

SYSTEM OF GOVERNMENT: Parliamentary

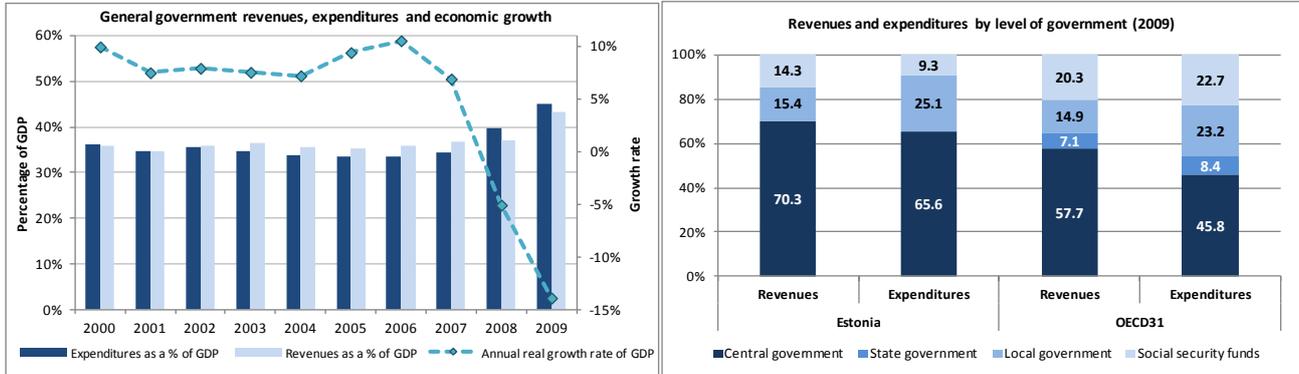
- No. of ministries: 11 (2010)
- No. of governments over last 20 years: 12
- No. of coalitions over last 20 years: 4

STATE STRUCTURE: Unitary

LEGISLATURE: Unicameral

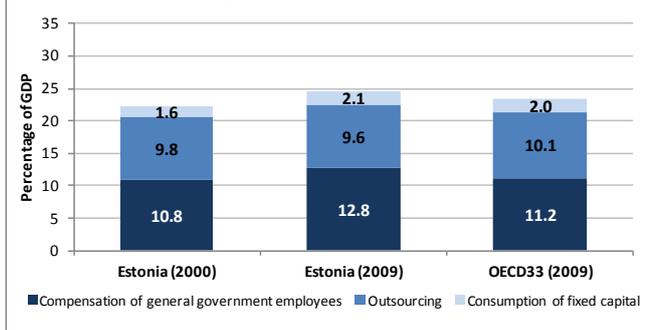
- Upper house: none
- Lower house: elected using First Past the Post

Throughout the 2000s, government expenditures hovered around 35% of GDP, making the Estonian government one of the smallest in the OECD. Estonia had run fiscal surpluses since the early 2000s due to higher-than-expected revenues and a conservative fiscal policy, such as adopting a *de facto* balanced budget rule. However, Estonia was hard hit by the crisis in 2008 and 2009 with the economy contracting by 20% (which is reflecting in the steep rise in government expenditures relative to GDP in 2009 compared to 2008). The Estonian government is highly centralised. The central government collects over 70% of revenues and is responsible for almost 66% of all expenditures.



Source: OECD National Accounts and Economic Outlook 89. [Revenues] [Expenditures] [Revenues by level of government] [Expenditures by level of government]

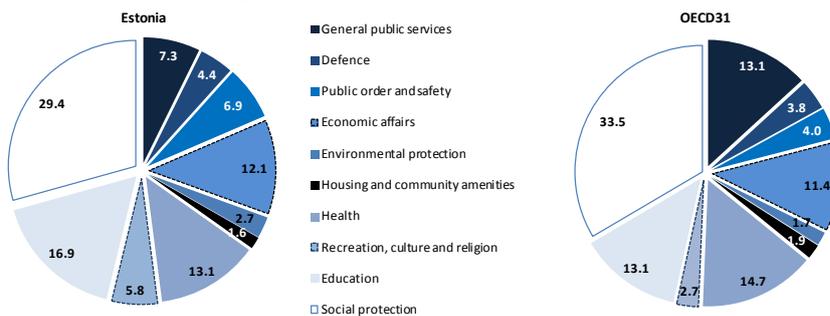
Production costs: Cost of government-produced and government-funded goods and services (2000 and 2009)



Source: OECD National Accounts. [Production costs]

Almost 25% of the economy was devoted to producing public goods and services in 2009, slightly more than the OECD33 average of 23.3%. Compared to other countries, Estonia relies slightly more on government employees in the production process and less on outsourcing, the use of which decreased between 2000 and 2009.

