

PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT

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OECD PUBLIC GOVERNANCE REVIEWS **ESTONIA**

Fostering Strategic Capacity across
Governments and Digital Services across
Borders

SUMMARY OF KEY FINDINGS

#FinEstReview

OECD Public Governance Reviews

ESTONIA

Fostering Strategic Capacity across Governments and Digital Services across Borders

SUMMARY OF KEY FINDINGS

Joint Public Governance Review of Estonia and Finland

This is the first joint OECD Public Governance Review between two countries. A highly innovative approach, the joint review demonstrates Estonia's and Finland's commitment to public governance reform. It also demonstrates their commitment to exploring governance solutions together, building on shared challenges.

Facing challenges together

The review discusses challenges in whole-of-government strategy steering and the opportunities of digital government, provides country-specific recommendations and develops a joint roadmap to support Estonia's and Finland's ambitions to develop well-designed cross-border services for citizens and businesses.

Increasing integration – and opportunities

Finland and Estonia are increasingly integrated from an economic standpoint. People, businesses and ideas are moving across the border on a daily basis. As part of the review process, policy seminars engaged specialists and agencies across both sides of the border to share governance experience and implement cross-border sharing of information.

Estonia and Finland share an ambition to make digital government a strategic tool for government reform and modernisation.

Five phases of reform

As both countries pursue better coordination in a whole-of-government approach to reform, 5 principles were identified: 1) streamlining strategy; 2) silo-busting for better policy integration; 3) setting clear reform paths; 4) adopting “Just do it” pragmatism and 5) knowledge-sharing that breaks down borders.

A true innovation lab

The Estonian-Finnish cooperation has the potential to become a true innovation lab, stimulating broader cross-national cooperation at the European level. It offers a stepping stone for other countries to join in within the Baltic region and beyond.

Whole-of-government Strategy Steering

A challenging environment

Driving strategic capacity across government is very important for Estonia. The country is facing a challenging economic environment given the recent economic deceleration in the Euro area, compounded by the deterioration of the economic relations with Russia. While these represent short term economic fluctuations, Estonia is still experiencing favourable domestic framework conditions, as the country is still in a phase of convergence vis-à-vis other European countries, and GDP per capita represents approximately half of the GDP per capita in the highest 17 PCD countries. It is now urgent to ensure that Estonia's comparatively smaller public sector will help to continue closing the gap relative to the rest of the OECD area, helping to raise productivity and making the most of human capital to foster inclusive growth.

Estonia's efforts to improve the functioning of government stem from its to sustain and enhance the economic and social progress it has experienced over the last 20 years with the successful adjustment to democracy and a market economy. Since the 2011 OECD Public Governance Review, *Towards a Single Government Approach*, Estonia has undertaken a number of reforms aimed at enabling their public sector to address key strategic challenges more effectively and efficiently. Some of these reform programmes have been implemented as a function of the government's *action plan for implementing OECD Public Governance Review*, while others will still require attention during the new term of office for the Government, which will take place after elections in spring of 2015. Estonia's reform agenda is thus framed by a sense of opportunity for progression, nourished by international best practice.

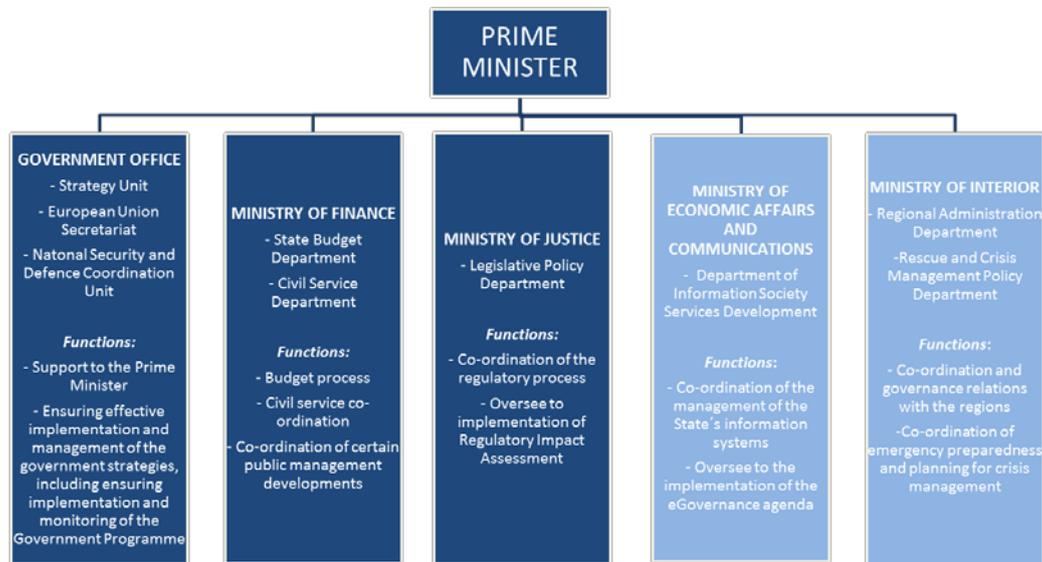
The key role of the centre of government

Strong leadership and effective whole-of-government co-ordination led by the Centre of Government (CoG) are crucial for the successful implementation of new reforms to improve effective strategy-steering to propel society forward. Across the OECD, institutional structures corresponding to the Centre of Government vary. Usually, whole-of-government co-ordination functions are carried out by the President's or Prime Minister's Office with other key departments in ministries, notably in the Ministry of Finance, working closely with them. Centre of Government functions in Estonia are shared between the Government Office (directly supporting the Prime Minister and similar to a PMO), the Ministry of Finance, the Ministry of Justice, and to some extent the Ministry of Economic Affairs and Communication and the Ministry of the Interior.

Under current arrangements through which coalitions of political parties form governments, the Prime Minister as head of government is *primus inter pares* within the governing coalition, yet tends to share overall leadership with the Minister of Finance (usually a leading figure in a different party in the coalition) who also plays a strong role in leading the government. To this end, the authority of the Ministry of Finance comes both from its powerful steering role with the budget and its senior political leadership-role which is pivotal to the successful functioning of the coalition.

This review identifies co-ordination challenges the CoG in Estonia faces in the pursuit of whole-of-government strategy-setting and steering and offers recommendations articulated around a *Blueprint for reform* (see Box 1).

Figure 1. Centre of Government institutions in Estonia



Source: <https://riigikantselei.ee/en/government-office>

Box 1. Towards a blueprint for reform

The *Blueprint for Reform* developed throughout the analysis and recommendations of this review is articulated around five core principles. These address issues of strategy-setting and implementation, evidence-based policy-making and structural and resource flexibility:

- **One Government – One Strategy: Build on success to sustain integrated strategic decision-making capacity:** The Estonian administration already has many examples where flexibility and strategic cross-sector coherence are producing results – for instance the EU Affairs management system. These institutional arrangements can serve as good-practice examples of how to institutionalize cross-sector co-operation that produce more coherent, integrated outcomes.
- **Bust silos to increase policy integration.** Since working across multiple boundaries, including national boundaries, is a defining characteristic of modern governance, government must break down barriers to *pooling* knowledge, resources and expertise from across the system to achieve broad public-sector outcomes.
- **Set a clear path for reform.** Reforms have to move beyond fine-tuning to clarifying basic principles of governance and decision-making, including the rules governing institutional and resource flexibility. The Government should identify real priorities for reform, stick to these, and build and sustain partnerships and networks to ensure their successful implementation.
- **“Just Do It”.** This need not imply a radical shift in the Estonian public sector administrative culture. Rather, reforming the rules governing flexibility and the implementation of the Government Programme can be achieved by setting clear reform objectives with short-, medium- and long-term milestones, focusing on implementation, and measuring impact.

Box 1. Towards a blueprint for reform (*cont.*)

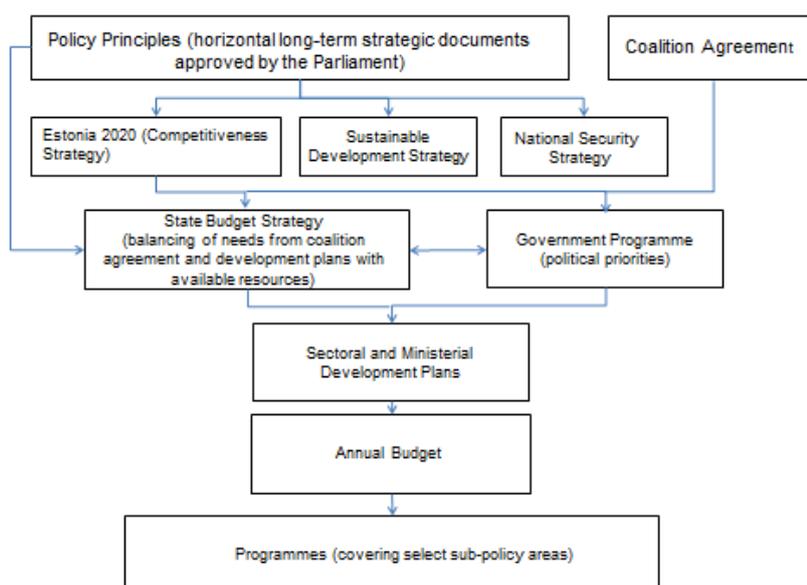
- **Build a strong knowledge infrastructure based on shared values** to share results and knowledge, and communicate good practice. This governance and technological infrastructure needs to be capable of working across borders – internal, national and psychological – so that it can work against “group-think” and play a role in political decision-making and in dialogue with civil society.

