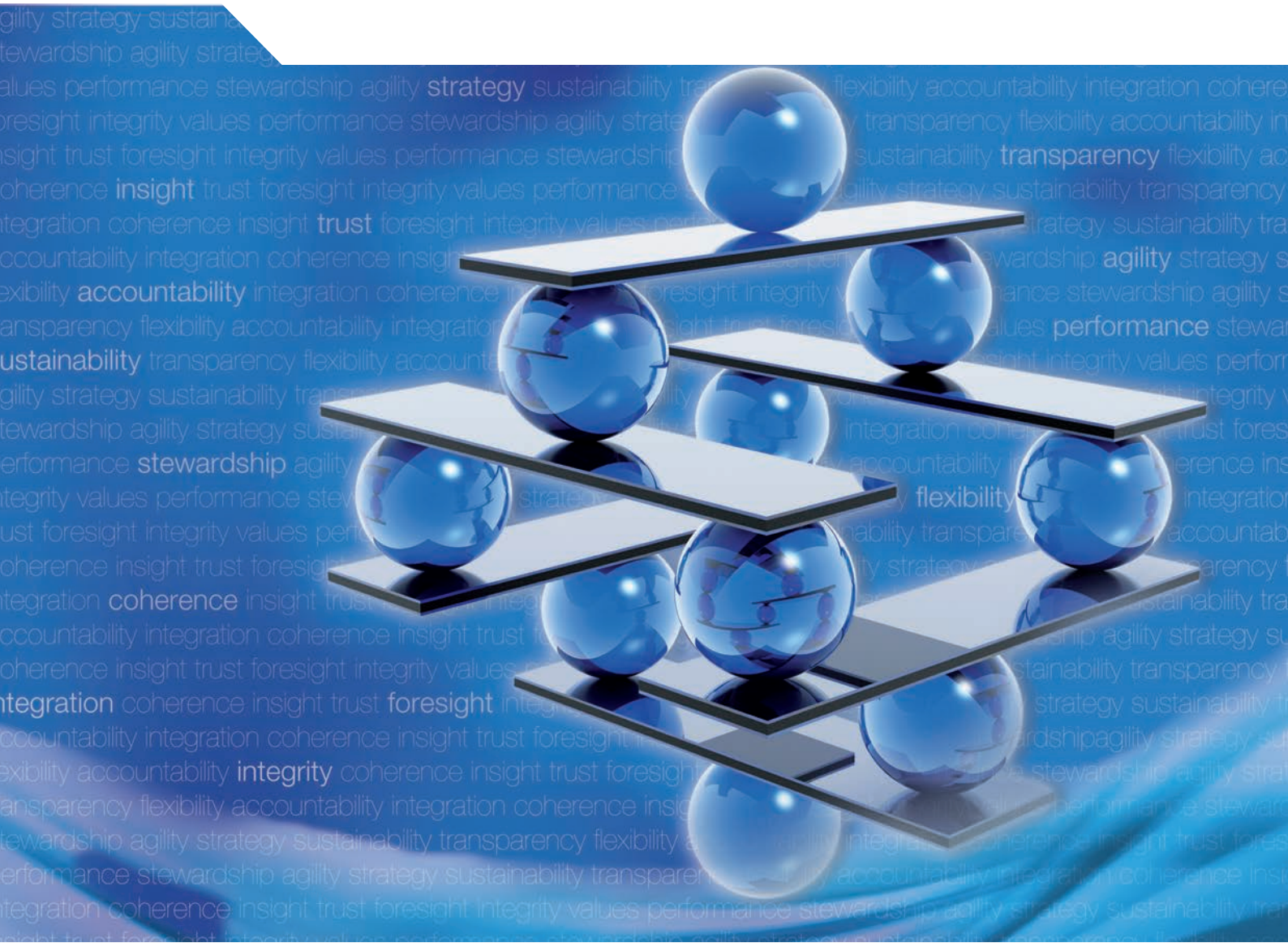
OECD Public Governance Reviews

ESTONIA and FINLAND

FOSTERING STRATEGIC CAPACITY ACROSS GOVERNMENTS AND DIGITAL SERVICES ACROSS BORDERS



OECD

OECD Public Governance Reviews: Estonia and Finland

FOSTERING STRATEGIC CAPACITY ACROSS GOVERNMENTS AND DIGITAL SERVICES ACROSS BORDERS



BETTER POLICIES FOR BETTER LIVES

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Foreword

Estonia and Finland are seeking to change how their governments function, in order to better address strategic challenges and create more opportunities for their citizens and businesses. To support this reform, the governments of Estonia and Finland invited the OECD to conduct a joint Public Governance Review in 2014.

The motivation for undertaking a *joint* OECD review – the first of its kind – stemmed from an identification of shared governance challenges across the two countries and an interest in exploring governance solutions together. Digital government, as an integral part of governments' modernisation strategies, is a key component of these solutions. Both governments asked the OECD to advise specifically on how they could enhance their strategic steering capacity, better leverage digital government strategies for public sector reform, and improve co-operation for digital cross-border services.

The review's recommendations are the result of intensive interactions among government officials, national stakeholders, the OECD Secretariat, and senior peers from six OECD countries, as well as a survey of public sector institutions in Estonia and Finland. Seminars with innovative formats were held on evidence-based policy-making, centre of government steering and digital government reforms to discuss initial observations and fine-tune assessments. The conclusions of these seminars helped form the basis for the final recommendations in the report – including a joint roadmap for the development of digital cross-border services. The review was discussed and approved by the OECD Public Governance Committee in late 2014.

Our central message is to pursue a common strategy across government. The review offers a *Blueprint for Reform* articulated around the concept of *One Government – One Strategy*. This requires an inclusive governance framework that can bring coherence to government-wide decisions and generate consistent whole-of-government strategies. Estonia and Finland have to work across national boundaries to reduce government silos and facilitate the pooling of knowledge and resources based on shared values. They can leverage the full potential of "Going Digital" to further promote citizen-centric government and facilitate access to cross border services.

The review offers recommendations for implementation along international best practices and OECD standards. It provides insights for other countries seeking to improve whole-of-government strategic steering, digital government effectiveness and cross-border service delivery. Fostering flexibility and promoting a shared vision at the senior levels of the civil service will help promote a collegial approach to problem solving.

The *OECD Public Governance Review of Estonia and Finland* is an important contribution to the ongoing international debate on how best to ensure a truly *joined-up* government that bring governments closer to citizens and businesses. We look forward to the results of Estonia's and Finland's efforts to create better policies for better lives, building on the results of this work.



Angel Gurría

OECD Secretary-General

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This Review was prepared by the Public Governance and Territorial Development (GOV) Directorate of the OECD headed by Rolf Alter. The mission of the Public Governance and Territorial Development Directorate is to help governments at all levels design and implement strategic, evidence-based and innovative policies to strengthen public governance, respond effectively to diverse and disruptive economic, social and environmental challenges and deliver on government's commitments to citizens.

This *Public Governance Review of Estonia and Finland* has been elaborated under the strategic direction of Stéphane Jacobzone. Part I on whole-of-government strategy steering was written by Laura Skoratko under the guidance of Adam Knelman Ostry and Part II on digital government and cross-border services was written by Arthur Mickoleit under the guidance of Barbara Ubaldi. Liis Kasemets supported the data and information collection process and commented on the report. Adam Mollerup contributed to a successful policy seminar in Helsinki. Jennifer Allain edited the manuscript and Lia Beyeler prepared the manuscript for publication.

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The Review process benefited from a number of interactive joint policy seminars with Estonian and Finnish stakeholders, including a meeting of permanent secretaries from all ministries of the governments of Estonia and Finland who visited the OECD and met with the Secretary-General in September 2014.

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Executive summary

Public governance reforms are high on the policy agenda in Estonia and Finland. Over the last five years, both governments have engaged strongly in an international dialogue on public governance reform, inviting the OECD to conduct for the first time a joint *OECD Public Governance Review* over the course of 2014, which follows previous comprehensive *Public Governance Reviews* of each country in the early 2010s.

This Review focuses on two important public governance issues: whole-of-government strategy steering and digital government and cross-border digital services. The objective is to assess these issues *vis-à-vis* good practices in OECD countries and to offer concrete measures to enhance governance practices in these areas. The Review highlights strengths in whole-of-government strategy steering and digital government, and identifies existing challenges and shortcomings. It uses OECD instruments as standards against which to assess Estonia and Finland, in particular the *OECD Recommendation of the Council on Digital Government Strategies, the OECD Recommendation of the Council on Regulatory Policy and Governance* and *the OECD Recommendation of the Council on Budgetary Governance.*

Part I of this Review assesses *whole-of-government strategy-steering* as the Centre of Government's capacity to effectively co-ordinate and lead the setting and implementation of strategy across government, to use a range of evidence in strategic decision making, and to foster structural and resource flexibility in the public sector. While both Estonia and Finland are working diligently to achieve a focused, integrated strategic vision for their respective country, the Review highlights that:

- **Both governments could focus on enhancing the degree of visioning in the government's strategic documents** by clustering national priorities in the Government Programme around a small number of multi-year strategic objectives. The goal is to enhance and institutionalise the dialogue between the political leadership and the senior civil service at all steps in the translation of each country's Coalition Agreement into a coherent government strategy and to move away from programmes that include several hundred objectives or targets. The result should help ensure that the resulting Government Programme is coherent with the country's fiscal framework and that medium-term strategic objectives are systematically informed by the results of strategic foresight back-casting.
- **Whole-of-government strategy setting and implementation co-ordination could be strengthened by institutionalising co-ordination mechanisms and enhancing cross-ministry co-ordination**. Both countries could consider mandating existing Cabinet committees to oversee multi-sector strategy setting and implementation while ensuring that horizontal policy initiatives are funded properly from within the fiscal framework through greater budget agility with greater capacity to reallocate funds across programmes or areas. In addition, a

medium-term strategy could be developed by each country to identify and address institutional barriers to horizontal collaboration across government.

- **While Estonia and Finland generate and use evidence differently in strategic decision-making, both governments face similar challenges in operationalising evidence in the decision-making process**, as is the case in many OECD countries.
  - Estonia could further invest in capacity to transform the information generated through its extensive data-sharing infrastructure into policy-relevant knowledge.
  - Finland could focus on government-wide oversight capacity over impact assessments, which could accompany Cabinet submissions to inform Cabinet-level decision making.
  - Both countries could enhance the use of performance information in budget setting and execution, and ensure that this information is integrated into the Government Programme.
- **Both governments need to improve financial-resource allocation and institutional flexibility to heighten their capacity to address complex policy challenges**. Each country could consider building contingency funds and policy reserves into their annual and multi-year financial frameworks, along with performing strategic spending reviews using robust spending-performance information and enhancing mid-year budget updates to identify fiscal space to support emerging strategic priorities.

Part II of this review focuses on *digital government and cross-border services*. The goal is to provide both countries with ways to fully leverage information and communication technologies (ICTs) for public sector reform and improved service delivery. Doing so is a shared ambition of the Estonian and Finnish governments. Both countries conceive digital government as a supporting element of government strategic agility, e.g. by better matching resources with policy objectives. Both countries recognise the limits of purely domestic initiatives in today's global and interconnected world, particularly within the EU context. They therefore agree to look for synergies by establishing workflows and services that cut across borders.

Bearing some shared objectives in mind, the assessments and recommendations are tailored to each country's specific context, with different starting points. As a long-time leader in the area of digital government, Finland today has many strategies and infrastructures in place, but also suffers from multiple legacies. The Finnish government is by no means a laggard in OECD comparisons, but it does not at present reap the full potential of its cutting-edge ICT developments and strong expertise in the area. Estonia, on the other hand, has been a late adopter due to its recent history. Supported by strong political backing, the country has built one of the leanest, and most strategically organised, government IT infrastructures among OECD countries. It is centred around a core set of building blocks, not least the very effective interoperability infrastructure, X-Road and the Once-only principle, according to which government-related information can only be requested once from citizens and businesses.

The Review recommends focusing on digital government strategy-setting, leadership and implementation in order to address the following domestic challenges:

- In Estonia, priority-setting and leadership for digital government have been quite effective. The priority now should be to strengthen and structure existing governance mechanisms over time. Long-term effectiveness of the "Estonian way" will depend on the availability of tools and capacities to ensure sustainable implementation of digital government priorities. To get there, the Estonian government will be able to build on existing state-of-the-art infrastructures and on increasing high spill-over effects between domestic developments and the supra-national digital government agenda it wants to focus on.
- In Finland, concerns around digital government strategy-setting, leadership and governance need to be prioritised. Resolving some underlying digital governance challenges, both at national and sub-national level, is critical to ensure sustainable progress on public sector reforms; and to prepare the grounds for effective cross-border co-operation. The governance challenges in this area are also related to some wider governance challenges in the country, including the fragmentation of responsibilities across government agencies and across levels of government. This creates a window of opportunity to move the public sector as a whole towards more integration, flexibility and agility.

This Review's recommendations on cross-border co-operation offer both countries a common agenda and roadmap, including directions towards shared governance structures and impact assessments. The way forward will have to pay attention to the fact that Estonia and Finland have different points of departure when it comes to their motivation and readiness to engage in cross-border services harmonisation:

- Estonian interests in co-operating with Finland seem higher at the outset. The government's legal and regulatory framework and information systems are certainly more ready to create seamless information exchange workflows across national borders because they can take advantage of widely used technology enablers like the X-road interoperability layer.
- While some of the initial barriers seem higher in Finland, there is also recognition that progress made in areas of cross-border service delivery will feed back into the domestic administration, making selected processes more agile, more efficient and more responsive to user needs.

The recommendations and roadmap take into account these differences when proposing policy options for the future. Progress on bilateral co-operation may help to stimulate and support wider European objectives, e.g. when it comes to removing obstacles to the free movement of people or to completing the single market.

Assessment and recommendations

Overview

A highly innovative joint review leading to joint recommendations

Public governance reforms are high on the policy agenda in Estonia and Finland. The first OECD *Public Governance Review of Finland* was carried out in 2009-10 for the public administration's 200th anniversary. Estonia's first *Public Governance Review* was carried out in 2011, after a 20-year period of rapid economic growth and successful transition post-independence, which saw the development of the full institutional set up of independent statehood. Economic integration across the two countries, and the perception of joint governance challenges, provide the framing of this integrated *Public Governance Review* of two countries for the first time in OECD history.

Two major issues are at stake: whole-of-government strategy steering and Centre of Government (CoG) co-ordination as well as digital government and cross-border services. This reflects a shared interest in exploring governance solutions together. Since the 2010 OECD Public Governance Review, *Working Together to Sustain Success*, Finland has developed an acute perception of the need for change, given the critical role of the state for the sustainability of the Nordic model. The 2010 Review pointed to the need to review overall governance arrangements, strategic insight, collective commitment and resource flexibility. While some changes had started to be implemented, the overall governance agenda was still in flux, calling for a new integrated and participatory review to provide significant momentum for change, some of which is due to take place after the elections expected in 2015. Estonia too had taken a number of gradual steps to strengthen its public governance agenda, further to the OECD's Public Governance Review in 2011, *Towards a Single Government Approach*. Despite significant progress there, the perception remained that the risk of fragmentation and silos were too often preventing the country to reap the full benefits of an integrated governance approach.

The two countries face shared challenges in terms of whole-of-government steering which they were ready to explore through a joint review. The recommendations presented below follow an assessment of the countries' reform agendas *vis-à-vis* good practices in OECD countries. The recommendations were developed through a participatory approach, involving senior peers providing expertise from half a dozen OECD countries. The joint review resulted in many joint recommendations to the two countries. For whole-of-government steering, most of the recommendations are joint, even if they are to be nuanced to take into account some of the specificities of the institutional context in each of the two countries.

In terms of digital government and cross-border services, the Review assesses national strategies for digital government against the framework of the OECD *Recommendation of the Council on Digital Government Strategies* adopted in July 2014. The Recommendation provides a useful governance angle, as it helps to address the alignment of related policies with wider government objectives at both the national and

international levels. In the context of the current Review, a key aspect is the capacity for strategic agility in the Centre of Government and the role of integrated digital government in supporting a more agile and more coherent public sector supported by shared facilities. The development of cross-border service delivery is also an innovative element of the Review, to extend the existing digital government framework that mainly focuses on domestic service delivery beyond national borders. From this perspective, this Review reflects the wider context of Estonia's and Finland's ambitions to help shape a single administrative space and to foster the interoperability of digital infrastructures to better serve citizens and businesses by fully leveraging the potential of information and communications technologies.

A challenging economic environment

Even if Estonia and Finland face different macroeconomic conditions, both have been domestically affected by the recent economic deceleration in the Euro area, which has been worsened in the two countries by the deterioration of the economic relations with the Russian Federation. Aside from these short-term developments, domestic framework conditions are favourable in Estonia, as the economy is still in a convergence phase *vis-à-vis* other European countries, gross domestic product (GDP) per capita represents approximately half of the GDP per capita in the highest 17 OECD countries (OECD, 2015). Finland, by contrast, enjoys very high standards of living and stands in the top league of OECD countries in terms of well-being, but has witnessed a sharp erosion of its competitiveness, with a marked increase in unit labour costs experienced in 2007, just behind Italy, while at the same time terms of trade have deteriorated (van Zanden et al., 2014; OECD, 2014).

This challenging environment makes reforms both more challenging and difficult to implement, but it also creates a sense of urgency. The Finnish public sector is one of the largest in the OECD countries, just behind France and Denmark, and government expenditures per capita are in the top group of the OECD. Ensuring a smarter, more strategic and more agile public sector can yield huge economic and welfare benefits, creating the potential to improve half of overall economic activity. In Estonia, the public sector is comparatively smaller: as a percentage of GDP it is slightly lower than in Luxembourg and higher than in Australia or Switzerland. For Estonia, the challenge is to ensure that the public sector will help to continue closing the gap relative to the rest of the OECD area, serving to raise productivity and making the most of human capital.

Developing a shared policy agenda: Just do it

The two countries analysed in this Review have a rich set of experiences and a deep understanding of the challenges of public sector reform. Neither is in need of a "big-bang approach" to reform, but rather need to "just do it": set a clear way ahead, focus on implementation by carrying out demonstration projects to improve public sector agility and policy coherence. This should help improve the capacity to effectively deliver on policy objectives and build confidence where appropriate. It will also be important to monitor impact, demonstrate success, identify sources of failure and help to adjust course if results are not being achieved.

In terms of whole-of-government strategy steering and co-ordination, both countries face co-ordination challenges across institutional siloes while sharing relatively common governance structures. They both face barriers to designing and implementing integrated policy, as well as connecting these to the mechanisms for resource allocation that crosses

line ministry mandates. The boundaries of line ministries are embedded in strong legal frameworks which preserve ministries' autonomy to an extent that at times prevents government from functioning as an integrated coherent whole. These features, originally designed to prevent overbearing centralisation, are now raising questions about the capacity to move human, financial and institutional resources across government to effectively address shared and complex multi-sector policy challenges that are affecting economic competitiveness and citizens' well-being. The challenges at hand are not straightforward and simply adjusting government machinery to address them will not serve to sufficiently break down barriers. More fundamental features of public sector leadership and steering will need to be taken into account.

In their efforts to restore sustainable growth, both countries thus need to further strengthen the steering capacity at the Centre of Government, by engaging all actors in government in a shared policy agenda. They also need to improve co-ordination of whole-of-government strategy setting without necessarily leading to additional centralisation, instead building capacity for the government to act as an integrated cabinet, with different ministries taking the lead on core issues. There is also a need to strengthen the capacity for implementation and ensuring its stronger connection with resource allocation mechanisms as a means to enable both governments to address these multi-faceted strategic challenges more coherently.

Fostering strategic agility: One Government – One Strategy

This Review assesses these issues as a function of each country's CoG co-ordination capacity, use of evidence in strategic decision making, and structural and resource flexibility. The Review frames its assessment using the concepts of One Government – One Strategy and of strategic agility – that is, a governance framework that is able to bring coherence to government-wide decisions, set whole-of-government priorities coherently while mobilising human and financial resources from across the government to pursue them efficiently and effectively, and ensure that key stakeholders within and outside government collaborate to propel society forward. This requires action both at the political and administrative level.

In finding that the governments of both Estonia and Finland work diligently to achieve a focused, integrated strategic vision for their respective country, the Review highlights that:

- Both governments could focus on clustering national priorities in their Government Programme around a small number of multi-year strategic objectives. The goal is to enhance and institutionalise the dialogue between the political leadership and the senior civil service at all steps in the translation of each country's Coalition Agreement into a coherent government strategy and to move away from programmes that include several hundred objectives or targets. The result should help ensure that the resulting Government Programme is coherent with each country's fiscal framework, and ensure that medium-term strategic objectives are systematically informed by the results of strategic foresight back-casting on current policy development.
- Whole-of-government strategy setting and implementation co-ordination could be strengthened by, for example, mandating existing Cabinet committees to oversee multi-sector strategy setting and implementation while ensuring that horizontal policy initiatives are funded properly from within the fiscal framework through greater budget agility with greater capacity to reallocate funds across programmes

or areas. In addition, a medium-term strategy could be developed by each country to identify and address institutional barriers to horizontal collaboration across government. In Finland, the KEHU Parliamentary Committee report could be a good starting point in this regard.

- While Estonia and Finland generate and use evidence differently in strategic decision making, both face similar challenges in operationalising evidence in the decision-making process, as is the case with many OECD countries.
  - Estonia could further invest in capacity to transform the information generated through its extensive data-sharing infrastructure into policy-relevant knowledge.
  - Finland could focus on government-wide oversight capacity over impact assessments, which could accompany Cabinet submissions to inform Cabinet-level decision making.
  - Both countries could enhance the use of performance information in budget setting and execution, and ensure that this information is integrated into the Government Programme.
- Both governments know they need to improve financial resource allocation and institutional flexibility to heighten their capacity to address complex policy challenges. Each country could consider building contingency funds and policy reserves into their annual and multi-year financial frameworks, along with performing strategic spending reviews using robust spending performance information and enhancing mid-year budget updates to identify fiscal space to support emerging strategic priorities.

A key component contributing to the successful implementation of reforms will be to help restore trust in government. From the available cross-national data, trust remains high in a Finnish context, even if it has eroded – and continues to erode – since the beginning of the financial crisis. In Estonia, trust in government is lower, where trust in government equally experienced some erosion during the economic crisis from 2007 to 2012. Current efforts in both countries to build common public service values and ethics – especially within the community of senior civil servants in support of the implementation of a whole-of-government strategic framework – are to be commended. Building common values and vision across government is key to the successful delivery of strategic objectives, to ensure results for citizens and rebuild trust in government.

Leveraging the opportunities of digital government

This Review offers both countries the opportunity to fully leverage the opportunities of ICTs, through a more integrated information infrastructure design in Finland, and through greater international integration in Estonia. Achieving agility through the wise use of ICTs is a shared ambition of the Estonian and Finnish governments. They both conceive digital government as a supporting element of government agility, e.g. by better enabling the matching of resources with policy objectives. Moreover, decision makers in Estonia and Finland recognise the limits of digital government domestic initiatives in today's global and interconnected world, particularly within the EU context. Many individuals, businesses and public authorities are already active across the two countries' national borders. This requires governments to look for synergies by establishing workflows and services that cut across borders.

However, the two countries differ also significantly. Finland has many strategies and many legacies, as a result of its past leadership in this area. While Finland is no laggard in an OECD comparison, it does not at present reap the full potential of its ICT developments and strong expertise in the area. Estonia as a late adopter, supported by strong political backing, has built one of the leanest IT infrastructures in OECD countries, around a core set of building blocks, including the use of a personal and unique identification code, the implementation of the "once only" principle for data provision to the public sector, and the Digital Signature Act.

As a result, the recommendations are differentiated even though they follow a common set of three main themes: *i)* strategy setting and digital government leadership; *ii)* digital government implementation capacities; *iii)* cross-border public service delivery. Most recommendations are tailored to the specific context of either Estonia or Finland, except for the recommendations on cross-border co-operation, which are common to both countries because they seek to support the establishment of a common agenda and roadmap, governance structures and impact assessments.

The most pressing domestic challenges addressed in this Review are:

- In Estonia, priority should be set on strengthening and structuring the use of mechanisms and policy tools, and the availability of capacities, that can best support and ensure a long-term sustainable implementation of digital government initiatives. By doing so, the Estonian government will be able to expand the already quite impressive spill over effects between domestic digital government progress and the pursuit of supra-national digital government objectives. Issues around digital strategy setting and governance have already been well addressed and only require marginal actions.
- In Finland, the concerns around digital government strategy setting, leadership and governance need to be prioritised on the national agenda. Resolving some of those underlying digital governance challenges, both at national and sub-national level, is critical to ensure sustainable progress on implementation and cross-border co-operation. These challenges reflect some of the overall governance structures of the country, which are relatively decentralised. At the same time, reforms in digital government present a unique opportunity to move the public sector as a whole towards more integration, flexibility and agility.

Building seamless services across borders

Bilateral co-operation between Estonia and Finland has the potential to serve wider national policy priorities, such as the development of cross-border services. Progress in this area is a priority for the European Union's digital agenda because of the ever-growing number of people, businesses and assets that move between the two countries as well as within the wider EU. The cross-border agenda needs to be addressed through specific actions on both sides and will build on domestic progress.

Estonia and Finland have different points of departure when it comes to their motivation and readiness to engage in cross-border services harmonisation. Estonian interests in co-operating with Finland seem higher at the outset. The government legal and regulatory framework and information systems are certainly more ready to create seamless information exchange workflows across national borders because they can take advantage of widely used technology enablers like the X-Road interoperability layer. While some of the initial barriers seem higher in Finland, there is also recognition that

progress made in areas of cross-border service delivery will feed back into the domestic administration, making selected processes more agile, more efficient and more responsive to user needs. The policy recommendations on bilateral co-operation made in this Review will invariably stimulate and support wider European objectives, e.g. when it comes to removing obstacles to the free movement of people or to completing the single market.

