

**8th European CAF Users' Event "Leading Quality into the Future"  
12 April 2018, Sofia, Bulgaria**

**Involvement of Top Management in the  
Quality Management Process – Ensuring  
the Commitment and Buy-in of Decision  
Makers**

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Ministry of Finance of Estonia**



# Topics to cover

- **Background: my country and organization**
- **Challenges and problems to tackle as top managers**
  - long-term risks
  - functional and organizational challenges
  - some possible solutions
- **CAF experience and expectations**

## Estonia - a modest country that extends beyond its borders:

- + population: 1.3 million
- + area: 45,339 km<sup>2</sup>/ 2,222 islands and islets /
- + member of EU, NATO, eurozone, OECD, DIGITAL 5
- + GDP ca 23 bn euros
- + average monthly wages over 1200 euros
- + ICT sector: 7% of GDP



# eEstonia

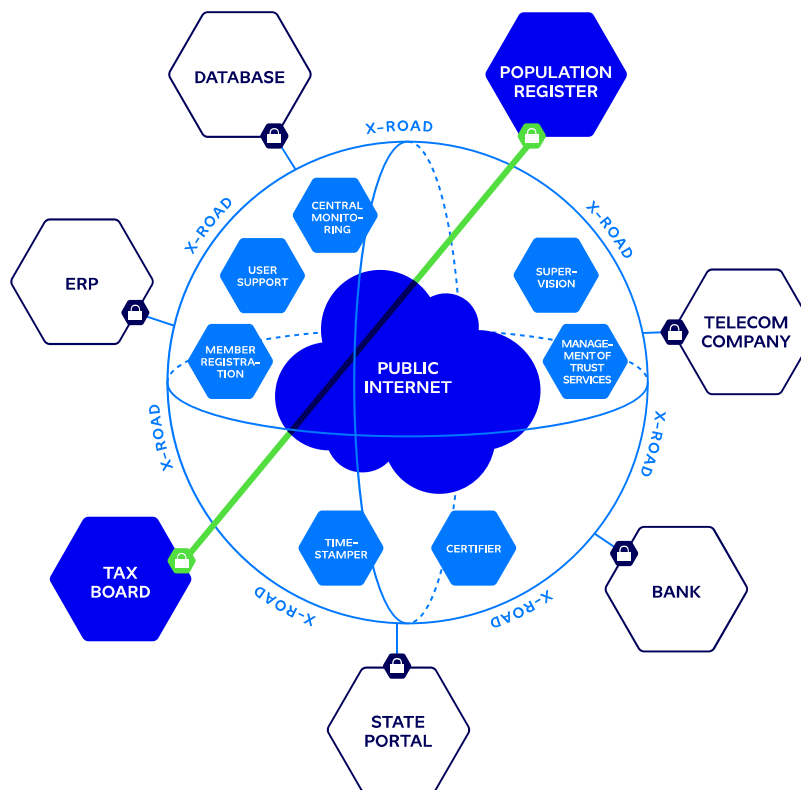
- **more than 15 years experience (+++++---)**
- **e-state - transparency**
- **quality and user-friendliness of public services**
- **delivery process optimization and e-solutions**
- **„e - one stop shop“ - state service portal**
- **e-residency programme**





## The busiest highway of e-Estonia – X-Road.

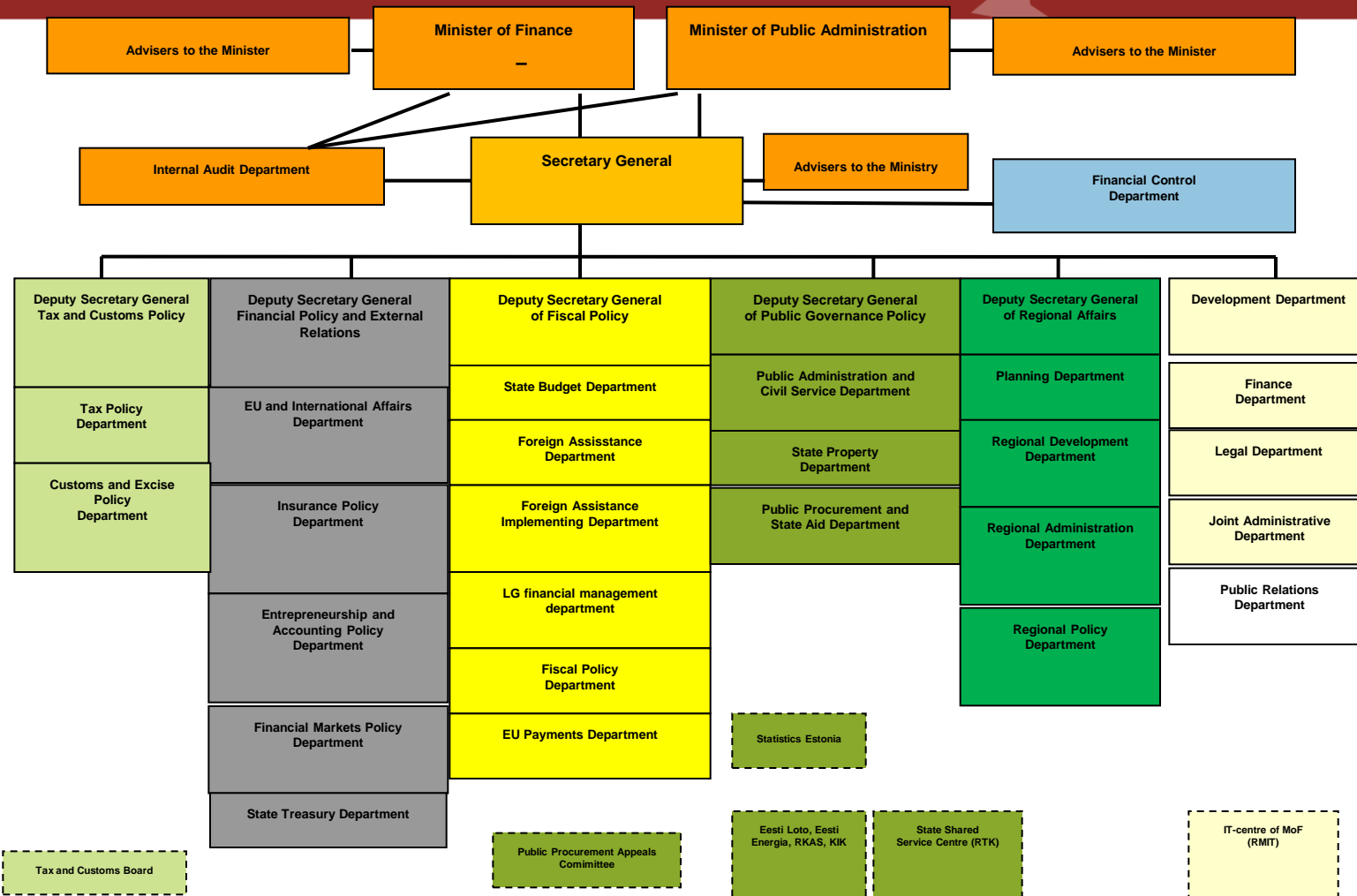
- +99% of state services are online
- +over 2000 services
- +over 900 connected organizations, databases
- +over 500 million transactions per year



