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OECD-PUMA

**Expert meeting on
Management of Large Public Sector IT Projects**

Paris, 26-27 October 2000

HAND OUT

FINLAND

1. GENERAL INSTITUTIONAL FRAMEWORK

1.1. Policy

National policy for management of large IT projects

There is no formal policy at the moment. Government decree on information management from 1988 states that large projects must be presented to the Ministry of Finance, as well as all projects that affect other ministries and agencies. The decree has been considered out-of-date due to changes in general steering systems and formal consultations have not been conducted for several years.

Most of the large projects involve partners from other agencies who have data interchange needs with the function under development. The normal procedure to involve partners is direct consultation. Hearings and information days are also used. And it is common to invite partners to participate in the project management committee.

The Ministry of Finance has published contract terms for public sector ICT procurement. These terms and the associated procurement guidance is to help agencies maintain life-long control over the projects.

National IT policy

In May 1994 Council of State decided on a strategy for information management in government. This called for electronic transactions within agencies as well as between agencies and customers.

The Finnish Government prepared the national information society strategy in 1994–95. In 1998 a national strategy was published by the Sitra Foundation for developing the Finnish information society, called “Quality of life, knowledge and competitiveness” (see <http://www.sitra.fi/tietoyhteiskunta/>). Both of these strategies include sections on improving public services with ICT.

The Ministry of Education has a development plan for education and research. The strategy includes eight different project plans: information society skills for all; training for teaching staff; training for IT industry; for digital information professionals; the virtual university; the virtual school; learning environments on the information network; and content production.

The Government Programme

The focus in the information society is evolving towards the development and production of content-based applications and services. The programme of the present Finnish Government encourages, for example, the further development of electronic services and of cultural and informational content that is easy to use, safe and available to everyone. The Information Society Advisory Board which is co-ordinated in the Public Management Department of the Ministry of Finance, follows the progress of the information society and reports to the Government. The first report will be available shortly on the Ministry of Finance website (<http://www.vn.fi/vm>).

The government strategic project portfolio has three information society projects. One of them is e-Government. In May 2000 Council of State made a decision-in-principle on the use of funds from the sale of state-owned companies. One of the seven parts of the decision is improving public services using ICT. Social and medical services get 10 million Euro, content production 7 million Euro, and transport telematics

10 million Euro. Joint network services, information security, development of electronic procurement and improvement of access to public sector information get 7 million Euro extra funding in 2001–03.

Government decisions on information management

The previous Government has put into effect (5 February 1998) a decision on electronic transactions, development of services and reduction of data-gathering (<http://www.vn.fi/vm/kehittaminen/tietoturvallisuus/hst/hsteng.htm>).

The decision states, among other things, that “The Population Register Centre shall be nominated as the certification authority responsible for issuing and maintaining the citizen ID card. Other necessary Public Key Infrastructure services will be created. Ministries and agencies will see to it that information on the central services provided for citizens, companies and communities as well as the forms requested by them are available on the Internet and will ensure that a significant proportion of application forms and requests can be instituted electronically by the year 2001.” The costs of data-gathering must be reduced.

According to the decision-in-principle of 5 February 1998, the following infrastructure elements have been implemented:

- Certification authority and certification services (Population Register Centre).
- Citizen identity card has been available since December 1999.
- The Act on electronic transactions with administration was accepted at the beginning of this year.
- The X.500/LDAP directory on electronic addresses in government has been available for one year (<http://www.julha.fi>).

On 2 March 2000 Council of State made a decision-in-principle on information management. The decision puts special emphasis on development of interoperability, joint services and co-operation between agencies on IM. The decision is available at http://www.vn.fi/vm/english/public_management/it.htm.

On 11 November 1999 Government made a decision-in-principle on information security. See: <http://www.vn.fi/vm/kehittaminen/tietoturvallisuus/vahti/vahti.htm> (Finnish and Swedish only).

1.2. Funding

Ministries and agencies with the exception of net-budgeted agencies fund their IT investments from the allocation they get for operating expenses. Net-budgeted agencies have more flexibility as they can use part of their profit for investment.