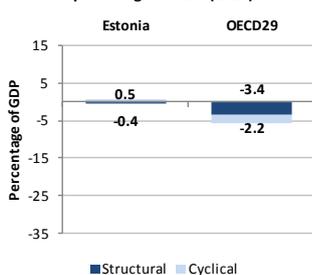
Structure of general government expenditures by function (2008)



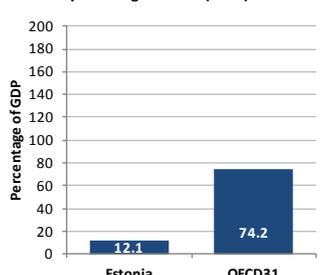
Source: OECD National Accounts. [Expenditures by function]

The structure of expenditures in Estonia differs somewhat from other OECD countries, with a much smaller proportion of government resources devoted to social protection programmes and general public services. Comparatively more resources go towards education programmes (the school-aged population is increasing); police (public order and safety); and recreation, culture and religion.

General government fiscal balance as a percentage of GDP (2010)

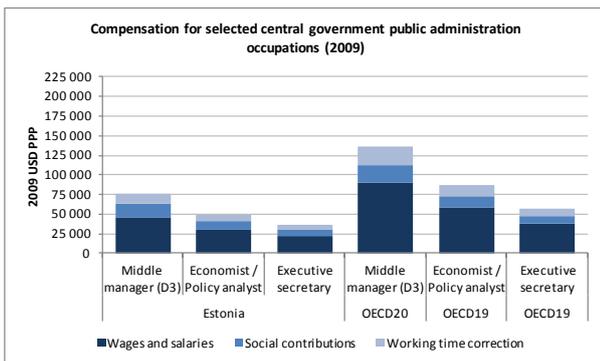
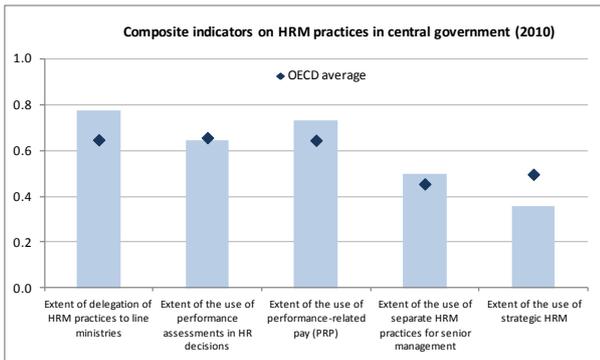
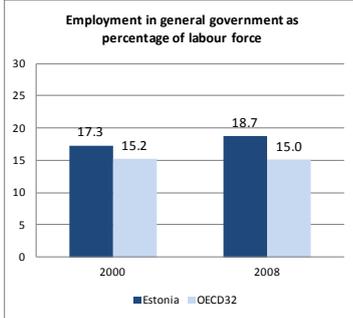


General government gross debt as a percentage of GDP (2010)



Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [Fiscal balance] [Debt]

General government debt in Estonia rose slightly to 12.1% of GDP in 2010. However, the debt-to-GDP ratio is still the lowest among OECD member countries. Estonia started fiscal tightening in 2008, which was earlier than most other countries as the government's primary goal was to achieve a public deficit below 3% of GDP in order to qualify for euro adoption in January 2011. In 2010, Estonia actually had a slight surplus (0.1% of GDP).



Working time correction brings countries to the same basis of comparison in terms of annual working hours (accounting for weekly working hours and holidays).

Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	Yes	No	No	No	97%
Selection & evaluation criteria	Yes	Yes	No	No	97%
Tender documents	No	No	No	No	82%
Contract award	Yes	No	No	No	100%
Justification for award	No	Yes	No	No	59%
Tracking procurement spending	No	Yes	No	No	32%

Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".

The government employs 18.7% of the labour force in Estonia, which is above the OECD average of 15%. This represents a slight rise since 2000, when it was 17.3%. However, it remains well within the range of OECD countries, which extends from 6.7% to 29.3%.

Source: International Labour Organisation. [\[General government employment\]](#) [\[Distribution by level\]](#)

The Estonian government has a highly delegated system of HRM practices with most functions are the responsibility of line ministries. This is accompanied by a strong performance orientation both in terms of the utilisation of performance assessments and performance-related pay. Estonia manages a cadre of senior civil servants separately. The modernisation of the Public Service Act is on the agenda of the Coalition Programme. This will also result in changes to human resources management where there is much room for development regarding the use of HRM strategically.