Strategy-setting and implementation processes

In Estonia, political commitments are defined in the Coalition Agreement; which is translated by the Government Office’s Strategy Unit into a strategic four-year action plan for the government called the Government Programme. During Coalition Agreement negotiations, the Government Office or the Ministry of Finance may be called on by politicians to advise on current government programmes; this is not a steadfast rule, however, and in principle the political leadership arrives at a Coalition Agreement with little input from the Government Office or ministries. Once the Coalition has agreed on its political commitments, the Strategy Unit is tasked with co-ordinating with ministries to prepare measures to give effect to them. This unit has now been around long enough to ensure that institutional memory can inform the whole-of-government exercise of translating the coalition agreement into the Government Programme. All Ministers are involved in this process.

Strategic Planning is a complex matter in Estonia as it involves a multiplicity of strategic processes (Figure 2). In addition to the Government Programme, three key horizontal longer-term national strategies have been developed: the “*Estonia 2020*” National Competitiveness Strategy, the National Sustainability Strategy and the National Security Concept. They have longer time horizons and are thus intended to influence multiple Government Programmes. In practice however only the “*Estonia 2020*” strategic objectives are linked to the current Government Programme.

Figure 2. Strategic Planning in Estonia, 2014



In Estonia, defining and communicating an integrated set of strategic objectives for the country between the politicians and the civil service, and across the government at all levels, remains a challenge. The Estonian Government Programme is being implemented at the same time as the government pursues three distinct horizontal strategies; *Estonia 2020* on competitiveness, the Government’s defence and security strategy, and its sustainability strategy. These taken together define the government’s strategic framework. Under the current complex situation, it remains unclear whether the priority measures in the Government Programme (over 200 of them) are being pursued as a function of these horizontal strategies and in turn what long-term strategic analysis or information, if any, is back-cast to inform medium and short-term objectives to implement the GP.

Table 1. **Measures in the Estonian Government Programme overtime**

	2006-7	2007-11	2011-14	2014-2015
Number of measures	92	362	648	289

Enhance the degree of visioning in the Government’s strategic documents

Estonia could therefore consider reducing the 55 strategic objectives in its Government Programme to a smaller number of more high-level objectives and linking these to a broad, integrated, vision-based strategic framework that it seeks to by the end of its four-year mandate. Indeed, the number of measures in the Government Programme for a four year term of government almost doubled from the 2007-11 to 2011-14 year period.

To this end, Estonia’s Government Programme could benefit from reducing the number of strategic objectives and clustering them under a small number of overarching strategic priorities. These strategic objectives should be easily understood by the public and internally within government, and should take into account long-term strategic outcomes that the government intends to pursue over a ten to fifteen-year planning horizon. In short, the Government should seek to enhance the document’s strategic-visioning attributes (see Recommendation 1, box 2).

Institutionalise co-ordination mechanisms to improve whole-of-government policy coherence

Estonia has clearly made advancements in bolstering CoG steering capacity since the 2011 OECD Public Governance Review. The government’s Action Plan that resulted from it helped advance co-ordination at the higher levels of government. For example co-ordination at the Secretary General and Deputy Secretary General level appears to have improved in recent years, resulting, it would appear, from both informal and formal efforts led by the Government Office. However, the leadership role of Estonia’s CoG institutions in co-ordinating effectively across ministries and ensuring the coherent implementation of the Government Programme still faces challenges:

- The authority of the Prime Minister and the Government Office to lead whole-of-government co-ordination is affected by the imperatives of coalition government, in a context where the Ministry of Finance also plays a pivotal role in the functioning of government. The partnership between the MoF and the Government Office to steer the setting and implementation of the Government

Programme in its entirety relies on a set of informal arrangements. In turn, these may not be robust enough to leverage their complementarity to guide effective strategy development and implementation in line ministries in a way that ensures that strategy and budgeting are consistently linked to advance the government’s programme. This limits the capacity to roll out a holistic approach to strategy implementation that reflects the government’s budget-setting and execution imperatives coherently.

- Co-ordination between CoG institutions to link strategic objectives of the Government Programme with the budget allocation process to enhance implementation remains a challenge in its own right in Estonia. The Government Office, the institution accountable to the Prime Minister for whole-of-government stewardship of strategic implementation, has yet to be mandated officially to drive horizontal co-ordination across ministries.

Estonia would therefore benefit from institutionalising links between CoG units. Important CoG functions are shared between the Government Office (GO), and parts of the Ministry of Finance (MoF) and Ministry of Justice (MoJ). Creating formal institutional processes to promote and ensure CoG units are working toward the same strategic objectives – especially in the initial setting of strategic programming documents and fiscal-frameworks – would be essential for ensuring results for citizens (see recommendation 2). Formal institutional linkages between the MoJ, the GO and MoF should be created to ensure on an ongoing basis that robust value-for-money regulatory impact analyses (RIAs) are conducted ex-ante on decision-making (see also recommendation 6).

Towards “One Government – One Strategy: Enhance capacity for whole-of-cabinet policy making

To achieve “One Government – One Strategy”, practical institutional arrangements are needed to ensure inter-ministry coherence in pursuing whole-of-government strategic objectives. Horizontal co-ordination and communication are essential for effectively implementing the government’s strategic objectives. The role of the CoG is to act as a facilitator and ensure a whole-of-cabinet approach by helping ministries realise their strategic goals, and by integrating evidence in a vertical and horizontal fashion. Lack of vertical and horizontal co-ordination hinders capacity to build cross-sector synergies and coherence, which contribute to maximising the impact of decisions on results for citizens.

Estonia could consider ways to enhance cross-ministry co-ordination in strategy-setting and implementation. This need not necessarily result in increased centralisation, but could reflect increased capacity for working together as a “single government”, as in Sweden and Scotland, for example. Individual Ministries can take the lead for policy initiatives in their area, but they could also be clearly tasked with horizontal co-ordination in cases where the initiative crosses ministerial boundaries. The Government could first consider identifying and allocating horizontal funding to a top-priority initiative that could serve as a pilot project (see recommendations 3, 4 and 5). Building on Estonia’s experience with dedicated task forces, the government could consider creating a one-off Reference Group of Ministers for this purpose, supported by a mirror committee of senior officials and allocating dedicated resources (see recommendations 3, 4 and 5). Using financial resources as incentives to promote co-ordination across ministries has recently

been seen as a valuable practice, yet remains an under-leveraged tool in many OECD countries, including Estonia.

In some areas, Estonia achieves a high level of policy coherence, such as for EU affairs. Therefore, the Government could also consider adapting the institutional decision-making arrangements they have adopted for co-ordinating EU Affairs more broadly to design and implement key multi-sector policy initiatives identified in their strategic programming documents (see Recommendation 3).

Mobilise budgeting to ensure effective implementation

Recent advancements in the new State Budget Law in Estonia introduced the possibility to move to performance budgeting by introducing partial ‘programme-based budgeting’. The transition is voluntary for ministries. The aim is to finish necessary preparations for the new system by the end of 2014, which would allow the launching of demonstrations in the 2016 State Budget. On-going preparations include updating legal frameworks and ICT platforms to support programme-based budgeting, as well as renewing strategic and financial planning in the ministries interested in transitioning to the new budgeting system. Three ministries have expressed keen interest in implementing program-based budgeting (Research and Education, Interior, Culture). However, there is still little linkage between budget allocation, strategic priorities and the assessment of the Government’s performance in successfully pursuing the priorities of the Government Programme.

Estonia should consider formalising *ex-ante* discussions between the MoF and GO on linking budget to strategy. Moreover, any performance information should inform strategy-setting for the GP, and inform financial resource allocation against the initiatives to be pursued under the GP (see recommendation 4). These initial steps to adopt some form of a performance-informed budgeting process could be pursued, broadened and deepened over time, with success/good practice in measuring spending performance against strategic policy outcomes shared as widely as possible across ministries.

Broad performance-assessment frameworks seek to assess policy performance against strategic, multi-sector *outcomes* (e.g. reduction in poverty, enhancements in overall skills-levels), as well as against programmatic *outputs* (e.g. Job creation targets for the infrastructure spending programme). Performance information not only allows governments to demonstrate money well spent, but enables governments to generate vital value-for-money information that it can use to conduct strategic spending reviews, themselves an effective tool on which to base resource-reallocation decisions (see also Recommendation 10). The Estonian Government should therefore continue to pursue steps to better co-ordinate budgeting with strategy-setting, using performance information to ensure effective implementation (see recommendation 4).