# Ministry of Finance of Estonia

- **one of 11 ministries (others: Economy and Communications, Defence, Justice, Interior, Education and Science, Culture, Environment, Rural, Foreign affairs, Social affairs)**
- **altogether almost 500 employees (all ministries ca 2557)**
- **staff is located in all 15 counties of Estonia**
- **average age 43, female dominance (70/30)**
- **2 ministers, 1 secretary general, 5 deputies, 27 departments**

# Structure of Ministry of Finance since 01.01.2018



# Role of Ministry of Finance

- **HORIZONTAL** view (all sectors, budget, planning governance, regional aspects)
- **MACRO-HOLISTIC** view (public sector as a whole, state vs economy)
- **LONG-TERM** view (future, sustainability)
- **BALANCED** view (balanced, impact (+-), revenue/ expenses, investments, analytical)
- **MoF as strategic think-tank** (Long-term business plan for the country)

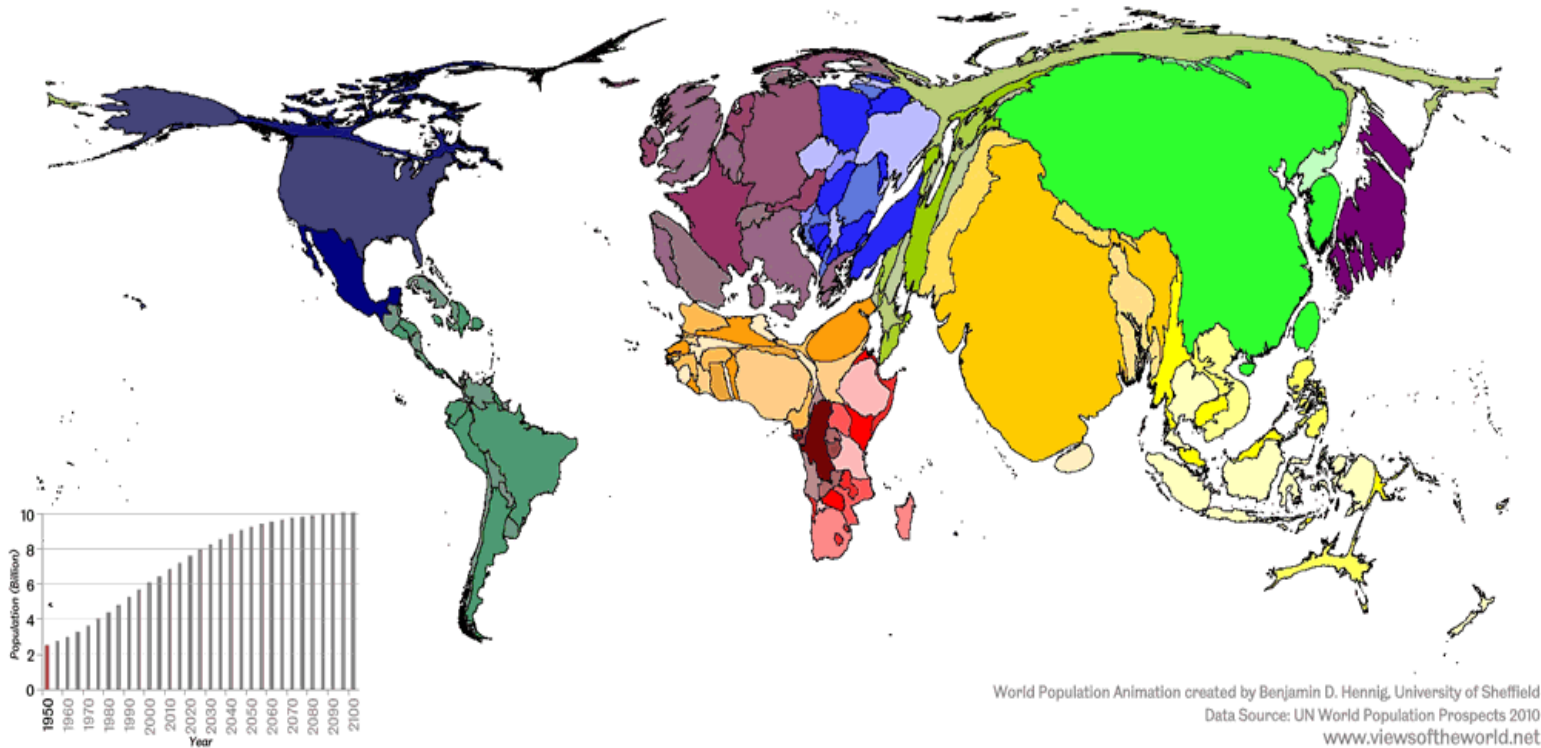


# Main challenges: how to predict the future and manage medium- and long-term risks

- **Demographic challenges (migration, ageing, disability)**
- **Competitiveness of EU economic and social model**
- **Geopolitical turbulence (Syria, Ukraine, protectionism, Brexit)**
- **Climate change (2bn to relocate to 2070)**
- **Digital revolution (distributive economy, big TNC players)**
- **Future of work (place, (part-)time, social insurance)**
- **Dependence on external financing (! EU structural funds)**

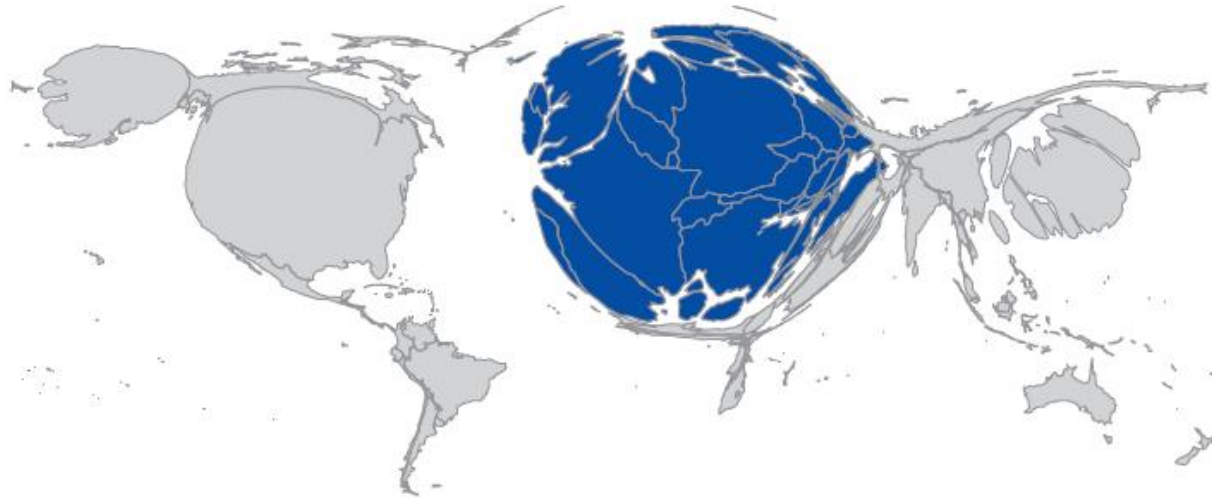
# Change in World Population 1950-2100

World Population 1950



# “Overspending” European governments: how sustainable and competitive this model is

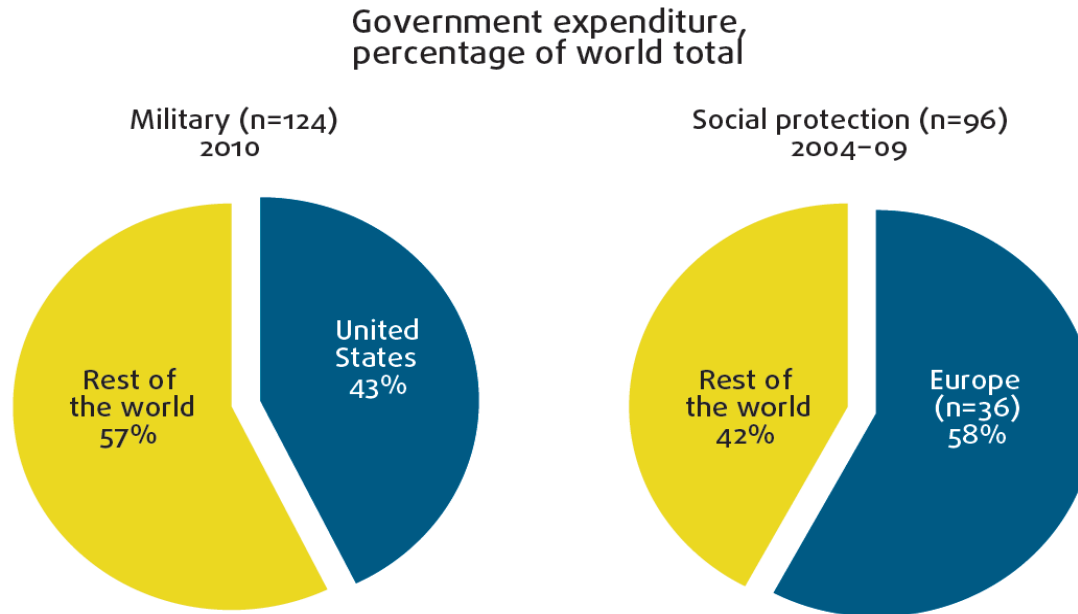
**Figure 16: Governments in Europe are big (the world resized by government spending in dollars, 2009)**



Source: World Bank staff using IMF WEO.

