Uncertainty Avoidance	60	70
Long-term Orientation	82	57
Indulgence/Self-restraint	16	44

Sources: Geert Hofstede's national culture dimensions, <https://geert-hofstede.com/national-culture.html>.⁵

⁵ Interpretation: power distance (high value = higher acceptance of hierarchy and unequal distribution of power); individualism (high value = stronger individualist culture); masculinity (high

5 GOVERNMENT CAPACITY AND PERFORMANCE

5.1 Transparency and accountability

5.1.1 Access to government information and transparency of government

The Estonian government has constantly emphasized the need for the access of government information and transparency of government. This is in line with the highly liberal values in Estonian society, with the focus on development of e-government tools, and very modest role that civil service unions play in the Estonian public administration. As a consequence, Estonian citizens have access to a variety of government databases and information. Websites of government organizations are informative and in most cases updated on a regular basis. Legal documents and government decisions are publicly available and can be accessed with no problems.

Estonia is part of the group of countries with high capacity in terms of readiness, implementation, and impact of open government data. At the same time, although the Estonian government prioritizes highly e-government, only a limited amount of data sets are available (Tönnisson 2016). The databases are too small to create valuable analysis out of them. Uploading data voluntarily and using open data in its current form sometimes can be more complicated than making official information requests to government institutions. Currently, the available data are very hard to use because they have not been cleaned and each organization uploads data based on their own logic. Overall, according to academic, private, and civil society stakeholders, the usability of the data is low. Most state institutions have not opened their data. Nongovernmental organizations have also pointed out that the challenge for the government is to make the databases known among potential users and to keep the databases constantly updated. (Tönnisson 2016)

Besides the open data, the general access to government information is good. But there are issues concerning the transparency of policy making process – frequently the reasons behind the policy decisions are not understood by stakeholders. The stakeholders' involvement in policy-making process is legally well-designed but the implementation of the legal framework of involvement is insufficient. In addition, according to expert interviews, there is a growing trend of disclosing the politically sensitive information from public. For example, sometimes it is difficult to get studies or memos which should open the background of political decisions. The implementation of the information disclosure procedures is inconsistent and difficult to understand for stakeholders. As a result, stakeholders do not often understand the logic behind the policy design and the policy making process is perceived as quite opaque. While the policy-making process on executive level can be traced quite well, the decision-making within the Parliament (including the role of lobby groups, consultations with different interest groups) is not transparent.

5.1.2 Accountability and corruption

Estonia can be regarded as one of the least corrupt countries in the Central and Eastern European region according to the Transparency International index. The Estonian

value = higher masculinity of society); long-term orientation (high value = stronger long-term orientation); indulgence (high value = indulgence)

government (Ministry of Justice) devotes systematic attention to anti-corruption strategies. In addition, a majority of central government institutions address systematically problems related to corruption. Awareness of accountability and corruption have increased during the past decade, also thanks to regularly held training courses on public ethics. Estonian own surveys show that although direct contact with corruption has decreased, corruption remains a serious issue (Ministry of Justice, 2015). The most common area for corruption in central government is linked to roadworthiness tests for motor vehicles. Corruption is a bigger problem in local governments and state-owned enterprises compared to core central government.

Accountability relations in Estonia are still in the development process. Parliament has poor steering mechanisms over the executive branch. State Audit Office is doing valuable work but the Parliament is not able to follow the recommendations in state audits. Steering of central government agencies by parent ministries varies to a great degree and is not consistent. The role of ombudsman (performed by the Legal Chancellor) is relatively well developed.

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Access to government information (1-10)	10.00	1	9.00	3	-1.00	-2
	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Transparency of government (0-100)	74.86	2	70.71	6	-4.15	-4
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Voice and accountability (-2.5,+2.5)	1.10	14	1.17	13	+0.07	+1
Control of corruption (-2.5,+2.5)	0.86	15	1.25	12	+0.39	+3
TI perception of corruption (0-100)	65.00	12	70.00	11	+5.00	+1
	Value 2010	EU28 rank	Value 2014	EU28 rank	Δ Value	Δ Rank
Gallup perception of corruption (%)	58.00	11	47.00	9	-11.00	+2

Sources: Bertelsmann Stiftung, European Commission, Worldbank, Transparency International, Gallup World Poll.

Note: The ranking of the Gallup perception of corruption is based on 27 countries, and on the 2009 values for Estonia and Latvia.

The indicators in the table reflect quite well Estonia's comparative standings and dynamics.