Enhance collaboration across the senior civil service

In this area, Estonia has made much progress by OECD standards over the past half-dozen years led by the Government Office’s Top Civil Service Excellence Centre. This involves treating the senior civil service as a community of leaders sharing common values and dedicating themselves to serving the State from a whole-of-government perspective, and serving citizens through the political leaders.

Box 2. Summary of recommendations to enhance strategy-setting and implementation processes

(Recommendation 1) The Government of Estonia could consider enhancing the degree of visioning in the Government's strategic documents by:

- Clustering the priorities of the government programme around a small number of integrated whole-of-government objectives, aligning ministries' objectives around these, and ensuring they are informed by strategic foresight work and long-term strategic outcomes;
- Offering a range of evidence, including impacts with regards to long term strategic outcomes, feeds into Coalition negotiations;
- Ensuring an independent check of the Coalition Agreement before it is finalised – possibly by an independent authoritative body.

(Recommendation 2) One Government, One Strategy: Institutionalise co-ordination mechanisms to achieve whole-of-government policy coherence. The Government of Estonia could consider:

- Making it mandatory – as a condition for Cabinet endorsing the draft Government Programme – that the route to Cabinet's decision reflects a co-ordinated approach across government institutions, and takes into account budgetary and policy-performance information;
- Strengthening strategic policy- and value-for-money assessment capacity within the CoG institutions to limit gaps to policy implementation (see also Recommendation 6).

(Recommendation 3) One Government, One Strategy: Enhance cross-ministry co-ordination in strategy-setting and implementation. The Government could first consider identifying and allocating horizontal funding to a top-priority initiative that could serve as a pilot project. In doing so, they could consider:

- Mandating an existing Cabinet Committee with the decision-making authority, including spending authority using the dedicated Contingency Fund or Policy Reserve (see recommendation 10), to oversee the implementation of a strategic multi-sector policy initiative;
- Ensuring that these committees or reference groups report regularly to full Cabinet on progress in implementing the initiative.

(Recommendation 4) Mobilise Budgeting to support co-ordinated strategy-setting and implementation. The Estonian Government should consider pursuing current initiatives to ensure that the national budget-setting process evolves to include performance information, so that the Budget is eventually based on programmes and informed by performance. In doing so, the Government could proceed with modifying its *Regulation on Strategic Planning* to allow for performance information to guide the budget process to the extent feasible, and foster co-operation and co-ordination.

(Recommendation 5) Harness strategic senior civil-service leadership to strengthen government capacity to implement strategic objectives. The Government of Estonia could consider adding indicators measuring top civil servants' performance against the achievement of their ministry's policy objectives and their ministry's contribution to government-wide strategic objectives, in addition to assessing their performance against the core competencies of the position they occupy.

Senior management in the Estonian civil service is defined broadly as Secretaries-General and Deputy Secretaries-General in the Ministries, Directors-General in the Agencies and Inspectorates. There are 96 senior managers in the Estonian civil service. A unified competency model for senior managers in the public service was established in 2009: Under this model, senior managers acknowledge that they are primarily working for the Estonian State and work as a united team to achieve the strategic goals of the State whilst in different organisations. This helps to limit the fragmentation effects of the relatively decentralised features of the Estonian public administration.

Still, Estonia can go further to encourage collaboration across senior civil servants in government: the Government could also include in senior civil servants' annual performance evaluation, particularly the top ranks including permanent secretaries, a measurement of their performance against both the Government's strategic shared objectives and against ministry-based policy objectives, as is the case in some countries such as Canada. This would encourage senior civil servants to collaborate more effectively across ministry boundaries, to achieve multi-sector policy outcomes more effectively, given complex and multi-sectored policy challenges that cross ministry boundaries. This requires some capacity for management in the senior civil service in the CoG. Knowing that part of their annual performance assessment evaluates cross-ministry co-ordination serves as a powerful incentive for senior civil servants to collaborate (see Recommendation 5).

Whole-of-government evidence-based policy-making

It is essential to promote the systemic use of evidence in decision-making throughout the public administration with appropriate institutional arrangements. Dedicated processes and institutional arrangements are key to ensure that public servants and politicians fully understand the benefits of a good quality knowledge-base to produce better decision-making, with better policies translating into better societal outcomes. Estonia faces significant challenges in relation to operationalising evidence in the decision-making process, as is the case with many OECD countries, which is perhaps compounded by the relative size effects in a small country.

Strengthening the institutional setup of RIA for improving evidence-based policy-making

Estonia has recently made progress in strengthening the institutional set up of the RIA system, requiring that legislative intent prepared by ministries for primary legislation include a preliminary assessment of the impact of the preferred legislative option, and a more in-depth assessment be conducted for proposed legislation with a significant impact. Estonia also created an institutional oversight body in the MoJ to conduct quality control. To capitalise on such progress, Estonia could consider further strengthening institutional arrangements and capacity to ensure regulatory impact assessments (RIAs) are conducted on new legislative proposals. This would help promote a culture of evidence-based decision-making, reflecting the 2012 OECD Council Recommendation on Regulatory Policy and Governance. The policy should have clear objectives and frameworks for implementation to ensure that, if regulation is used, the economic, social and environmental benefits justify the costs, the distributional effects are considered and the net benefits are maximised.

This Review recommends guaranteeing quality RIAs through ensuring a well-functioning institutional set up to evidence-based decision-making. It suggests that the Estonian Government could consider building capacity in oversight units for conducting regulatory quality control by allocating more resources, both in terms of financial resources and analytical staff. It could also a traffic-light system between the Ministry of Justice, the GO and the Ministry of Finance so to ensure that major strategic initiatives being submitted to Cabinet for approval are subject to a robust ex-ante impact assessment (See Recommendation 6). The Government of Estonia should also consider having an independent institution assess the efficient and effective implementation of the new RIA system two years after adoption. A review of the current system will also be important in

order to assess whether the requirement for a preliminary impact assessment to be reflected in the legislative intent is functioning well, or if the use of exceptions to the preparation of a legislative intent is allowing for new laws with significant impacts to be passed without the required in-depth RIA.

Ensure strategic foresight is informing the development of the government strategies

Estonia has made some efforts toward building strategic foresight, albeit with mixed success. The main challenge in setting up and building strategic foresight information rests in the fact that the Estonia Development Fund (EDF), the body assigned to carry out this activity, operates outside government machinery. As a result using the foresight information produced by the EDF could not be integrated effectively into government's decision-making process. Estonia could learn from Finland in relation to setting up foresight activity, particularly in the centre of government. One of the challenges Estonia faced in previous foresight efforts was that responsibility for foresight activity was set up outside the centre of government, and even outside the machinery of government. OECD experience shows that foresight efforts are more effectively integrated in whole-of-government decision-making when tightly linked to the centre of government and the Prime Minister's Office/Government Office, including its horizon scanning activity. Estonia could consider setting up horizon scanning within government, placing co-ordination capacity in the Government Office (see recommendation 7).

Developing capacity to apply and integrate the evidence into decision-making

Independent data analysis and research informing whole-of-government decision-making are key to the various dimension of evidence-based decision-making. Estonia has comprehensive population and business registries and a very effective interoperable infrastructure in place to share information and data across government (X-road; see Chapter on E-Governance). These create a powerful base for data analytics and public-policy evaluation in the public sector. Nevertheless, Estonia could improve institutional mechanisms to integrate various knowledge sources into ministries' decision-making processes. In Estonia the issue is mainly one of developing capacities to turn information into policy-relevant insights (see Recommendation 9).

The Government could consider further investments to build stronger analytical capacity so that this information can be transformed into targeted policy-relevant knowledge on which to base decisions. This analytical and research capacity could be located within or outside government and could be funded by, yet remain independent from, the government. A first step could entail mapping what and where data and capacity for analysis currently exists within ministries, including in other bodies such as the National Audit Office, Statistics Estonia and external research bodies. This initial activity could put in motion a larger debate across government on why such information and analytical capacity is needed. Open data could also be mobilised to exemplify better use of information.

Box 3. Summary of recommendations to strengthen whole-of-government evidence-based policy-making

(Recommendation 6) Strengthen regulatory quality control and oversight of Regulatory Impact Assessments (RIA). The Government of Estonia could consider strengthening the implementation of RIA by:

- Building capacity in oversight units for conducting regulatory quality control by allocating more resources (both in terms of financial resources and analytical staff);
- Mandating a traffic-light system between the PMO, MoJ and MoF (chaired by the PMO) so that they work closely together on an on-going basis to ensure that any major strategic initiative being submitted to Cabinet for approval has been the subject of a robust ex-ante, value-for-money test;
- Ensuring assessments of regulations adequately take into account the impact on small and medium-sized enterprises (SMEs).
- The Government of Estonia should also consider having an independent institution assess the efficient and effective implementation of the new RIA system two years after adoption.