# European countries spend 2/3 of world social protection expenditure

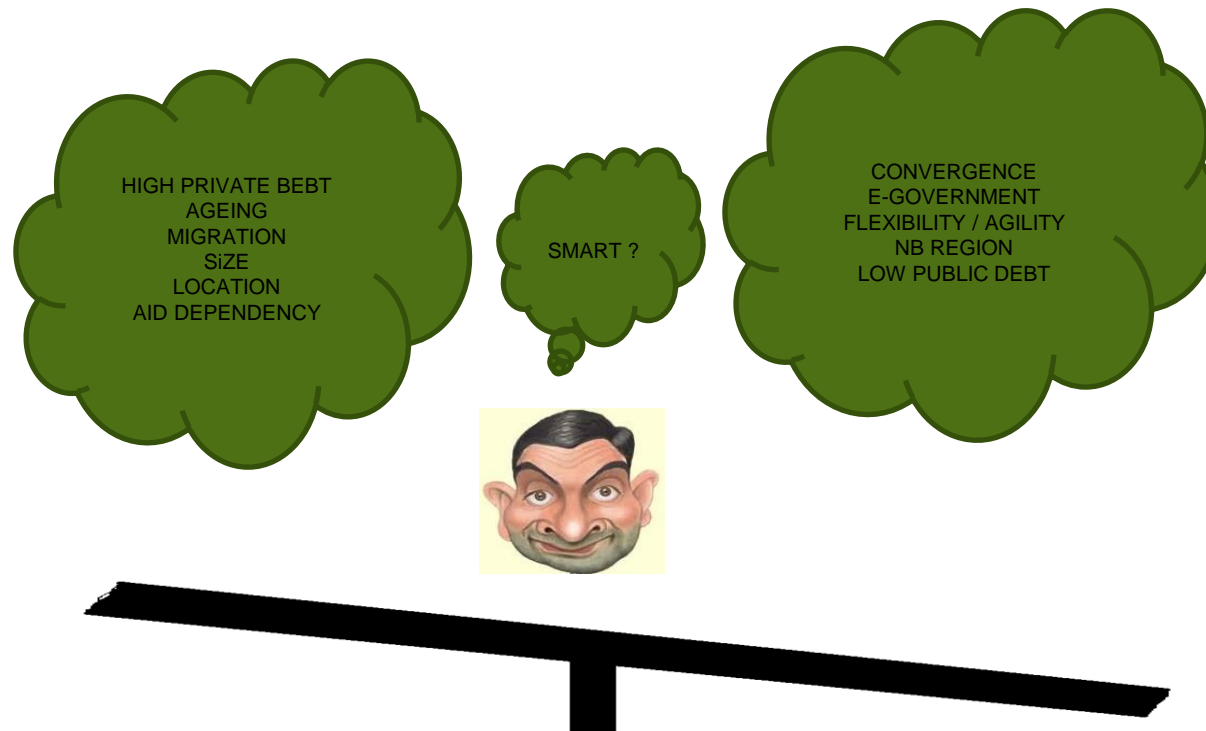
**Figure 12: General government spending on defense [United States] and social protection [Europe], 2004–09, share of total world spending**



Note: For social protection spending, due to the data availability, averages over 2004–09 by country are used. n is the number of countries included in the calculations. Data cover general government but, if unavailable, refer to central government only.

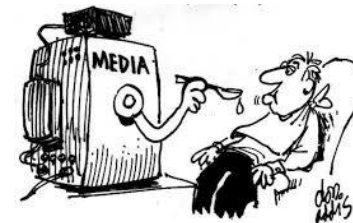
Source: World Bank staff calculations, based on Stockholm International Peace Research Institute (2011), IMF GFS, WDI, World Bank ECA Social Protection Database, and Weigelt and Grosh (2008).

# Model of success for country: to tame disadvantages and amplify advantages



# Political challenge: power of short-termism and superficiality

- **short-term political cycle (up to next elections)**
- **short-term choices vs long-term goals**
- **(social)media dependence of policy-making**
- **war of images, slogans and promises instead of ideas, solutions and policy**
- **rationale vs emotional arguments**
- **battlefield of irrationality, populism and contrapolicy**



# SILOCRACY: the power of silos

- **most harmful in the government level – between ministries**
  - mutual amplification of political and institutional intentions
  - institutions (ministries) get politized
  - politics and ministers get institutionalized
  - war for resources (mainly budgetary) to „buy“ votes for next elections
  - instead of fixing real strategic priorities and solving long-term problems
- **also serious on the level of other public institutions / agencies**
  - barriers to cooperate
  - protecting their kingdoms against mergers
  - demanding resources
  - hiding information and inefficiencies
- **silos also inside of organizations**



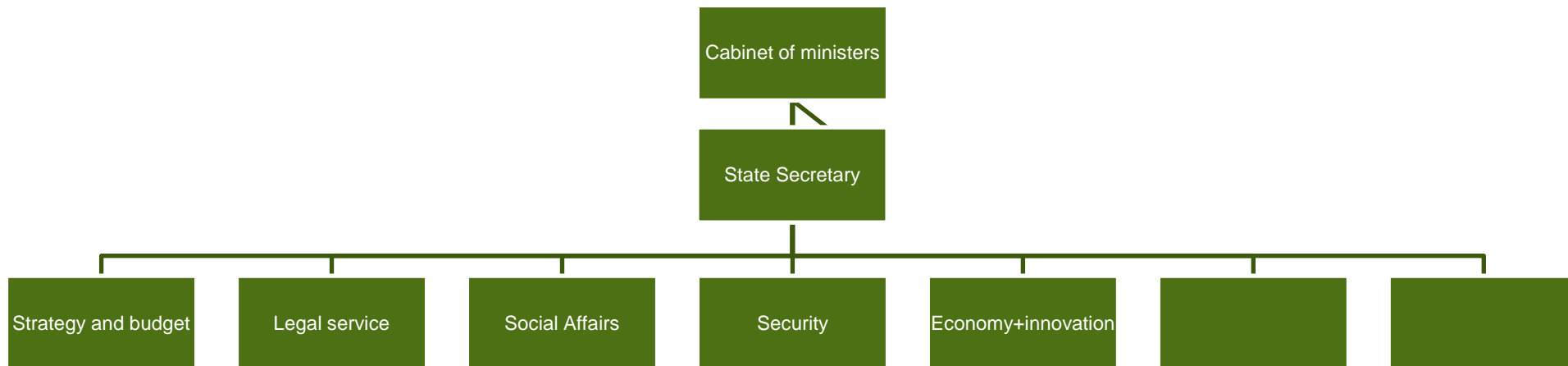
# Silos inside the organization: different tasks – different languages, priorities