Whole-of-government strategy setting and steering: Towards One Government – One Strategy

Context

Both Estonia and Finland, through their actions and the priority they are affording governance reform, are expressing a desire for change in the functioning of government to enable their public sector to address key strategic challenges more effectively and efficiently. They are facing common external shocks and are struggling to restore sustainable growth.

That said, the starting point for this change is different in the two countries:

- The government of Estonia has led a successful 20-year phase of adjustment to democracy and a market economy: Estonia's reform agenda is thus framed by a sense of opportunity for progression, nourished by international best practice.
- Finland, on the other hand, is facing economic vulnerability following 20 years of outstanding progress in economic performance and its resulting social benefits, forged by exemplary public governance that turned Finland into one of the wealthiest and most innovative countries in the OECD. However, this vulnerability is causing Finland to review and reappraise its model, which may need adjustment after having served as an example of international best public governance practice.

This approach of this integrated Review builds on the fact that both countries display several common features in their political systems and governance structures:

- They both use a broadly similar model of government organisation and relationship management between ministers and the senior civil service in line departments.
- They both face common challenges in aligning overall government strategies. In both countries, the role of the Centre of Government is important as the state's "primus inter pares" governance institution, with the Prime Minister exerting an influential leadership role yet not exercising the same level of authority as in more centralised systems.
- In each of these coalition governments, the authority of the Ministry of Finance comes both from its powerful steering role and its senior political leadership role, which is pivotal to the successful functioning of the coalition.
- In both countries, Prime Minister's Office/Government Office-led capacity for whole-of-government strategic analysis exists, with clear functions in terms of foresight and government strategies, but it remains limited (especially in Estonia) and separated from the Ministry of Finance's function of defining a strategic overview of the economy.

- Both countries are experiencing challenges in integrating long-term foresight results into the Government Programme and in connecting strategy setting to budgeting.

These co-ordination challenges exacerbate the significant barriers to integrated policy making and delivery across line ministries. They also reflect substantial barriers to integrating the professional development and career management of civil servants, as the horizontal movement of civil servants across different ministries is generally limited. However, Estonia uses more developed tools for the management of the senior executive leadership in its civil service. Indeed, part of the significant degree of difficulty in overcoming these challenges is that the stovepipe-like autonomy of line ministries is deliberately embedded in the fundamental framework of government – in Finland, in the Constitution itself – and that the existence of obstacles to centralisation of power are therefore deliberate design features of the structure of government in both countries. In both countries, these barriers are now raising questions about government capacity to achieve greater strategic agility – to move human, financial and institutional resources nimbly to where they are needed most – to address complex multi-sector policy challenges affecting the competitiveness of the economy and the quality of life of citizens efficiently and effectively.

Towards a blueprint for reform

The recommendations below, whether country-specific or offered to both, seek to address issues of strategy setting and implementation, evidence-based policy making and structural and resource flexibility in government. They offer a blueprint for reform articulated around five core principles:

1. One Government – One Strategy: build on success to sustain integrated strategic decision-making capacity. Good governance requires a government able to frame an ambitious agenda for the country and implement it in a manner that earns public support. Good government implies a government able to bring coherence to government actions and decisions; to set priorities and mobilise human and financial resources to pursue them; and ensure that key stakeholders within and outside government collaborate to propel society forward. This is a precondition for the Centre of Government to fulfil its function effectively, build harmonious and coherent working relationships between political and professional officials, across agencies and governments, and between government and citizens. There are many bright spots generating the kind of results that flexibility and strategic cross-sector coherence drives – for instance, the EU affairs management system in both Estonia and Finland. These institutional arrangements can serve as good practice examples of how to institutionalise more generally cross-sector co-operation that leads to more coherent, integrated outcomes for the government, citizens and businesses.

2. Break down silos to increase capacity for policy integration. Enhanced capacity is required to address an increasing number of policy issues whose effective resolution exceeds the capacity of a single organisation working alone, or of a single level of government acting on its own. Since working across multiple boundaries, including national ones, is a defining characteristic of modern governance, government requires capacity to break down barriers to pooling knowledge, resources, know-how and expertise from across the system to achieve broad public sector outcomes that deliver integrated public value. The goal is to

deliver an integrated basket of services to citizens that effectively and efficiently address their needs.

3. Set a clear path to move forward on reform. In both Estonia and Finland, reforms have to move beyond fine-tuning to clarifying basic principles of governance and decision making, including with respect to rules governing institutional and resource flexibility. To both countries, this integrated Review therefore recommends identifying real priorities for reform, sticking to these, and building and sustaining partnerships and networks to ensure their successful implementation.
4. "Just do it". This need not imply a "big-bang approach" that could end up constituting a radical shift in either the Estonian or the Finnish public sector administrative culture. In the case of Finland, the need for basic reform of the rules governing flexibility can be met by the "just do it" notion – given the wealth of advice and ideas that has been generated on this issue since at least 2010. In both countries, the objective should be to avoid endless discussions considering reforms without implementing them. There is a need for setting a clear way ahead with short-, medium- and long-term milestones and reform objectives and following it through to completion by focusing on implementation, and measuring impact to adjust course if initial results are not being achieved.
5. Build a strong knowledge infrastructure based on shared values to share results and knowledge and communicate good practice, especially with new technologies. 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. In Finland, there is scope to harness the Change-Agent Network to codify and communicate its public service values, ethics and work principles widely to professional and management groups across the Finnish system; broaden and deepen the initiatives to build a collegial spirit within the community of secretaries-general/permanent secretaries in both Estonia and Finland and push these whole-of-government values as far down the systems as possible. This also requires investing in knowledge sharing and in public service values. Harnessing "knowledge ecosystems" and infrastructure in both countries, including networks within the public sector and between the public and private sectors and academia along with independent data analysis, can improve policy design and implementation. This can also be supported by "back-casting" the results of strategic foresight onto the design of the government programme.

This blueprint for reform is articulated around 14 key recommendations. Most of the recommendations for whole-of-government strategy setting and steering are joint, except for one that specifically addresses Finland and equally one that specifically addresses Estonia. Of course, the recommendations are outlined in further detail and nuanced in terms of their respective applications to Estonia and Finland. Still, this integrated approach reflects the value and the uniqueness of this Review, with two countries sharing a number of common challenges and searching jointly for solutions.

The following sub-sections introduce each of the key recommendations in regard to the general analytical structure and approach of the Review.

Table 0.1. **Key recommendations for whole-of-government strategy steering**

Recommendation 1 (J)	Enhance the degree of visioning in the government's strategic documents
Recommendation 2 (J)	One Government – One Strategy: Institutionalise co-ordination mechanisms to achieve whole-of-government policy coherence
Recommendation 3 (J)	One Government – One Strategy: Enhance cross-ministry co-ordination in strategy setting and implementation
Recommendation 4 (J)	Mobilise budgeting to support co-ordinated strategy setting and implementation
Recommendation 5 (J)	Harness strategic senior civil service leadership to strengthen government capacity to implement strategic objectives
Recommendation 6 (J)	Strengthen regulatory quality control and oversight of regulatory impact assessments (RIAs)
Recommendation 7 (E)	Build whole-of-government horizon-scanning capacities in Estonia
Recommendation 8 (F)	Towards more joined up and inclusive foresight activities in Finland
Recommendation 9 (J)	Invest in capacity to transform information into knowledge
Recommendation 10 (J)	Create contingency funds and policy reserves,
Recommendation 11 (J)	Ensure greater use of strategic and spending reviews
Recommendation 12 (J)	Enhance mid-year budget reviews
Recommendation 13 (J)	Break down legal barriers to inter-institutional flexibility
Recommendation 14 (J)	Pursue the implementation of whole-of-government human resource management standards

Notes: J: joint (Estonia and Finland); E: Estonia; F: Finland.

Strategy setting and implementation processes

Both governments' strategic programming documents could benefit from reducing the number of strategic objectives and clustering them under a small number of overarching strategic priorities. In short, both countries should enhance the document's strategic-visioning attributes:

- In Finland, as the KOKKA assessment and recommendations noted, the process in which the Government Programme is formulated, in terms of timelines, evidence informing it and parties involved, is not functioning as efficiently as it could. Currently, there is recognition that a Government Programme with 964 strategic priorities[1] for action is neither strategic nor actionable.
- Estonia could benefit from 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 achieve by the end of its four-year mandate.

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

Both Estonia and Finland would benefit from institutionalising links between CoG units. In both countries, CoG functions are shared between the Prime Minister's Office/Government Office, and parts of the Ministry of Finance and Ministry of Justice. 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). To the same extent, formal institutional linkages between the Ministry of Justice, the Prime Minister's Office/Government Office and Ministry of Finance 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 regarding major government strategic initiatives. This process should include binding powers to scrutinise and reject initiatives or send them back for major review – particularly ones that involve major policy and spending implications (see Recommendation 6).

Recommendation 1: Enhance the degree of visioning in the government's strategic documents

The governments of Estonia and Finland could each consider:

- Clustering the priorities of the Government Programme around a small number of integrated whole-of-government objectives (e.g. three to five) to be pursued over the government's term. These strategic objectives should be easily understood by the public and internally within government.
- These strategic objectives could be derived from long-term strategic outcomes that the government intends to pursue over a 10- to 15-year planning horizon informed by the results of strategic foresight work.
- Aligning ministries' objectives around this small number of cross-cutting whole-of-government strategic objectives.
- Offering a range of evidence, including impacts with regards to long-term strategic outcomes feeds into coalition negotiations (drawing on expertise from ministries and from outside government partners and think tanks)

Ensuring an independent check of the Coalition Agreement before it is finalised – possibly by an independent authoritative body (i.e. a body similar to the Netherlands Bureau for Economic Policy Analysis, CPB). This independent check should result in public advice that would serve to inform the feasibility (and fiscal sustainability) of the political commitments and prioritise strategic objectives against these commitments.

Recommendation 2: One Government – One Strategy: Institutionalise co-ordination mechanisms to achieve whole-of-government policy coherence

The governments of Estonia and Finland could each consider:

- Making it mandatory – as a condition for Cabinet endorsing the draft Government Programme developed to translate the coalition's political agreement into government plans – that the route to Cabinet's decision to adopt the strategy reflects a co-ordinated approach across government institutions, and takes into account budgetary and policy performance information.
- In Finland, making it mandatory, as a condition for Cabinet considering a single-sector or multi-sector policy initiative presented for approval under the Strategic Implementation Plan of the Government Programme (HOT), that the initiative reflects robust *ex ante* impact assessment information that highlights any and all policy and financial performance information to ensure that ministers have all of the appropriate performance/impact assessment information at their disposal prior to deciding upon a policy initiative.
- Strengthen the capacity for strategic policy and value-for-money assessments within the CoG institutions to limit gaps to policy implementation.

In so doing, the government of Finland could consider developing and implementing steps to reform the interface process between the political leadership and the senior civil service that leads to the translation of the Coalition Agreement into the HOT strategy document:

- establishing a timetable of major milestone meetings between the government coalition and the civil service at all key points in the translation process
- ensuring that Ministry of Finance support is provided to the coalition on budget and fiscal framework considerations as the coalition drafts its political platform, and through the translation process into the HOT
- that due consideration of policy reserves, including budgeting for contingent liabilities, and multi-sector strategy funding (see Recommendation 10) be taken into account throughout this process.

Enhance capacity for whole-of-Cabinet policy making through a "joined-up" approach to cross-cutting strategic priorities

Both governments could also consider ways to enhance co-ordination between CoG institutions and line ministries and across line ministries when implementing and monitoring the government's strategic priorities. This need not necessarily result in increased centralisation, but could reflect increased capacity for working together as a "single government", as in Scotland and Sweden, 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. This is 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 (see Recommendations 3, 4 and 5).

Recommendation 3: One Government – One Strategy: Enhance cross-ministry co-ordination in strategy setting and implementation

The notion of "One Government – One Strategy" can also be given effect with practical institutional arrangements to sustain inter-ministerial coherence in setting and implementing multi-sector, integrated initiatives to pursue whole-of-government strategic objectives. Each government could 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. Governments could first consider identifying and allocating horizontal funding to a top priority initiative that could serve as a pilot project (e.g. Finland's initiative to reform the delivery of healthcare services via municipalities). In so doing, 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) once this has been approved by Cabinet for this purpose, to oversee the implementation of a strategic multi-sector policy initiative, and create a mirror committee of senior civil servants to support it. The leadership for such initiatives can be with the ministry that is most directly concerned with the initiative.
- Conversely, building on Estonia's experience with dedicated task forces, creating a one-off reference group of ministers for this purpose, supported by a mirror committee of senior officials (see also chapter on enhancing institutional flexibility), and allocating dedicated resources.
- Ensuring that, as part of their mandates, these committees or reference groups report regularly to full Cabinet on progress in implementing the initiative.

Mobilise budgeting to support co-ordinated strategy setting and ensure effective implementation

In both Estonia and Finland, the *ex ante* discussions between the Ministry of Finance and the Prime Minister's Office/Government Office on linking budget to strategy should be formalised. Any performance information should inform strategy setting for the HOT/Government Programme and inform financial resource allocation against the initiatives to be pursued under the HOT/Government Programme (see Recommendation 4).

Initial steps are being explored in both countries to adopt some form of a performance-informed budgeting process. These steps 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 – to build understanding and confidence in the system. Better performance assessment frameworks seek to assess policy performance against strategic, multi-sector outcomes (e.g. is the given policy initiative or cluster of initiatives achieving say, a reduction in poverty, enhancements in the skills levels of the general labour force or a reduction in greenhouse gas emissions?), as well as against programmatic outputs (e.g. is the government's infrastructure spending programme meeting the job-creation targets it was put in place to achieve?). In addition, capacity to generate robust performance information is predicated not only on central government contributions, but on effective sub-national capacity to generate information on how national policy and programming is performing at the local level.

Performance information on service delivery, including information that measures the effectiveness and efficiency with which public monies are spent to deliver these services, not only allows governments to demonstrate that money is well spent but enables them to generate vital value-for-money information that they can use to conduct strategic spending reviews, themselves an effective tool on which to base resource reallocation decisions (see Recommendation 11). Part of the purpose of the proposed institutional arrangements would be to build confidence/trust in the process and share outcomes in terms of savings identified for re-investment in higher priorities.

Recommendation 4: Mobilise budgeting to support co-ordinated strategy setting and implementation

Both governments could 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.
- Estonia 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.
- Strengthening incentives for sub-national authorities delivering key public services to require performance information and building local capacity to collect performance information on public expenditures and results.
- Ensuring that the Ministry of Finance (in each country) works with relevant line ministries that adopt performance budgeting to document successes and good practice and share this information as widely as possible.
- Using this information to inform spending reviews (see Recommendation 11).

Enhance collaboration across the senior civil service

One way of encouraging collaboration across government is to include in senior civil servants' annual performance evaluation, particularly the top ranks including permanent secretaries/secretaries-general, a measurement of their performance against both the government's strategic shared objectives and against ministry-based policy objectives, in

addition to being assessed against their core job competencies, as is currently the case. Given that the nature of complex policy challenges is increasingly multi-sectored – and hence crosses ministry boundaries – evaluating top-level civil servants against the achievement of strategic policy outcomes, both their own ministry's and their ministry's contribution to government-wide ones, can encourage senior civil servants to collaborate more effectively across ministry boundaries, to achieve multi-sector policy outcomes more effectively. This may require some capacity for management in the senior civil service in the Centre of Government, as is the case in Estonia. In addition, knowing that part of their annual performance assessment evaluates cross-ministry co-ordination serves as a powerful incentive for senior civil servants to collaborate.

Recommendation 5: Harness strategic senior civil service leadership to strengthen government capacity to implement strategic objectives

Both governments could consider adding to the annual performance evaluation framework for the top ranks of the civil service 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.

Whole-of-government evidence-based policy making

While Estonia and Finland are at different stages in terms of the supply of evidence base for decision making, both countries are facing similar challenges in relation to operationalising evidence in the decision-making process, as is the case with many OECD countries. Processes and institutional arrangements are central to promoting the systemic use of evidence in decision making throughout the public administration; both contribute to the socialisation of public servants and politicians to ensure they understand the benefits of a good-quality knowledge base behind decision making (i.e. that better knowledge can produce better policies and, in turn, better outcomes for society).

Strengthening the institutional setup of regulatory impact assessment for improving evidence-based policy making

Both countries could consider strengthening institutional arrangements and capacity to ensure RIAs are conducted on new legislative proposals, thus promoting a culture of evidence-based decision making. This reflects the 2012 OECD *Recommendation of the Council on Regulatory Policy and Governance* which, *inter alia*, recommends that member countries commit at the highest political level to an explicit whole-of-government policy for regulatory quality. 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.

To this end, Estonia has recently made progress in strengthening the institutional set up of its 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 that a more in-depth assessment be conducted for proposed legislation with a significant impact. Estonia also created an institutional oversight body in the Ministry of Justice to conduct quality control. In the case of Finland, softer methods have been deployed, such as RIA guidelines for law drafters in ministries and inter-ministerial

networks or working groups on regulatory policy. The following recommendations focus on ensuring a well-functioning institutional set up to evidence-based decision making by means of guaranteeing quality RIAs.

Recommendation 6: Strengthen regulatory quality control and oversight of regulatory impact assessments (RIA)

The government of Finland could consider strengthening the implementation of RIA by:

- Ensuring central oversight on the quality of RIAs for major regulations. This could either take the form of a unit in the Ministry of Justice, the Prime Minister's Office or an external advisory board of experts, which conducts quality control of ministries' RIAs (to ensure a coherent and comprehensive approach to carrying out RIA) as well as providing training and support for ministries. Scrutiny and quality opinions on RIAs should be made public as part of the submission to the Cabinet.

Both governments 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). In the case of Finland, resources should be made available to establish such a unit to ensure whole-of-government oversight and quality control of regulation and RIAs. It could benefit from the current restructuring of the capacity for applied analysis in the government research institutes.
- Mandating a traffic-light system to be managed by the Ministry of Justice, the Prime Minister's Office/Government Office and the Ministry of Finance (chaired by the Prime Minister's Office which could act as the secretariat to this CoG committee) so that they work closely together on an ongoing 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, either based on RIA for regulations or some comprehensive economic and budget analysis for other policy initiatives that informs Cabinet of all the options to address the policy issues driving the need for the initiative (see Recommendation 2 on institutionalising co-ordination mechanisms to achieve whole-of-government policy coherence).
- Ensuring assessments of regulations adequately take into account the impact on small and medium-sized enterprises (SMEs). An SME test could easily be implemented following the example of Switzerland, with focus groups and panels to produce full tests of impacts on SMEs, in order to minimise regulatory burdens and foster the growth of SMEs.

The government of Estonia should also consider reviewing the implementation of its new RIA system by:

- Having an independent institution assess the efficient and effective implementation of the new RIA system two years after adoption. This would be an important step in ensuring that institutional and legal changes adopted to improve the use of impact assessment are fully implemented and are functioning efficiently. In addition, 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. If results indicate this to be the case, the government of Estonia could consider limiting the use of exceptions to only necessary and urgent legislation while ensuring an *ex post* preliminary impact assessment within a year of adopting the legislation.

Ensure strategic foresight is informing the development of the government strategies

Estonia and Finland are at different stages in building and embedding strategic foresight information into decision making. Finland is an established leader in the field with many years of bold forward-looking experience. 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 demonstrates that foresight efforts are more effectively integrated in whole-of-government decision making when they are tightly linked to the Centre of Government and the Prime Minister's Office/Government Office, including its horizon-scanning activity (see Recommendation 7).

Recommendation 7: Build whole-of-government horizon-scanning capacities in Estonia

Estonia could consider setting up horizon scanning within government, placing co-ordination capacity in the Strategy Unit of the Government Office. The government of Estonia could consider some steps similar to those in the United Kingdom, such as:

- Building an inter-ministerial network to bring together different sectors' horizon-scanning activities, chaired by the Government Office Strategy Unit. In the case of the United Kingdom, it was found that horizon-scanning work already existed in a number of government departments yet there were no institutional mechanisms to join-up such activity. Estonia could benefit from mapping existing work in government and linking it to decision making.
- 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.

The government of Finland has been a pioneer in carrying out foresight activity. The Finnish government's foresight activity is already robustly developed, with co-ordination of both the horizontal foresight report and the ministries' futures reviews co-ordinated by the Prime Minister's Office. Finland has gone even further in the lead up to the 2015 elections by creating a more joined-up version of the ministries' futures reviews and by fostering more stakeholder engagement in the horizontal foresight report. These are positive first steps. However, there is recognition that while the foresight tools being used are producing valuable insights, the process needs to be better co-ordinated and more closely aligned to the strategy-setting phase. The following recommendation is directed specifically to Finland and relates to further linking these two activities as well as including a wider engagement of stakeholders in ministries' futures reviews. The recommendation aims to improve the impact of this long-term strategic analysis on the content of the Government Programme.

Recommendation 8: Towards more joined up and inclusive foresight activities in Finland

The government of Finland could consider better joining up both major foresight activities, ensuring the horizontal foresight report is linked to and informs ministries' futures reviews (i.e. that the ministries find the horizontal foresight report useful) and that in turn the ministries' futures reviews are informing politicians' and civil servants' decision making in the Government Programme/HOT process. The government of Finland could thus consider:

- Ensuring timelines of the foresight activities are shifted in order to have results to inform the various processes and work streams.
- Ensuring that the cross-cutting topic of the government's horizontal foresight report is one which will prove useful for ministries' futures reviews, and that both communities are joined in co-ordinating both efforts. To this end, the senior civil service and Cabinet should be involved in linking the two. The government-appointed ministerial working group steering the preparation of the horizontal foresight report should work in co-ordination with the ministries' individual futures review process. Indeed, it appears the ministries' futures review processes are not clearly co-ordinated with each other, let alone with the government horizontal foresight report process. Producing a joined up and harmonious message from both actives could help strengthen the impact of this long-term strategic analysis on negotiations during the formation of the Government Programme.

In relation to the ministries' futures reviews, the government of Finland could consider ensuring wider stakeholder and citizen consultation when gathering information and concluding future challenges and policy choices. The government could consider:

- continuing to carry forth efforts to join ministries' futures reviews to produce a more harmonised whole-of-government assessment of future challenges and policy options
- broadening the scope of information informing the reports to engage society more widely, as opposed to relying, for the most part, solely on internal information.

Developing capacity to apply and integrate the evidence into decision making

Independent data analysis and research informing whole-of-government decision making is key to the various dimensions of evidence-based decision making. Estonia and Finland both have comprehensive population and business registries, creating a powerful base for data analytics and public policy evaluation in the public sector. Estonia has a very effective infrastructure in place to share information and data across government (X-Road; see Part II). Finland has a strong tradition of partnering with a tight network of think tanks, research institutions and other policy networks to develop policy advice. Nevertheless, both countries 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. In Finland a major issue is to harmonise the way information is produced, shared and used across government (see Part II). Finland's ongoing reform of state research institutes is a step in the right direction. Shifting research capacity inside government and closer to decision makers within ministries could help improve the use of such generated knowledge, which is required to inform policy making *ex ante*. Moreover, the role of open data should not be overlooked in both countries, as it can be leveraged both inside and outside government to exemplify better use of data or information (see Part II).

Recommendation 9: Invest in capacity to transform information into knowledge

The government of Estonia currently manages a series of well-functioning interoperable registries of information. 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. 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 a little more in building capacity to carry out applied policy analysis and content-specific policy studies to inform government decision making. 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 also put in motion a larger debate across government on why such information and analytical capacity is needed.
- Similar to the ongoing Finnish research institute reform, Estonia could consider building analytical capacity within ministries, as small analytical units, if results from the mapping exercise indicate that sufficient data and information already exists there.
- 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 (see also Part II, Recommendation 10 to Estonia on sourcing policy-relevant intelligence).

Fostering structural and resource flexibility in the public sector

Enhance flexibility in resource allocation processes

Consistent with the 2014 *OECD Principles of Budgetary Governance*, the next two recommendations relate to enhancing flexibility in financial resource allocation in Estonia and Finland. To sustain capacity to fund multi-sector, integrated strategies that cross ministry boundaries, the government of each country could consider building into their annual and multi-year financial frameworks contingency funding. This recommendation is directed to both Estonia and Finland.

Recommendation 10: Create contingency funds and policy reserves

The governments of Estonia and Finland could each consider:

- For multi-sector strategies or programmes (e.g. Finland's Youth Unemployment Strategy; Estonia's Injury/Premature Death Strategy) identified in the government strategic programming documents, including for "national strategy" initiatives (see Estonia's), identify in the state budget dedicated funding that would be overseen by the relevant committee of ministers and mirror committee of officials created for the purpose of overseeing the initiative's implementation.
- To plan for unforeseen/unanticipated contingencies, identify an annual "policy reserve" contingency fund for strategic multi-sector policy initiatives as a percentage of the state budget. Access to this contingency fund could be adjudicated by Cabinet, on advice from the Prime Minister's Office/Government Office and the Ministry of Finance, after consultations with the key line ministries implicated in the initiative. These funds could be mobilised as a result of spending reviews or strategic reviews (see below).

Recommendation 11: Ensure greater use of strategic and spending reviews

Both governments could consider developing strategic and spending reviews as a tool that can be used to base resource reallocation decisions to move financial resources away from lower or under-performing priorities toward higher or emerging ones, either within or across ministry boundaries, by:

- launching one or more spending reviews or strategic reviews as pilot/demonstration projects, in both entitlement programmes and discretionary spending areas
- using spending performance information from both national and sub-national governments
- mandating an existing Cabinet committee overseeing major spending initiatives to monitor and report on these reviews, which could identify the resources generated and clearly allocate them towards new strategic policy goals.

Part of the agility governments have in reallocating resources to meet emerging priorities is strategically useful information and a forum in which to use this information to take decisions. One tool used across the OECD is the mid-year budget review/update exercise.

Recommendation 12: Enhance mid-year budget reviews to improve strategic resource reallocation

Both governments could consider strengthening the practice of conducting an in-year budget review exercise. Its purpose could be to:

- Update parliament and citizens on the state of the national economy and the state budget.
- 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 reallocated toward higher or emerging strategic priorities.
- This exercise could be overseen by Cabinet. On the recommendation of the Ministry of Finance, the Prime Minister's Office/Government Office and the relevant line ministers, proposals to reallocate resources to address a priority, either by using the policy reserve, contingency fund or by shifting resources from one ministry to the other, could be considered (see Recommendation 2, 3 and 10). This, of course, requires *ex ante* lead-time discussion between affected ministries at the official and ministerial level.