(Recommendation 7) Build whole-of-government horizon scanning capacities in Estonia. The Government of Estonia could consider some similar steps to the UK’s efforts such as:

- Building an inter-ministerial network to bring together different sectors’ horizon scanning activities, chaired by the Government Office Strategy Unit;
- Creating a small horizon scanning secretariat in the Government Office Strategy Unit to support the integration of different horizon scanning efforts to inform cross-cutting policy and strategic decisions.

(Recommendation 9) Invest in capacity to transform information into knowledge. The following steps could be considered:

- The Government of Estonia could look toward co-operating more closely with research institutes outside the government – including with non-governmental think-tanks and Estonian academic research institutions – as a complement to internal analytical capacity;
- Estonia could equally consider investing more in building capacity to carry out applied policy analysis and content-specific policy studies to inform government decision-making; Estonia could consider building analytical capacity within ministries, as small analytical units;
- Through the opening up of data, the Government of Estonia could tap into external communities to expand its available analytical capacity and gather new policy insights.

Fostering structural and resource flexibility in the public sector

“Strategic agility” refers to the degree to which high-level, whole-of-government policy-debating fora enable the government to identify correctly emerging strategic or “hot” priorities, and make effective decisions to shift and re-allocate human, financial and institutional resources quickly to address them. Strategic agility evokes the need for nimbleness in engaging national, sub-national and civil-society stakeholders to ensure that the government is “on the right track” in identifying these strategic issues properly and the options to address them effectively. Structural and resource flexibility contributes to strategic agility.

Flexibility in resource-allocation processes

Resource flexibility is the ability to reallocate quickly and flexibly resources from one area to another when priorities or needs change. The overall trend in Estonia in recent years has been to decentralize budgets and give more freedom to line ministries in managing their resources. While potentially desirable, this decentralisation can create “information gaps” from a whole-of-government perspective that may hinder resource flexibility for the whole of government. Several mechanisms can be used to introduce more flexibility, including top-down budgeting, spending reviews, performance budgeting and automatic cuts of productivity dividends to help realign resources with priorities.

In Estonia, to a large extent, the budget system is input-based, as opposed to output-based let alone outcome-based. Funding is tied directly to ministries’ organisational development plans, as opposed to priorities in the Government Programme or single-sector strategies. With up to 75% of the budget fixed in entitlements (in law or in the Constitution), significant constraints exist on spending flexibility. As a result, Estonia displays relatively little in the way of built-in flexibility to move financial resources nimbly to address “hot” priorities.

This review recommends that Estonia could consider building *contingency funding* into annual and multi-year financial frameworks to sustain capacity to fund multi-sector, integrated strategies that cross ministry boundaries (see Recommendation 10). While Estonia has not traditionally used spending or strategic reviews systematically – either with respect to entitlement or discretionary programme spending, it could use such spending reviews to identify possible savings to support high-priority strategic initiatives (See Recommendation 11). These recommendations are consistent with the 2014 *OECD Principles of Budgetary Governance*. In addition, Estonia could also use the mid-year budget review/update exercise, to improve strategic resource re-allocation (see Recommendation 12).

Enhancing institutional flexibility

Improved institutional flexibility is a requisite to heighten agility and co-ordination capacity when addressing complex policy challenges. In Estonia, many of the barriers stem from either constitutional or legal constraints. However, the main point is to address the issues of siloed administrations, gaps in strategic leadership and the lack of flexible resources to help strengthen the government’s coherence and ability to strategic decision-making. The Estonian practice of managing inter-ministry task forces to address complex policy issues is a right step that points to the recognition that institutional stove-pipes need to be overcome to solve complex policy challenges. The approach to managing EU matters is also a good practice, as is the case in Finland. Over the medium term, as part of a strategy to ensure that in the Government is not prevented from changing its own configuration, Estonia could compile a list of the key institutional, regulatory, legal and/or constitutional impediments to greater inter-institutional fluidity. This should help to increase capacity to re-assign, re-cast, eliminate or enhance ministry mandates, or to shift resources (see Recommendation 13).

Enhance mobility through whole-of-government Human Resource Management standards

A new Civil Service Act in Estonia is beginning to break down barriers to cross-government mobility. Estonia's new Civil Service Act came into force on 1 April 2013. Its impact has been to:

- Codify inter alia who is a civil servant, the terms of competition to be hired as a civil servant, codes of ethical conduct, the terms of career development and assessment, the rights and obligations of an official, the organisation of work, and the terms and conditions of disciplinary actions against an official, including termination and release.
- Centralise the management of the civil service under a single institution housed within the Ministry of Finance (while keeping senior civil service management in the GO);
- Simplify the salary system and make it more transparent (although the Act did not consolidate the pay system across ministries and agencies); and
- Abolish provisions hindering rotation between ministries across the Government.

Through this new *Civil Service Act*, the Estonian government is pursuing common, government-wide standards in managing its workforce. This facilitates equitable treatment for work of equal value across ministries and agencies, and enhances mobility along with equitable treatment with respect to training and remuneration. This review recommends pursuing the implementation of whole-of-government Human Resource Management standards (see Recommendation 14).

Box 4. Summary of recommendations to foster structural and resource flexibility in the public sector

(Recommendation 10) Create Contingency Funds and Policy Reserves. The Government of Estonia could consider, for multi-sector strategies or programmes identified in the government strategic programming documents and “National Strategy” initiatives, identifying in the state Budget dedicated funding. To plan for unforeseen/unanticipated contingencies, the Estonian Government should identify an annual “Policy Reserve” contingency fund for strategic multi-sector policy initiatives.

(Recommendation 11) Ensure greater use of strategic and spending Reviews. Estonia could consider developing Strategic and Spending Reviews to help move financial resources away from lower or under-performing priorities toward higher or emerging ones, either within or across ministry boundaries.

(Recommendation 12) Enhance Mid-Year Budget Reviews to improve strategic resource re-allocation. Estonia could consider strengthening the practice of conducting a Mid-year budget review exercise. The Mid-Year review could help Identify those areas where spending is achieving its targets as defined in the Government strategy and those areas where it is not; Identify financial resources that could potentially be re-allocated toward higher or emerging strategic priorities.

(Recommendation 13) The Government should work to break down legal barriers to inter-institutional flexibility. Over the medium term, the Estonian Government could compile a list of the key institutional, regulatory, legal and/or constitutional impediments to greater inter-institutional fluidity.

(Recommendation 14) Pursue the implementation of whole-of-government Human Resource Management standards. The Government of Estonia could consider broadening and deepening the implementation of common standards for hiring, remuneration, performance-evaluation, promotion, training, rewards and recognition, firing. These common standards for strategic Human Resources Management could facilitate inter-ministry mobility and enhance equity of treatment of all civil servants, regardless of where they work. This may require broad competency frameworks with broad families of public sector staffs and experts. The government should also consider including a mobility clause in career paths, so as to ensure that senior leadership is rooted in multidisciplinary policy experience. This could also be done by creating a single common internal market for staff inside the government, to facilitate staff mobility across agencies and across government.

Digital Government and Cross-Border Digital Services

A role model for digital government organised around core principles

Estonia regularly stands out in international comparisons of connectivity, technology innovation and digital industry growth:

- Uptake of high-speed mobile Internet (3G and 4G) is among the highest in the OECD, around 90% of the population. This includes multiple subscriptions (e.g. multiple devices or SIM cards), and illustrates the high diffusion of mobile technologies to access the Internet.
- Fast-speed Internet uptake among enterprises is very high too, at 96% of enterprises. Even the smallest enterprises, which are typically less connected in many OECD countries, show an uptake rate of over 95%.
- Solid policy frameworks and support mechanisms are in place to foster growth and innovation in the domestic technology sectors. The ICT sector contributes around 6% to the national value-added. Since the start of the economic crisis in 2009 the number of Estonian ICT firms grew by an average 6% a year.

The innovativeness of the Estonian technology sector and the resulting applications go beyond the country's borders. Estonian Linus Torvalds is the inventor of Linux, the world's leading open source computer operating system. Companies such as Skype or GrabCad were developed in Estonia. Other innovative technology companies keep on coming up, e.g. financial services providers like TransferWise or Fortumo.

The Estonian state has been able to exploit synergies with the technology sector. Online voting is a success story: between 21% and 31% of valid votes during the past three elections were cast over the Internet, i.e. at citizens' preferred time and location. In healthcare, electronic prescriptions are mandatory by law, which means that 98% of prescriptions are fully electronic processes.

These developments helped to shape digital government, which was at the start of the newly-independent state. There was strong political commitment and backing for digitisation of the public administration. The EU accession process further accelerated reforms to turn disparate state information infrastructures into a foundation for coherent decision-making and service delivery. The success of digital government in Estonia is built around the five following building blocks:

- Since 1990 Estonia uses a **personal identification code** (*isikukood*) to uniquely identify each citizen and resident in government information systems.
- In 1997 the **“once only” principle** became a legal obligation, meaning the public administration could not ask an individual to provide information she or he had already provided to any part of the administration.