5.2 Civil service system and HRM

HR capacity of civil service system:

- Workforce size. During the last 15 years, savings the costs in public administration has been the main and almost only goal for government in the field of public sector management. It has led to the reforms of government agencies (e.g. ministries, inspectorates) and cuts in numbers and benefits of civil servants. The number of employees in the civil service (incl. civil servants) has decreased since 2009 and the political goal for the next four years is to reduce the number even more. It has influenced the capacity of civil service. The issue is even more amplified by the weak strategic management of competence of government. As a result, civil servants are occupied by different tasks and are frequently overloaded with work. In addition, there is not enough human resource for strategically important topics.
- Engagement. The survey on job satisfaction and commitment which was ordered by Ministry of Finance in 2015 showed that there are no differences between private sector and civil servants commitment and job satisfaction. However, it is

the first commitment study, therefore it is not possible to compare different period of times. In addition, it did not follow the public service motivation framework.

Quality/performance of civil service:

- Merit based, low politicization. Although the managerial discretion in the Estonian civil service is rather high because of the decentralized nature of civil service, the civil service is rather merit based and the politicization is not regarded as a major problem in the Estonian civil service.
- Attractiveness as an employer. The Estonian civil service in central government is not a very attractive employer in the Estonian labor market. According to the annual report of civil service of Estonia (2015), approximately 16,5% of open competitions fail in the civil service (including local government) and this number has increased during last years. For top civil servants' positions this indicator is even worse – 7 competitions out of 22 failed in 2015. It means that one third of top civil servants' competitions fail. In general, positions for employees working under employment contracts law are more attractive – there are on average 24 applicants per one advertised vacancy. At the same time, the average number of applicants per advertised vacancy for civil servants' positions is only 12.
- Because the political leaders are mainly interested in the cuts in the number of civil servants and not in the development of professional civil service, there are almost no central activities for keeping the talented people in the civil service. As the result, talented people in the key-positions leave their jobs (and often civil service as well) after a short period in the civil service. Consequently, public sector organizations have an incomplete institutional memory in policy making and civil servants are not as professional as they should be when giving advice to politicians. In the policy-making process, civil servants are often presenting and using the ideas of politicians, not results of evidence-based analysis.

In sum, although the 2012 Civil Service Act has been fully implemented, there are several fundamental and practical issues related to it:

- a) Although the law stipulates that the Ministry of Finance is responsible for the overall coordination of the civil service, in practice the central coordination instruments are limited and not supported by necessary human and financial resources.
- b) With the establishment of a special unit for the development of top civil servants in the Government Office – the Centre of Excellence for Top Civil Servants (CETCS), a dual system was set up in the central administration of public service – the general steering of the entire public service and implementation of several public administration reforms is in the hands of the Ministry of Finance, while the development of top civil servants is administered by the CETCS at the Government Office. (Randma-Liiv et al. 2015) The cooperation between Ministry of Finance and the CETCS is rather weak. Moreover, the sustainability of central development of top civil servants is critically dependent on EU structural funds which will end in 2020 (Randma-Liiv et al. 2015).
- c) It is yet to be seen how the equalisation of public and private sector working conditions affects meritocratic principles in the civil service. There is no tenure in the civil service, no civil service pensions and civil servants can be laid off as easily as in the private sector. This makes the entire system vulnerable to politicization, nepotism and mis-use of power by individual managers.

- d) The full decentralisation of the civil service salary system gives enormous power to managers of individual public sector organizations. Because the interpretation of types of salary is the responsibility of individual institution, the implementation of the salary system is inconsistent among institutions as well. Although there is a limitation for variable salary (up to 20 percent of the basic salary of the official may be paid in addition to the basic salary of the official), frequency and purpose of the variable pay is completely at the discretion of managers. Because of that, some institutions are paying variable salary for all civil servants, at the same time some institutions do not pay it at all.
- e) The fully decentralised management within the civil service cements further fragmentation and rivalry between public sector organizations, moving thus away from the idea of whole-of government.

Indicator	Value 2012	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Impartiality (1-7)	2.30	8	2.78	16	+0.48	-8
	Value 2012	EU26 rank	Value 2015	EU26 rank	Δ Value	Δ Rank
Professionalism (1-7)	4.38	13	4.56	11	+0.18	+2
Closedness (1-7)	4.03	25	4.07	20	+0.04	+5

Sources: *Quality of Government Institute Gothenburg.*

The indicators at the table raise some questions:

- The Estonian civil service system is one of the most open system in the entire EU which is not adequately reflected in the table. During 2012-2015 it rather became more open than the other way round.
- The impartiality indicator shows a major change over three years which we would not confirm and cannot explain. Probably the 2012 indicator was not very professionally assessed.