Enhancing institutional flexibility

Both governments are aware that they need to improve institutional flexibility to increase their agility and co-ordination capacity when addressing complex policy challenges. Indeed, the Finnish KEHU initiative established a parliamentary committee focusing, *inter alia*, on identifying legislative and institutional barriers to inter-ministry mobility. 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 unity and ability for strategic decision making. The Estonian practice of managing

inter-ministerial task forces to address complex policy issues also points to the recognition that institutional stovepipes need to be overcome if the government is to co-ordinate effectively to solve complex policy challenges. In Finland, this practice also exists, although there are currently 17 task forces, but none is resourced or formally mandated. A good practice in both countries is the approach to managing EU matters, as mentioned above (see Recommendation 3). The recommendations focus on applying these good practices more generally across the governments.

Recommendation 13: Break down legal barriers to inter-institutional flexibility

Over the medium term, as part of a strategy to ensure that in both countries the government is not prevented from changing its own configuration, each government could compile a list of the key institutional, regulatory, legal and/or constitutional impediments to greater inter-institutional fluidity with a view to increase capacity to reassign, recast, eliminate or enhance ministry mandates, or to shift institutional resources around the system. It should be noted that resource flexibility would be critical in such a context.

- In Finland, a good starting point for this process will likely be to consider the options of the KEHU Parliamentary Committee report.

Enhance mobility and government's strategic agility through whole-of-government human resource management standards

Both governments are pursuing common, government-wide standards in managing their workforce, whether through Estonia's new Civil Service Act or through Finland's shared services centre. This is a trend to be encouraged, as it 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.

Recommendation 14: Pursue the implementation of whole-of-government human resource management standards

- Both governments could broaden and deepen their initiatives to implement common standards for hiring, remuneration, performance evaluation, promotion, training, rewards and recognition, firing and other aspects of strategic human resources management as a means to facilitate inter-ministry mobility and improve equal treatment of all civil servants regardless of where they work in the system. This may require broad competency frameworks with broad families of public sector staffs and experts.
- Career pathways through government should include a mobility clause, so as to ensure that senior leadership is rooted in multidisciplinary policy experience.
- Facilitate staff mobility not only across departments, but also in relation to agencies and across government, creating a single common internal market for staff inside the government.

Digital government and cross-border services

Context

Estonia and Finland are invited to consider recommendations on digital government and cross-border services structured along three themes: strategy setting and digital government leadership; digital government implementation; and cross-border public service delivery. In most instances the recommendations have a common starting point but are then tailored to the specific context of one country. Some recommendations address common issues, which is notably the case for those advancing cross-border co-operation objectives. The most pressing challenges that have been identified in this Review and that are to be addressed by these recommendations are:

- In Estonia, the priority should be one of intensifying efforts around implementation issues and user experience of front-facing public services. Doing so will also allow the Estonian government to expand the already quite impressive spill over effects between domestic digital government progress and the pursuit of supra-national digital government objectives. Other issues, such as digital strategy setting and governance issues, have already been well addressed and only require marginal actions of subordinate priority.
- In Finland, the concerns around digital government strategy setting, leadership and governance are to be discussed first. Resolving some of those underlying digital governance challenges is critical to ensure sustainable progress on implementation challenges and cross-border co-operation.

Harmonisation of the delivery of services across borders and improvements of information workflows between different countries' administrations is an important issue to both countries. It is also a priority under the European Union's (EU) digital agenda because of the ever-growing number of people, businesses and assets that move across the EU.

Estonia and Finland have different points of departure when it comes to their motivation and readiness to engage in the harmonization of cross-border services. Estonian interests in co-operating with Finland seem higher at the outset. The government's legal and regulatory framework and information systems are certainly more ready to create seamless data exchanges across national borders because they can take advantage of the X-Road interoperability layer. While some of the initial barriers seem higher in Finland, there is also recognition that progress made in areas of cross-border service delivery will feed back on the domestic administration, making selected processes more agile, more efficient and more responsive to user needs. Moreover, the policy recommendations on bilateral co-operation made here will invariably stimulate and support wider European objectives, e.g. when it comes to removing obstacles to the free movement of people or to completing the single market.

The recommendations on digital government and cross-border services take into account these different points of departure, acknowledging that the challenges faced in the two countries are different. The pathways to address the challenges have some elements in common. The recommendations are therefore divided in three blocs: some that are specific to Estonia, some that are specific to Finland and some that are of joint relevance. The joint recommendations refer mostly to the use of the business case and of pilots, the role of external audits, underlying skills, as well as to progress on a roadmap for cross-border services.

Table 0.2. **Key recommendations, digital government and cross-border services**

Recommendation 1 (F)	Consolidate strategic objectives along the lines of national policy priorities in Finland
Recommendation 2 (E)	Build "early warning" mechanisms for strategic digital government challenges in Estonia
Recommendation 3 (F)	A "wake-up" call about the risks of ignoring the strategic implications of digital government shortcomings in Finland
Recommendation 4 (E)	Consider formalising some of the existing interpersonal co-ordination mechanisms in Estonia
Recommendation 5 (F)	Match strategic digital government ambitions with effective governance modes, institutional mandates and incentives in Finland
Recommendation 6 (E)	Strengthen the incentives and capacities for the adoption of ICTs by local councils in Estonia
Recommendation 7 (F)	Harness ongoing municipal reforms to build a shared long-term digital agenda in Finland
Recommendation 8 (J)	Promote a harmonised and selective business case approach for major IT investments across government
Recommendation 9 (J)	Explore options to leverage external audit and expertise
Recommendation 10 (E)	Harness cross-government information infrastructure for sourcing policy-relevant intelligence and decision support in Estonia
Recommendation 11 (F)	Pursue interoperability of government information systems as a strategic enabler of government agility and transparency in Finland
Recommendation 12 (E)	Ensure skills development and sharing of skills resources in Estonia
Recommendation 13 (F)	Develop an IT skills framework that supports the reform needs of government IT in Finland
Recommendation 14 (E)	Maximise the benefits of using empirical evidence and involving users to transform public services in Estonia
Recommendation 15 (F)	Think small and put users first: encourage more user-driven and agile development of digital public services in Finland
Recommendation 16 (E)	Clarify current provisions for access to the X-Road in Estonia
Recommendation 17 (F)	Draw lessons from the operation of technology enablers like the National Service portal, the digital signature and the shared services centre in Finland
Recommendation 18 (J)	Build shared service prototypes and pilot their use in selected public service areas
Recommendation 19 (J)	Establish shared governance mechanisms for cross-border services and data exchange
Recommendation 20 (J)	Identify and articulate the added value cross-border services can have for national and international policy agendas
Recommendation 21 (J)	Involve users and relevant stakeholders in the selection of priorities for cross-border services

Notes: J: joint (Estonia and Finland); E: Estonia; F: Finland.

How can digital government strategies support wider public sector reform?

Coherent digital government strategies to address national policy priorities

Digital government agendas differ between Estonia and Finland. In Estonia, a single document – the Digital Agenda 2020 – is the authoritative and commonly recognised strategy for digital government, and its main steward is the Government Office under the Prime Minister. Over the past decade the country has displayed political commitment towards identifying technology options which would enable government as a whole to deliver better results and at lower costs.

Finland has been a leader and early adopter of technology in individual domains. The challenge has, however, been to co-ordinate fragmented developments and to advance whole-of-government objectives for digitisation. Today, at least two high-level documents – stewarded by two different institutions – provide strategic directions for digital government: the Public Sector IT Strategy (Ministry of Finance) and the "21 paths to a frictionless Finland" (Ministry of Employment and the Economy). Other high-profile documents, e.g. the Government Structural Reforms Implementation Programme, provide strategic directions on how digital technologies can support wider reforms. The lack of an integrated vision of how digital technology use in government can address national policy

priorities explains that Finnish respondents to the OECD survey do not consider national digital government strategies as being highly relevant to their work. Finland could draw on international good practices developed in the context of the OECD *Recommendation of the Council on Digital Government Strategies*.

Recommendation 1: Consolidate strategic objectives along the lines of national policy priorities in Finland

The Finnish government should consider transforming the existing set of digital government strategies and initiatives into a consolidated strategy by:

- Identifying overarching national and societal priorities and articulating a clear vision on how digital technologies will address those long-term challenges. This should include considerations for domestic priorities like tackling structural changes to the economy, reducing the weight of the informal economy, regaining international leadership in policy domains such as education, fostering European integration and ensuring long-term government support to people, businesses and society.
- Establishing a roadmap that uses measurable and policy-relevant goals and indicators to provide clear directions. Benchmarks of current performance should be established in all areas to provide information on the *status quo* and on the objectives to be attained, and to facilitate monitoring of progress over time.
- Focusing on general technology enablers rather than specific solutions. Finland should, for example, pursue interoperability of government information systems not as a technical challenge but as a fundamental enabler for better policy making and greater agility.
- Assigning clear leadership and institutional responsibilities for strategic steering and co-ordination of cross-government IT developments (see also Recommendation 4).

Recognition of domestic shortcomings

Both countries face the challenge of adapting the ways public services are delivered to match expectations of citizens in the 21st century. Estonia has taken important steps to critically assess the quality of public services across its entire administration in a recent Green Paper on the organisation of public services. The Green Paper recognises the advances government made to create a more coherent, accessible and usable set of public services. It also highlights some shortcomings, notably the fact that public service quality differs across government sectors and that user-driven approaches to the design of public services constitute the exception rather than the rule. The assessment has led to a pilot project, which identified 20 high-impact services to pilot the use of new service transformation approaches (see Recommendation 14).

Recommendation 2: Build "early warning" mechanisms for strategic digital government challenges in Estonia

Estonia's government 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 policy priorities. The aim should be to develop a methodology, tools and regular practice to identify areas where digital government initiatives, despite recognisable success at the micro level, are not contributing strongly enough towards achieving desired policy outcomes. Digital healthcare initiatives are, for example, relatively successful in Estonia, see the wide take-up and high user satisfaction with electronic prescriptions, but their impact on people's overall satisfaction with healthcare service delivery in the country remains limited and the impact on actual health outcomes is also unknown.

Public sector institutions in Finland are starting to recognise the wider challenges to effective policy making posed by a fragmented and uncoordinated information infrastructure. Individual reports by the National Audit Office and other actors regularly point to shortcomings in this area. Data sources and information systems that are not interoperable, for example, reduce Finland's capacity to tackle the "grey" or informal economy. The existence of many legacy systems and diverse standards for data exchange severely slows down implementation of legislative changes. In some areas it can take years between ratification of a law and its first application.

It therefore needs to become a part of political and public awareness in Finland that underperformance in digital government has significant impacts on the overall quality of government. Digitisation initiatives to address micro-level challenges – e.g. equipping classrooms with digital technologies – are not always the ones that will best contribute to addressing system-level challenges. To build the necessary awareness, a "wake-up call" in the sense of widespread public recognition might be necessary. This could be similar to Nokia's "Burning Platform" manifesto about the strategic mistakes the company had made (*Wall Street Journal*, 2011). Similar "wake-up" calls have resulted in determined action by some governments, e.g. in the United Kingdom.

Recommendation 3: A "wake-up" call about the risks of ignoring the strategic implications of digital government shortcomings in Finland

The Finnish government would benefit from issuing a strong, maybe even emotional, assessment of the *status quo* of the fragmented digital administration and the risks of not taking immediate action. In doing so it could draw inspiration from the United Kingdom and the different societal and state actors which in 2010 and 2011 issued explicit statements about how government agility and its capacity to implement public policies was compromised by the quality of government information systems and digital services:

- In November 2010, the UK government commissioned public figure Martha Lane Fox to assess the quality of digital government. Her final report called for "revolution not evolution" and it broke off a wide and long public debate on the state of government IT.
- In February 2011, the National Audit Office found that the government faced "big challenges […] in protecting and improving the value for money of ICT and in ensuring that ICT is deployed fully in the drive to secure sustainable cost reduction". As a result, the National Audit Office enhanced its capacity and mandate to assess government IT and has since become a regular provider of strategic advice on government IT.
- In July 2011, the UK's Parliamentary Public Administration Select Committee issued a report with the provocative title: "Government and IT — 'a recipe for rip-offs': Time for a new approach". The report added to the public perception that government IT in its current form was not supporting strategic national objectives and was not providing sufficient returns on past investments.

More effective leadership and governance mechanisms

The implementation of strategic ambitions requires effective governance mechanisms. Estonia has been able to steer clear of "hard-handed" approaches to co-ordinate digital government development across the public sector. Nor did the Estonian government feel the need to establish committees or other institutions to co-ordinate the implementation of governance principles like the "once only" provision of information or the diffusion of the national electronic identification. Co-ordination instead resulted from a shared

understanding of the importance of technology enablers and is largely shaped by informal and interpersonal networks, e.g. between the Strategic ICT Advisor in the Government Office and the Government Chief Information Officer (CIO) in the Ministry of Economic Affairs and Communications; or between the government CIO and line ministries' and agencies' CIOs. While these interpersonal networks have been able to work effectively and compensate for relatively autonomous decision making in line ministries, there is a 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 co-ordinate in the implementation of digital government projects.

Recommendation 4: Consider formalising some of the existing interpersonal co-ordination mechanisms in Estonia

To ensure the long-term effectiveness of governance modes and anticipate future risks of declining incentives for co-ordination, the Estonian government should consider introducing co-ordination mechanisms that complement some of the existing practices. This can include grouping major public sector IT governance issues into a comprehensive law. The Spanish government, for example, recently passed two laws to ensure long-term sustainability to a revised institutional and governance framework for digital government steering at the national level.

New governance mechanisms do not necessarily mean creating new institutions or heavily regulated procedures. The Estonian government could instead consider making centralised reviews for government IT projects mandatory in additional cases, e.g. by requiring more intense involvement of the Government CIO Office when projects exceed certain budgets or timelines, when they touch upon several state institutions' authorities or when they are considered to be of national priority.

A formal and relatively coercive central review procedure, in fact, already exists in the case that an institution wants to connect its information system to the national interoperability layer X-Road. Experiences from this procedure could feed future review mechanisms for priorities with high stakes (see also Recommendation 17).

In Finland, several formal mechanisms and institutions exist to co-ordinate digital government implementation across the national government and with local government administrations. Standing committees and review mechanisms were established as early as the 1990s but have had only limited effect on co-ordination of digital government developments across relatively autonomous central government ministries and local government authorities. The establishment of a Government CIO Office at the Ministry of Finance and an inter-ministerial co-ordination committee in the 2000s attempted to remedy some of the institutional shortcomings. The limited political backing, mandate and availability of incentives have led to a situation where the effectiveness of the existing institutional set-up is no longer warranted. The fact that interlocutors from more than one ministry say co-ordination mechanisms had lost their "bite" over time illustrates the gap between strategic ambitions and governance mechanisms. In this setting it is difficult to mobilise the resources of individual ministries or line agencies towards the achievement of national cross-government objectives.

Recommendation 5: Match strategic digital government ambitions with effective governance modes, institutional mandates and incentives in Finland

The Finnish government should consider reviewing and adjusting its current system of governance set-ups, institutional mandates and incentives provided for the co-ordination of IT developments between individual parts of the administration by:

- Reviewing the co-ordination mandates of the Government CIO Office as well as of cross-government co-ordination institutions TIETOKEKO and JUHTA. It will be particularly important to provide more effective capacity to steer government IT developments to a central body which can be the Government CIO Office or a yet-to-be designated office. The strategic steering mandate can, for example, be assigned to an institution that is located close to the highest executive authority in the country (as recently done in Mexico or Spain, which placed digital government leadership at the Presidential Office and the Vice Prime Minister's Office, respectively). More effective capacity can also come from giving the co-ordinating body a stronger mandate to enforce political decisions (similar to Denmark where the co-ordination function is pursued by a dedicated agency with a relatively strong mandate to pursue co-ordination and reach cross-government digital government objectives).
- Establishing a system of incentives that would encourage individual institutions to co-ordinate and commit to overarching policy objectives for digitization. This can include the development and provision of services that are recognised as being valuable to other institutions. It can also include co-financing arrangements for projects that address cross-government priorities. This can be facilitated by peer and public pressure, e.g. by using publicly available performance indicators that indicate progress and performance of individual institutions or public service areas.

Involvement of municipal authorities

Regional and municipal authorities are a necessary partner for the development of effective national strategies and their effective implementation. In Estonia, existing governance mechanisms have had limited success in making municipalities fully commit to national digital government strategies. This is partly due to heterogeneous availability of resources at local levels of government. It also is a matter of capacity and activeness by the central administration to engage with local governments in ways that would generate widespread commitment to the Digital Strategy 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.

The challenge of municipal co-ordination differs in Finland. The Constitution grants municipal authorities great levels of fiscal autonomy along with high decision-making autonomy in two critical policy areas: education and healthcare. This has resulted in a situation where digital government efforts are relatively poorly co-ordinated and has led to duplication of efforts and information systems that are not interoperable. This means that many services today create unnecessary burdens on users and reduce the capacity of government to use integrated information resources as part of policy making. The fact that Finland is shaping plans to reform the municipal landscape brings momentum that could be used to a common purpose orientation of digital government efforts across all levels of government, maybe following on the example of Denmark.

Recommendation 6: Strengthen the incentives and capacities for the adoption of ICT by local councils in Estonia

Estonia's central government could attempt to stimulate the entirety of local governments through:

- Supporting the development of a digital agenda for local government in Estonia. This should, of course, build on the national digital government priorities. But it should also reflect the particular long-term challenges local governments face before elaborating on technology enablers that would support tackling those challenges, e.g. ever-tighter local budgets of smaller municipalities, employment creation, ageing rural populations, regional development under the prospect of future reductions in EU Structural Funds for development, rural areas survival. The central government involvement requires close co-operation and alignment between the Ministry of the Interior as the co-ordinator of local government development and the Ministry of Economic Affairs and Communications, notably the Government CIO Office.
- Jointly developing shared services and infrastructures. Local governments in Estonia would benefit from combining scarce resources, using common platforms for service delivery and pooling common activities such as IT procurement.
- Mobilising and partnering with the associations of local governments, helping them become competence centres for local ICT agenda development and execution. The associations could be more actively involved in the identification of long-term concerns and how digital technologies can address those concerns. The development of incentives for local government commitments should be addressed in order to ensure that both central and local governments are able to commit scarce resources to overarching government objectives.

Recommendation 7: Harness ongoing municipal reforms to build a shared long-term digital agenda in Finland

Finland should ensure commitment to more co-ordinated IT developments at local and central levels of government by:

- Developing a purpose for digital government that would be shared across national and local government authorities. A long-term challenge facing the entire administration and society is, for example, bringing education performance back to the top of OECD countries in the context of severe fiscal, migratory and economic pressures. Countries like Denmark underwent a similar process of identifying common long-term challenges in the area of social welfare and creating a solid business case around the added value and purpose of digitization, shared across levels of government.
- Adapting the scope and mandate of the current IT co-ordination mechanism between central government and municipal authorities, JUHTA. If municipalities and central government can agree on a common long-term vision, then JUHTA should have the authority to take decisions that bind its members (both central government and municipal governments) to a joint agenda and objectives. Some of the legal provisions for this are already in place but implementation is relatively weak. The example of Denmark and how it uses a commonly agreed business case methodology to ensure the effectiveness of the cross-government co-ordination committee SKS provides a good example.

How to ensure effective implementation of digital government priorities?

Harmonised use of business case methodologies as strategic tools

Business cases are more than a financial tool to calculate benefits and costs in monetary terms. Leading OECD countries use business case approaches as strategic tools to ensure alignment of major digital government projects with strategic government

objectives and to monitor projects along their life cycle. Business cases are also used to gauge achievement of non-financial benefits. The use of a harmonised methodology across government provides transparency about investment or divestment decisions taken, enables prioritisation of choices, supports monitoring of progress in implementation, and enables the adoption of corrective actions if necessary.

Like in many OECD countries, individual line ministries and agencies in Estonia and Finland use business cases to review, manage or monitor selected government IT projects. There are no common rules as to when business cases are required or how they should be formulated and used. This means that in their current form they are mainly used within institutions instead of being used as a tool for cross-government steering and co-ordination.

Recommendation 8: Promote a harmonised and selective business case approach for major IT investments across government

Estonia and Finland should adapt to the increasingly high stakes that government IT performance has for overall government performance, agility and innovation by establishing ground rules for the steering, co-ordination, review and monitoring of high-priority government IT investments. The business case approach is proving to be a strong lever to achieve government IT co-ordination in leading OECD countries and both Estonia and Finland could adapt business case approaches by:

- Developing a common business case methodology under the leadership of the central government co-ordination unit, i.e. the respective Government CIO Offices. The methodology should take on existing practices in the administration wherever possible, including investment review and screening mechanisms that exist for other, non-IT infrastructure development.
- Ensuring that the methodology and templates for the creation of cross-government business cases can effectively support strategic steering. This will, in many cases, require adjusting existing methodologies where they exclusively or mainly focus on financial cost-benefit analyses. Similarly to decisions about major infrastructure developments, decisions about major IT investments should assess impacts beyond those expected to target the public sector and immediate service users. They should assess economic, societal and wider impacts. Targeted benefits should be linked to organisational objectives in order to keep the business case focused.
- Defining rules of procedure as to when business cases are required. The aim of expanding and harmonising the use of business cases is not to stifle exploratory development through tight bureaucratic rules. Formal business case assessments and central reviews should be done selectively, e.g. for government IT development projects that surpass certain budgets or timelines, for projects that touch upon the authority of several government institutions, for overarching national priority projects.
- Considering international experiences and adapting them to national requirements. Selective business case reviews and assessments are practiced by some OECD countries, although with differences. Financial thresholds above which more formal central reviews become mandatory are, for example, in place in a number of countries. In Australia or Denmark, the threshold is uniform for all projects. In Canada, individual government departments have different thresholds. In the United Kingdom, the threshold differs by the type of digital government project – it is particularly low for the development of any front-facing digital service (GBP 100 000) as a means to support the creation and maintenance of a harmonised user experience and accessibility to public services.

The Estonian government could consider complementing the planned “No Legacy” principle with a methodology to articulate the business case or value added of an information system redesign after ten years of operation. Establishing a business case in partnership with the institutional owner of an information system is likely to reduce the risk of resistance by institutions to a mandated redesign.

Independent institutions and their role in strengthening the business case use

Business cases for digital government developments will often make references to benefits that go beyond financial benefits to the public administration. This is because digital government agendas increasingly address strategic long-term priorities in national developments, e.g. stimulating economic development or supporting social security reforms. To ensure wide acceptance of the validity of assumptions and expectations made in a business case, validation could, in certain cases, involve actors outside the (executive arm of the) administration, e.g. national audit offices that in some countries are actively shaping digital government developments. National audit offices are not mandated by government, hence there is little direct leverage. Nevertheless, a constructive dialogue should emerge about partnering more closely with these institutions in *ex ante* evaluations of digital government business cases.

Recommendation 9: Explore options to leverage external audit and expertise

The National Audit Offices in both Estonia and Finland have shown interest and capacity to assess digital government projects in the recent past. Typically involved in *ex post* evaluations of the implementation of a given project, there is room to increase their impact on *ex ante* assessments, e.g. the design and business case of digital government projects considered to be of national priority or to bear particularly high risks. This additional check 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.

Adapting the role of national audit offices naturally includes co-operating with parliament, which provides the working mandate. Examples such as the one of the United Kingdom show that national audit offices can take on a more proactive role in digital government strategy setting and validation of business cases. This requires dedicated capacities, which started building up at the UK National Audit Office since it established the assessment of government IT as one of its priority areas around 2010. By developing strong expertise and capacities at a critical time and maintaining the strong commitment to constructively shaping digital government developments the UK National Audit Office has established itself as an important partner and point of liaison between government, parliament and the wider public.

Administrative data as a vector for public service transformation

Governments increasingly leverage administrative data to develop policy insights, within the administration as well as in collaboration with outside partners and the wider public. Opening up government data and its purpose-oriented use bears potential for government reforms, benefitting from higher public engagement and crowdsourcing of ideas and solutions. However, it must also match the actual capacities in government.

Estonia's 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 been a fundamental technology enabler for operational efficiency and effective service delivery in Estonia. While it continues to be instrumental for public service transformation, the Estonian government also has much potential to leverage this outstanding infrastructure for the generation of strategic policy insights, formulation of better policies and more timely evaluation of policy implementation. This does not have to be limited to using data internally within the administration only but can include opening up data to selected partners or the public. The Estonian Unemployment Insurance Fund, for example, plans to use the Garage48 series of hackathons to collaborate with practitioners, users and developers for the improvement of public services through the use of the fund's data sources.

Recommendation 10: Harness cross-government information infrastructure for sourcing policy-relevant intelligence and decision support in Estonia

The government should consider building analytical capacity to exploit administrative data to spot trends, identify policy needs, test policy options and evaluate policy implementation. Considering the small size of the country and administration, creative solutions will have to emerge, which can include:

- Creating a specialised data analytics or data science unit that serves the entire government. This could benefit from the example of the United Kingdom's Behavioural Insights Team, which uses a wide variety of tools and information sources to test and validate the assumptions made in government policies and to monitor and compare the actual outcomes of policy initiatives. It will require developing and attracting people with a given skills set to the administration, e.g. data analysts and data scientists (see Recommendation 12).
- As a complement to building up internal capacities, the Estonian government should consider co-operating more closely with non-government think tanks and research agencies to derive policy-relevant insights from the administration's information systems. This is, for example, done in Finland and other OECD countries where specialised research agencies have a tradition of supporting government policy analysis. It would contribute to building up skills and capacities in the area of data analysis and data sciences within the wider economy.
- Opening up government datasets for use by the wider public. Open Government data initiatives are helping administrations to gather entirely new insights from their own and external information sources. The involvement of external communities allows government to expand its available capacity to formulate effective policies, innovate service delivery and monitor their implementation. A new law came into force on 1 January 2015 that mandates the public sector to make non-sensitive data public. It is too early to assess its impacts on the availability and reuse of government data in the wider society.