- The **Digital Signatures Act** in 2000 recognises digital signatures as being fully equivalent to hand-written signatures, both in commercial and public sector transactions.
- Estonia established as a principle that an individual should have **control over how their personal data is used** and should be able to see which civil servant accessed their data.
- The **X-road interoperability layer** has become the standard platform for streamlining services and data exchange between government agencies in Estonia. It allows to integrate non-government actors into public sector workflows, e.g. to exchange information on income and assets between private companies, taxation and social security authorities.

This framework of principles, laws and infrastructure enablers has led to greater public sector agility. Estonia developed a high degree of interoperability between government and other information systems. In doing so, the country could build services that exploit the availability of a maximum of data, create services that proactively address user needs, and support domain-specific policy objectives, e.g. in the areas of social security and education.

Going forward, some remaining and some new challenges will need to be addressed to ensure the effectiveness of digital government. This review issues a set of country-specific recommendations, which are linked to the overarching principles of the *OECD Recommendation on Digital Government Strategies*.¹ Building on the current success, the priorities for Estonia are to:

- Intensify service transformation efforts for front-facing public services,
- Formalise some of the informal relationships around digital government,
- Improve the use of its data exchange infrastructure to source policy-relevant information,
- Harmonise the use of business cases for IT projects across government,
- Develop a sustainable skills and capacities framework at both the national and local levels.

These will be detailed in the following sections.

How can digital government strategies support wider public sector reform in Estonia?

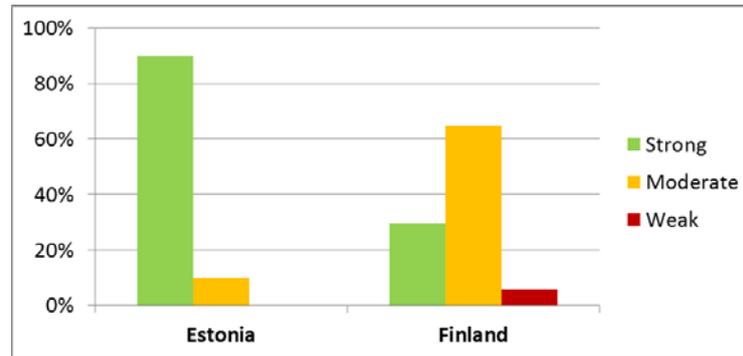
Coherent digital government strategies to address national policy priorities

Estonia's government has been very effective when it comes to producing an authoritative and commonly recognised strategy for digital government – the *Digital Agenda 2020*. The strategy's main steward is the Government Office under the Prime

1. www.oecd.org/gov/public-innovation/recommendation-on-digital-government-strategies.htm

Minister. The Government CIO office at the Ministry of Economic Affairs and Communications coordinates and oversees implementation of digitisation projects across government. Success is confirmed by strong recognition of the strategy’s relevance for the quasi entirety of national government ministries compared to Finland (Figure 3).

Figure 3. **Perceived relevance of national digital government strategy**



Notes: Indication by national government institutions of perceived relevance of the national digital government strategy to digital public service delivery in their institution.

Source: OECD Survey of Estonia and Finland (2014).

Estonia’s *Digital Agenda 2020* is a continuation of political commitment by leaders to make the best use of digital opportunities in government and society. It aims to expand the development of basic service infrastructures and platforms, while stimulating technology take-up across all parts of the population, fostering development of public sector ICT use and growing the domestic ICT industry. Strategic objectives are clearly defined. They come with benchmarks and targets for the years ahead, which gives actors in the administration and key partners a sense of common direction. The strategy picks up priorities of the national government and combines them with priorities for neighbouring countries and the EU (e.g. promoting the adoption and use of shared digital service infrastructures).

Recognition of domestic shortcomings

Knowing that past achievements are not enough to ensure future performance, Estonia has taken steps to address remaining challenges in adapting public services to expectations of citizens in the 21st century. The government recently assessed the quality of public services across its entire administration. A Green Paper on the organisation of public services recognises the advances made to create a more coherent, accessible and usable set of public services, while acknowledging some shortcomings, notably the fact that public service quality differs across government sectors and that user-driven approaches to public service design constitute the exception rather than the rule. The assessment has led to identifying 20 high-impact services to pilot the new transformation approaches.

Estonia has an opportunity to build “early warning systems” based on its information infrastructure and the amount of data it can use to analyse the performance of digital public services and their contribution to policy outcomes. Digital healthcare initiatives are for example successful in Estonia in terms of take-up and user satisfaction, but their

impact on people's overall satisfaction with healthcare service delivery in the country remains limited and the impact on health outcomes is unknown.

Sustainable leadership and governance mechanisms

In Estonia, the institutional division of digital government responsibilities is relatively clear: the Government Office provides broad strategic directions for government IT to be in line with national policy priorities whereas the Government CIO office at the Ministry of Economic Affairs and Communications coordinates and oversees implementation of digitisation projects across government.

The importance of personal commitment and interpersonal networks in Estonia should not be underestimated. Neither of the two aforementioned institutions has a particularly coercive mandate with “hard” levers at hand. According to the OECD Review, many Estonian national institutions still fall short of being part of formal digital government coordination processes. The informal setting seems to have worked well in the past as interpersonal networks worked effectively and compensated for relatively autonomous ministries. Estonia should address the risk that informal mechanisms lose their effectiveness when the system is placed under stress or when people change jobs. Further budgetary constraints might for example reduce the willingness or capacity of individual institutions to coordinate for the implementation of digital government projects.

Involvement of municipal authorities

Regional and municipal authorities are a necessary partner for the development of effective national strategies and their effective implementation. Estonian central government institutions tend to coordinate digitisation agendas with municipal authorities. However, the effectiveness of these coordination measures is limited. On the one hand, resources differ among local levels of government. On the other hand there is sometimes the central administration is not always sufficiently active to engage with local governments in ways that would generate wide-spread commitment to the *Digital Agenda 2020*. The Estonian Association of Local Councils has for example been involved in digital government strategy setting in the past, but never to the degree that would make it a shaping force of either national or municipal digital government developments.

Box 5. Summary of recommendations on digital government to support wider public sector reform in Estonia

(Recommendation 2): Estonia should build on its experience of screening shortcomings in public service delivery to **develop strategic “early warning” capacity when digital public services are not sufficiently supporting national priorities.** The aim should be to develop a methodology, tools and practice to identify areas where digital government initiatives are not contributing strongly enough towards achieving desired policy outcomes.

(Recommendation 4): To ensure the long-term effectiveness of governance modes and anticipate future risks of declining incentives for coordination, Estonia should **consider introducing coordination mechanisms that complement existing the existing interpersonal networks.** New governance mechanisms do not necessarily mean creating new institutions or heavily regulated procedures. Estonia could instead consider making centralized reviews for government IT projects mandatory in additional cases. Major public sector IT governance issues could be grouped into a comprehensive law, as some OECD countries have done.

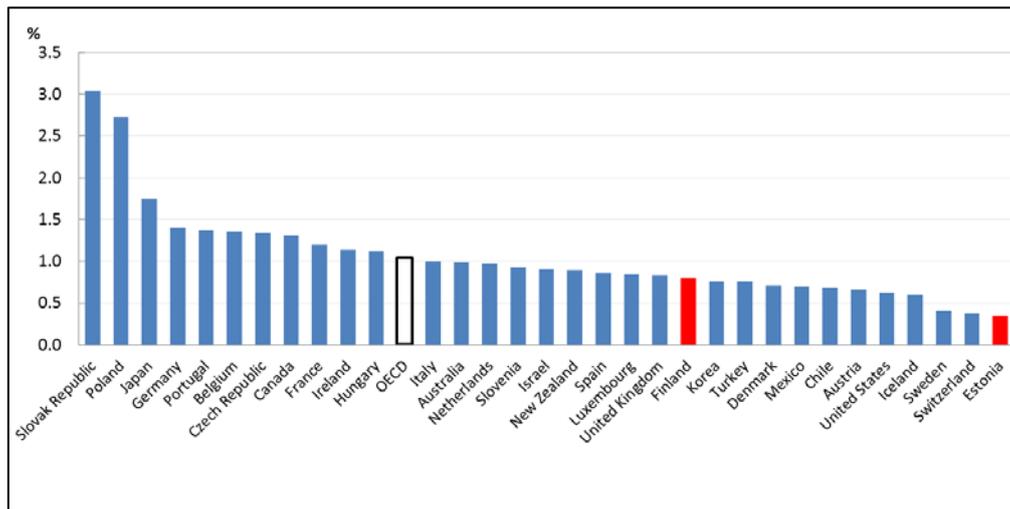
(Recommendation 6): Estonia should aim to **strengthen the incentives and capacities for local councils’ ICT adoption.** This can be done through support for the development of a relevant digital agenda for local government in Estonia; through jointly developing shared services and infrastructures; and through mobilising and partnering with the associations of local governments, helping them become competence centers for local ICT agenda development and execution.

How to ensure effective implementation of digital government priorities?