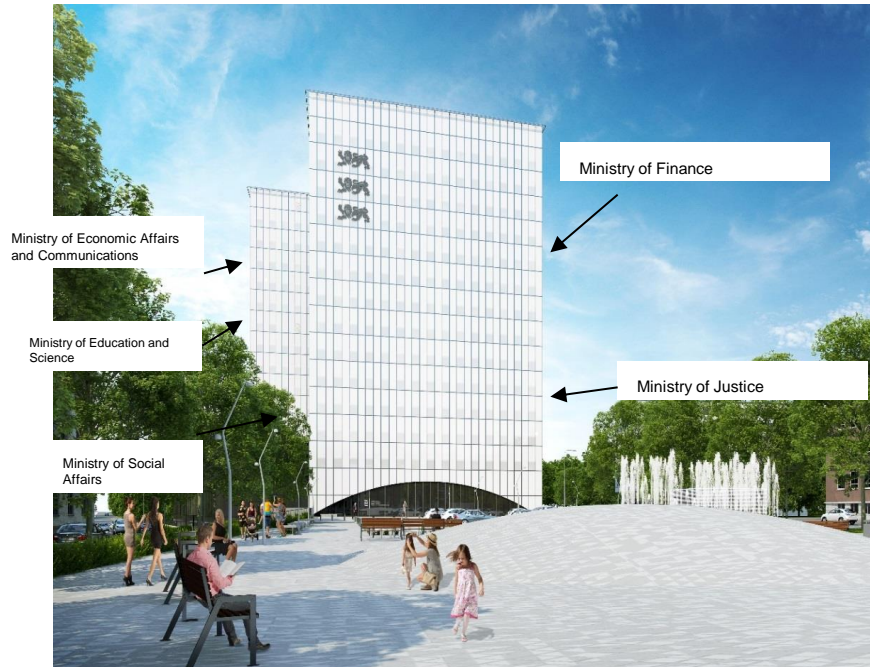


# Government without ministries?

 700



# 2017 – new Joint building of 5 ministries (1000 staff)



# 5 ministries 8 ministers



... and 5 secretary generals



# Joint administrative department providing services to 5 ministries



# State Shared Service Centre 2013



## Financial accounting

- 170 institutions
- State General Accounting



## Development of IT systems

- Common ERP
- State Employee Self service Portal
- Central e-invoice environment
- Reporting system



## HR services

- HR data management for 169 institutions
- Central Training Unit



## Administration of state claims

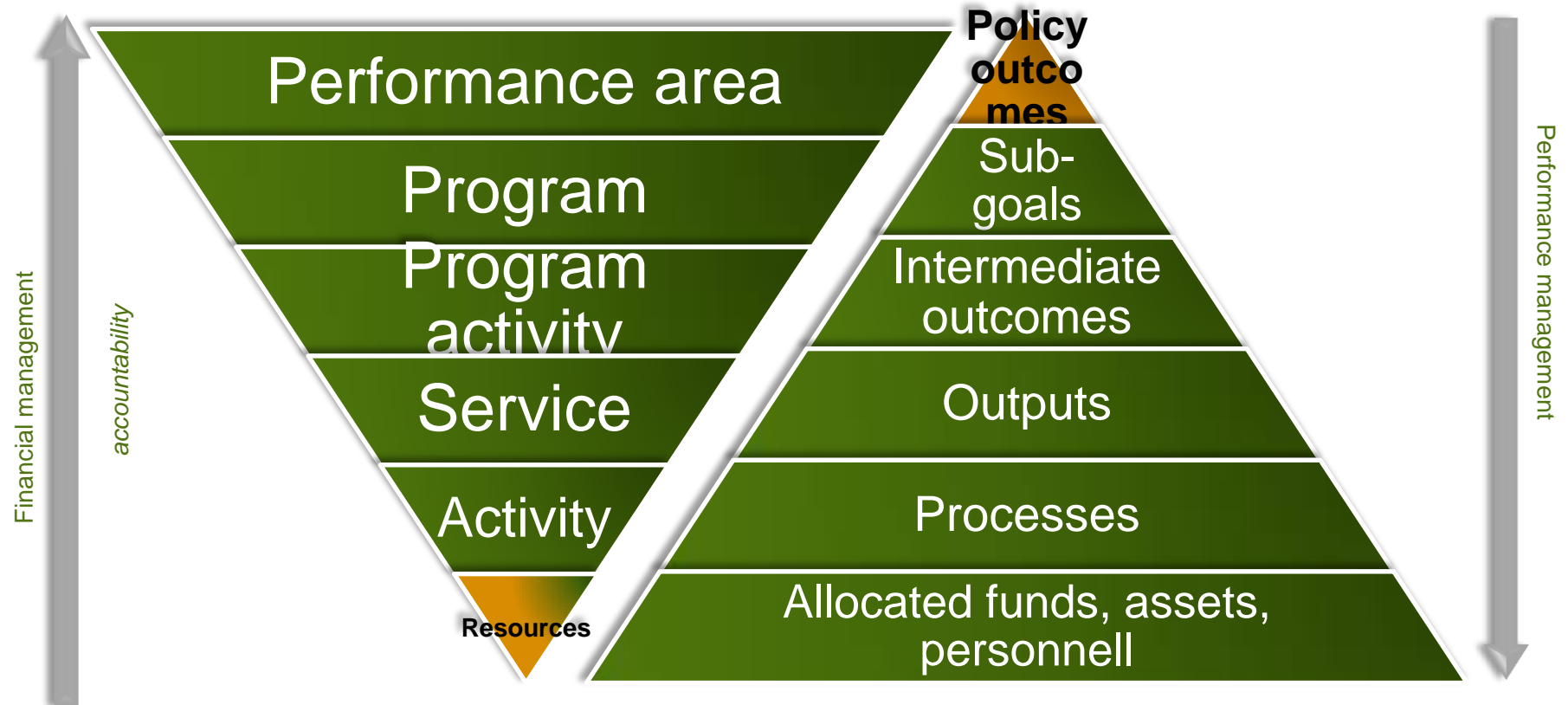
- Claims from court decision;
- Alimony subsidy;
- Loans for students;
- Loans for land privatization