Finland has some relevant experience in using administrative data to support policy development and formulation. Affiliated research agencies such as SITRA conduct policy analysis and monitoring. Finland also uses administrative data to create population statistics, as opposed to relying on survey data like most OECD countries. Government agencies like the police have been very successful in making their information systems interoperable with other institutions' information systems in order to derive mission-critical intelligence as fast as possible.

At the same time, Finland's government has no recourse to a large set of fully interoperable information systems as is the case in Estonia. Interoperability standards for information exchanges exist, but are not harmonised, not widely used and are largely limited to exchange of non mission-oriented data such as human resources and financial management information. The challenge seems to be that interoperability has so far been regarded by decision makers as mostly a technical issue, instead of being a strategic enabler for government agility and better policy insights.

Recommendation 11: Pursue interoperability of government information systems as a strategic enabler of government agility and transparency in Finland

Finland should develop and pursue an ambitious interoperability agenda to turn its great amount of individual information systems into a shared information architecture that supplies mission-relevant information to service delivery agents, public service users and government decision makers when it is needed. This will require:

- Expanding existing practices and experiences in using administrative data to build mission-critical (re)action capacities. A culture needs to develop which encourages the use of data and information from across the administration to create more targeted policies and better public services. This needs to be complemented by an infrastructure of standards which will enable sharing data in real time. Experience from existing pilot projects, e.g. the local government trial of X-Road in Finland, provide important insights into the benefits, as well as the challenges that need to be addressed.
- Issuing and enforcing common standards for data exchange within government. In Estonia, the use of the interoperability layer X-Road was initially made mandatory for any data exchange taking place between government ministries and agencies and has today become the quasi-standard for any data exchange. Similarly, in Belgium use of the Crossroads Bank Social Security (CBSS) interoperability exchange layer was made mandatory by law for all actors in the social security sector.
- Providing individual people and organisations the tools to see the information held about them by the administration and to monitor access and use to this data. The Estonian X-Road has proven to be an effective instrument to empower citizens *vis-à-vis* unjustified access to their personal data because access to personal data by civil servants and institutions via the X-Road is logged.

Investing in skills and building capacity for digital government

Estonia and Finland need to ensure the availability of sufficient and adequate skills to implement strategic digital government objectives. Many OECD countries have growing needs for cross-cutting skills in order to be able to steer high-risk digital government projects, to align and co-ordinate them with parallel developments in the administration, to harness the potential of emerging technologies and service transformation approaches for better public services. This has led countries to respond in various ways, e.g. 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).

Estonia has the challenge of a relatively low supply of skilled human resources due to the small size of the country. Existing challenges at the national level are exacerbated at local levels of government. Approaches for 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.

In Finland the matter is less about the availability of sufficient skills than that of adequate and cross-cutting skills for strategic steering and management in the public sector. The economy has a wide and highly skilled supply of labour. The issue of the public administration has, however, been that IT skills development is practiced in a highly decentralised and contracted out way. There is, for example, a tendency to design large IT projects (high budgets and long timelines) and outsource not only the development but also the control over strategic steering to suppliers. Over time this has reduced the capacity of civil servants to design and implement IT projects that are driven by user needs and aligned with government priorities.

Recommendation 12: Ensure skills development and sharing of skills resources in Estonia

The Estonian government should consider:

- Establishing a framework of the cross-cutting skills needed now and in the future to ensure digital government remains capable of addressing national priorities. A review of the skills and capacities framework similar to what was done in the United Kingdom would prove beneficial to identify gaps and directions for remedying action, e.g. collaborating in the development of higher education curricula. Such assessments and development plans need to target cross-cutting skills, i.e. not be focused on technical skills alone, but reflect the need to adapt managerial capacities in order to improve service design, business analysis and results orientation of digital government projects.
- Pooling of skills and resources that are important yet scarcely available to government (and the private sector) in Estonia. Cross-cutting skills such as data analysis and data science are in high demand in both the public and private sectors. Instead of individual departments competing with each other and the private sector there might be a good case for establishing dedicated units or task forces at central government level that provide services to the rest of government.
- Pooling of skills and resources with outside partners too. Skills to harness emerging technologies are also in high demand in the private sector and academia. More intense co-operation with research institutions, universities and private companies would enable mutual learning about the opportunities for better use of technology by the public sector and companies too.
- Building upon good practices to source in experiences from the private sector. The current government CIO comes from the private sector and incentives could be established for having more private sector experience in technology leadership positions across the public sector. Estonia could, for example, draw further inspiration from countries such as the United States, which institutionalised the engagement of outside technology leaders for the transformation of government services though the "Presidential Innovation Fellowship".
- Encouraging skills and capacities development at local levels. The central government, together with the Local Governments Association, could try to emulate the model of Code for America, which supports temporary assignments of professionals from the private sector or civil society to work on pressing projects in municipalities.

Recommendation 13: Develop an IT skills framework that supports the reform needs of government IT in Finland

The Finnish government should consider:

- Establishing a framework of the cross-cutting skills needed now and in the future to regain strategic control of government IT developments. Strengthening of steering, management and co-ordination skills are important to ensure IT developments remain focused on the needs of users and the administration.
- Reviewing the set of practices and interactions with private sector IT suppliers. This should include an evaluation of the IT supplier concentration across government, the opportunities given to smaller enterprises to participate in bidding for government IT contracts, and the capacity of public sector managers to steer outsourced developments and engage in more agile and iterative development processes (see Recommendation 15).
- Pooling of important skills across government. The shared services centres operated by government could take an active role in providing skilled staff across government. Temporary assignments of experts to individual administrations can increase the availability of skills in smaller institutions. It can also be a lever to improve co-ordination across government.

Evidence-based, user-driven and agile implementation methods

Leading OECD countries acknowledge the importance of iterative and inclusive approaches to the design and delivery of public services. Resources are being dedicated to involve users early on in service design processes and identify solutions through crowdsourced approaches. To spur innovation, administrations allow for some sort of "controlled failure", which means establishing a culture where trial and experimentation is allowed and encouraged as long as iterative developments allow decision makers to evaluate the utility and returns on further investments at any given moment in the process.

Recommendation 14: Maximise the benefits of using empirical evidence and involving users to transform public services in Estonia

Estonia is collecting valuable experience through user-driven and evidence-based approaches to the transformation of 20 high-impact services. Going further, Estonia could consider:

- Publishing benchmarks and key performance indicators for public services. The United Kingdom's Transactions Explorer is a good practice as it allows experts and the general public to more effectively monitor public service quality and contribute to improvements.
- Compiling a catalogue of all front-facing public services in order to facilitate benchmarking and comprehensive quality checks on public services. This is a precondition to the transformation of public services because it helps monitor, measure and compare performance in a systematic way.
- Designating a "service manager" or "system owner" for each public service, who would be responsible for the performance of a public service and act as contact point for any transformation initiatives. This would also facilitate the channelling of user feedback on any given service to the person in government best placed to process the feedback.

Recommendation 15: Think small and put users first: Encourage more user-driven and agile development of digital public services in Finland

In order to tackle the tendency to "think big" when it comes to the design of IT projects and digital services, Finland could consider:

- Lowering the threshold for central reviews for digital government projects and strengthening the corrective measures attached to it. The current threshold is set uniformly at EUR 5 million. In Denmark, any government IT project over around EUR 1.4 million is subject to monitoring of the Danish IT Council and, if found to be of high risk, to a more detailed review mechanism. In the United Kingdom, any front-facing public service project with a budget of more than GBP 100 000 is reviewed by the Cabinet Office.
- Publishing benchmarks and key performance indicators for public services. The United Kingdom's Transactions Explorer is a good practice as it allows experts and the general public to more effectively monitor public service quality and contribute to improvements.
- Compiling a catalogue of all front-facing public services in order to facilitate benchmarking and comprehensive quality checks on public services. This is a precondition to the transformation of public services because it helps monitoring, measuring and comparing performance in a systematic way.
- Designating a "service manager" or "system owner" for each public service, who would be responsible for the performance of a public service and act as contact point for any transformation initiatives. This would also facilitate the channelling of user feedback on any given service to the person in government best placed to process the feedback.

Learning from past experiences

Estonia and Finland have a wealth of experience from past digital government projects, including projects that were maintained and projects that were discontinued. It is important to be able to openly discuss explanatory factors for success and failure in the past in order to anticipate future challenges and roadblocks.

In Estonia, some of the access mechanisms to the national X-Road infrastructure could be reviewed as to their efficiency and clarity for government departments that need to comply. Government institutions have high incentives to use the cross-government data exchange layer X-Road because it provides fast and reliable access to the base registers and many other information systems that are relevant to more than one institution. But some institutions have described the clearance process to connect an individual information system to the X-Road as not being sufficiently clear at times.

As for Finland, the government is reviewing the design of existing digital government enablers like the national electronic ID and digital signatures, shared services provisions and others. This is a great opportunity to engage in an open and frank exchange across the administration about the lessons that can be drawn so far from the operation and use of those enablers.

Recommendation 16: Clarify current provisions for access to the X-Road in Estonia

The government could improve clarity and transparency of the review process for government information systems to be connected to the X-Road by:

- Clarifying the tasks and requirements of the five "gate-keeper" institutions that currently review any government information systems for issues of data quality, metadata completeness, protection of privacy and personal data and others.

Recommendation 17: Draw lessons from the operation of technology enablers like the national service portal, the digital signature and the shared services centre in Finland

The Finnish government should consider:

- Assessing the current performance of the national service portal www.suomi.fi and the "Citizen's Account". Compared to leading OECD countries, the national service portal is underutilised: the number of actual services that can be fully completed online is relatively low, and as a result uptake does not match the potential this channel has for public service delivery. A comparison to Estonia can also help to identify value-added services that empower citizens, e.g. access to information about personal data held and used by the public administration.

- Drawing lessons from the low uptake of the national electronic ID and the relatively low number of government services that support this method of authentication. Similar to Estonia, Finland also has a high penetration of third-party digital authentication providers from the private sector (mobile operators, banks). But unlike in Estonia, the Finnish digital ID has not been able to persuade users or the public administration of its added value. Any redesign of digital identification provided by the public sector should openly address the factors that have influenced low uptake of the current service. Moreover, any redesign should maintain compatibility for use across national borders, i.e. provide identification for bilateral projects with Estonia as well as for multilateral EU-wide pilot projects.

Recommendation 17: Draw lessons from the operation of technology enablers like the national service portal, the digital signature and the shared services centre in Finland (*cont.*)

- Identifying key issues as the new government shared services centre Valtori is expanding its footprint and operations. The diversity and heterogeneity of shared services centres preceding Valtori were important factors hampering uptake of shared services across the administration. Another factor was identified as being a relatively low level of resources – human and financial – available to shared services centres. In addition, the services of these centres were not mandatory and incentives to use their services were insufficient. Some of these issues are being addressed in setting up Valtori. But other questions should also be addressed, e.g. on whether the best modes of operation is to make services mandatory, to make them entirely open to competition or to encourage uptake of their services with incentives, e.g. by making it easier for government institutions to contract services by Valtori than it is to contract services by external service providers.

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

Identification of priority areas

This review process highlighted specific services and government-to-government data exchanges that benefit from mutual interest and readiness to explore cross-border co-operation. There is a general feeling that pilot projects can start relatively soon in selected areas of the following sectors: taxation, healthcare, social affairs and business-oriented services. Although 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 as well. It will help to create broader support within both administrations. Moreover, it will provide important inputs to domestic and wider EU agendas for interoperability of government services (see Recommendation 20).

Recommendation 18: Build shared service prototypes and pilot their use in selected public service areas

Estonia and Finland should build on the momentum created by mutual exchanges during this Review to build prototypes (or build on existing ones) and pilot their use across the border. A more detailed roadmap for cross-border services development is provided further below. It also includes guidance on the formulation and selection of business cases for cross-border services.

Four policy areas have been identified as holding particular potential in the immediate:

- Taxation: automated exchanges of population register data to avoid errors, duplication and fraud; automated exchanges of information used to calculate income tax base and issue tax statements; regular exchanges of tax files to ensure consistency.
- Healthcare: interoperability of electronic prescriptions to enable collection of medicine in either country; real-time interoperability of critical health information to facilitate treatment after urgencies or accidents.

Recommendation 18: Build shared service prototypes and pilot their use in selected public service areas (*cont.*)

- Social affairs: automated exchange of information on social contributions paid (using information contained on standardised European form A1); automated exchange of information on unemployment entitlements and benefits received (using information contained on standardised European forms U1, U2 and U3); exchange of population register data, notably residence declaration, to determine eligibility for social assistance in the other country; exchange of social benefits data, e.g. to determine eligibility for family allowances in the other country.
- Business development and promotion: automated exchange of basic business register data to facilitate and stimulate cross-border business development and investments; automated exchange of transport, construction and catering licenses to facilitate cross-border business operations and development.

Further areas have not been touched upon 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. This concerns primarily digital signatures, electronic identification and standards for data exchange. But it also means keeping cross-border interoperability in mind during domestic initiatives for the redesign of public services or information systems.

Shared governance, co-ordination and support mechanisms

On a day-to-day basis co-operation and co-ordination of cross-border services will build on interactions between the relevant institutions on each side of the border. Nevertheless, there are benefits to establishing some overarching governance mechanisms for all cross-border services, no matter whether they are in an exploratory pilot phase or whether they are being scaled and becoming fully operational. Without erecting administrative barriers, there is a case for creating project management templates and stimulating 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. The process will now produce valuable insights and information that should feed into a shared knowledge resource for future decisions about piloting of any cross-border services.

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. Bilateral co-operation has the potential to serve wider national policy priorities in each country as well as wider EU priorities. It is important to consider the detailed linkages early on in order to ensure that bilateral exchanges explore all possible synergies with national and international agendas.

Recommendation 19: Establish shared governance mechanisms for cross-border services and data exchange

In line with the roadmap for cross-border services development between Estonia and Finland (see below), the Government CIO Offices in both countries seem to be best placed to co-ordinate, support and oversee the development of pilot projects and to compile knowledge resources for future reference by:

- Developing common project templates for monitoring, reporting and implementing cross-border services. These templates should include essential information on the purpose and expected benefits, target groups and beneficiaries, costs and resources implications, risk factors, potential and actual challenges to be addressed, important context factors such as political pressures and complementarity with EU or other regional initiatives. Project templates should from the very start outline the interactions and synergies expected with related projects, notably with interoperability pilots undertaken at the EU level. In some instances bilateral projects have the potential to scale to other countries in the region, which should be openly stated in the project management template.
- Designating individual "service managers" (or "service owners") in their country and liaising with service managers in the partnering country. The establishment of domestic service managers (see Recommendations 14 and 15) should also apply to cross-border exchanges, i.e. the idea should be upheld that each of the selected services and data exchange has a dedicated contact point in Estonia and in Finland.
- Drawing general lessons from project-specific experiences. Acting as a hub for cross-border services monitoring, the Government CIO Offices will be in a position to inform policy makers and the public on overall progress in cross-border services. In doing so they will also become an important provider of feedback to current and future multilateral initiatives, e.g. EU-led interoperability initiatives.
- Assisting the potential transformation and scaling of pilot projects towards fully operational services. Launching a fully operational service requires a lot more resources than piloting a service in order to address all the legal, organisational, financial and political implications. Documentation and monitoring through commonly agreed project templates will facilitate the tasks of government CIOs who should build capacity to accompany this process as a hub for knowledge and experiences. The government CIO Office should be a contact point for institutions that need to determine the benefits and costs related to transforming a pilot into a fully operational service.
- Establishing joint infrastructure management and development governance mechanisms. The proposed Nordic Digital Institute presents an opportunity to scale experiences made in Estonia and Finland to further services areas and countries. Joint development and management of infrastructures such as interoperability layers, digital signatures or electronic identities can lay foundations for future expansion of cross-border services.

Recommendation 20: Identify and articulate the added value cross-border services can have for national and international policy agendas

It will be important for both countries to articulate wider spill over benefits in order to generate sustainable commitment from relevant institutions in Estonia and Finland. Sufficient political backing to allocate resources to the exploration of cross-border opportunities can be assured by:

- Highlighting the fact that more seamless data exchange across Estonia and Finland also yields domestic benefits in selected areas. On a general level, government responsiveness to user needs is increased by faster and more accurate information availability. But more tangible benefits are possible in some areas too. Business development in both countries can be expected to benefit from more harmonised access to register information or simplified licensing procedures across Estonia and Finland. Social security institutions can use a more complete set of information to calculate and allocate social benefits more quickly and more correctly.
- Underlining how interoperable services and infrastructures across Estonia and Finland act as a "laboratory" for wider EU-wide interoperability agendas. It is evident that bilateral projects have a much higher probability of scaling and becoming operational than multilateral initiatives. And the risks and required resources are considerably lower. If bilateral projects are well documented and monitored, they will be of high value as knowledge resources to EU-wide pilot projects, e.g. on the interoperability of electronic identification (STORK). They will also inform cross-border initiatives with other partners, e.g. piloting of electronic prescriptions between bordering municipalities in Finland and Sweden. It should thus become a standard requirement for any bilateral cross-border project, e.g. as part of funding decisions, to state a clear case about how it complements the existing international policy agenda or related initiatives.
- Exploring synergies with municipal challenges and opportunities. In some instances, municipalities in Estonia and Finland have already identified potential for cross-border co-operation, e.g. on mutual recognition and interoperability of public transport titles or on jointly piloting elderly care schemes that involve remote delivery of services.
- Articulating the spill over effects from bilateral initiatives, e.g. the possibility of applying common interoperability standards to exchange of information in the areas of education and healthcare, which are mainly under the authority of municipalities in Finland. Further opportunities for synergies between local, national and bilateral interests should be explored in the areas of education and healthcare, especially between Tallinn and the Helsinki metropolitan areas.
- Using standardised ways of documenting progress and sharing lessons on how to exploit synergies. This is, to a large degree, related to the co-ordinating function the national government CIOs should play in providing templates and assistance (see Recommendation 19).

Systematic user and stakeholder involvement

The current set of suggested areas for piloting was identified in domains where the public administration sees a need or an opportunity to improve the services it delivers. In many instances the focus is set on workflows that do not require direct interaction with ultimate beneficiaries, i.e. individual people or businesses. There are, however, implications for those target groups. Needs and opportunities exist that have not yet been identified. Akin to the agile methods of domestic public service transformation, more iterative approaches could help validate use cases, business cases and prototypes. It would certainly add more weight if proposals for cross-border services were also backed

by demands from the ultimate users and beneficiaries. This includes involvement of citizens, migrants, businesses, associations, but also civil servants, practitioners and other stakeholders.

Recommendation 21: Involve users and relevant stakeholders in the selection of priorities for cross-border services

Both Estonia and Finland should consider involving users and relevant stakeholders in the identification of cross-border opportunities as well as in the piloting of uses by:

- Encouraging iterative developments of cross-border service pilots. This means building early prototypes and testing them with expected users: doctors, pharmacists and cross-border commuters for electronic prescriptions; various business sector segments for cross-border services for the registration of companies and licensing of business activities in specific domains.
- Surveying potential user communities around their perceived preferences for simplification of administrative requirements. This can include migrants, commuters and specific business sectors. It should also include specific representative organisations and associations that represent the interests of people affected by cross-border service delivery (e.g. SME associations).
- Exploring potential working arrangements with independent state institutions. This could include leveraging the proven interest and capacity of institutions like the National Audit Offices or parliamentary committees to assess digital government projects domestically. They could, for example, be leveraged to create "light" *ex ante* or simultaneous assessments of a business case where it touches economic, societal or environmental issues. As for the domestic involvement of the state auditors, it should result in more complex processes, but should help to foster agility of digital government and establish a setting for mutual learning on cross-border service performance.

Setting a roadmap for cross-border services development between Estonia and Finland

The most effective way to fast-track digital cross-border services development is to set up a roadmap for immediate progress. Between Estonia and Finland there are significant gains to be achieved as a growing number of people, businesses and assets move across national borders between the two countries. The goal is to ensure that digital workflows and data exchanges follow people, since in many areas they currently stop at the border. This stimulates and supports Europe-wide progress towards a single administrative space.

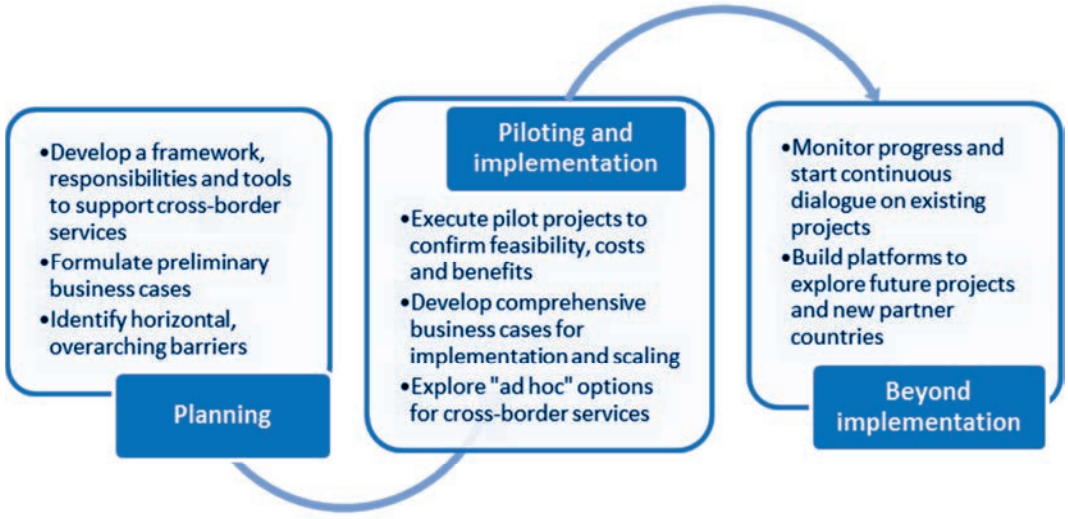
The Prime Ministers of the two countries signed a Memorandum of Understanding (electronically across the border) on bilateral IT co-operation in 2013. Estonia has a legal and regulatory framework and information systems that are ready to create seamless data exchanges across national borders, e.g. by using technology enablers like the X-Road data exchange layer. In Finland there is recognition that progress made on cross-border service delivery will also make other selected processes in those areas more agile and responsive to user needs. At all times it will be important to address the interactions with existing interoperability and cross-border projects at the EU or other regional levels, so that the findings from bilateral exchanges can be useful for the wider EU agenda.

The two countries had engaged in some pilot testing before this Review, e.g. on transfer of taxation information. This Review identifies further service areas and services

with high potential (see Recommendation 18). Going forward, a roadmap for the two countries involves a three-phased approach:

- Planning for cross-border service delivery. The goal is to develop a framework of main objectives, responsibilities and tools that can ensure sustainable progress in implementation, to formulate the business case and to identify horizontal barriers, e.g. legal obstacles to data sharing.
- Piloting and implementation. The goal is to implement pilot projects selected from the preliminary business cases, to provide an opportunity for experimentation and to explore feasible options.
- Follow-up on implementation. When implementation advances there are opportunities to scale the implementation to other areas and other countries. This should be based on a continuous exchange and sharing of feedback between communities involved in cross-border services development.

Figure 0.1. **Three-phased roadmap for cross-border services development**



The roadmap includes a list of key actions which are presented below. Many of these actions will have to run in parallel and the full detail of the actions is provided in Part II:

- 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.

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.

Note

1. Referring to the Finnish Government Programme, 2013.

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Part I

Whole-of-government strategy steering in Estonia and Finland

Chapter 1:

Institutional factors influencing Centre of Government strategy steering

This chapter provides an overview of Estonia's and Finland's institutional set-ups corresponding to the Centre of Government and highlights that both countries share similar Centre of Government structures. It emphasises the need for strong co-ordination among Centre of Government institutions to achieve successful whole-of-government strategy steering.

An effective and forward-looking Centre of Government (CoG) is key to achieving a strategic and agile state. The capacity for Centre of Government institutions to co-ordinate and lead effectively is essential for implementing a long-term vision-based strategy for the country and for ensuring a joined-up approach to public governance. An effective CoG is critical for ensuring strategic vision, accountability, strategic planning, policy coherence, collective commitment and communication (within government and to the public). The key function of CoG institutions is to act as a central leadership hub for the public administration. The CoG is essential for implementing effective policy and programming initiatives both at the national level and with sub-national authorities, and for mobilising non-governmental actors from across society in support of the government's vision.

CoG leadership is needed to lead and co-ordinate the design and implementation of reforms, to champion these reforms across the government, and to identify and manage interdependencies across the administration so that collaboration is the default option, not the exception, to setting and steering government strategy. Moreover, CoG leadership is needed to change the way in which the public administration defines its role and to encourage widespread "buy-in" from key actors both within and outside government, so that the strategic vision for the country is implemented effectively and efficiently (Box 1.1).

Box 1.1. **The functions of a "Centre of Government"**

An effective Centre of Government (CoG) is critical for:

- **Strategic vision.** The CoG needs to be able to pull together long-term, big picture objectives for the economy and society. Examples might include an objective to minimise poverty and unemployment, to promote a sustainable environment or to diversify the basis of economic activity in support of growth. These objectives both shape and reflect public sector and societal values. Constitutional requirements and objectives are likely to be relevant. The vision needs to be owned and promoted by all parts of the public sector, as a "whole-of-government" vision.
- **Accountability.** The CoG is the steward of the strategic vision. It is accountable for overall results and oversight of delegated responsibilities. It is important, however, to avoid over rigid "command and control" structures and micro management, and instead to work toward a system where the CoG can exert effective oversight and clarify lines of accountability. Line ministries also need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared or collective commitment.
- **Strategic planning, policy coherence and collective commitment.** The CoG needs the capacity to give the strategic vision specific shape, to secure its coherence and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a "dead letter". The doctrine of collective responsibility is crucial to bind line ministries as well as the CoG to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.