Effective and efficient IT projects implementation

Effective implementation is key to a high-quality user experience and to tangible impacts on overall government performance. Estonia’s government has largely been able to stay away from excessively costly government IT projects and thereby kept its ability to scale projects such as the interoperability infrastructure or the digital signature towards the entire administration without major overruns of budgets or timelines. The taxation area provides an illustration of the policy-relevant impacts that different qualities of IT project implementation have in the long run. Various features contribute to a very cost of tax collection rate in the OECD (Figure 4). Tax administrations are generally forerunners in public sector digitisation. This is no different in Estonia where automated exchanges of tax agency information systems with those of employers, social security institutions, banks and others mean that the respective agency is able to pre-fill 100% of personal income tax returns and thereby reduce the interaction needs for the individual user. The majority of pre-filled tax forms are accepted “as is” by the declaring person, which testifies to the high quality of tax-related information exchanges.

Figure 4. Cost of collection ratios (administrative costs/net revenue collection), 2011



Source: OECD, Government at a Glance, 2013

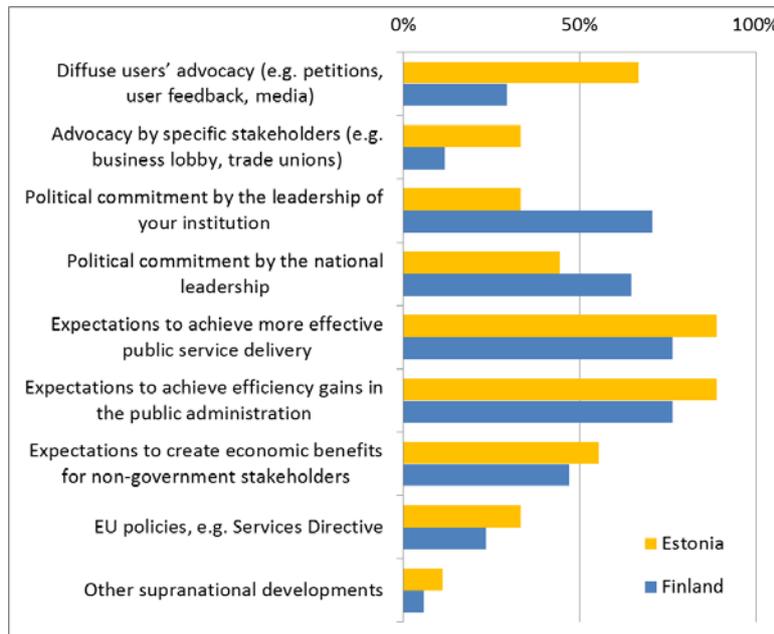
Harmonised use of the business case as a strategic tool

The business case approach has proven to be effective in leading countries as a means to ensure maximum benefits realisation, coherent investments, transparency and good management of government IT projects. It is more than a financial tool to calculate benefits and costs in monetary terms. Countries like Australia, Canada, Denmark and the United Kingdom have in fact made the use of business cases mandatory for a large share of digital government projects in order to effectively communicate about the shortcomings of digital services and articulating the costs and benefits of planned projects. The *OECD Recommendation on Digital Government Strategies* calls for business cases to become a standard instrument in the implementation of any government IT project.

A certain business case “culture” is visible in Estonia. Estonian central government institutions have two principal expectations from any IT project: 1) more effective public service delivery, and 2) efficiency gains in the public administration (see Figure 5). Many government institutions consider that better service delivery and reduced costs are the primary components to build a business case.

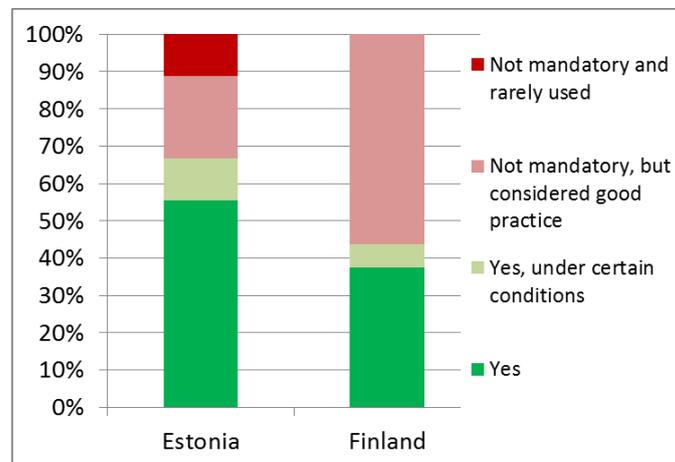
While this represents an important starting point, a gap remains between the expectations for digitisation projects and the actual use of coherent methodologies to determine benefits and costs and to take informed decisions. In Estonia, around two thirds of national government institutions indicate they use business cases for decisions on IT projects – either systematically or under certain conditions (Figure 6). There is no commonly defined business case methodology. Responses to the OECD survey show a high variance between definitions and methodologies used for business cases across government. The lack of harmonised business case methodologies makes it difficult for decision-makers to compare project proposals and select the ones to go forward, to ensure orientation towards given objectives and to avoid duplication of investments across government.

Figure 5. Drivers of public service digitisation



Source: OECD Survey of Estonia and Finland (2014).

Figure 6. Use of business cases for government IT projects



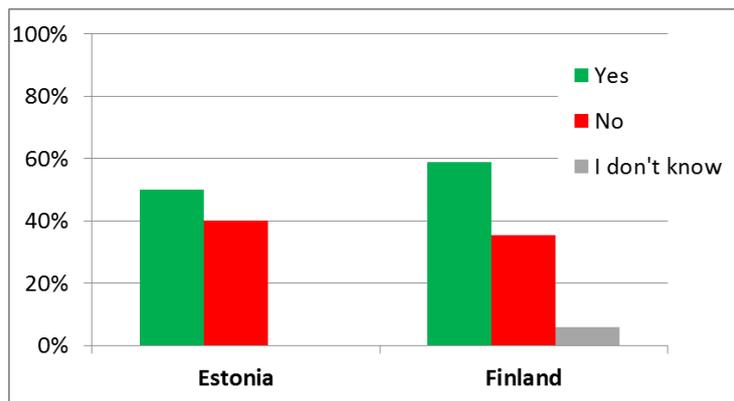
Source: OECD Survey of Estonia and Finland (2014).

Central government units such as Government CIO offices have a key role in promoting the use of business case and empirical evidence for public service improvements. They need to be able to use a business case approach to review and monitor the portfolio of public services.

Adopting user-driven and evidence-based approaches to public sector transformation

Leading OECD countries acknowledge the importance of iterative and inclusive approaches to the design and delivery of public services. While there is general recognition for the importance of open and collaborative approaches to digital service development, their application is still relatively infrequent in Estonia. Only around half of central government institutions for example measure user satisfaction in a systematic way (Figure 7).

Figure 7. **Measuring user satisfaction in central government institutions**

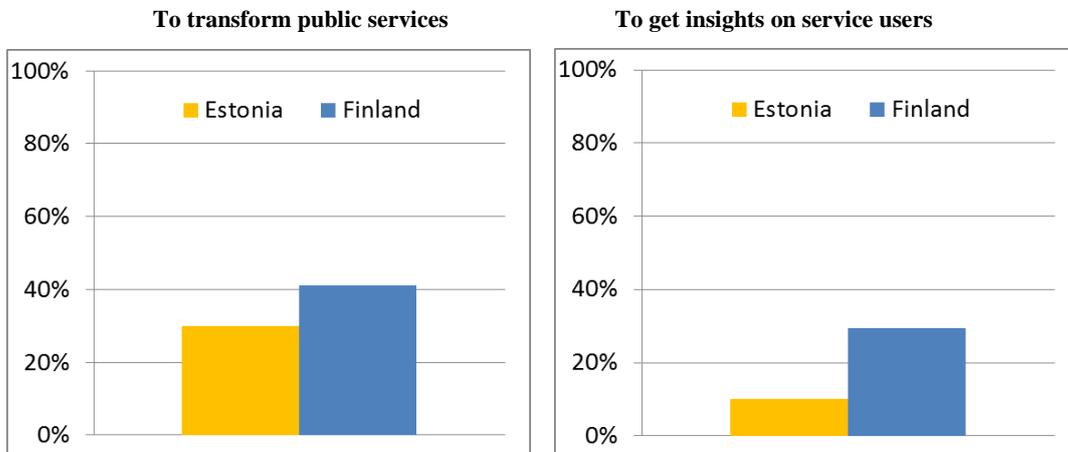


Source: OECD Survey of Estonia and Finland, 2014.

The involvement of users has to actually start much earlier than during the evaluation phase. Effective involvement starts with the identification of key issues and the collaborative design of services. The translation of these practices into digital service transformation is only just emerging, few countries have been able to systematically overhaul the way digital services are conceived and implemented. The work done under the guidance of the UK Government Digital Service (GDS) in recent years is groundbreaking as it has resulted in new standards for usability of digital services.

Opening up government data is also showing great potential to transform service delivery, government operations and stakeholder involvement. It is a practice that is just emerging as a transformative element for public service delivery in Estonia as only a minority of government institutions currently use open government data as a lever to transform public services; and even fewer institutions seem to use such data to obtain insights about the needs of users (Figure 8).