Source: OECD 2010 Strategic HRM Survey. [\[Delegation\]](#) [\[Performance assessment\]](#) [\[PRP\]](#) [\[Senior management\]](#) [\[Strategic HRM\]](#)

In the Estonian public service, total compensation for middle managers, economists/policy analysts and executive secretaries is below the OECD average. Social contributions make up a relatively large share (23%) of total compensation, while wages and salaries represented 61% (compared to an OECD average of 66%). Estonian public employees work, on average, 219 days per year, and are required to work a 40-hour week. Middle managers earn 1.5 times more than economists/policy analysts, and 2.1 times more than executive secretaries, similar ratios to elsewhere in the OECD area. Estonia is reforming its system to make compensation management more decentralised. At the same time, the aim is to improve transparency and assure equal treatment by applying centralised job classifications and salary surveys.

Source: OECD 2010 Compensation Survey. [\[Middle managers\]](#) [\[Economist/Policy Analyst\]](#) [\[Executive Secretary\]](#)

Achieving greater transparency in public procurement is important; especially given that Estonia spent an estimated 14% of GDP on procurement in 2008. Like the majority of OECD countries, Estonia publishes most public procurement information on its central procurement website: <http://riigihanked.riik.ee/>. Additionally, contracting entity websites may disclose information on specific guidance on application procedures such as templates and forms, on selection and evaluation criteria, on procurement plans, on justifications for awards and allow tracking public procurement spending on line. In Estonia contracting entity websites do not tend to provide tender documents and information on contract modifications. Suppliers may access electronic tendering documents if the contracting authority has made them available in the central register. Currently, Estonia is one of the countries that publishes information on the justification for awarding a contract to a selected contractor and allows for tracking public procurement spending on line. This is done by 59% and 32% OECD member countries, respectively. Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public.

Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

Functions of the oversight body	Year	Percentage of OECD countries responding "yes"	ESTONIA 2009
Consulted as part of process of developing new regulation	2005	73%	N.A.
	2008	82%	Yes
Reports on progress made on reform by individual ministries	2005	43%	N.A.
	2008	56%	No
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005	43%	N.A.
	2008	50%	No
Conducts its own regulatory impact analysis	2005	43%	N.A.
	2008	47%	No
Anticipating compliance and enforcement			
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005	57%	N.A.
	2008	70%	N.A.
Guidance for regulators on compliance and enforcement	2005	37%	N.A.
	2008	47%	N.A.
Existence of policy on risk-based enforcement	2005	N.A.	N.A.
	2008	30%	N.A.

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Estonia has set up institutional structures for regulatory management. While there is no central oversight body as in other OECD member countries, the Ministry of Justice has the main responsibility for regulatory management through the coordination of the law-making process and of most projects related to better regulation. The relatively small size of the Estonian government facilitates the coordination inside the administration.

All draft laws are submitted to the Legislative Policy Department of the Ministry of Justice after a round of inter-ministerial consultation. This department examines the quality of draft laws with respect to legal quality, constitutionality and consistency with the legal system. The Ministry of Justice also oversees and promotes the implementation of impact assessment when preparing draft legislation. In particular it issued guidelines on impact assessment in 2009. However the Ministry of Justice does not scrutinise the quality of impact assessments prepared by other ministries (as was the case of regulatory management units in 50% of OECD member countries according to the 2008 OECD survey). Another important player for regulatory management is the Ministry of Economic Affairs and Communication, which coordinates a project on the measurement of administrative burdens. This project is however part of a larger project on codification coordinated by the Ministry of Justice.

Source: [Regulatory Management System Country Notes 2011](#) based on a survey conducted in 2009; OECD (2007), "Regulatory Management Capacities of Member States of the EU that Joined the Union on 1 May 2004: Sustaining Regulatory Management Improvements through a Better Regulation Policy", Sigma Papers, No. 42, OECD Publishing, Paris. doi: 10.1787/5kml60q573g6-en
[\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

OPEN GOVERNMENT

Disclosure of public sector information, 2010

Types of information disclosed	Proactive disclosure		
	Estonia	OECD32	Publication channels
Budget documents	●	94%	MA
Audit reports	●	72%	MA
List of public servants and their salaries	●	28%	MA
Sharing of administrative data			
Administrative data sets	●	66%	MA
Requirements on publishing in open data formats	No	53%	–
<ul style="list-style-type: none"> ● Required to be proactively published by FOI laws ⊙ Not required by FOI laws, but routinely proactively published ○ Neither required nor routinely published CP= central portal; MA= ministry or agency website; OW=other website OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.			