Box 1.1. **The functions of a "Centre of Government"** (*cont.*)

- **Communication.** The CoG needs the capacity to communicate the strategic vision, how it is being taken forward and its implementation. Transparency and openness help to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important so that, for example, local governments can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

The sustainability of the CoG across political cycles needs attention. Centre of Government institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over the periods of time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the vision is taken seriously and that the country will have the institutional capacity, over time, to carry out the vision. In this respect, a number of countries involve a certain level of foresight attached to the CoG, in the form of a strategic foresight or planning body, which helps to project a forward-looking vision for the country.

Although not a direct function of the CoG, external oversight and audit help to ensure that the strategic vision and its implementation stay on track and that the CoG – together with other actors – is accountable for progress and can be challenged for the lack of it. In many European countries, the national audit office provides valuable independent perspectives not only on the efficiency but also on the effectiveness of government policies. For the development of new laws and policies, some European countries have established external watchdogs (made up of stakeholders external to the government) to advise on, and challenge, proposals if these have not been developed with due care and attention.

Last but not least, the first line of engagement of an effective CoG is to project and share policy priorities in key areas with the relevant ministries, and to ensure that these policy priorities are coherent and joined up. "Joined-up government" – the capacity to ensure that complex policy objectives can be met, and that the achievement of high-level policy goals are not undermined by a failure to deal with this complexity – is often weak. Ensuring policy coherence is a major public governance challenge across all OECD member countries. A united position on cross-cutting policy goals is essential if governments are to sustain their credibility and meet their strategic objectives, and if goals are to be achieved without wasting resources. It does not serve the public interest if one part of government fails in its role in policy delivery; and it is directly contrary to the public interest if one action of government is counteracted or undermined by an action taken by another part.

Source: OECD (2013), "Strategic Insights from the Public Governance Reviews: Update", OECD, Paris, www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/PGC%282013%294&docLanguage=En.

Across the OECD, institutional structures corresponding to the Centre of Government vary. Usually, key 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 (see Box 1.2). In this respect, both Estonia and Finland share similar Centre of Government structures:

- In Estonia, key CoG functions are shared between the Government Office, the Ministry of Finance, the Ministry of Justice, and to some extent the Ministry of Economic Affairs and Communication and the Ministry of the Interior (Figure 1.1).

Box 1.2. **Institutional structures for the Centre of Government**

It is rare to find just one institution covering all of these functions in OECD member countries. It is far more common that a small set of key players share the task. The Centre of Government structures across OECD member countries vary significantly, depending on the historical development, cultural context and constitutional framework of a country. While not all of the institutions are located under the direct purview of the executive, they may be considered to carry out key strategic functions for the government as a whole. In most countries, however, they can be identified in a combination of those units of the central administration that:

- **Provide direct support to the head of the government** (Prime Minister/President/Chancellor's Office). In many countries, however, these offices are not equipped, and do not seek, to cover the whole of the Centre of Government function. They need the capacity to protect the authority and reputation of the Prime Minister/President "above the fray", without becoming too involved in the day-to-day management of specific policies. They may also consider their role to be more political than technocratic. They are often, however, the communication hub for government policy, and their usual role in managing the agenda of the Cabinet provides them with the key authority to set priorities for the attention of the Prime Minister/President.

- **Manage the budget.** This is normally vested in the Ministry of Finance. The budget can be viewed as key to understanding the government's fiscal framework and its financial operating systems. It is a key allocative document affecting a significant share of a country's gross domestic product (GDP) – over half in some OECD member countries. It is an important policy tool, used by governments to establish policy priorities in concrete terms through the allocation of funding. It is an important management document, in that it establishes the basic operational costs of government ministries and agencies. In short, the budget provides the basic operational architecture for the work of government. In some countries such as the United States, this function is located within the President's Office.

- **Responsible for key horizontal policies** including public administration reform and central human resources policy, co-ordination of law drafting and better regulation policy, and e-government. This usually involves ministries such as the Ministry of Public Administration Reform, the Ministry of Finance, the Ministry of the Interior and the Ministry of Justice, although in a number of countries parts or all of these functions are located in the Prime Minister's Office.

- **For EU member countries**, the participation of any dedicated EU oversight unit for the negotiation and implementation (transposition) of EU directives is essential, since these play a major part in shaping the legislative and policy landscape of member countries.

- **Emergency and crisis management**. In most countries, a crisis management cell exists within the Centre of Government, and the functions of co-ordinating emergency measures are often located within a Cabinet Office or its equivalent for the major crises.

Some of these units or institutions need to co-ordinate especially closely (or be the same unit):

- There is a crucial interface between **regulatory policy and the management of the Cabinet agenda**, since a well-functioning regulatory policy implies the development of regulatory impact assessments (RIAs) on draft legislation. In countries where policies are usually synonymous with laws, the unit responsible for RIA needs to work closely with (or be the same unit as) the unit that sets the Cabinet agenda.

- There is also a **crucial interface between human resources management and budget management,** in that performance budgeting and staying within fiscal targets implies staying within budget for human resources managers.

Source: OECD (2013),"Strategic Insights from the Public Governance Reviews: Update", OECD, Paris, www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/PGC%282013%294&docLanguage=En.

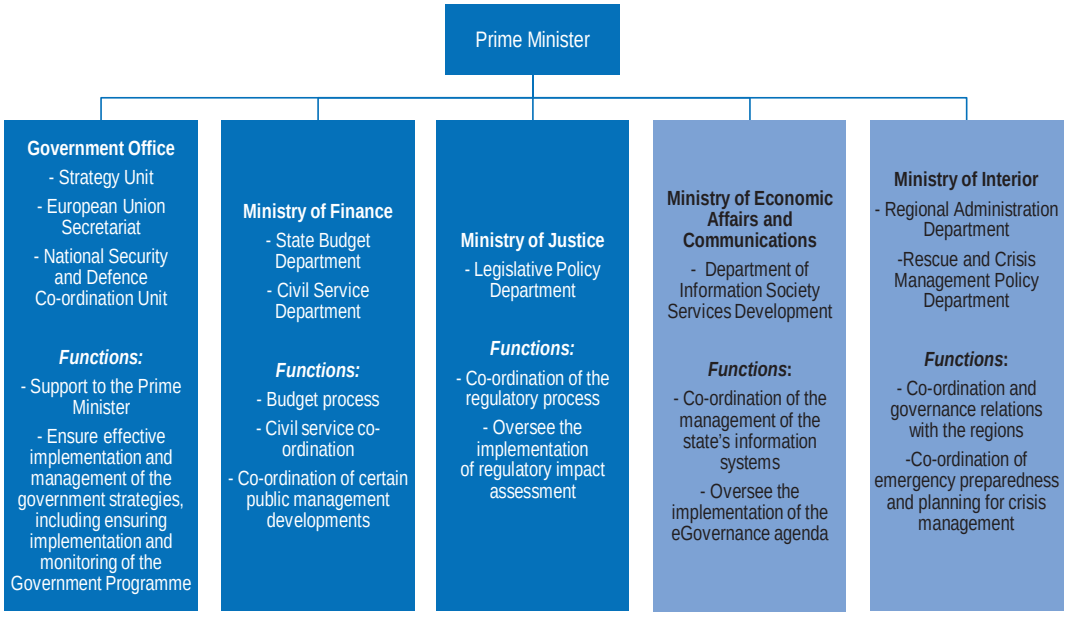
– The Government Office is charged with supporting the Prime Minister and ensuring effective implementation and management of government strategies, including ensuring implementation and monitoring of the Government Programme.

– Within the Ministry of Finance, key departments are responsible for budget processes (including medium-term expenditure frameworks), civil service co-ordination (except for the senior civil service which is the responsibility of the Government Office), as well as co-ordination of certain public management developments.

– The Ministry of Justice co-ordinates the regulatory process and oversees implementation of regulatory impact assessment (RIA) and legislative quality more generally.

– The Ministry of Economic Affairs co-ordinates the management of the state's information systems and oversees implementation of the digital government agenda while the Ministry of Interior covers co-ordination and governance relations with the regions and is responsible for central government emergency preparedness and planning for crisis management.

Figure 1.1. **Centre of Government institutions in Estonia**



Source: Republic of Estonia (n.d.), Government Office homepage, https://riigikantselei.ee/en/government-office.

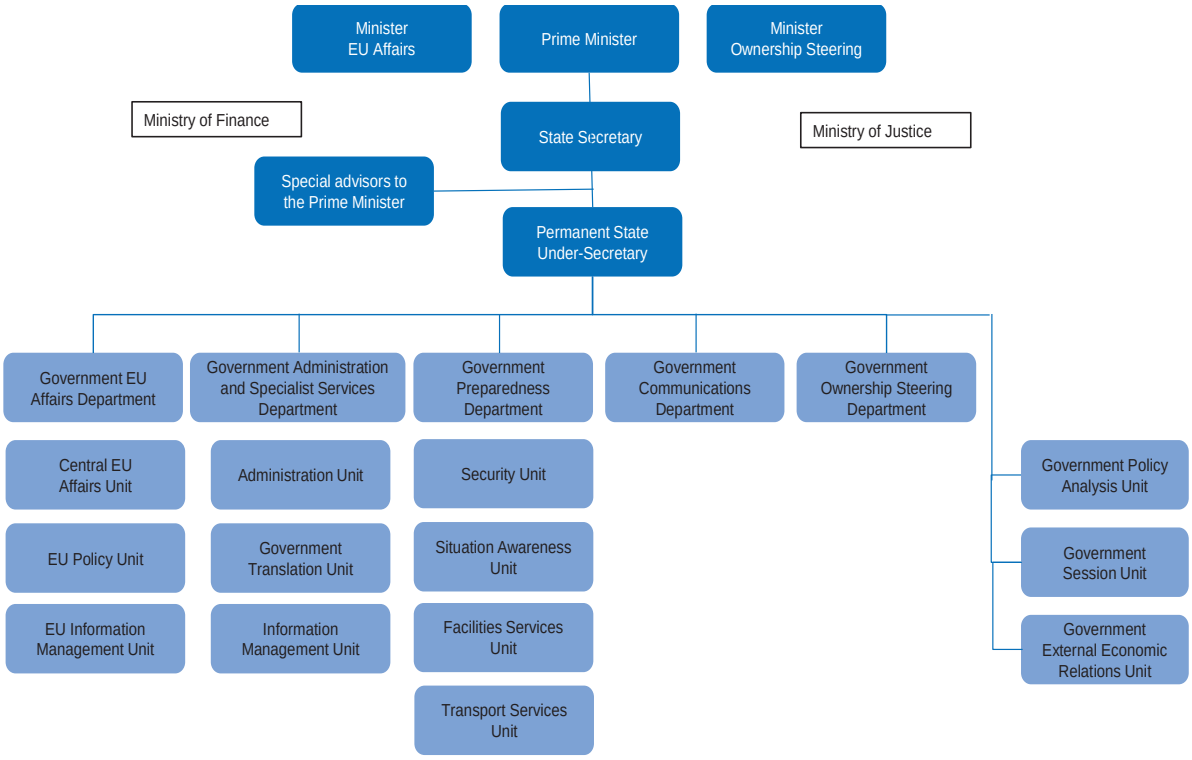
- In Finland, Centre of Government functions are also spread between the Prime Minister's Office, parts of the Ministry of Finance and the Ministry of Justice (Figure 1.2).

  – The Prime Minister's Office is responsible for providing support to the Prime Minister and ensuring implementation and monitoring of the Government Programme.

– The Ministry of Finance is charged with the budget process and co-ordination of overall civil service management.

– The Ministry of Justice plays a key Centre of Government function in overseeing regulatory policy and promoting RIA.

Figure 1.2. **Centre of Government institutions in Finland**



Source: Prime Minister's Office of Finland (n.d.), Prime Minister's Office of Finland homepage, http://vnk.fi/en/frontpage.

The two countries differ somewhat with respect to the positions of Secretary of State and their appointment processes:

- In Estonia, only one Secretary of State exists: this individual is the Head of the Government Office. The Secretary of State is the highest level civil servant and is considered in some ways to have the rank of a minister, yet is not politically appointed (and thus is not necessarily replaced with a change in government).
- In Finland, the State Secretary of the Prime Minister's Office is similarly the highest civil servant and heads the Prime Minister's Office, yet the position is politically appointed and the incumbent's tenure is thus tied to the term of the Prime Minister. The position of the State Secretary in Finland is an interesting one as he/she has a hybrid role: to act simultaneously as first political advisor to the Prime Minister (or the minister they are linked to) and as top manager of the Prime Minister's Office (or ministry). Currently, in Finland, there are ten state secretaries tied to ministers.

The institutional set-up of the CoG plays an essential role in the dynamics of whole-of-government strategy steering. Co-operation among CoG institutions is central to successful strategy steering. This was addressed in previous OECD Public Governance Reviews of Finland and Estonia (OECD, 2010; 2011b). As a result, both countries have implemented a number of the recommendations by adopting reforms to improve strategy-steering capacity in the Centre of Government. These reforms sought to build capacity to advance a whole-of-government agenda, improve horizontal co-ordination across government, foster collective commitment and increase resource flexibility, among others.

This Part analyses these objectives in terms of the key interdependent policy, resource and institutional components that frame the role of the CoG in leading whole-of-government strategy setting, implementation and performance monitoring in pursuit of a long-term vision to sustain the country's competitiveness and quality of life.

Chapter 2 examines the Centre of Government's capacity to steer strategy setting and implementation effectively in Estonia and Finland. Chapter 3 reviews the extent to which the Centre of Government is fostering evidence-based decision making in the public administration in both countries. Finally, Chapter 4 looks at the degree of flexibility the governments of Estonia and Finland have in moving resources to address evolving multi-sector strategic priorities.

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Chapter 2:

The role of the Centre of Government in strategy setting and implementation

This chapter examines the Centre of Government's capacity to steer strategy setting and implementation effectively in Estonia and Finland. It provides an overview of the state of strategy setting and implementation in both countries, and highlights similar challenges faced by each country. It notes recent advancements in reforming strategy setting and implementation processes while emphasising the need to better link budgeting with strategy setting, to ensure whole-of-cabinet decision making and to enhance the strategic visioning of the government's strategy.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This chapter examines the Centre of Government's (CoG) capacity to steer strategy setting and implementation effectively in Estonia and Finland. An effective Centre of Government is essential to securing policy development, policy implementation and co-operation across ministries in support of strategic objectives. It is an essential institution to support the smooth functioning of government as a whole and to give effect to the concept of strategic agility: the capacity to respond to day-to-day urgencies while developing and implementing comprehensive long-term strategies and policies (OECD, 2014b). The main function of CoG institutions is thus to act as a central leadership hub; its mission is to lead effectively the implementation of the national vision-based strategy, its policy and programming initiatives. In practice, however, its role and functions may depend on the organisation of government, the type of leadership function exerted by the Prime Minister and how political strategy is effectively translated into a government programme and an actionable plan for its implementation.

Centres of Government are a product of diverse historical, cultural and political forces, and have evolved over time. While Centres of Government have existed in many countries starting from the early to mid-20th century, their role to steer, co-ordinate and implement a comprehensive government programme has gained increasing relevance, particularly as today's cross-cutting and complex problems necessitate strong co-ordination and leadership (Alessandro et al., 2013). Estonia's and Finland's Centre of Government institutions have equally been shaped by their historical context, in turn influencing these institutions' capacity to steer strategy setting and implementation today.

In fact, both Estonia and Finland display similar political-administrative dynamics which relate to the CoG institutions' ability to steer strategy setting and implementation across government:

- Both countries rely upon a system of coalition-based governments operating within a continental European legal and institutional framework.
- Both countries are comparatively small, with commensurately small governments as illustrated by the limited number of ministers.
- The Prime Minister plays a leadership role as part of a negotiated Coalition Agreement, and while the function is de facto a primus inter pares within the Council of Ministers, he/she is not necessarily the single leader of a unified parliamentary majority.
- The Minister of Finance also plays a significant role in each country, as the position is often granted to a leader of another major party of the government coalition.
- Strategic functions are shared across Centre of Government institutions, with the Finnish Prime Minister's Office (the Estonian Government Office) acting as core co-ordinator and parts of the Ministry of Finance playing a significant role in the budget-setting process and in ensuring coherent strategic direction of the Government Programme.
- Departments in ministries such as the Ministry of Justice, and to a lesser extent the Ministry of Economic Affairs and Communication and the Ministry of the Interior in Estonia, equally carry out strategic functions, yet play a more limited role when compared to the Government Office/Prime Minister's Office and the Ministry of Finance.

Both Estonia and Finland display similarities with respect to the types of strategic documents used to present the governing coalition's incoming political commitments and to how these political commitments get translated into a whole-of-government implementation plan (the nomenclature differs by country, however; see Table 2.1).

In Finland, the Government Programme (GP) is the political statement of priorities of the governing coalition; it sets the overarching political direction for the government over its four-year term. This political statement is then translated into a whole-of-government strategic plan called the Strategic Implementation Plan of the Government Programme, also known as the HOT.

Estonia's political commitments are referred to as the Coalition Agreement; this agreement is translated by the Government Office's Strategy Unit into a strategic four-year action plan for the government called the Government Programme. The Strategy Unit works with other CoG institutions and line ministries when translating the political commitments of the Coalition Agreement into a strategic and actionable implementation plan for the government. In addition to the Government Programme, three key horizontal longer term national strategies have been developed by the Estonian government: 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.

Table 2.1 outlines the differences in Estonian and Finnish terminology of the government's strategy[1] over its four-year term, as well as the longer term strategies in Estonia.

Table 2.1. **Comparison of terminology relating to the government's strategies**

Typology of strategic document	Estonia	Finland	Planning horizon
The Governing Coalition's incoming political commitments	Coalition Agreement	Government Programme (GP)	4 years
Translated political commitments into a government-wide Implementation Plan	Government Programme (GP)	Strategic Implementation Plan of the Government Programme (HOT)	4 years
Other longer term horizontal strategy	"Estonia 2020" National Competitiveness Strategy	N/A	5 years
Other longer term horizontal strategy	"Sustainable Estonia 21" National Sustainability Strategy	N/A	15 years
Other longer term horizontal strategy	National Security Concept	N/A	No planning horizon, renewed periodically

The current state of Centre of Government co-ordination in Estonia

As the 2011 *Public Governance Review of Estonia* (PGR) pointed out, after regaining independence from the Soviet Union in 1991, Estonians were resistant to notions of centralisation and whole-of-government co-ordination led by the Centre. This was equated with an authoritarian system of command and control without room for line ministry planning or decision making. Estonia opted instead for a system of diffused power in the hands of ministries and local governments. The Centre of Government was designed to act essentially as a technical support hub. As a result, the Centre's capacity to lead government strategy setting and co-ordinate strategy implementation government-wide was relatively limited. Thus, the early 1990s in Estonia could be characterised as a period with no CoG role in the overarching strategic management of the government's

strategic direction; national development was being pursued through uncoordinated and at times incoherent siloed line ministry decision making (Kasemets, 2014).

The second half of the 1990s was marked by a notable increase in the number of single-sector strategies, driven in part by the European Union (EU) accession process which required the country to fulfil certain framework conditions prior to acceding to the EU as a member country. As a result of the government's preparations to adopt the *Acquis communautaire* and to comply with EU directives, a significant number of sector-specific strategies were presented by ministers to parliament either to fulfil EU requirements or to align their own political priorities in specific policy fields with EU requirements thus enhancing their own sector's visibility, or both. Consequently, the absence of central co-ordination led to a proliferation of disconnected single-sector strategies. By the early 2000s, the number of sector-specific national development strategies adopted by the government or parliament had grown to over 120.

Significant improvements in the consolidation and integration of national strategies

At the same time, while the number of strategies increased, enhanced co-ordination across line ministries led by the Government Office to adopt the *Acquis communautaire* enabled the Government Office to establish its legitimacy to co-ordinate as a means to shape Estonia's EU policy positions after accession in 2004 (Kasemets, 2014).

In 2005, in an attempt to harmonise the strategy-generation system and establish clear ties between sector development and budgeting, the government adopted a decree on strategic planning, prepared by the Ministry of Finance.[2] Initially, implementation of the strategic planning decree led to an increase in strategies. That said, it quickly became clear that a central body close to the Prime Minister was needed to manage their proliferation. With the legitimacy of the Government Office's co-ordination role now firmly established with respect to EU affairs, the Prime Minister established a Strategy Unit within the Government Office to exercise quality control over all government-wide strategies as a new government took office in 2006. As a result, the number of strategies has decreased – notably through the Strategy Unit exercising its mandate in co-ordination with the Ministry of Finance.[3]

Key advancements in co-ordinating and harmonising strategies since 2006 include:

- clearer ties between the Government Programme, overarching national strategies (see Table 2.2), sector development plans, organisational development plans and the state budget;
- better tools to guide the setting of development plans and ensuring that they are aligned with the Government Programme's overarching objectives;
- better quality development plans that demonstrate more thorough planning on the rationale for the plan's policy objectives along with their alignment with the government's strategic objectives and an allocation of financial resources to implement these plans that align with the state budget (Kasemets, 2014).

Following the recommendations of the 2011 *Public Governance Review*, significant additional steps have been adopted to improve the Centre of Government's ability to co-ordinate, implement and monitor strategic objectives[4] of the Government Programme, including:

- Assigning clearer responsibilities and shared accountability for implementing priorities in the Government Programme.
- Designing and integrating common performance targets into the Government Programme and the government's medium-term expenditure programme (Kasemets, 2014).
- Linking more closely strategic planning and the budget framework: in February 2014, further progress was made by legally enabling programme-based budgeting in selected ministries. As well, the State Budget Strategy acts as Estonia's medium-term expenditure framework (MTEF) and presents the priorities of the government and their activity-based funding plan (identified by ministry) over four years (see Table 2.2).

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 (Figure 2.1). In practice, however, only the "Estonia 2020" strategic objectives are linked to the current Government Programme, which are reviewed together annually in the spring (see Table 2.2). The role of strategic foresight to inform the design of longer term strategies, and linking a country's medium-term strategic framework to the objectives identified in the longer term strategy document, is addressed in the assessments of this chapter and in the following one under the discussion on the generation and use of strategic foresight information to support evidence-based decision making.

The Government Office's Strategy Unit plays a key role

The Strategy Unit is now responsible for translating the Coalition Agreement into the Government Programme and actionable commitments for implementation by the government. 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. This unit, in fact, plays the role of the Government Office's (and hence the government's) "nerve centre":

- As it leads the translation exercise of the coalition's political commitments into the Government Programme, it works with the other CoG institutions and with line ministries on translating political commitments into action plans.
- This includes refining policy objectives by sector and sub-sector along with the performance information needed to assess whether departments and ministries eventually achieve the results to which the government commits under its programme.
- It sustains close working relations with the network of deputy secretaries-general responsible for policy in line ministries for this purpose and for monitoring performance as these action plans are being implemented.
- It sustains a close working relationship with the Ministry of Finance to ensure that the Government Programme, National Competitiveness Strategy and the multi-year budget framework are linked.

During Coalition Agreement negotiations, the Government Office or the Ministry of Finance may also be called on by politicians to advise on current government programmes; this is not a steadfast rule, however, and in principle the political leadership

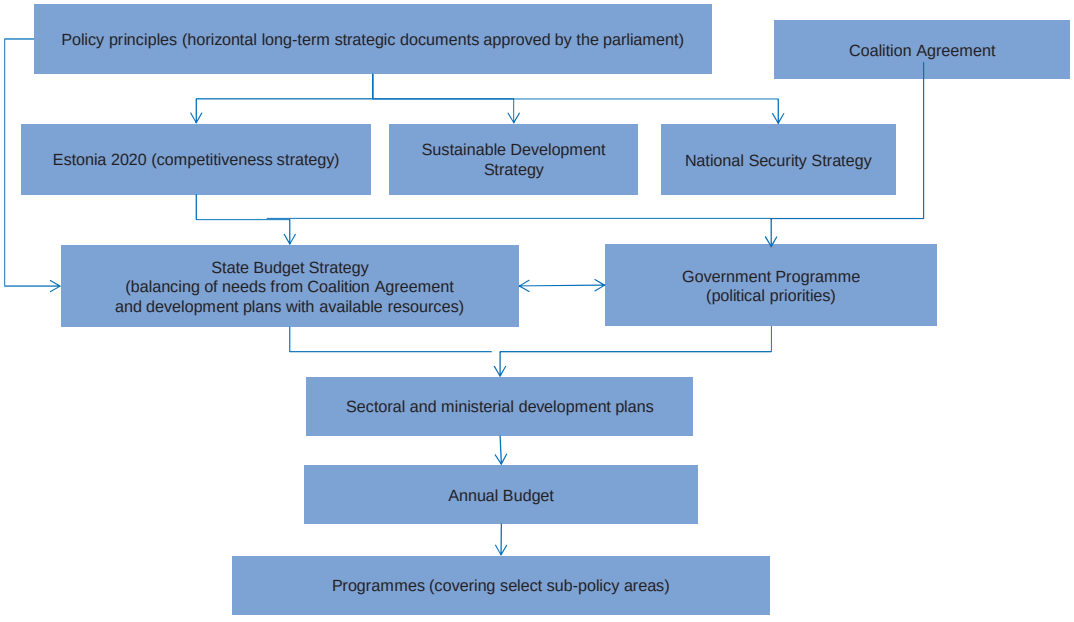
arrives at a Coalition Agreement with little input from the Government Office or ministries. Once the coalition has agreed on its political commitments, the Strategy Unit is tasked with co-ordinating with ministries to prepare measures to give effect to them. All ministers are involved in this process. Officials in the Strategy Unit engage with ministerial advisors or ministers themselves to ensure a clear understanding of the political commitments outlined in the Coalition Agreement so that they are translated effectively into concrete commitments to be implemented through the Government Programme (see Figure 2.1).