5.3 Service delivery and digitalization

In general, the e-government is well developed in Estonia compared to other EU countries. Significant progress has been made with the complexity of e-services (different registers can share the information) and with the cross-border e-services (cooperation with Finland with the aim to connect registers of Estonia and Finland). Development of e-services receives lots of attention from both political and administrative leadership and is clearly a government's priority. Several e-services are developed remarkably well including user-friendly pre-filled forms and online service completion. E-government services are widely accepted and used by Estonian citizens and treated as a norm. The number of government users goes up on a regular basis.

There are still some issues concerning service delivery. The Estonian government does not systematically address public services as a whole (e.g. service standards, quality insurance, access to services), since all its relevant attention is directed towards e-services.

Although the Estonian government has been one of the front-runners in using modern technology in providing public services, for the last decade, the development of e-services has not developed as fast as expected. During the last years, the government has issued relevant handbooks, guidelines and analyses which, however, are not often known to the target groups. Beyond introducing a well-functioning basic data-exchange infrastructure, the technological change has only modestly affected the evolution of the administrative capacities of public organizations. There is a generic shortage of

technological champions both in policy-making and service-provision organizations. This means that the technological change depends not necessarily on the logic of the public service, but on the external capacities of specialized public IT agencies. (Tönnisson 2016)

Although described in the sub-chapter on transparency and accountability, it is important to mention here the issues with open data because it influences the service design and service delivery by the private sector. As stated before, only a limited amount of data sets are available, the databases are too small to create valuable analysis out of them. Uploading data voluntarily and using open data in its current form sometimes can be more complicated than making official information requests to government institutions. Currently, the available data are very hard to use because they have not been cleaned and each organisation uploads data based on their own logic.

The development and implementation of public sector innovation takes places mostly on the level of each government organization rather than horizontally. Implementation of innovative ideas depends a lot on single visionary persons who have enthusiasm and motivation to implement their vision, not so much on government's strategy addressing the government as a whole. This derives from the segmented nature of the Estonian central government.

Indicator	Value 2013	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
E-government users (%)	29.80	8	71.32	1	+41.52	+7
Pre-filled forms (%)	95.71	1	95.14	1	-0.57	+0
Online service completion (%)	86.71	5	96.43	4	+9.72	+1
	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Online services (0-1)	0.50	9	0.89	7	+0.39	+2
	Value 2013	EU27 rank				
Barriers to public sector innovation (%)	33.76	9				
			Value 2015	EU28 rank		
Services to businesses (%)			58.00	7		
	Value 2011	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Ease of Doing business (0-100)	75.96	9	81.05	4	+5.09	+5

Sources: European Commission Digital Economy and Society Index UN e-government Index, EU Scoreboard Public innovation, Eurobarometer num.417, Worldbank Ease of Doing Business.

The indicators at the table reflect well the digitalization of Estonian public services. Still, it would be good to compare also some indicator of impact as well⁶. Those indicators mainly cover the service supply and uptake, or the input of a service but not the output or impact of a service. In addition, the indicator of 'Ease of Doing Business' may not reflect the level of service delivery but rather describes different approaches to service design. For example, the level of indicator depends on the existence of the state-owned register of credit debt. In Estonia, private banks are sharing the information of credit debt and it is working well without state intervention.

⁶ For example, indicators in 'Open data Barometer' (<http://opendatabarometer.org/>); 'World Economic Forum The Global Information Technology Report' (http://www3.weforum.org/docs/WEF_Global_IT_Report_2015.pdf)

5.4 Organization and management of government

Estonia operates a fragmented and decentralised public administration with a structure of separate silos. In Estonian administrative system coordinating centres are equipped with restricted coordinating powers and often constrained by limited resources while ministries are strong administrative actors within their areas of governance. (Sarapuu 2011)

The fragmented character of the Estonian central government and the limited political interest in administrative development have influenced the pattern of initiating and implementing public administration reforms. In most cases, reforms have been ad hoc, lacked sufficient central guidance and materialised in piecemeal changes (Savi and Randma-Liiv 2016) initiated by individual ministries rather than addressing government as a whole. Most structural and other management reforms have been carried by cost-efficiency aim (e.g. mergers of agencies, the creation of a State Service Centre, consolidation of IT services, and reform of State Budget Act).

The strategic planning and policy implementation capacity of government is quite weak. It is mostly because of the fragmented character of Estonian central government where coordination centres like the Ministry of Finance and the Government Office do not cooperate effectively and are not working for a common purpose. Moreover, the budget is very rigid and the budgetary process is very weakly bounded to the strategic planning process, although the goal to relate the budget and strategic planning has been on governmental action plan for already more than 10 years. As the simply measurable goals are preferred in strategic planning, strategic goals are very detailed and sometimes poorly related to the general whole-of-government perspective.