Figure 8. Use of open government data in central government institutions



Source: OECD Survey of Estonia and Finland, 2014.

Going forward, Estonia can greatly build on existing assets to expand user-driven and evidence-based approaches. The government benefits from an infrastructure that, in OECD comparison, allows relatively seamless sharing of information across the entire administration in real time. The X-road data exchange layer has much potential for the generation of strategic policy insights, formulation of better policies and more timely evaluation of implementation. This does not have to be limited to internal use of data only but can include opening up data to selected partners or the public.

Improving skills and capacities for digital government

Continuous revision of the required and available skills set across the public sector is important to ensure that leaders are able to lead and drive the necessary changes. This should ensure that the public sector can attract, develop and retain people who contribute with their skills sets to the achievement of strategic digital government objectives.

In Estonia, the scarcity of human resources is a constraining factor. The public sector's hiring capacity for highly-skilled people is limited due to high demand in the private sector and high levels of migration. Existing challenges at the national level are exacerbated at local levels of government. Approaches to ensuring the public sector has a sufficiently large set of available skills need therefore invariably consider the sharing of resources within the administration and beyond.

Estonia is not alone in facing a growing need for cross-cutting skills for digital government. It can therefore look to different practices in OECD countries for solutions, by creating young professionals programmes (Australia's Public Service), by offering public sector fellowships to technology leaders from business and civil society (United States' White House), by reviewing the IT skills and capacities framework for the entire public sector (United Kingdom's National Audit Office).

Box 6. Summary of recommendations to ensure effective implementation of digital government priorities in Estonia

(Recommendation 8): Estonia should **promote a harmonised and selective business case approach for major IT investments across government**. The government should aim at achieving greater coordination between investments by developing a common business case methodology under the leadership of the central government coordination unit, i.e. the respective Government CIO offices. This should ensure that the methodology and templates for the creation of cross-government business cases can effectively support strategic steering; by defining rules of procedure as to when business cases are required. This also requires considering international experiences and adapting them to national requirements. Estonia could also consider complementing the planned “No Legacy” principle with a methodology to articulate the business case or value added of an information system re-design after 10 years of operation.

(Recommendation 9): Estonia should explore options to **leverage external audit and expertise** since the national audit office has shown interest and capacity to assess digital government projects in the recent past. This should not come at the expense of higher complexity of processes or reduced agility of digital government, but should rather aim at establishing a setting for mutual learning on digital government performance.

(Recommendation 10): Estonia should **harness its outstanding cross-government information infrastructure for sourcing policy-relevant intelligence and decision support**. Considering the small size of the country and administration, creative solutions will have to emerge, which can include creating a specialized data analytics or data science unit that serves the entire government; cooperating more closely with non-government think-tanks and research agencies to derive policy-relevant insights from the administration’s information systems; opening up government datasets for use by the wider public.

(Recommendation 12): Estonia needs to **ensure effective skills development and sharing of skills resources**, e.g. by establishing a framework of the cross-cutting skills needed now and in the future to ensure digital government remains capable of addressing national priorities; pooling of skills and resources that are important yet scarcely available to government (and the private sector); pooling of skills and resources with outside partners; sourcing in experiences from the private sector; encouraging skills and capacities development at local levels.

(Recommendation 14): Estonia should **expand its experience of using empirical evidence and involving users** to transform 20 high-impact public services by publishing benchmarks and key performance indicators for public services, compiling a catalogue of all front-facing public services in order to facilitate benchmarking and comprehensive quality checks on public services; designating a “service manager” or “system owner” for each public service.

(Recommendation 16): Estonia could **clarify the tasks and requirements of the five X-road access “gate-keeper” institutions** that currently review any government information systems for issues of data quality, meta-data completeness, protection of privacy and personal data and others.

How to further cross-border cooperation on public service delivery and data exchange?

Together with Finland, Estonia has committed to an agenda of harmonising the delivery of services across borders and improving workflows between their respective administrations. The utility of such an agenda is clear because of the strong economic ties between the two countries, a high number of commuters, residents and businesses active in both countries. Political support exists on both sides, underlined by a Memorandum of Agreement on bilateral IT cooperation the two respective PMs signed in 2013. Both countries can expect positive spill-over effects from the pursuit of bilateral digital

services to domestic digital government developments. The bilateral cooperation agenda is supported by international developments, notably EU initiatives.

Estonian interest in cooperating with Finland are bound to the high number of Estonians active in Finland than vice versa as well as to the fact that its legal and regulatory framework and information systems are ready to create seamless data exchanges across borders (due to the X-road layer).

This review helped to identify specific services and government-to-government data exchanges that would benefit from mutual interest and readiness to explore cross-border cooperation between Estonia and Finland. Pilot projects can start relatively soon in selected areas of the following sectors: taxation, healthcare, social affairs and business-oriented services (Table 2). While the needs, context, actors, opportunities and challenges are distinct in each case, progress in building prototypes and piloting shared services in one area will provide important inputs to other areas too. It will help to create broader support within both administrations.

Table 2. **Selected piloting areas for cross-border services and data exchange across Estonia and Finland**

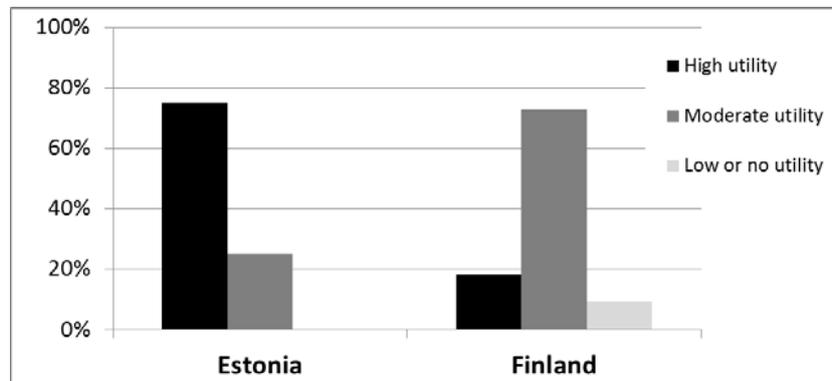
Policy domain / service	Main benefits and beneficiaries	Estonian entry point	Finnish entry point
Taxation	Avoid errors, duplication and fraud. Greater efficiency	Tax and Customs Board; Ministry of the Interior	Tax Administration
Healthcare / electronic prescriptions	Interoperability of electronic prescriptions to facilitate collection of medicine	eHealth Foundation; Health Insurance Fund	KELA; Ministry of Social Affairs and Health
Healthcare / time-critical health information	Real-time interoperability to facilitate proper treatment after accidents.	eHealth Foundation	KELA; Ministry of Social Affairs and Health
Social affairs / exchange of information on social contributions paid	Improve case handling, reduce incidents of duplicate payments, avoid future paybacks or payments recovery.	Social Insurance Fund	ETK; Ministry of Social Affairs and Health
Social affairs / checking residence of social assistance applicants	Facilitate eligibility for social assistance	Ministry of the Interior	Ministry of Social Affairs and Health; Helsinki municipality
Social affairs / unemployment entitlements and benefits received	Improve case handling, reduce probability of errors and fraud in the calculation and disbursements of unemployment benefits.	Unemployment Insurance Fund	KELA; Ministry of Social Affairs and Health
Business development / companies register data	Facilitate and stimulate cross-border business development and investments.	Centre of Registers and Information Systems; Ministry of Economic Affairs and Communications	Finnish Patent and Registration Office; Ministry of Employment and the Economy
Business development / licensing information	Facilitate cross-border business operations and development.	Ministry of Economic Affairs and Communications	Ministry of Employment and the Economy

Moving from political intentions to implementation

Moving from political intentions towards implementation requires committing actual resources to the cross-border agenda. At a first glance, incentives and interest seem to be higher in Estonia than in Finland to engage in the development of cross-border services and interoperability of information systems in the two countries (Figure 9). This has to do with the greater importance of Finland for Estonia as a destination and source of migration, commuters and business relations than the other way around. Considering the challenges Finland faces in reforming digital government and governance, it seems that domestic reform processes would benefit from positive spill-over effects of cross-border cooperation. Improved access and use of information resources can for example facilitate

tackling the informal economy, increasing government agility or developing the “real-time” economy.

Figure 9. **Perceived utility of a cross-border interoperability framework by central government institutions**



Source: OECD Survey of Estonia and Finland, 2014.

There is also an important multilateral dimension and benefit in pursuing a bilateral agenda. The risk of overlaps of resources dedicated to bilateral and EU-wide cross-border initiatives can be contained by clearly spelling out if and how progress on the bilateral agenda is expected to spill over to the multilateral agenda. One way of doing so is to consider joint services and interoperability across Estonia and Finland as a “laboratory” for wider EU ambitions.