Table 2.2. **Estonia's key national strategies**

Strategy	Time horizon	Ministry/unit responsible	Goals and objectives
Government Programme 2014-2015	For the term of the government, (i.e. in this case less than one year)	Strategy Unit, Government Office	14 policy areas covered, with 4 key quantified priorities: – Reducing the poverty of children: Reducing the absolute poverty rate of children to 8.4% – Reducing the tax burden of labour: Reducing the implicit tax rate on labour to 33.2% – Securing Estonia's national security: Ensuring the state's readiness to cope with internal and external threats. Defence expenditure remaining at the level of 2% of GDP – Sustainable public finance: General government's budgetary position in 0.2% structural surplus
Government Programme 2011-2014	For the entire term of the government (i.e. usually for four years)	Strategy Unit, Government Office	Seven quantified priority areas, covering 55 objectives in 18 different fields of policy: – Reduce the share of early leavers from education (18-24 year-olds) – Increase productivity per employed person compared to the EU average –Increase the employment rate in the 20-64 age group – Increase the tertiary educational attainment (30-34 year-olds) – Structural surplus of the government budget – Achieving positive population growth – Level of greenhouse gas emissions does not exceed 2010 level
National Competitiveness Strategy "Estonia 2020"[1]	2020	Strategy Unit, Government Office; State Budget Department, Ministry of Finance	Two primary challenges: – Increasing the employment rate in the 20-64 age group to 76% – Increasing productivity per employed person compared to 80% of the European Union average
State Budget Strategy	4 years, rolling	State Budget Department, Ministry of Finance	Four priorities and 22 strategic objectives with approximately 80 indicators. Divided between 14 policy areas, following the structure of the Government Programme.
National Security Concept of Estonia[2]	No time frame, renewed periodically	Ministry of Defence, co-ordinated with Government Office[3]	The National Security Concept states the foundations of the Estonian security policy (adopted in 2010). It lists the activity trajectories in four areas – foreign policy, defence policy, security policy, societal coherence and endurance. Based on the overarching concept, the National Defence Strategy was adopted and National Defence Development Plan for 2013-2022.
Estonian National Sustainable Strategy: "Sustainable Estonia 21"[4]	Until 2030	Strategy Unit, Government Office	– The viability of the Estonian cultural space – The growth of welfare – A socially coherent society – Ecological balance

Notes: 1. National Reform Programme "Estonia 2020", https://riigikantselei.ee/en/national-reform-programme-estonia-2020 2. National Security Concept www.kmin.ee/files/kmin/nodes/10699_Julgeolekupoliitika_alused_2010.pdf. 3. Co-ordinated with the Strategy Unit and Office of National Security Co-ordinator in the Government Office, to ensure it is in line with all other government strategies. 4. Estonia 21, https://riigikantselei.ee/en/sustainable-development.

Figure 2.1. **Strategic planning in Estonia, 2014**



Source: Government Office of Estonia (2014).

The Strategy Unit is also tasked with ensuring all single-sector and horizontal strategies align with the Government Programme. During the processes of creating or renewing strategies, the Strategy Unit ensures close communication with relevant ministries to ensure their strategies align with the government's single-sector and government-wide strategic objectives. To this end, ministry-based single-sector strategies must be accompanied by action plans that have to be presented to the government no more than three months after its adoption of the strategy and be renewed yearly.

A new State Budget Law seeks to streamline the practical implementation of development plans

A new State Budget Law seeks to decrease the number of development plans and render systematic their implementation as a function of spending decisions and the overall fiscal framework. The new law is currently being implemented; it sets out distinct roles for parliament and the government:

- It specifies that all new sector-specific development plans are to be submitted to parliament for discussion before they are adopted by the government.
- The new law establishes distinct roles so that parliament adopts the policy principles and the government decides upon compiling development plans.

This law clearly marks significant progress in defining the strategic environment and clarifying the respective responsibilities of the legislative and executive branches. Key elements in the law have already been fully implemented. In addition, three major decrees are currently being negotiated between the Ministry of Finance and other partners: a decree on strategy documents, one on intra-governmental rules governing the budget process, and a decree on financing local governments from the state budget. Once the 2015 budget is presented to parliament, consultations will resume.

The Government Office leads efforts to monitor the performance of strategy implementation

Significant progress has been made in systematically monitoring the implementation performance of the Government Programme, as was recommended in the 2011 *Public Governance Review of Estonia*, with senior management in ministries playing a key role (see Table 2.2). In each ministry, a single secretary general[5] – the highest non-political civil servant in the ministry – leads ministry implementation efforts, and is usually supported in this by a small number of deputy secretaries-general. These senior civil servants oversee the functioning of sector-based departments across the ministry. Thus, the Government Programme is implemented and its implementation assessed using the following processes:

- Quarterly reporting to the secretaries-general meeting chaired by the Government Office (and on request of the Prime Minister to the Meeting of the Government [Council of Ministers/Cabinet]), based on feedback from each ministry on the implementation of particular activities (a large number which have been submitted by the ministries themselves in order to fulfil the Coalition Agreement).
- An annual reporting requirement for all government-approved strategies: on a yearly basis (at the end of Q4), thorough feedback is collected from ministries and reported to the government (mostly through e-mail exchange). For most single-sector strategies, the time frame is set in the strategy. The new decree on strategy documents will unify the review date to 1 March. The Action Plan presented with the budget is also reported to the Ministry of Finance annually on 1 March.
- Progress on implementing the Government Programme is reviewed each spring: meetings with the deputy secretaries-general for each policy area (their number depends on their corresponding policy areas identified in the Government Programme) are held to discuss the necessity to correct certain activities or to delete obsolete or add new ones. Participants in the meetings are the Government Office and Ministry of Finance budget staff from one side and line ministries (represented by the deputy secretaries-general or secretaries-general, but sometimes also heads of departments) from the other side.

Table 2.3. **Administrative structure of an Estonian ministry**

Minister	Responsible for the policy direction of the ministry	Appointment by the President on proposal by the Prime Minister
Secretary general	Administrative head of a ministry	Appointment and release from office the responsibility of the minister
Deputy secretary general	Two to six top managers responsible for a particular policy area in a ministry	
Head of department	Line manager responsible for managing the main structural units of the ministry	
Head of division/bureau/section	Line manager responsible for managing a sub-unit of a department	Appointment and release from office the responsibility of the secretary general
Other civil servants	e.g. advisers, specialists, experts	

Source: OECD (2011), *Estonia: Towards a Single Government Approach*, OECD Public Governance Reviews, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264104860-en.

The current state of Centre of Government co-ordination in Finland

As in Estonia, Finland's current CoG institutional arrangements have been shaped by history. Following more than a century of Russian heads of state, Finland became an independent republic, whose first President was elected as head of state in 1919. Since then, Finland has oscillated between parliamentary and presidential systems for most of the 20th century:

- Under Russian rule, the equivalent of the Prime Minister was a Russia-designated head of government while Finland retained control over some ministerial posts, including the Ministry of Finance. The role of the head of government was not always clear or strong.
- The President of the Republic of Finland has traditionally not only been head of state but a strong leader in the national political arena. From 1917 to 1980 the Finnish political system was characterised as semi-presidential.
- After 1981 and the departure of President Urho Kekkonen (head of state since 1956), the "constitutional pendulum swung back toward parliamentarianism" (Nousiainen, 2007: 6). The Constitution was incrementally amended to give the Prime Minister more authority as head of government.
- 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.

Current CoG governance arrangements, notably with respect to the role of the Prime Minister's Office, have been shaped by this now-stable coalition-led parliamentary form of government:

- The Prime Minister and his/her office have not always taken the lead in co-ordinating whole-of-government activity. Under the coalition system, where four or more political parties tend to form a government, ministerial positions as well as that of the Prime Minister and the Prime Minister's Office can sometimes lead to fragmented strategic decision making.
- The current electoral system is a contributing factor in the make-up of coalition governments. The open party-list proportional representation system[6] does not have a minimum threshold for party recognition in parliament, leading to a multiplicity of parties in the legislature.
- While electoral system reforms have recently been introduced to define a minimum threshold of 3% for political formations to obtain party status and disallow electoral alliances in the 2015 parliamentary elections, the electoral system that leads to coalition governments explains some of the decision-making dynamics in Finland and the challenges the country's CoG institutions (particularly the Prime Minister's Office) face when seeking to co-ordinate and steer government strategy.

Setting and steering strategy in Finland is challenging

Coalition governments by their nature affect the capacity to set, steer and implement strategy in Finland. In theory, Finland's Government Programme (the political statement of priorities of the governing coalition, which is the equivalent of Estonia's Coalition Agreement) sets the overarching political direction for the government over its four-year term. This political statement is then translated, as in Estonia, into a whole-of-government strategic plan, called the Strategic Implementation Plan of the Government Programme, also known as the HOT.[7] In practice, however, with four or five parties making up the coalition, this translation process has tended to generate a highly detailed and complicated strategic plan whose implementation is significantly challenged due to its complexity and multiplicity of priorities:

- The Government Programme (GP) for the 2011-15 mandate included over 900 action items (as specified for the follow-up purpose in the electronic database Senaattori)[8] with no clear priorities for implementation over the government's term except for naming three overall major policy objectives: i) prevention of poverty, inequality and social exclusion; ii) consolidation of public finances; iii) enhancement of sustainable economic growth, employment and competitiveness.
- This suggests that the GP ends up serving more as a political "shopping list" where parties in the coalition government "horse-trade" to fit their priories into the document, rather than a strategic vision statement.
- The time available for negotiating the GP is limited, which does not reflect the pivotal importance of the document.[9]
- The increasing complexity of the GP may also reflect the difficulty in achieving consensus in a politically more fragmented governing coalition.

The process of translating the GP into the HOT is managed by the Prime Minister's Office's Policy Analysis Unit (the PAY):

- To make the 2011-15 GP more manageable, a selection of the most important of its 900-odd measures were grouped under the 3 main objectives mentioned above (see Table 2.4).
- After the prioritising, the HOT for 2011-15 contains 140 key projects (see Table 2.4), including major changes in legislation, major development projects and packages of policy measures aimed at implementing a given policy objective.

In April 2014, as a result of the Prime Minister stepping down, a new GP was concluded to supplement the 2011-15 GP. In so doing, it slightly shifted certain priorities for the year remaining in the government's term before elections in April 2015 while adding a number of new strategic objectives. The PMO's PAY has translated the new GP into 53 distinct objectives whose pursuit is to be monitored along with the ongoing implementation of the 2011-15 GP.

Adding to this level of complexity, ministries pursue their own individual strategies and produce other high-level planning documents to guide their actions in policy areas within their ambit. These are not always aligned with each other or with the priorities in the Government Programme and the HOT; this complicates the strategy environment and can sometimes lead to a mismatch in targets and outcomes (see Box 2.1).

Table 2.4. **Key strategic initiatives in Finland**

Strategy	Time horizon	Ministry/unit responsible	Goals and objectives
Government Programme (GP)	4 years	Coalition government	While the GP was not structured under any limited whole-of-government objectives, a selection of the most important of its 900-odd measures were grouped under the 3 main objectives: 1.1. Reduction of poverty, inequality and social exclusion 1.2. Consolidation of public finance 1.3. Enhancing sustainable economic growth, employment and competitiveness
Strategic Implementation Plan of the Government Programme (HOT)	4 years	Prime Minister's Office, Policy Analysis Unit (PAY)	The HOT focuses on the Government Programme's three main objectives, defining key measures and projects to achieve these objectives, preparation responsibilities, and schedules and aims at turning them into strategic, inter-sectoral and comprehensive policies. The HOT contains 140 key projects which are monitored. The HOT was adopted at the same time as the spending limits for the electoral term.
Mid-term spending limits	Annual	Ministry of Finance, Budget Department	Mid-term spending limits are decided upon at the beginning of the government term for four years, with a rolling annual review for the next four years.

Note: The Government Programme (GP) can be found at: *http://valtioneuvosto.fi/documents/10184/147449/Programme+of+Prime+Minister+Katainen%E2%80%99s+Government/64238eca-58cd-43bb-81dc-963a364a422e.*

Source: Information received from Finland in country questionnaire.

Box 2.1. **Strategy jungle: The Prime Minister's Office's review of existing strategies across government**

In Finland, strategies and strategy-like steering documents are not co-ordinated to achieve whole-of-government coherence. According to a review conducted by the Prime Minister's Office in the second quarter of 2014, there are over 200 strategies or other high-level guiding documents guiding ministries' actions in various fields. The drafting and management of strategies is not co-ordinated as a whole. The resulting situation is blurry.

Individual strategies and their relations to the government programme or each other are often unclear. The hundreds of goals stated in all of the different strategies are not known in their entirety. This results, for example, in overlapping goals and potential mismatches of goals and targets. It is recommended to decrease the number of strategies and guiding documents and to improve the system and architecture of strategic management within the government.

Currently, strategy documents vary from one to another in terms of structure, concepts and analysis. The structure and relationships of the text is not part of a system where components of the strategy, say main goals, would be standardised and linked to understand the relationship to other components in the management system (for example items in the government's budget). This lack of modernisation results in: *i)* impossibility to draw a coherent and shared map of all the strategic goals; *ii)* significant transaction costs in trying to find the relationship of one ministerial strategy to concrete results such as societal outcomes or budget funding.

Source: Prime Minister's Office, Finland.

The translation process is not carried out within a specific legal framework, so it tends to be managed slightly differently depending on the government. In the last translation phase in 2011, after approval of the Government Programme by parliament, the PAY drafted a proposal on the selection of the key measures reflecting the priorities of the

Government Programme to be implemented by the government over the course of its term. This proposal became the government's Strategic Implementation Plan – the HOT (see Figure 2.2):

- Ministries commented on this proposal through an inter-ministerial working group, chaired by the PAY, known as the HOT Network Co-ordinating the Implementation of the Government Programme. Members of the HOT Network are often strategy directors in ministries, working closely with their permanent secretaries[10] (see Table 2.5).
- Permanent secretaries then met to discuss and define the implementation plan for the draft HOT. The group identified the lead and partner ministries to be responsible for implementing each of the key measures. This meeting is chaired by the State Secretary of the Prime Minister's Office.
- This preparation process driven by the civil service was then followed by a preparatory political oversight process managed by the political advisors to ministers and the chairs of the political parties in the governing coalition. This then led to the draft's submission to the Council of Ministers for final approval.

Table 2.5. **Administrative structure of a Finnish ministry**

Minister	Responsible for the policy direction of the ministry	Appointment to office by the President on the proposal by the Prime Minister
State Secretary	Politically appointed to a minister, assists the minister in matters relating to political steering and his/her terms are linked to that of the minister[1]	The government appoints to and releases from office
Permanent secretary	Administrative head of a ministry	
Permanent state under-secretary (Prime Minister's Office)	Directs the administration of the Prime Minister's Office	
Permanent under-secretary	Top manager responsible for a particular policy area in a ministry. Only in a couple of ministries, Prime Minister's Office, Ministry of Finance, Ministry of Foreign Affairs	
Director general (head of department)	Line manager responsible for managing the main structural units of the ministry	
Head of division/bureau/section	Line manager responsible for managing a sub-unit of a department	The position of unit head is an assignment, not a separate public office. Practices vary in different ministries.[2]
Other civil servants	e.g. advisers, specialists, experts	Appointment to and release from office by the government, minister or director general.[3]

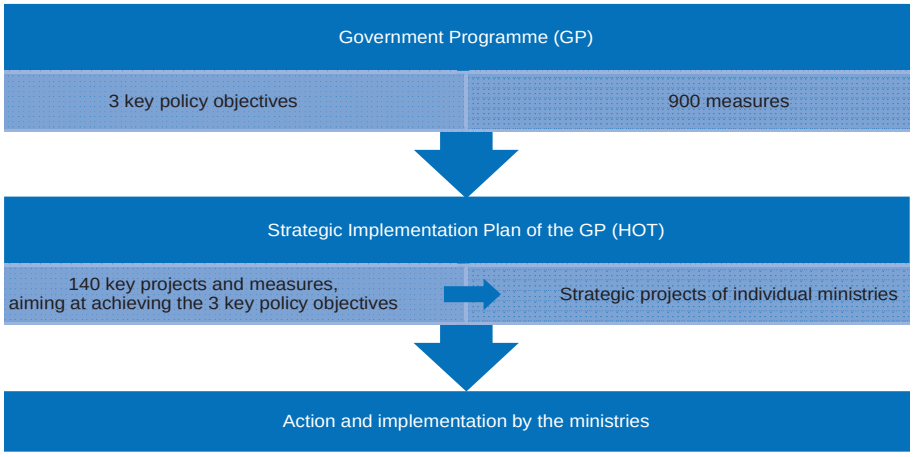
1. The government decides which ministries have state secretaries. Currently there are 17 ministers and 11 of them have their own state secretary. 2. They are first appointed to public office by the government, and they are secondly assigned to the position of unit head by the permanent secretary or by the minister. Practices vary in different ministries; in many cases the assignment is a fixed-term period. 3. Appointment to and release from office depends on the job or salary grade of the particular public office. Advisers are typically appointed by the government, specialists by the minister and assistants by the director general.

Source: Information provided by the government of Finland, 2014.

This political-administrative engagement may, however, be occurring too late in the translation process to engage politicians meaningfully (see the section on challenges, below), because it is only at this late stage that politicians are made aware of the nature of the government's interpretation of the coalition's political priorities. Starting the dialogue

between the civil service and the political leadership on the translation of the coalition's priorities into actionable government strategy earlier on, and better integrating working methods across the civil service at all stages of this translation process, could lead to a stronger shared understanding of the need for an integrated whole-of-government approach to translating and implementing the GP's strategic priorities and objectives coherently, along with more of a mutual commitment between the civil service and ministers to implement this whole-of-government agenda together. The recommendations section highlights this issue.

Figure 2.2. **Implementation of the Government Programme in Finland, 2014**



Source: OECD based on information provided by the Prime Minister's Office of Finland.

Implementing the HOT effectively is equally challenging

In 2014, for the first time the HOT and the government's budget framework (including its mid-term spending limits) were the subject of a joint strategy session co-managed by the Prime Minister's Office and the Ministry of Finance. While this proved to be a worthy effort to enhance internal coherence within the government's strategic planning and execution by building links between the HOT and the government's fiscal framework and spending decisions, no joint strategy between the two was agreed to sustain these linkages over time. Indeed, two separate sets of instructions for ministries were provided by the two CoG institutions: the Ministry of Finance provided the usual drafting instructions for mid-term spending limits and the Prime Minister's Office supplied the data collected for the HOT. A weak link between the two processes was made through one sentence in the Ministry of Finance's instructions referring to the Prime Minister's Office's process.

While all line ministries are responsible for taking the Government Programme and the HOT as the basis for their own sector-specific strategies, and while some ministries have indeed structured their own policy plans as a function of these strategic plans, many ministries rely principally on the budget process, which is disconnected from the GP/HOT implementation process. This is, in effect, one of the main challenges the government currently faces, in that fiscal performance is not linked to government policy priorities expressed in the Government Programme and the HOT. Finland has yet to build significant co-ordination between the Ministry of Finance's Budget Department and the Prime Minister's Office, particularly in terms of linking concretely resource allocation decisions to the pursuit of strategic objectives in the HOT.

The implementation of the Government Programme and the HOT is discussed by the government in its yearly strategy session which usually takes place in January or February:

- The PAY, in co-operation with ministries, monitors the implementation of key HOT projects using an electronic database on the government intranet. Ministries are obliged to update the database with information on progress in implementing their projects.
- The PAY, in co-operation with ministries, then produces follow-up reports for the government and the Prime Minister.
- In producing these reports, the PAY relies on two inter-ministerial networks responsible of great importance: the Network of the Permanent Secretaries and the Network of Strategy Leaders.
- These reports are public; they also serve the government's self-evaluation.
- The government also holds a mid-term review session to assess the implementation of the Government Programme/HOT.[11] This assessment is also carried out by the Prime Minister's Office in co-operation with line ministries.

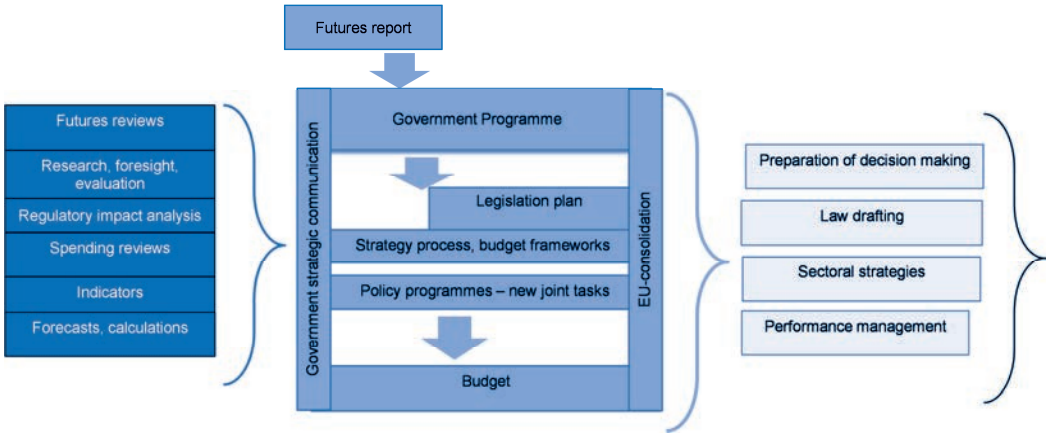
Co-ordination challenges are widely recognised and have been the subject of extensive reviews

Successive governments have focused on the challenges they face in steering strategy setting and implementation effectively. The current government has devoted efforts to assess its steering arrangements with the aim to improve the implementation and effectiveness of the government's strategy. This current effort is known as the OHRA Steering System Reform Project, and was launched in December 2013 by the Ministry of Finance (in co-operation with the Prime Minister's Office) as part of the government's KEHU Reform Programme (see below).

The aim of the OHRA project, set to report by the end of November 2014, was to link together Government Programme implementation, budgeting and the legislation process more closely. The objective was to recommend ways for the government to strengthen strategy implementation and its resulting social effectiveness – to integrate better policy, regulatory and resource steering led by the Centre of Government. At the time of writing, the OHRA project had found that:

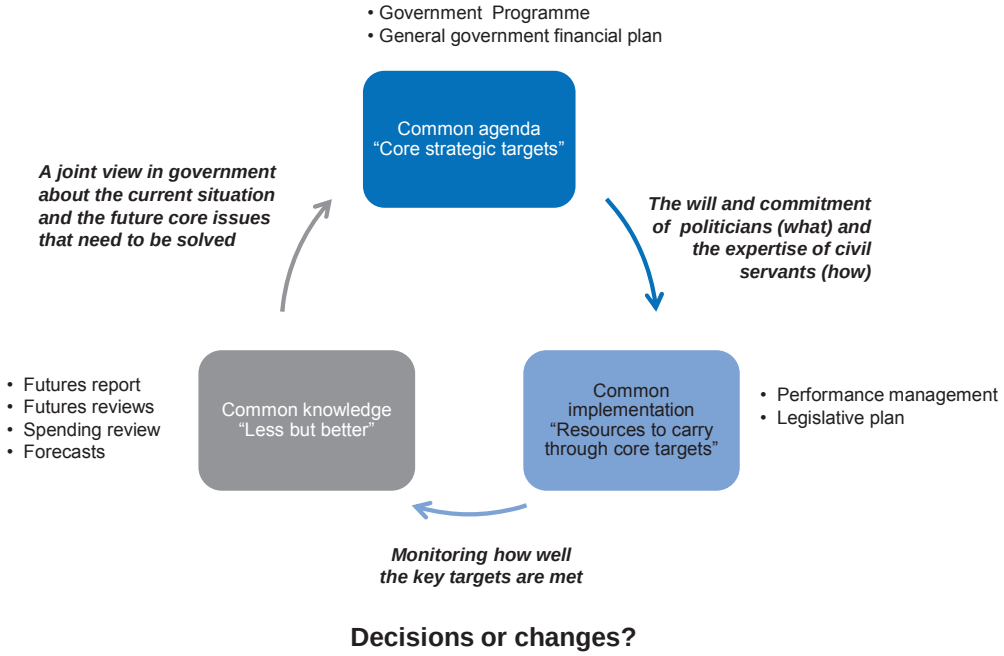
- The present state of steering in Finland, to set and implement the Government Programme, suffers from strong silos. Figure 2.3 illustrates how the current system of setting and implementing the Government Programme remains disjointed from other key steering arrangements, in particular budget setting and implementation.
- OHRA aims to shed light on the gaps in the present steering functions, which can lead to unclear understanding of objectives across the administration, in order to clarify and build up a common basis for decisions and to promote synergies. As Figure 2.4 shows, the aim of the reform is to understand how better to link the information-generation and application process (falling under the purview of the administration) with the strategic integration processes (the purview of the political leadership) and the policy implementation process (the purview of the administration).

Figure 2.3. **Mapping of the present state of steering in Finland**



Source: Information provided by the government of Finland, 2014.

Figure 2.4. **Creating a future strategy steering system in Finland**



Source: Information provided by the government of Finland, 2014.

OHRA flags Finland's Horizontal Policy Programme experience. Over two government terms, horizontal policy programmes (HPPs) reflected the government's attempts at designing and implementing cross-sector programming to meet the needs of horizontal, multi-sector policy making to address multi-faceted policy challenges more effectively (see Box 2.2). OHRA pointed out that they were super-imposed onto existing design and implementation structures without dedicated resources or formal implementing authority. The tool did not succeed in changing the siloed approach to policy setting. OHRA notes that these cross-sectoral HPPs managed to strengthen a "horizontal culture" within the government which fostered an awareness of the need to

find ways to co-operate across silos and develop integrated, coherent policies that can respond effectively to the complex strategic challenges the country is facing.

Box 2.2. **Finland's Horizontal Policy Programme**

A Ministerial Group for Reforming Central Government 1999-2003 looked for ways to overcome the lack of horizontality in government. Horizontal policy programmes were first identified in the Government Programme in 2003. There were four programmes as the idea was that a limited number of policy programmes would focus on the most important policy priorities. The programmes had a ministerial steering group, a responsible co-ordinating minister and a full-time programme manager. There was a second round of programmes in the Government Programme of 2007. In 2010, the National Audit Office scrutinised the system and found that in their current form these horizontal policy programmes should be discontinued because they had not been attributed dedicated resources and their oversight arrangements did not have any decision-making authority. In the 2011 government negotiations, however, there was no political interest in setting up new programmes. Discussion continues about their possible usefulness in the future, if some difficulties can be solved.