The Estonian governments of the last two decades have tried out most of the performance management tools known from Western experience (e.g. annual performance reports of ministries; performance budgeting methodology, performance indicators etc.). Some tools have been tested and then abandoned, while others have been integrated into a set of central and regularly employed measures. The poor implementation of performance management is mainly because of instability, poor analytical skills, and implementation gap. These factors together with information overflow explain implementation difficulties of performance measurement and limited use of performance information. (Nõmm and Randma-Liiv 2012)

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Strategic planning capacity (1-10)	6.00	10	6.00	11	0.00	-1
Interministerial coordination (1-10)	6.33	17	6.17	17	-0.16	+0
SIG Implementation capacity (1-10)	6.57	13	6.29	17	-0.28	-4
	Value 2012	EU26 rank	Value 2015	EU27 rank	Δ Value	Δ Rank
QOG Implementation capacity (1-7)	5.70	5	4.88	19	-0.82	-14

Sources: Bertelsmann Stiftung, Quality of Government Institute Gothenburg.

The level of indicators at the table looks reasonable based on the comparison of EU countries. The capacity of strategic planning and inter-ministerial coordination are perhaps somewhat overestimated. It is surprising to see the sharply declining dynamics of QOG implementation capacity – it is not understood what it is based on. The level of 2016 seems to be more reasonable.

5.5 Policy-making, coordination and regulation

Over the past decade, the Estonian government has paid increasing attention to evidence-based policy-making. At the same time, policy analysts in the civil service lack the appropriate skills for policy analysis and relevant studies are often contracted out.

This reduces their ownership on behalf of civil servants, and ultimately by political leaders. Political parties do not have expertise in certain policy areas (e.g. through their own think-tanks) which makes them insecure trusting evidence-based studies carried out either by civil servants or external experts. Consequently, many decisions are based on political ideology and interests rather than high-quality analysis.

Transparency of policy-making process has not improved much over the past decade. More active non-government organisations claim that on paper and in policy documents, the situation might have improved, but in reality, there is little interest, time, and energy from the public sector to involve nongovernmental partners in the policy-making processes (Tönnisson 2016). Only those advocacy organizations tending to be comparatively supportive of the proposed policy are invited to the table. Thus, corporatist tendencies are becoming apparent that are not entirely in accordance with Good Engagement Practices principles. Furthermore, engagement practices have not yet been extended to the policy-implementation or policy-evaluation phases (Bertelsmann Stiftung 2015).

The actual implementation of e-participation tools has not been a priority to politicians or top government officials which has led to dying out of relevant initiatives. Too many portals and web tools seem to exist and they have been largely underused. Estonian e-participation projects have never achieved true integration with existing political processes and their mandate has remained unclear. Recent research shows that the number of citizens who use e-democracy services is relatively low. (Tönnisson 2016)

Indicator	Value 2014	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Societal consultation (1-10)	8.00	4	7.00	7	-1.00	-3
Use of evidence based instruments (1-10)	6.33	11	6.33	10	0.00	+1
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Regulatory quality (-2.5,+2.5)	1.40	12	1.66	9	+0.26	+3
Rule of law (-2.5,+2.5)	1.13	15	1.33	12	+0.20	+3

Sources: Bertelsmann Stiftung, Worldbank.

The indicators in the table clearly overestimate the Estonian government's societal consultation. This is rather modest, there are formal instruments for engagement of external stakeholders but these are not smoothly integrated into policy-making process. Indicators addressing regulatory quality and rule of law are adequate.

5.6 Overall government performance

The general expectations of Estonian citizens towards the government are rather low due to historical-cultural factors contributing to anti-state attitudes. Thus, the satisfaction with public administration (and individual government institutions, in particular) exceed expectations. This also contributes to general trust to government and specific institutions/public services which is above the EU average. The dynamics of the trust indicator is much related to a specific political coalition in power.

Indicator	Value 2010	EU28 rank	Value 2016	EU28 rank	Δ Value	Δ Rank
Trust in government (%)	53.00	4	43.00	5	-10.00	-1
	Value 2011	EU27 rank				
Improvement of PA over last 5 years (%)	21.00	1				
	Value 2010	EU28 rank	Value 2015	EU28 rank	Δ Value	Δ Rank
Public sector performance (1-7)	4.79	13	4.98	10	+0.19	+3
Government effectiveness (-2.5,+2.5)	1.11	14	1.09	16	-0.02	-2

Sources: Eurobarometer 85, Eurobarometer 370, Worldbank, World Economic Forum.

These indicators in the table above reflect well the reality and are in line with studies carried out in Estonia.

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