Estonia's FOI legislation- which includes, among other provisions, the Public Information Act- requires government to proactively publish budget documents, audit reports as well as administrative data sets. However, unlike more than half of OECD governments there are no requirements on publishing in open data formats. Furthermore, the Estonian government also proactively publishes lists of civil servants and their salaries, which is done so by only 28% of responding countries. Ministry and/or agency websites are predominately used to disseminate this information to the public, however, the central state portal (www.eesti.ee/eng) provides additional general information about citizens' rights, duties and public services.

Source: OECD 2010 Survey on Access to Information. [\[Disclosure of information\]](#) [\[Publication channels\]](#)

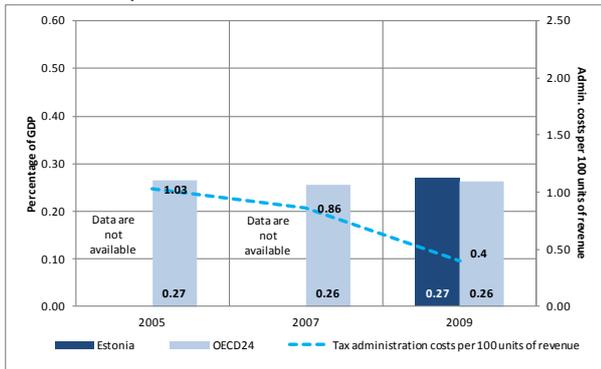
E-GOVERNMENT

E-Government building blocks and e-procurement, 2010

e-enabling laws and policies	Estonia	OECD25
Recognition & use of digital signature	●	100%
Electronic filing within the public sector	●	88%
Administering PPPs for e-government projects	●	64%
Services offered on single-entry procurement website		
Tender searches	●	62%
Tracking of outcomes of contracts	●	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable		

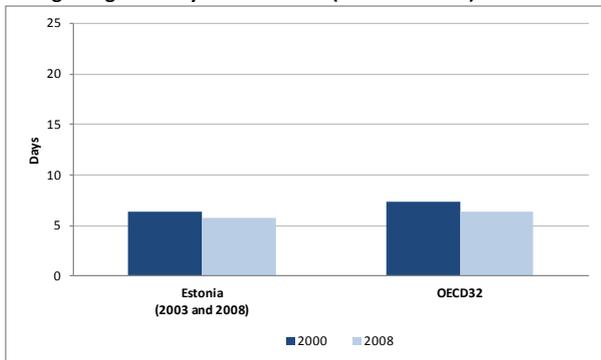
Similar to most OECD countries the Estonian Government has put laws and/or policies in place to promote the use of digital signatures and electronic filing in the public sector. For instance ID-cards and Mobile-IDs are widely used in Estonia both in the public and private sector as a basic enabler for electronic identification of persons and for affixing digital signatures. Similar to most OECD countries, Estonia's single-entry procurement website allows businesses to perform tender searches, and is among a rare group of OECD countries that also allows users to track the outcomes of contracts, making the procurement process more transparent. Currently, the portal is being improved to allow for electronic tenders and to hold electronic auctions.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)


Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. In Estonia, the administration costs of collecting 100 units of revenue have decreased considerably between 2005 and 2009, which could reflect lowered tax administration costs and/or improved tax compliance. Total revenue body expenditure is similar to that of other OECD countries.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

Average length of stay for acute care (2000 and 2008)


The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in hospital for curative care. Similar to other OECD countries, the ALOS decreased from 6.4 days in 2003 to 5.7 days in 2008 in Estonia. This decrease however is less than that of the OECD average, where the reduction was about one day over roughly the same period. Over time, reductions in ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilising less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs. Too short a length of stay however could cause an adverse effect on health outcomes.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available in Annex E at: www.oecd.org/gov/indicators/govata glance.

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay (PRP) index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

Compensation data: Total compensation includes wages and salaries and employers’ social contributions (those to statutory social security schemes or privately funded social insurance schemes, as well as unfunded employee social benefits paid by the employer, including pension payments paid through the state budget rather than through employer social contributions (mostly for some pay-as-you-go systems)). In most cases data are for six central government ministries/departments only (interior, finance, justice, education, health and environment or their equivalents). Working time adjustment compensates for differences in time worked (both weekly working time and holidays). Compensation was converted to US dollars using purchasing power parities (PPPs) for GDP from the OECD National Accounts database. Differences in compensation policies can be the result of different bargaining powers; the state of the labour market (such as compensation in the private sector for similar positions); specific labour shortages; and the attractiveness of the government as an employer. While the survey uses the International Standard Classification of Occupations (ISCO) to standardise job categories, full comparability of responsibilities behind the occupational titles across countries presents difficulties in some cases. Annex D in *Government at a Glance 2011* fully details all limitations to data comparability, including those related to the measurement of employer’s social contributions (which were based on sources outside the survey for a number of countries, leading to potential inconsistencies).

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.