Source: Pollitt (2013).

Yet OHRA is by no means the only project focused on identifying ways to increase the efficiency and effectiveness of CoG-led steering. OHRA is simply the latest in a long line of projects, mostly led by the Prime Minister's Office, that focus on this matter.

As a result of recommendations in the 2010 *Public Governance Review of Finland*, the Prime Minister's Office launched the 2010-11 KOKKA Project for Monitoring the Government Programme, which produced a number of recommendations to reform the CoG steering functions to improve the translation, implementation and monitoring of the Government Programme. Some of the recommendations, such as an annual meeting to monitor the implementation of the Government Programme, have been implemented (it is now the strategy session mentioned above) while many of the recommendations relating to improving negotiations of the Government Programme and the translation phase were never taken forward (see Box 2.3).

Box 2.3. **The KOKKA Project on Monitoring the Government Programme (Finland)**

The KOKKA recommendations focused on practices followed in government formation talks and on its annual decision-making processes. The purpose of the project was to enhance strategic visioning capacity and its overall strategic agility. In its diagnosis, KOKKA identified certain shortcomings in the current decision-making process, including:

- Government work is still just the sum of its parts, and silo thinking leads to partial optimisation; transfer of resources to shared priorities is nearly impossible. Alternative ways are needed for the efficient management of horizontal policy development. Political and economic steering must be synchronised.
- The government carries old institutional and resource-allocation arrangements it inherited from preceding governments. New arrangements are added. At the outset of its term, the government needs to decide what is to be abandoned if room is to be made for new arrangements. Outdated activities must be discarded and overlapping issues eliminated.
- Governmental decision making is not based on a systematic knowledge base. When extensive policy measures are prepared, decision makers need access to the best possible projections of the impacts of these measures. Resources in research and evaluation must be directed at the government's key strategic priorities.

Box 2.3. **The KOKKA Project on Monitoring the Government Programme (Finland)** (*cont.*)

- The government's work practices are cumbersome. Ministers' "toolboxes" must be made lighter and more flexible. There should be fewer new ministerial groups created during the government's term; using established ministerial groups to discuss horizontal policy issues should be encouraged.

KOKKA strongly endorsed the concept that decision making affecting the steering of the economy on the one hand, and whole-of-government strategy setting and implementation on the other, should be integrated better than at present. It highlighted that changes would be required in the government's planning and decision-making procedures. To this end, KOKKA listed a thoughtful, detailed set of recommendations in 2011 on how to improve the preparation of the Government Programme, how to link policy and spending decisions, new arrangements for annual monitoring and adjustments to the Government Programme, and new institutional arrangements to strengthen horizontal policy setting and co-ordination. *Inter alia*, KOKKA recommended that:

- Negotiations on forming the government coalition's strategy framework should be made more efficient so that the chairpersons of the parties forming the government first agree on the economic and fiscal policies of the new government and then relate the other objectives of the Government Programme to these policies. The structure of the programme should then be drawn up so that it makes a clear distinction between broad strategic policy and detailed important issues.
- The budget should include a bigger discretionary reserve that can be used for reallocations in line with the overarching strategy during the government term.
- Once the government has been appointed, preparation of the government's Strategy Document and the budget and spending limits for its term in office, including policies on its priority themes and the consequent transfers of appropriations required to fund their implementation, should start immediately.
  - The Ministry of Finance should supervise the preparation of the strategy's economic section while the Prime Minister's Office should prepare the other sections, producing policy, legislative, research and performance assessment/indicators content in co-operation with other ministries (Ministry of Justice and Ministry of Education and Culture). Preparations should be carried out under firm political steering.
- From the second year onwards, the government should organise an annual strategy session, where the implementation of the strategy is assessed from the perspective of both the economy and the policy content.
- The role of the permanent secretaries should be strengthened to ensure the efficient implementation of the Government Programme, co-ordinate the government's multi-sectoral policy setting and implementation oversight arrangements and co-ordinate the information base for the government's annual strategy session, including the preparation of strategic legislation.
- Whole-of-government performance management capacity should be developed so that it enhances the realisation of the government's multi-sectoral targets.

Source: Prime Minister's Office (2011), "Management of Government Policies in the 2010s: Tools for More Effective Strategic Work", http://vnk.fi/en/frontpage.

The narrative underpinning the KOKKA recommendations reflected a strong desire to break down traditional institutional and methodological barriers to strategic multi-sectoral policy setting and implementation that hinder the crucial resource and structural flexibility required to meet the complex challenges facing the country. In particular, recommendations on linking strategy setting to the fiscal framework and on multi-sectoral institutional arrangements complete with dedicated resources to oversee the design and implementation of integrated policy responses to complex challenges are key to overcoming institutional siloes and rigidities in policy planning that preclude strategically agile responses to "wicked" issues.

KOKKA was not the only other effort on this subject. In its 2012 annual report to parliament, the National Audit Office addressed the need to improve the strategic steering of the government. The National Audit Office found that despite positive changes, the integration of various steering processes and a clearer definition of the roles of central actors need further developing and clarification. Recent audit reports and *ex post* evaluations proved the inadequacies in the present system, particularly in terms of managing horizontal policies. The National Audit Office identified needs in the integration of horizontal steering mechanisms and found that stronger co-ordination mechanisms were needed to implement the government's policy programmes effectively.

After KOKKA and the National Audit Office, the government (through the Ministry of Finance and the Prime Minister's Office) initiated the Governments for the Future (GfF) project in 2013, with a view to explore current and future CoG roles with counterparts in Austria, Scotland, Sweden and the United Kingdom. The aim of the GfF was to improve governance capacity from the centre. From the Finnish perspective, in-depth international dialogue with administrations facing similar public governance challenges could add value for the Finnish CoG. Themes chosen by the participating administrations centred on horizontal policy making (including improving the integration of policy strategy making with budgeting/resource allocation), improving the systematic use of evidence in policy making, and promoting innovation and building learning capacity (Figure 2.5).

Figure 2.5. **Governments for the Future Project, 2013**



Source: Pollitt, C. (2013), "Government for the Future", Ministry of Finance, Helsinki.

Country experience and shared challenges were codified in the joint GfF report (Pollitt, 2013), which was then adapted to the Finnish context by the Prime Minister's Office and the Ministry of Finance in a national report entitled "Decisions or changes: Finland in the mirror". "Decisions or changes: Finland in the mirror" aims at promoting

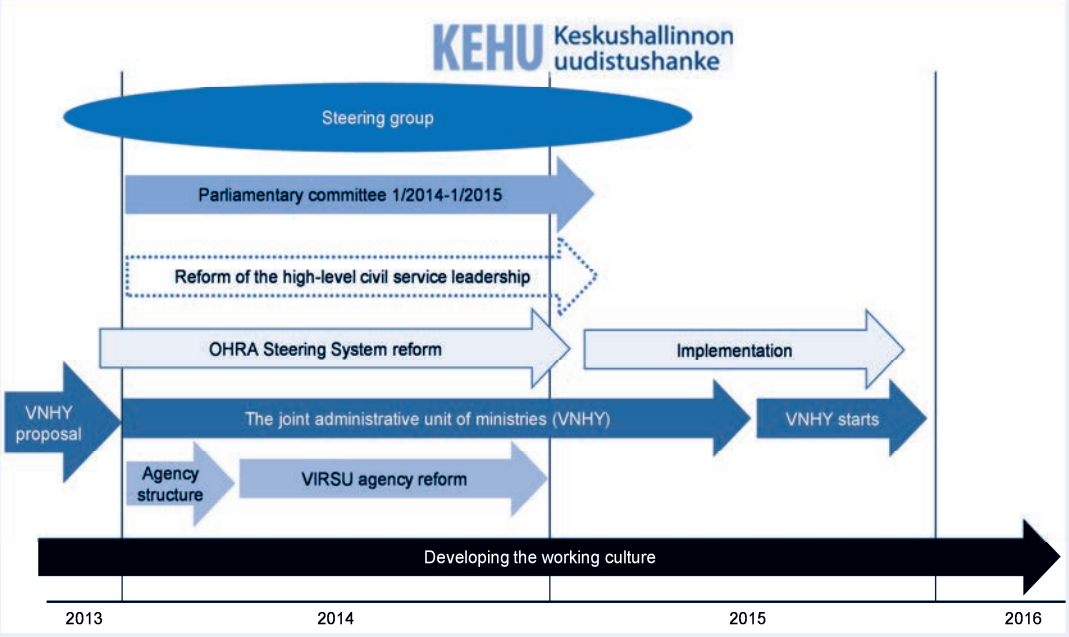
discussion on how the Finnish government can meet the core challenges of public governance. Its findings form the basis for the OHRA Steering System Reform Project noted above.

As noted above, the OHRA project is part of an overall reform programme – the KEHU Programme – launched by the current government and aimed at reassessing the functioning and role of its CoG institutions. With this programme, the goal of the current government is to improve the implementation and effectiveness of the government's strategic vision and to enhance its societal impact (see Box 2.4). Importantly, the reform programme aims to promote a common whole-of-government reform agenda which can be understood and implemented across the system.

Box 2.4. **Reforming the overall steering systems in Finland, 2014**

As part of the Reform Project on Central Government in Finland (KEHU), the Ministry of Finance, in co-operation with the Prime Minister's Office, has recently established a project to develop the overall steering system of the government (OHRA reform). The objective is to strengthen the implementation and social effectiveness of the government's strategic insight. This implies redefining the principles of the policy on steering and policy making from the perspective of the steering system as a whole. The project development phase ran from mid-December 2013 to end of November 2014.

Reform Project on Central Government in Finland (KEHU)



Background of previous reforms

The state steering systems in Finland have so far been reformed and reviewed one by one. Recent reform initiatives such as a major reorientation of the performance management (i.e. steering by results) has aimed to achieve more strategic, lighter and horizontal performance management (see Chapter 3). It has also aimed to clarify the role of performance management and budgeting as part of the overall steering system. This aim is shown, for example, in the effort to more closely link performance management to the implementation process of the Government Programme as well as budget processes. However, reforming the performance management system in isolation limits the extent to which the reform can take root and influence strategic government processes and the steering system as a whole.

Box 2.4. **Reforming the overall steering systems in Finland, 2014** (*cont.*)

OHRA Steering System Reform: Objectives, tasks and results development

In accordance with the objectives of the central government reform, the OHRA reform seeks to:

- better integrate policy, regulatory and resource steering in the Centre of Government
- strengthen the implementation of the government's strategic insight and effective policy making within the public administration and the society at large
- simplify the entire steering system.

The project is tasked with redefining the principles of state steering and preparing recommendations on the following:

- the knowledge process of the government (common knowledge base)
- integrated strategic co-ordination processes (common agenda)
- the implementation process of government policies (common action).

The project will produce recommendations for the next government period (starting in 2015). The output of the project will serve the Ministry of Finance's Futures Review work and the work of the Prime Minister's Office to further develop the process supporting the government policy implementation. The project also serves to inform the central government reform process.

Source: Note provided by the Finnish Ministry of Finance, 2014.

These reform efforts – the 2010 *Public Governance Review*, KOKKA, the National Audit Office's annual report, the GfF project and the KEHU Programme – have generated a rich compendium of ideas for a comprehensive governance reform agenda to strengthen CoG-led co-ordination in Finland, based on solid evidence from both within and outside the country. At issue, therefore, is neither what is to be done nor how to do it, but to settle once and for all on key elements of a reform agenda and implement them. In other words, "just do it".

Assessment

Estonia's reforms since 2011 relating to CoG-led strategy setting and decision making have been successful in enhancing the government's ability to implement and monitor the performance of its Government Programme, notably by driving the focus of the governing coalition on a progressively smaller number of overall strategies, and through this focus a manageable set of actionable priorities for implementation by the government. That said, it would appear that gaps still exist in ensuring that the Government Programme is actually implemented in its entirety, that performance assessment information is harnessed to inform planning and that the results of this performance monitoring actually guide implementation:

- The process of translating sector-specific strategies into action plans and of feeding performance assessment information on such action plans into further implementation planning appears to be limited and not systematically used. The annual reporting requirement for government-approved strategies is not systemic enough to enable ministries to get a clear picture of whether their plans are achieving the objectives identified in the Government Programme.

- The atomised or partial use of performance information inhibits the CoG's ability to get a whole-of-government picture of how the cluster of plans that together have been adopted to implement its Government Programme are contributing to this objective. The CoG is thus limited in its ability to compare performance across ministries to understand what works, what does not and why, so that good practice in ministry A can be transposed or adopted by ministry B so that jointly they optimise their collective contribution to achieving the government's stated policy objectives.
- This also points to challenges that the CoG may be facing in sustaining performance information "feedback loops" that ensure that the results of assessing the performance of the Government Programme, both from the policy and fiscal perspective, can guide further implementation efforts, including adjusting course if the existing plans are working sub-optimally.

The challenges Finland's CoG institutions face are, interestingly, not dissimilar. Indeed, they can be seen as complementary to those facing Estonia. The major challenge Finland's CoG institutions appear to be facing is one of co-ordination to maximise integrated strategy setting and implementation, including in a way that links strategy to budgeting (moreover, as pointed out above, Finland fully recognises this challenge as its CoG institutions work to improve co-ordination capacity among themselves and with line ministries). This institutional-co-ordination challenge is also faced by Estonia's CoG.

That said, unlike in Estonia, the Finnish Government Programme (and the HOT) tend be used as the chief political tool to adjudicate competing priorities from the various parties in the governing coalition, which increasingly results in an overly complicated and detailed "shopping list" of "to-do items" rather than in an integrated strategy to guide the government as it goes about implementing its mandate over its term.

Estonia appears to be facing challenges in using performance information to guide strategy implementation. This finds echo in Finland's apparent challenge in using the results of strategic foresight, for which it is a world leader in generating, to inform whole-of-government strategy setting. In this sense, both countries' CoGs face similar challenges in translating their governing coalition's political priorities into an implementable strategy that reflects strategically useful evidence, whether from performance assessment or foresight. This challenge is mirrored in the limitations that Finland faces in its own translation process in which the dialogue between the political leadership and the civil service takes place only at the end of the process, and rarely, if at all, occurs between the CoG institutions responsible for strategy and the country's fiscal framework, as shown above.

This sub-section presents and assesses the key challenges each country faces in CoG-led co-ordination of strategy setting, implementation and performance monitoring. Where it makes sense, this assessment is comparative.

Each country faces challenges in leveraging CoG co-ordination and leadership capacity

Estonia has clearly made advancements in bolstering CoG steering capacity since the 2011 *Public Governance Review*. The government's Action Plan that resulted from it helped advance co-ordination mechanisms in the senior civil service, for example through the establishment of working groups of deputy secretaries-general (DSGs) to co-ordinate

implementation of the Government Programme, and launch action to link strategic planning with resource allocation (see Chapter 4).

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 certain challenges:

- The ability of Estonia's CoG institutions to co-ordinate and cascade national strategic objectives down through ministries lies in its capacity to provide strategic direction to strong and siloed ministries, which at times may not set or steer sector-specific strategies in a way that contributes meaningfully to the pursuit of whole-of-government strategic goals.
- This implies that there may be a need for the CoG to improve effective communication of the national strategy or vision throughout ministries as well as agencies. The way in which the key CoG institutions – the Ministry of Finance and the Government Office – co-ordinate between themselves the key messages on the Government Programme at all stages of its setting and implementation, and jointly communicate these messages to line ministries, is important in this regard.
- 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. This can be illustrated by the fact that the partnership between the Ministry of Finance and the Government Office to steer the setting and implementation of the Government Programme in its entirety relies on a set of informal arrangements which 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 linked to advance the Government Programme in full respect of the country's fiscal framework. 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, regardless of the specificities of a coalition government arrangement governing the partnership between the Government Office and the Ministry of Finance. Yet addressing this challenge has to take into account the specificities of Estonia's history: the Government Office – after all 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 to implement government strategy coherently across ministries, for the historical reasons noted above.

Finland faces the same challenges in steering the implementation of its Government Programme and the HOT. The Finnish public administration has a siloed structure with strong ministries whose missions and responsibilities are enshrined in law. While these vertical structures are effective in generating and sustaining deep institutional knowledge of the public policy areas falling within their purview, and are efficient in delivering services to citizens and businesses, increasingly complex and cross-cutting policy challenges can no longer be addressed optimally using this administrative model, whether in Finland, Estonia or any other country, for that matter. In this regard:

- Co-ordination across ministries and among CoG institutions is weak. The role of the CoG is to act as a leadership hub in helping ministries implement the government's strategic vision. To this end, leadership capacity of the CoG is weakened in Finland by the co-ordination gaps that exist between the Prime Minister's Office in charge of steering the implementation of the Government Programme and the Ministry of Finance in charge of budget setting and implementation.
- Within the Ministry of Finance itself, the department responsible for budget and financial steering apparently remains disconnected from the departments in charge of public governance and overall administrative reform.
- While an initial step was taken recently to discuss the HOT during an ad hoc joint session on medium-term spending limits (see above), the Prime Minister's Office and the Ministry of Finance could more fully leverage their steering capacity by working more closely together on an ongoing basis.

As noted above, these gaps in horizontal co-ordination also find expression in the nature of the political-administrative interface in Finland during the translation process of the Government Programme into the HOT implementation plan. When converting the government programme into actionable items for the HOT, there could be more integration and communication vertically between top civil servants and politicians (ministers and advisers), and horizontally between ministries (at the levels of both ministers and permanent secretaries) at all steps in the translation process – not just at the end – to optimise coherence in setting and implementing an integrated government programme that reflects the interconnections between the various policy strands that contribute to advancing the government's strategic objectives.

- Clearly, this implies a longer lead time to allow for effective discussion among senior civil servants and between civil servants and ministers before the government coalition finalises its Government Programme, and before the government finalises the HOT.
- The OHRA reform project is already proposing to engage the senior civil service and political communities on this issue. A recent decision stemming from discussions of the OHRA project has led the CoG to monitor activity systematically in this area to build the case that ongoing horizontal co-ordination need not threaten institutional autonomy, yet can lead to better quality policy development and better results for citizens and businesses.

In Estonia, co-ordination at the higher levels of government, for example 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. For example, secretaries-general meet more frequently to discuss whole-of-government issues, both on a formal and informal basis. A good example of this is the secretaries-general study visits, organised monthly by a selected secretary general, to give insights into particular ministries' work and links between cross-cutting issues (see Box 2.5).

However, outside of CoG-led co-ordination activity, little evidence points to systematic self-generated co-ordination or partnership activity between line ministries to implement sector-specific or multi-sectoral initiatives as a means to advance whole-of-government strategic objectives:[12]

- In preparing strategies, several Estonian officials acknowledged that achieving true participation and co-operation between line ministries – and not only at the senior-management level but at all levels of the hierarchy – is often the greatest challenge.
- At times, line ministry strategy setting appears to be led by a small group of experts from the lead line ministry, with only summary participation from other ministries whose mandate and responsibilities nevertheless relate to the strategy being designed. In addition, formal structures seem to limit co-operation; when disputes arise during the co-ordinating strategy setting and implementation phases across ministries, line ministries themselves tend not to take the initiative to mediate or resolve disputes so that co-ordination on cross-cutting issues effectively occurs.
- In many systems this is, in fact, a role for the CoG – to act as a traffic light and review the content and processes by which new strategic initiatives are designed, so as to ensure they align with national strategic objectives and accurately reflect all relevant line ministry input before they can be submitted to Cabinet for approval.

Box 2.5. **Estonia: The community of secretaries-general**

The tradition of informal meetings between secretaries-general dates back to late 2007/early 2008. The initiative came from the secretaries-general themselves; generated from the perception that the formal weekly meetings to review the Cabinet meeting agenda was not a sufficient enough environment to discuss cross-cutting issues and develop co-operative ties. The monthly informal meetings (often held on Monday after the formal preparatory meeting to discuss the Cabinet's agenda) also include the state secretary. Co-ordination of the meeting as well as the topic are rotated between ministries each month, which works well since there are 11 ministries plus the Government Office. No formal decisions are taken during these meetings; however, issues initiated and discussed may develop into formal decisions to be taken by Cabinet.

The informality of the meetings is considered its main strength. The format enables information exchange, builds co-operation and creates a better understanding of other ministries' responsibilities via open discussion. The idea is to provide a venue where the senior management and the state secretary can discuss a wide range of topics informally, including pressing issues or current affairs. The meeting may also be educational. For example, the secretaries-general have visited institutions such as the Supreme Court (where they met with the newly appointed chief justice) and the Estonian Forensic Medicine Institute. In addition, the secretaries-general have met with independent, highly recognised specialists.

This particular communication method is a strong factor contributing to the secretaries-generals' relationship, building a sense of teamwork and contributing to solving real problems and fostering a common agenda. To this end, the informal network has been beneficial for newcomers in the circle of secretaries-general. Attendance by all secretaries-general is high. The future of the informal meeting is in some sense dependant on how integral and valuable the meetings continue to be.

Source: Kasemets (2014).

In Estonia, this too is changing: the Estonian CoG now does review and return items submitted to Cabinet if they are not in line with the Government Programme (OECD, 2013). In addition, cross-ministerial input and participation in the drafting of strategies is increasingly being systematically assessed by the Government Office and the Ministry of Finance together, before an initiative can be submitted to Cabinet.

Improve co-ordination capacity to implement strategy by breaking down silos

Estonia and Finland both present multi-party coalition governments whose strategy setting is characterised by the articulation of a political statement of strategic priorities that is then translated into an actionable agenda to be implemented by the government. This means that relations amongst ministries are sometimes complicated, and the need for consensus-building among political and social partners adds an additional layer of co-ordination which is not as prominent in Westminster or presidential governance styles. In addition, the institutional arrangements for both countries' CoG reflect the nature of these coalition governments, and set limits to effective co-ordination between the Prime Minister's Office/Government Office and other CoG institutions, notably the Ministry of Finance, and between the CoG and line ministries, that Westminster or presidential systems also are not facing.

- In Finland, the expanding number of political parties in the coalition government, coupled with the Government Programme increasingly serving as an instrument to mediate competing political interests within the coalition, have led to a complex and often difficult to implement Government Programme/HOT.
  - As was highlighted in the previous sub-section, the process of drawing up a Government Programme over a short period of time, with a limited common evidence base, has led to the creation of an overtly political and lengthy "shopping list" of short-term "to-do" items as opposed to a focused and strategic whole-of-government action plan to be rolled out over the life of the mandate.[13]
  - As noted above, there is a need to improve the political-administrative interface, and the process in which the Government Programme is negotiated and set at all stages of the translation process (both when formulating the Government Programme and when translating it into the HOT), by integrating the results of the civil service's strategic analysis and providing support to elected officials with information about the legislative and fiscal implications of various elements of the Government Programme/Coalition Agreement at the beginning of the translation process.
  - In the Netherlands, for example, the Bureau for Economic Policy Analysis (CPB) has approximately one week to analyse and comment on the financial-economic soundness and the feasibility to implement the Coalition Agreement (see Box 2.6 and Figure 2.6). The CPB also has the capacity to check the political programmes of parties before the elections, to assess the impact of their party platforms on a number of societal issues.
- Estonia could also seek an outside assessment of the feasibility to implement the Coalition Agreement, as well as parties' political platforms, on an open and publically available basis. During interviews with the OECD, it was noted that analysis from the civil service was at times used during negotiations to complete the Estonian Coalition Agreement (particularly from the Government Office Strategy Unit or the Ministry of Finance). For instance, before the Coalition Agreement is finalised, the Ministry of Finance estimates expenditures and revenue relating to all significant initiatives identified in the Coalition Agreement.

– This is a significant and beneficial practice. That said, during the process of setting political priorities (on which ministries will base their proposed measures for inclusion in the Government Programme), politicians could benefit from information and analysis on the impact and feasibility of the main strategic priorities in the Coalition Agreement, either from an independent source (such as a think tank like Praxis or an independent outfit like the one that managed the web portal "Monitoring of Government" that was active during the implementation of the previous Government Programme), or from within government (the Government Office's Strategy Unit working with the MoF Budget Department), or an arm's-length institution like the supreme audit institution. This process could serve to provide a "reality check" for citizens at an early stage thus serving to minimise disappointment that can be caused by too many political commitments that end up being too costly or not feasibly implementable.