It is possible to get a temporary rise in an agency’s budget for operational costs in the case of a large IT investment. The number of such cases per year is limited, less than 10. These requests are evaluated case by case and generally the better argued and more important projects have received extra funding. A typical case is the introduction of Euro which forces some agencies (Customs, Tax, and Statistics) to make big changes in practically all systems in use.

There is no possibility of an agency borrowing money for IT investments. In some cases lack of funding has led agencies to lease equipment in order to implement their new system.

Generally agencies try to keep their IT budget constant, making investments gradually and avoiding big variations in the level of investment.

1.3. Decisions and assessment

The management of the agency or ministry, according to their internal procedures, makes procurement decisions. There is an "IT Steering" body for consultation on IT/IM strategy and projects, but the decisions are always made by management. Procurement decisions are made according to rules of public procurement. Risk analysis *ex ante* is one part of project specifications and tender evaluations.

There is no special agency for evaluations. External auditing is done by State Auditing Office. SAO has been under the Ministry of Finance, but from 2001 will be under the Parliament. SAO has some auditors who specialise in IM. Internally projects are evaluated systematically in some but not all agencies. Some large agencies (*e.g.* tax administration) employ professionals who evaluate and audit IT systems development.

1.4. Management models

In Finland agencies are relatively independent. Every year the ministry makes results agreements with its agencies. The key targets are presented in budget proposal. In results agreements targets are usually somewhat more precise and operational. The ministry normally reviews progress with the agency twice a year.

The steering model puts emphasis on results and leaves the means to be decided by the agency. Key IT projects are on the agenda in result negotiations because extra funding is often needed. Outside these discussions ministries do not usually become involved in projects.

Large IT projects are the responsibility of the units who own the substance to be developed. The unit is responsible for systems analysis, application development, and finally, user training. The internal IT unit acts as an internal consultant to the substance unit and is responsible for technology.

Large projects normally have a steering committee and a number of task-specific working groups. These usually consist of the agency's personnel at various levels (substance, IT, end-users) but in cases where the system has many links to the outside, people from these stakeholders are invited to the steering committee. In this type of project stakeholders are also consulted before and during the project.

Political involvement in projects is rare. In some cases changes in legislation are needed and then the project is discussed at some level in Parliament.

Modularisation of projects is becoming more common as technology better supports it. The other reason for trying to avoid huge projects is the financing model that supports gradual upgrades with even expenditure rather than yearly fluctuations.

Systems development (planning, implementation and maintenance) is mainly outsourced. The following chart shows the division of systems development costs in 1999. In-house work is mainly devoted to systems design, testing and training. Only one major agency (environment) does most of its systems development in-house.

2. LESSONS LEARNED

Success factors

- Project management competence of the agency is clearly the most critical. Most other factors are directly linked to this.

- Management involvement.
- IM and ICT competence of the agency is crucial as it must make architectural decisions and technological choices.
- End-user involvement in systems planning.
- Well-planned and organised implementation and end-user training.

Factors for failure:

- Relying too heavily on suppliers due to weak internal resources seems to lead to extra costs and delays.
- Certain technology (e.g. two-tier client-server) has caused nasty surprises, as the need for bandwidth and PC capacity has been much higher than estimated. In some cases there have been delays in implementation, as the agency had not had funds for upgrades. Today 3-tier architecture is more widely used and most agencies prefer to build clients on web-browser.
- Use of unproven technology has led to problems in some cases. It is clear that agencies try to build new systems on modern technology, but suppliers have a tendency to sell too much in advance and agencies do not always have the skills to evaluate proposals adequately.
- Lack of involvement by management leads to problems in funding and implementation.
- End-user training is sometimes neglected, creating problems in customer service when the new system is implemented.

3. LITERATURE, WWW AND STUDIES

Information is available only in Finnish.

The Ministry of Finance report on use of Information Technology in Government gives an overview at: <http://www.vn.fi/vm/kehittaminen/tietohallinto/1999/index.htm>.

The Information Society Advisory Board has produced a report on Finland as an information society (http://www.vn.fi/vm/english/public_management/index.html). Chapter 7 includes information on some large public sector projects.

The Ministry of Finance published a report in March 2000 on service development projects. This is available in Finnish at http://www.vn.fi/vm/kehittaminen/julkisten_palvelujen_kehittaminen/hko23.htm.

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