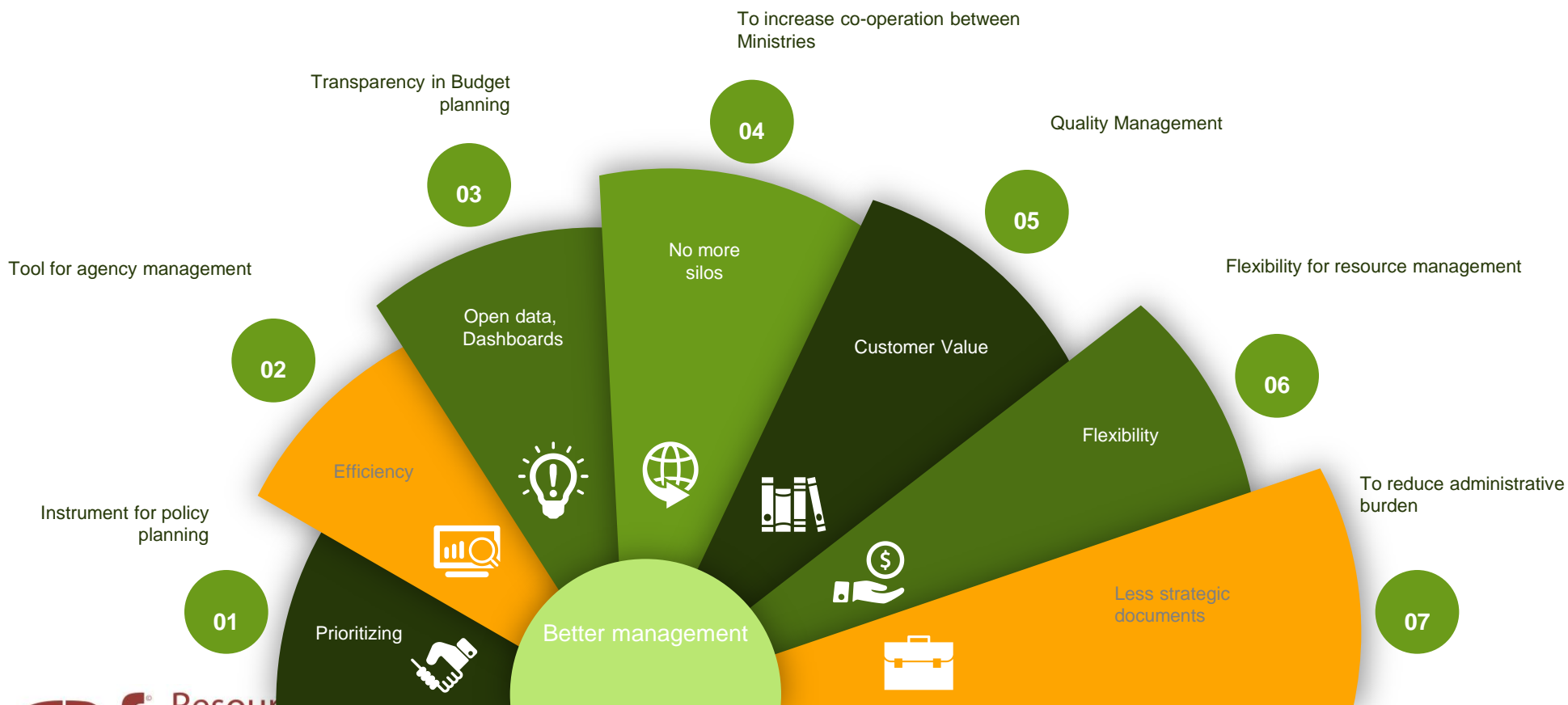
## Public procurement

- Procurement services for 36 institutions;
- Joint procurement

# 2020 – Program-based budgeting

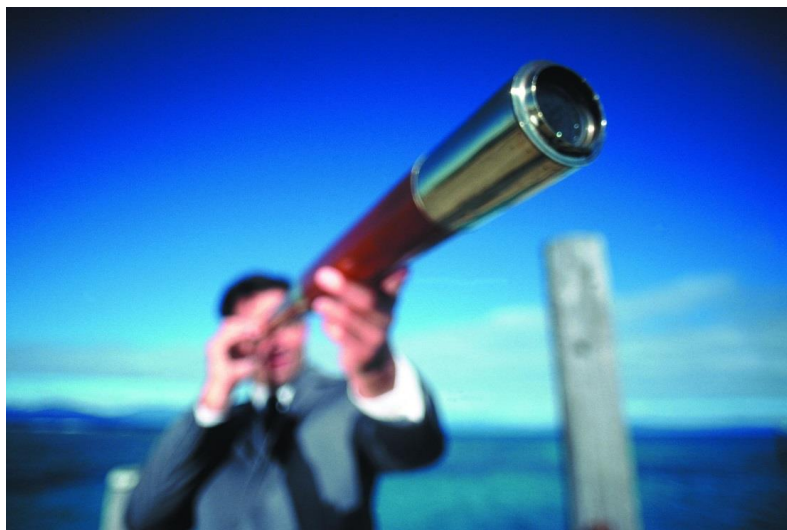


# Expected changes



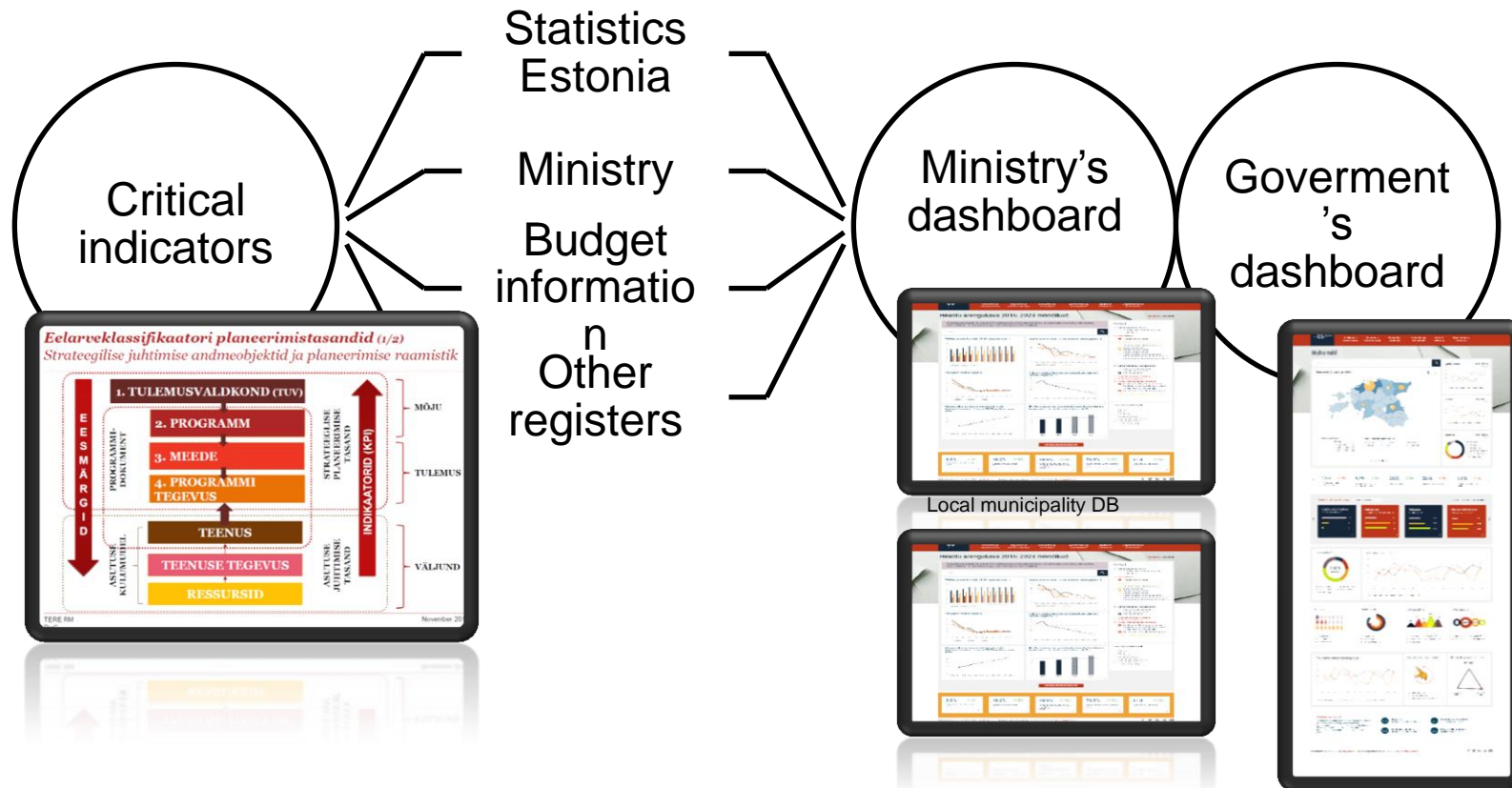
# Long-term strategy Estonia 2035

- **One main long-term (umbrella) strategy**
- **Identifying future trends and managing long-term risks for development**
- **Setting up the main targets and priorities**
- **Calculations**