Shared governance, coordination and support mechanisms

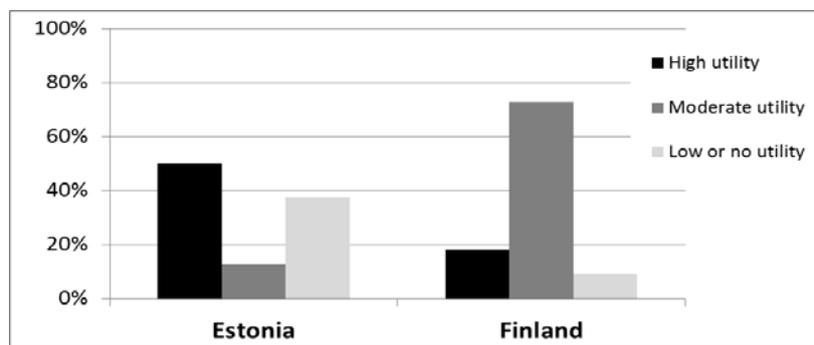
Day-to-day working relations between cooperation partners will drive a large part of the cross-border services agenda. While many of these relations will be informal, there is a need to formalise some of the bilateral processes in order to make sustainable progress. Documentation of projects is important to maintain transparency about decisions regarding the continuation or not of pilot. In fact, effective means to document how cases were identified, business cases developed, implementation pursued and decisions taken are essential for pilots to become operational. They are also important for cases that do not become operational – as lessons to other cross-border projects. The aim is to create project management templates and to stimulate the establishment of solid business cases in order to facilitate the allocation of resources, to report and monitor projects during their life cycle, and to document success stories and failures for future reference.

This requires some pioneering work ahead. The respective Government CIO offices are in the best position to develop and promote common methodologies and templates for cross-border projects. These offices are drivers of domestic business case adoption and play an important role for the development of a business case culture in bilateral projects. Other joint governance mechanisms can be expanded to cover further institutions as well as more countries. The “Nordic Digital Institute” is one such proposal on the table. Its ambition is to carry out joint infrastructure projects between countries in the wider Nordic region, focused on basic infrastructure enablers: interoperability layers such as X-road, electronic identities, digital signatures.

Value propositions aligned with national and supra-national priorities

Cross-border service delivery and more seamless exchanges of information between administrations serves commuters, migrants, businesses and the administration itself by reducing administrative burdens and improving accessibility and usability of public services. Most government institutions in Estonia believe there is high utility from using cross-border business cases. It is important for both sides to understand that benefits of real-time digital information exchanges are not evident to every involved institution. The use of common and solid business cases will be beneficial to ensure long-term commitment and allocation of resources by participating institutions.

Figure 10. **Perceived utility of a cross-border business case methodology in central government institutions**



Source: OECD Survey of Estonia and Finland, 2014.

There is thus clearly a need to identify the added value and articulate benefits of cross-border services to get buy-in from individual institutions. More than half of Estonian institutions expect efficiency gains and more effective services from digital cross-border services (Figure 11). In Finland, these factors are drivers too, but not as strong as they are in Estonia.

Figure 11. **Drivers of cross-border digital public services in central government institutions**



Source: OECD Survey of Estonia and Finland, 2014.

Systematic user and stakeholder involvement

Stakeholder involvement is a critical component for successful design and implementation of any digital service, domestic or cross-border. The relevant line ministries and agencies are closely involved in discussions about cross-border services and data exchanges. But consultation and participation of other stakeholders and partners has been slower – this concerns for example cross-border commuters, healthcare practitioners and patients, different segments of the business community.

Now is time to take the next step and assemble key stakeholders from both countries around specific plans to pilot selected services or data exchanges. This would ideally be around first prototypes to identify and advance business cases, and to start piloting and developing actual joint services. Especially in areas that are far advanced in their readiness to pilot across the border – e.g. taxation and social security data exchange, electronic prescriptions, business registration and licensing information, education – it is timely to intensify the work with related authorities, practitioners and services beneficiaries to validate the business case components. More iterative approaches could help validate use cases, business cases and prototypes. It certainly adds more weight if proposals for cross-border services are also backed by demands from the ultimate users and beneficiaries.

Box 7. Recommendations to advance cross-border digital services and data exchange

(Recommendation 18): Estonia and Finland should now **proceed to building shared service prototypes and pilot their use in selected public service areas**. A detailed roadmap is provided in this review. Four policy areas have been identified as holding particular potential in the immediate: taxation, healthcare, social affairs, business development and promotion. Further areas have not been touched in detail during the review but hold potential for exchanges, e.g. education. Both countries should remain committed to maintaining fundamental technology enablers interoperable across borders as they engage in domestic revisions.

(Recommendation 19): Estonia and Finland should **establish shared governance mechanisms for cross-border services and data exchange**. In line with the roadmap, the Government CIO offices in both country should take the lead in coordinating, supporting and overseeing developments by: developing common project templates for monitoring, reporting and implementing cross-border services; designating individual “service managers” (or “service owners”) in their country and liaising with service managers in the partnering country; drawing general lessons from project-specific experiences; assisting the transformation and scaling of pilot projects towards fully operational services; establishing joint infrastructure management and development governance mechanisms.

(Recommendation 20): Estonia and Finland need to **jointly identify and articulate the added value of cross-border services for national and international policy agendas**. Political backing and dedication of resources can be assured by: highlighting the fact that more seamless data exchange across Estonia and Finland also yield domestic benefits; underlining how interoperable services and infrastructures across Estonia and Finland act as a “laboratory” for wider EU-wide interoperability agendas; exploring synergies with municipal challenges and opportunities, e.g. the possibility of applying common interoperability standards to exchange of data in the areas of education and healthcare which are mainly under the authority of municipalities in Finland; using standardized ways of documenting progress and sharing lessons on how to exploit synergies.

(Recommendation 21): Estonia and Finland should **start involving users and relevant stakeholders in the selection of priorities** for cross-border services. This can be done by encouraging iterative developments of cross-border service pilots; surveying potential user communities around their perceived preferences for simplification of administrative requirements; exploring potential working arrangements with independent state institutions. These additional interactions should not lead to higher complexity of processes or reduced agility of digital government but should rather aim at mutual learning on cross-border service performance.

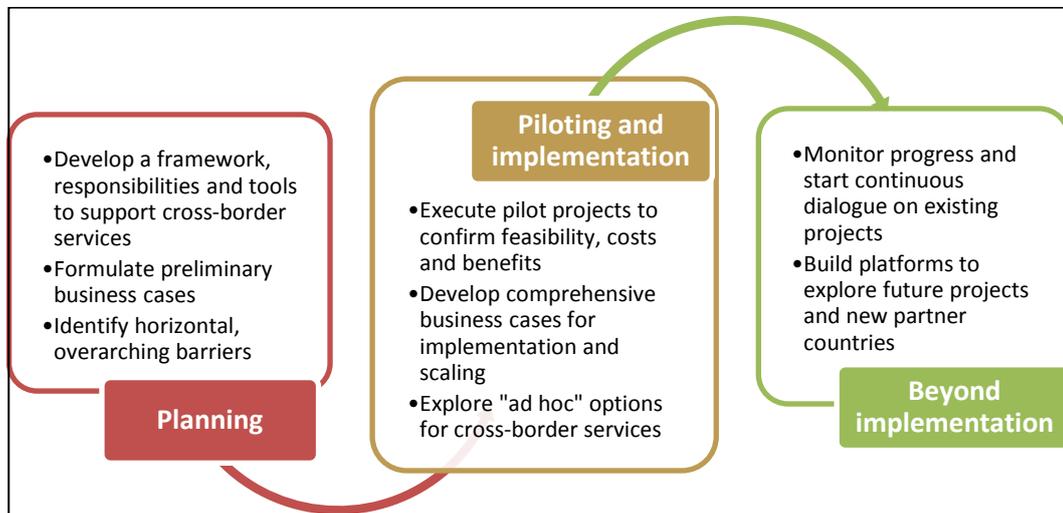
Towards a roadmap for the development of cross border digital services

The roadmap for the development of cross-border services should include a phased approach with three phases presented in Figure 12.

The roadmap includes a list of key actions. Many of these actions will have to run in parallel and the full detail of the actions is provided in the review:

- Develop a business case methodology
- Identify dedicated service managers for business cases / pilot projects
- Identify and develop preliminary business cases for individual services/data exchanges
- Identify horizontal barriers or impediments to piloting cross-border services
- Develop a template for documenting and monitoring project progress
- Design and pilot prototypes of cross-border services or data exchange
- Turn preliminary “business cases” into complete business cases
- Establish cross-border governance mechanisms
- Develop a communications plan for the cross-border service agenda
- Establish platforms for continued dialogue and outreach

Figure 12. **Three phases for the cross-border service development roadmap**



In the process of implementation, it will be important to address risk factors. This includes countering the lack of buy-in from involved stakeholders, resolving conflicts between different agendas, maintaining political support and ensuring the commitment of sufficient resources. Sustainable progress of the roadmap requires careful planning, continuous support and consistency with other cross-border agendas.



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