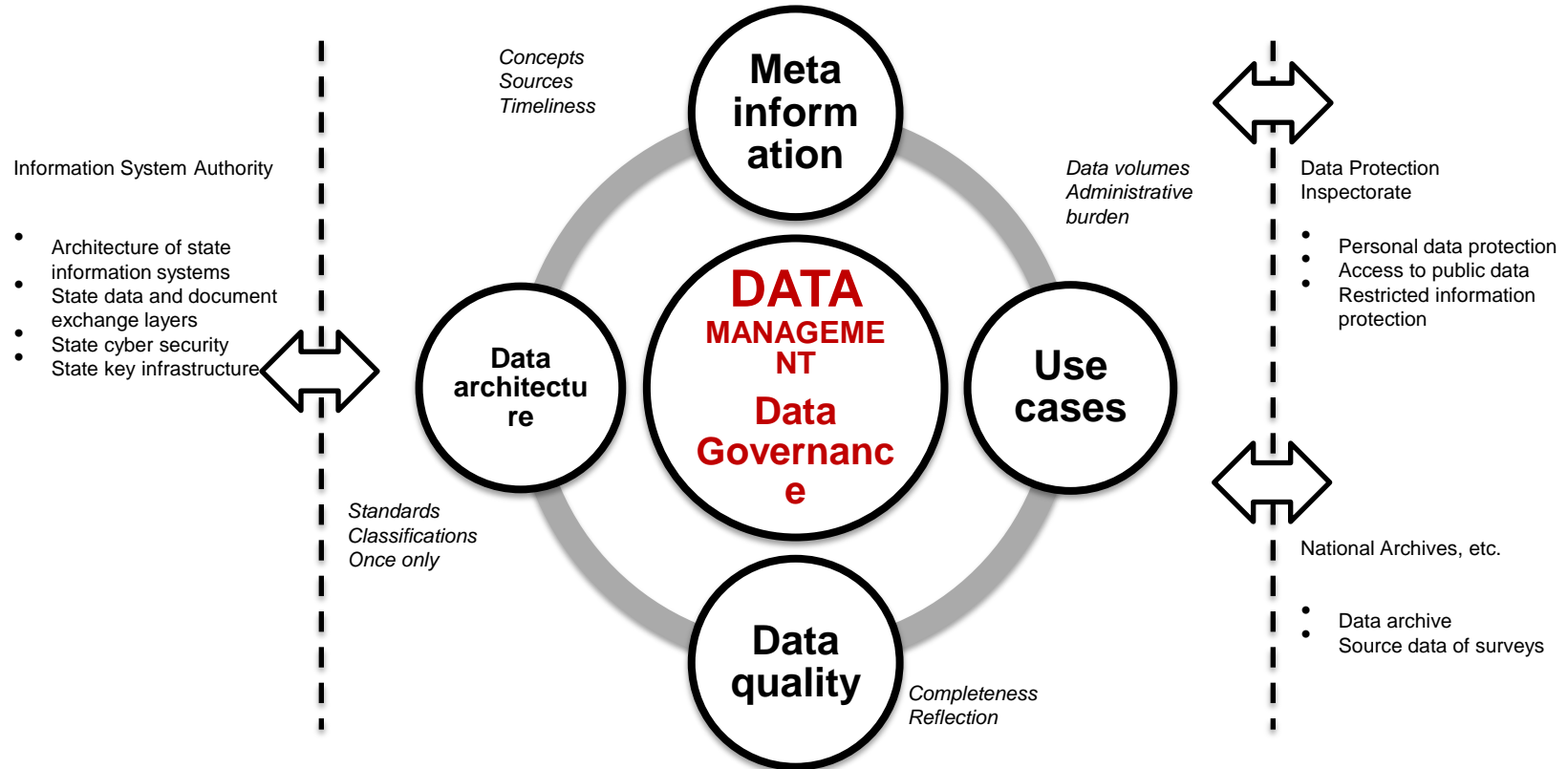




# Dissemination of main indicators



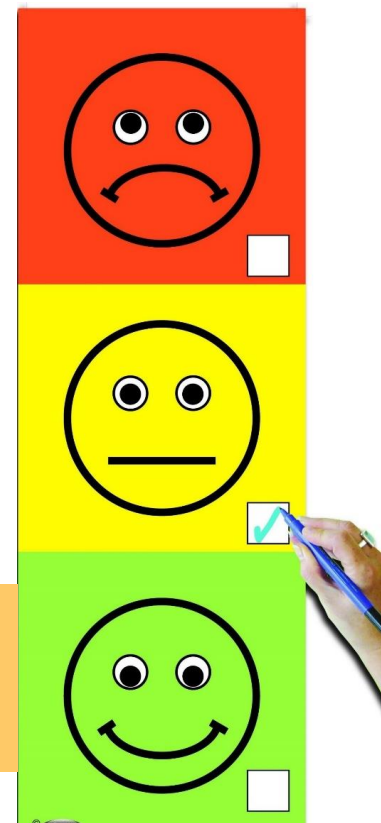
# Data management reform



# How to attract and motivate people ?

- **Modern/fun working environment and the possibility to do something worthwhile**
- **Flexible and on-going feedback system incl. visual**
- **Race for the talents for key positions**
- **How to attract private sector top players**
- **Rotation between public institutions**
- **How to manage with part-time and distance working**

How satisfied are you today with your boss?



# Why CAF, when we started (2002), our expectations

- **Tool for public sector organisation**
- **To choose appropriate quality management model**
- **To act as best practice and pioneer for Estonian public administration**
- **Methodology with adequate level of complexity**
- **Possibility to involve people**

# Challenges for MoF in using CAF

- **No difference between criteria – all criteria have equal weight eg. higher weight to the criteria on results (6-9 in the model)**
- **Some criteria/subcriteria difficult to measure**
- **Quality is more important than quantitative levels**
- **Challenge to find appropriate improvement actions to respond to improvement areas**
- **Importance of systemic feed-back**

# The way forward for CAF

- **How CAF can help to answer described challenges**
  - Undermine the power of short-termism and silos
  - Revisiting the communication tools with media and public
  - Facilitating introduction of program-based budgeting and long-term strategic planning
  - Making work environment more attractive for people
  - Taking into account the need to use the full potential of digitalization



# Thank you!

Welcome to Estonia!