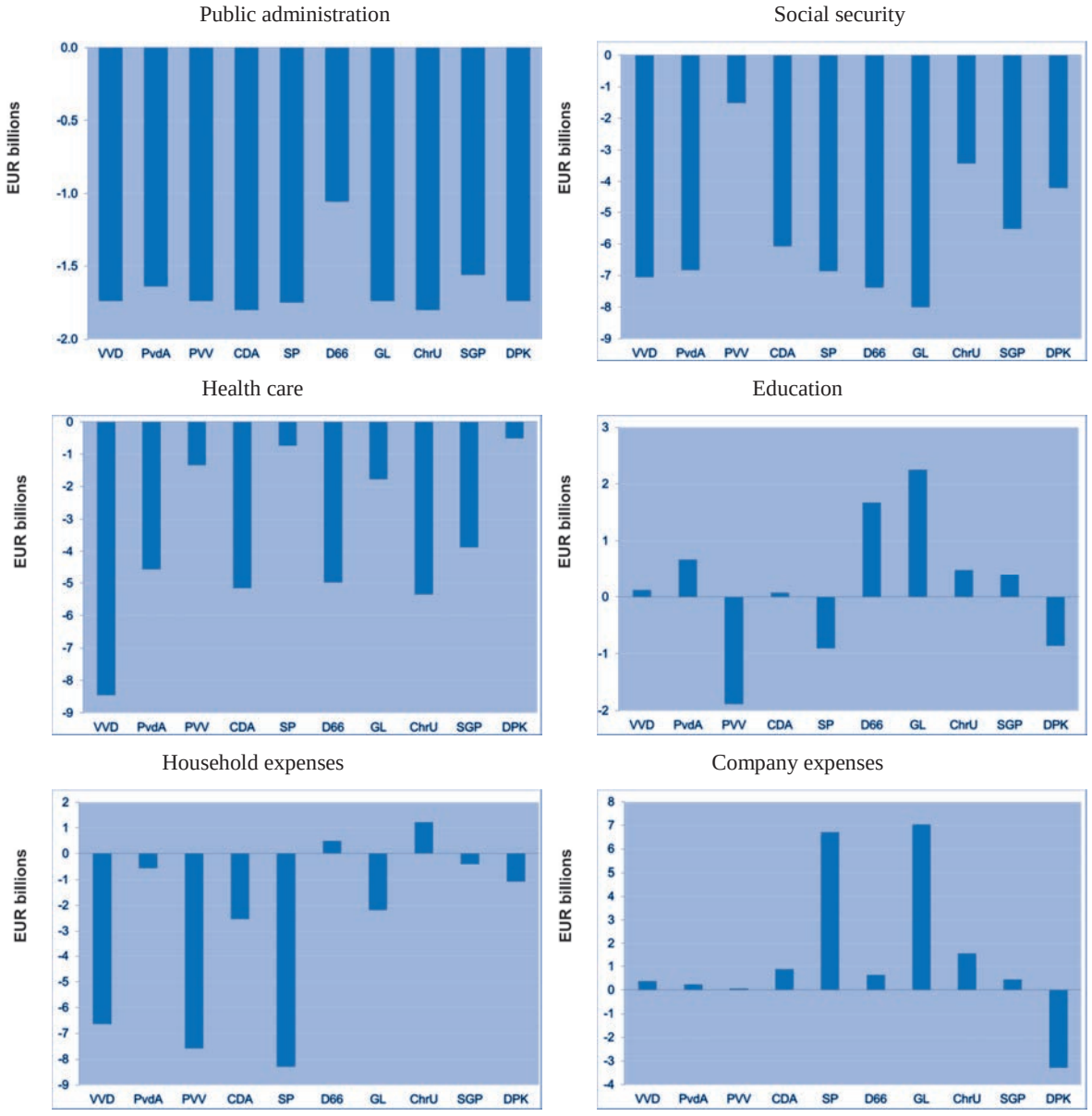
Box 2.6. **Evidence-based assessment of the Coalition Agreement: Netherlands Bureau for Economic Policy Analysis**

The Netherlands Bureau for Economic Policy Analysis (CPB) carries out scientific research aimed at contributing to the economic decision-making process of politicians and policy makers. Research is decided on the CPB's own initiative or at the request of the government, parliament, individual members of parliament, national trade unions or employers' federations. The output for which the CPB is best known includes its quarterly economic forecasts of the development of the Dutch economy; however, the CPB performs quantitative and qualitative analysis in a large number of areas, including its analyses of the election manifestos of political parties.

A possible Coalition Agreement is submitted as a draft to the CPB. The CPB has approximately one week to analyse and comment on the financial-economic soundness and the feasibility to implement the agreement. Oftentimes, this process results in substantial changes, making the final Coalition Agreement a paper that has a solid financial-economic basis. The CPB is also available to check the political programmes of parties before the elections (see Figure 2.6). This has become a rather important part of the election campaigns, as a positive verdict helps improve public support while a negative judgment has a large impact on the public's perception of the political party. The CPB is a government institution, formally part of the Ministry of Economic Affairs; however, its independence is guaranteed. Its credibility is high among the general public, but also in the political domain. The Netherlands has two similar "*planbureaus*" in other policy domains: the SCP (Social Cultural Plan Bureau) and the Plan Bureau for the Environment (PfE). A triplet is used to describe the policy area: people (the SCP), planet (the PfE), profit (the CPB). Using this knowledge infrastructure in the political domain, if available, is useful as the Coalition Agreement is one of the most important documents giving direction for the next four years. Both assessments of the CBP are highly regarded by the public, and equally in the political domain.

Source: CPB Netherlands Bureau for Economic Policy Analysis and PBL Netherlands Environmental Assessment Agency (2012), *www.cpb.nl/en/pressrelease/3212215/cpb-and-pbl-present-election-manifestos-analyses.*

Figure 2.6. **Netherlands Bureau for Economic Policy Analysis (CPB) assessment example: Party platform budgetary choices and their impact on broad policy areas: (net expenditures and cost changes)**



Note: 2017, EUR billion in 2012 prices, compared to the baseline. The 10 political parties represented in the figure are: VVD (People's Party for Freedom and Democracy), PvdA (Labour Party), PVV (Freedom Party), CDA (Christian Democrats), SP (Socialist Party), D66 (Democrats 66), GL (Green Left Party), ChrU (Christian Union), SGP (Constitutional Reformed Party), DPK (Democratic Political Turning Point).

Source: Netherlands Bureau for Economic Policy Analysis (2012), "Charted Choices 2013-2017", *www.cpb.nl/en/publication/charted-choices-2013-2017*.

Similarly, it would appear that the power of the CoG institutions to co-ordinate is unbalanced in the two countries, with the MoF possessing comparatively more fiscal-compliance powers at its disposal *vis-à-vis* line ministries than the PMO/GO can exercise with respect to strategy setting. This can hinder capacity to build cross-sector

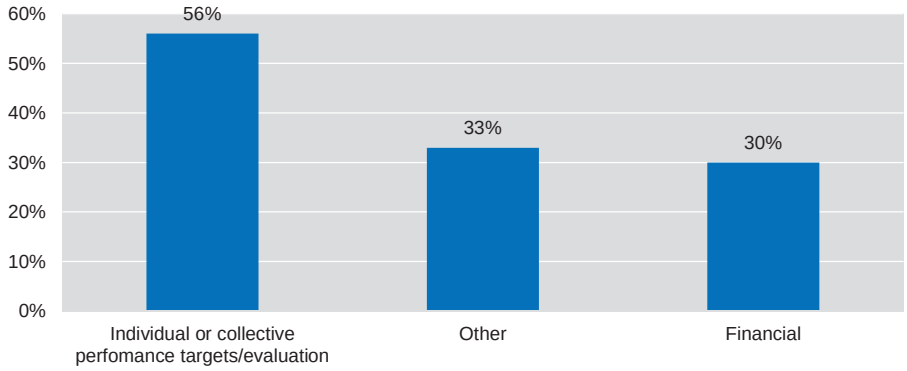
policy synergies and coherence to solve cross-cutting challenges and maximise the impact of decisions on results for citizens.

- In Finland, the impact of silos seems more acute than in Estonia, where the senior civil service appears to be more integrated and displays a somewhat better understanding of the whole-of-government agenda (indeed in Estonia secretaries-general play a leadership role in strategy setting since they exercise policy development responsibilities, while in Finland permanent secretaries' responsibility for policy is more limited).
- The Government Office in Estonia has stronger policy levers over secretaries-general and deputy secretaries-general as a group (it assesses their performance and determines the pool from which they can be chosen). The Government Office and the Ministry of Finance can also summon deputy secretaries-general to discuss implementation of the Government Programme on annual basis.
- In both countries, however, understanding of the whole-of-government strategic priorities does not seem to trickle down to reach the rest of the civil service. Horizontal co-ordination, as well as communication, is essential for effectively implementing the government's strategic objectives. The role of the CoG is to aid in such co-ordination by disseminating this information across the entire system; helping ministries realise their own strategic goals by integrating evidence in a vertical and horizontal fashion so that the pursuit of ministerial agendas supports the achievement of government-wide strategic goals.

To this end, incentives to foster co-ordination, either financial or otherwise, could be considered.

- In Finland, horizontal policy programmes were discontinued in 2011 after the National Audit Office assessed that without funding allocated to them there was no incentive for ministries to co-operate within them (see previous sub-section).
- Estonia noted in the 2013 Centres of Government Survey that no incentives to promote co-ordination across government exist.
- Other OECD countries have used financial incentives or have clearly outlined and assessed co-ordination as a function of individual or collective performance targets (see Figures 2.7 and 2.8 and Box 2.7).
- In addition, the capacity to steer implementation of a national strategic vision could be improved by mobilising the budget process to support co-ordinated strategy setting and ensure effective implementation (see the next section on performance-informed budgeting).

Figure 2.7. **Incentives used by the centre to promote horizontal co-operation**



Note: 30 respondents.

Source: OECD (2013), Survey on the Organisation and Functions of the Centre of Government, OECD, Paris.

Box 2.7. **New Zealand: Financial incentives to enhance co-ordination**

New Zealand amended its Public Finance Act in 2013 to provide greater financial flexibility for resources to be shared between departments and allocated to where they can best contribute to achieving results. Financial flexibility tools such as multi-category appropriations (MCAs) have been introduced. The MCAs make it clear that one department can use an appropriation administered by another department, enabling a lead ministry with a particular multi-sector task to encourage other ministries to deliver on their part of that task.

The MCA must contribute to a single overarching purpose, for example "mainland poverty reduction". The multi-category appropriation must be approved by the Minister of Finance and, like any other appropriation, is the responsibility of one minister (the appropriation minister) and must be administered by one department (the appropriation administrator). The MCA is resourced through a combination of new funding and transfers from existing appropriations. The MCAs are annual appropriations.

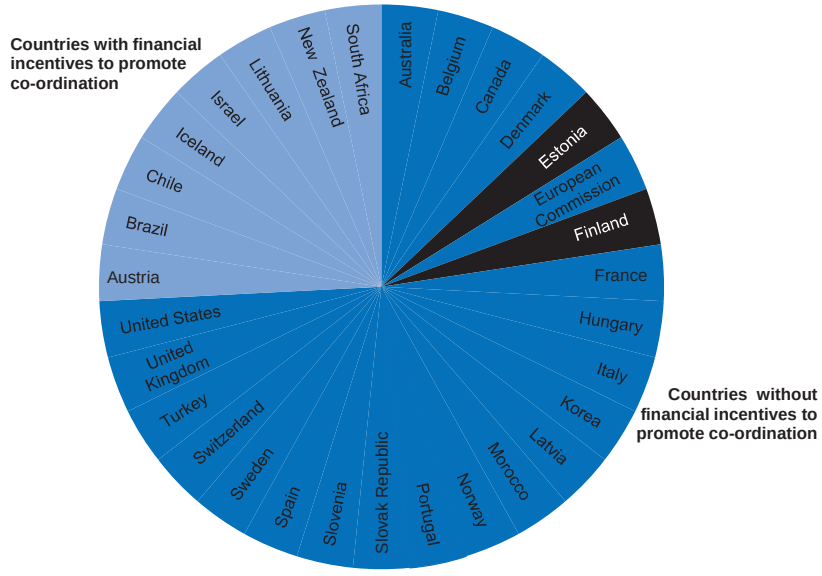
In addition, "seed funding" has been set up to drive innovative practices by ministries; a key purpose being to buy down transaction costs and reduce administrative burden in inter-institutional collaboration.

Source: Treasury of New Zealand (2013).

Challenges in policy co-ordination and coherence across government are not unique to Estonia and Finland:

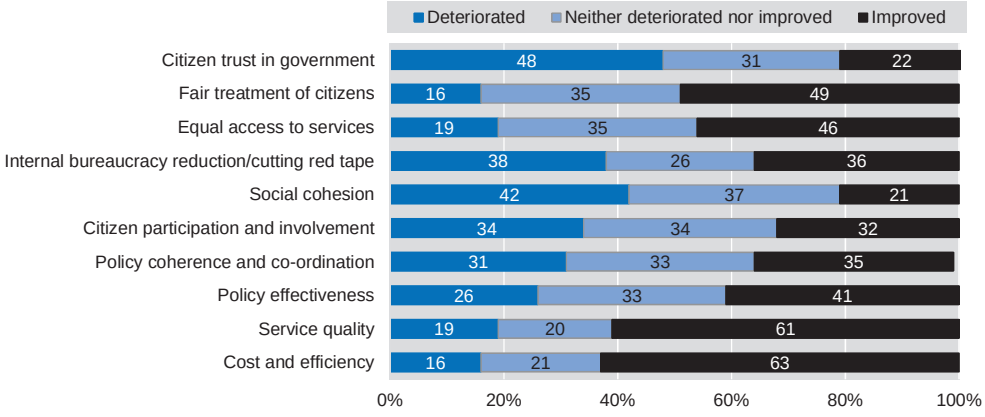
- A recent COCOPS study surveying senior civil servants revealed a fairly divided perception on the state of policy coherence and co-ordination (Lægreid et al., 2013). While 35% of respondents believed policy coherence and co-ordination had improved, 33% thought it had remained the same and 31% believed it had deteriorated in the last five years (Figure 2.9).
- The 2013 OECD Survey on the Organisation and Functions of the Centre of Government found, however, that the number of cross-ministerial policy initiatives has increased during the period 2008-12 (OECD, 2014a). This could in part be due to a realisation that today's policy challenges are cross-cutting and complex, therefore warranting expertise from a range of ministries to be integrated.

Figure 2.8. **Use of financial incentives to promote co-ordination across ministries**



Source: OECD (2013), Survey on the Organisation and Functions of the Centre of Government, OECD, Paris

Figure 2.9. **Senior officials' perceptions of public administration performance**



Notes: Data from COCOPS survey of 4 780 administrative executives, from 10 European countries, in central government and outside central government in employment and health. Responses based on the question: "How do you think public administration has performed in your policy area over the last five years in the following dimensions?"

Source: Lægreid P. et al. (2013: 3).

Other governments have adopted widespread reforms of their organisational structures to promote co-ordination and encourage a horizontal working culture. For example, reforms of the central government in Sweden in 1997 led to ministries merging to form one single organisation. With the reform, ministries were merged into one government body – the government administration called the Government Offices (in Swedish, *Regeringskansliet*). The reform was supported by the principle of collective decision making, where the government adopts decisions collectively, thus limiting the decision-making competency of individual ministers (see Box 2.8). Scotland has followed suit with a similar reform.

Box 2.8. **Sweden: Ministries forming one single organisation**

In 1997, after the economic crisis, Sweden undertook a governance reform to improve co-operation in government. With the reform, the ministries were merged into one government body – the government administration called the Government Offices (in Swedish, *Regeringskansliet*). The reform was supported by the principle of collective decision making, where the government adopts decisions collectively, thus limiting the decision-making competency of individual ministers. Many routine matters are, however, in practice, decided by individual ministers and only formally approved by the government.

The Government Offices form a single integrated organisation, acting as the government's staff and supporting its activities. The Government Offices encompass the Prime Minister's Office, the ministries and the Office for Administrative Affairs. There are about 4 500 employees, about 200 of which are political appointees. The Prime Minister's Office is headed by the Prime Minister; it leads and co-ordinates the work of the Government Offices, and is responsible for co-ordinating Sweden's EU policy.

Currently there are 11 ministries and 24 ministers. Each ministry has its area of responsibility and is headed by a minister, but may also have other ministers with responsibility for specific portfolios. Ministries have the same organisational set-up. A minister is supported by the politically appointed officials – state secretaries, political advisers and press secretaries. The ministerial departments work directly under the state secretary of the ministry.[1] Support departments in ministries encompass an administrative unit, a legal unit and an administrative-legal services director. These units serve as contact points for the government's common administrative services unit (the Office for Administrative Affairs), which provides support services to all ministries.

The Office for Administrative Affairs is led by the Permanent Secretary/Head of Administration (a non-political official, as opposed to politically appointed state secretaries in ministries). The Office for Administrative Affairs provides whole-of-government administrative services such as: financial management, administrative support, human resources management, IT, training, libraries, archives, internal and external communication, and administrative support to the committees. There is a central audit unit working under the Prime Minister's Office equipped with eight to ten people, whilst the ministries are not equipped with separate internal auditors.

There are about 370 government agencies (with a total staff of approximately 240 000) tasked with policy implementation and directly responsible to the government as a whole (not to a single minister). While the ministries are merged into one government body (the Government Offices), the government agencies are independent authorities. Each agency is led by a director-general or a board. The director-general is appointed for a limited term of six years with the possibility of a three-year prolongation. Neither the government nor the parliament is permitted to intervene in the decision making on specific cases or in the application of law by the agencies.

The reform increased institutional flexibility. As the government administration is established in one body, the number or tasks of ministries can be changed according to need. For example, with a new government, new ministries may be formed by reshuffling current ministerial units or creating new ones. The opportunity to change the composition and tasks of the ministries enables government to react quickly to solve acute problems, channel more resources where they are needed and foster inter-ministerial co-operation on the political as well as the civil servant level.

1. Politically appointed as in Finland; in Estonia's case similar to secretary-general who, in Estonia, is non-political.

Source: Kasemets (2014); Pollitt (2013).

Enhancing co-ordination between CoG institutions and line ministries and across line ministries when implementing and monitoring the government's strategic priorities need not necessarily result in increased centralisation, but could reflect increased capacity for working together as a "single government", as in Scotland and Sweden, for example.

- Some ministries can take the lead for policy initiatives in their area, but they could be clearly tasked with horizontal co-ordination in cases where the initiative crosses ministerial boundaries, co-ordinating with the Centre of Government and with integrated communications.
- This is 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. Indeed, lack of vertical and horizontal co-ordination hinders capacity to build cross-sector synergies and coherence to maximise the impact of decisions on results for citizens.
- The key to this is ensuring that the top ranks of the civil service act collegially to serve the entire government even as each strives to pursue his/her ministry's sector-based mandate. Training the senior civil service in this common set of public service values based on serving to advance the strategic objectives of the government as a whole as each seeks to advance their ministry's agenda can also fall under the responsibility of the CoG. Both Estonia and Finland recognise this responsibility; each country's CoG has pursued initiatives in this area. Chapter 4 addresses this issue in greater detail.

Both countries could consider using their EU affairs co-ordination arrangements as a good practice

The notion of "One Government – One Strategy" can also be given effect with practical institutional arrangements to sustain inter-ministry coherence in setting and implementing multi-sector, integrated initiatives to pursue whole-of-government strategic objectives. Each government could, for example, consider adapting the institutional decision-making arrangements they have implemented for co-ordinating EU affairs more broadly to design and implement key multi-sector policy initiatives identified in their strategic programming documents.

The co-ordination role of Estonia's Government Office's unit in charge of EU affairs could serve as a good practice in leading cross-government co-ordination, as it could in Finland. In both countries these units appear to be more formalised when compared to the more "informal" approach to cross-government co-ordination on domestic policy matters.

- In Estonia, the EU Affairs Unit chairs deputy secretary-general and department head-level committees on a weekly basis on any and all EU matters. This activity covers both ex post transposition of EU acquis as well as the development of a national position on an EU policy issue ex ante an EU decision.
- The EU Affairs Unit acts as a filter to determine which EU issue is of material consequence to the interests of Estonia. In this capacity it transmits incoming information and data to the relevant CoG institutions and line ministries – including whatever EU-wide impact assessment data is made available by the European Commission on the policy issue under discussion. This information is usually important for the CoG and line ministries for background briefing

purposes, especially on such issues as climate change and energy policy, for instance.

- The EU Affairs Unit then engages key relevant line ministries (and the other CoG institutions) to hammer out a negotiating position on the issue under discussion, which it then codifies and transmits via the Ministry of Foreign Affairs to the relevant Estonian representatives in Brussels and country capitals (including final speaking points for ambassadors, etc.), once Cabinet has approved it. The Government Office's EU Affairs Unit thus also supports Cabinet on EU matters. Further, it manages relations between the GO and the government generally and the Estonian parliament on these matters; EU affairs officials participate in internal meetings of parliamentary committees on EU matters, keeping parliament informed of debate even during the ex ante engagement phase with Brussels, as is the case in Finland.
- The relationship between the EU Affairs Unit and the Ministry of Finance takes on specific importance with respect to EU performance measurement:
  - The Ministry of Finance is the managing authority for Estonia's EU Structural Funds. These funds currently represent 15% of Estonia's annual budget and 4% of its GDP; 24% of Ministry of Finance staff work full-time on managing EU Structural Funds for the country. This is significant by any standard.
  - Since the European Commission is moving to apply increasingly rigorous conditionality on member countries receiving Structural Funds, including requirements to provide detailed performance information relating to investments being delivered during the 2014-20 programming period, this generates an important opportunity for Estonia to work with the Commission on adapting performance measurement criteria that will meet EU requirements to the Estonian context and, over time, to apply this performance assessment framework to its national/domestic spending so as to support the more widespread use of performance-informed budgeting in Estonia's state budget, while deepening the linkages with the Government Programme's performance assessment framework for its national strategic priorities; the recommendations section provides more information on this matter.
  - Ready access to impact assessment data of this magnitude and quality could serve to bolster Estonia's own performance assessment capacity. The EU Affairs Unit could thus ensure that the key relevant players in Estonia's whole-of-government performance monitoring system (including the Ministry of Finance, the Ministry of Justice, the Ministry of the Economy and Estonia's supreme audit institution), have ready access to this EU-required internal audit data (and the methodologies underpinning its selection) on an ongoing basis, to enrich over time the performance assessment framework that Estonia applies to its Government Programme strategic plans.
- Interestingly, the EU Affairs Unit also faces human resources capacity challenges in attracting and retaining competent staff from line ministries to work on substantive policy issues with the EU to advance Estonia's interests effectively. This issue speaks inter alia to the mobility provisions in the new Civil Service Act (see Chapter 4).

As in Estonia, Finland's co-ordination of EU matters is as efficient as it is effective. When Finland joined the EU in 1995, the Ministry of Foreign Affairs managed EU affairs because, as in Estonia, that ministry had led the accession negotiations. After 1995 and Finland's first EU Presidency, this function migrated to the Prime Minister's Office. The EU Affairs Unit in the Prime Minister's Office is led by a state secretary. It supports a dedicated Cabinet Committee, chaired by the Prime Minister, which meets every Friday morning. All Cabinet members are entitled to attend, and since the 2008 crisis most do.

- The EU Affairs Cabinet Committee discusses two agenda items: the first is the upcoming Council meeting the following week, and Finland's position on Council matters of consequence to Finland's interests. The EU Committee of the Finnish Parliament meets on Friday afternoon, and engages the EU Affairs State Secretary on EU agenda matters. The parliamentary committee scrutinises the government's position, then votes on it. The net result is that Finland rarely, if ever, evokes "parliamentary reservations" in EU Committee discussions.
- The second agenda item relates to the ex ante position Finland is to adopt on upcoming European Commission items. As in Estonia, the EU Affairs Unit in the Prime Minister's Office relies on a committee of permanent secretaries, chaired by the state secretary, to prepare discussion on these items. Interestingly, EU financial and policy matters are discussed jointly, whereas they had once been separate co-ordination exercises.
- It would appear that co-ordination of EU affairs in Finland is the most forward-looking and advanced process of all cross-government co-ordination tools used by the Finnish government today.[14] Moreover, the Prime Minister's co-ordinating function is not questioned with respect to EU matters as this function is explicitly assigned to the Prime Minister in the Finnish Constitution. This affords the Prime Minister's Office with a measure of formal power to impose cross-ministry co-ordination and collaboration that it cannot exert on domestic matters.
- The government is currently conducting an impact assessment on the performance of this co-ordination and the degree to which Finnish interests are reflected properly in EU directives and non-legislative decisions. This information will be strategically important not only with respect to measuring Finland's influence over EU decisions and the degree to which Finland's interests are being advanced, but more generally as an indicator of the effectiveness and efficiency of this type of whole-of-government co-ordination arrangement on the ultimate coherence of policy design and implementation. This performance information could then be used to bolster arguments in favour of greater cross-government steering capacity on national strategic issues, to be led by the Prime Minister's Office.

Each country faces challenges in putting more "strategy" in its government's strategy

Finland recognises some of the limitations it currently experiences in setting and implementing strategy both in terms of the early phase when the Government Programme is being crafted by politicians from across the incoming governing coalition and later when the civil service translates the programme into the HOT implementation strategy for ministers to approve.

- The process through which the Government Programme is formulated, that is the timeline, evidence informing it and parties involved, is not functioning as efficiently as it could be.[15] Finland's CoG institutions are challenged with ensuring a strategically actionable and priority-oriented implementation plan based on a Government Programme with over 900 priority measures in it. Indeed, Table 2.6 shows a continuous increase over the last decade or more in the number of "priority measures" to be implemented under the Government Programme in each country.
- Developing a shared understanding between politicians and the public administration on a strategic vision for the country that is to be implemented over the short, medium and long term is thus not a foregone conclusion. Over the course of this translation process, the interface between politicians and the administration occurs only at the end. This leads to a situation in which politicians cannot gain sufficient appreciation of the legal and fiscal considerations that frame the implementation of the programme, because effective dialogue between the civil service and the governing coalition leadership does not occur.
- The strategic analysis and evidence developed in the public administration, notably the results of ministries' Futures Reports which present major future challenges and potential policy choices for the incoming government (see Chapter 3 on the generation and use of strategic foresight information), are not necessarily integrated by politicians during the formation of the Government Programme, which creates hurdles for its implementation, especially in terms of the civil service being able to generate strategic "buy-in" from line ministers on the contextual factors shaping what can and cannot reasonably be implemented over the government's term, notwithstanding ministers' expectations regarding their political agenda and associated wish-lists upon taking office.
- The growing complexity of the political programme has also resulted in a widening gap of trust between the political level and the senior civil service. Sharing a common and unified vocabulary, understandable by both groups, that can provide a clear pathway to implementation, is proving more difficult.

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.

Table 2.6. **Measures in the Government Programme over time**

	Finland					Estonia			
	2003-07	2007-10	2010-11	2011-14	2014-present	2006-07	2007-11	2011-14	2014-15
Number of measures	260	587	587+ 27 new	964	964+ 67 new	92	362	648	289

Source: Prime Minister's Office Finland; Government Office Estonia.

That said, 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 Government Programme (see Chapter 3 on generating and integrating strategic foresight information into decision making and government strategy setting).

- The Estonia 2020 competitiveness strategy appears to be reflected in the Government Programme; indeed, annual efforts are made to link them on an operational level through regular updates, and many objectives and targets are shared in both documents. In addition, the state budget strategy follows the structure of the Government Programme with regard to policy fields, objectives and main measures. All ministerial action plans to implement the Government Programme (over the government's four-year term) are updated yearly and tied to the budget process.
- However, it is less clear that the Government Programme and the remaining horizontal strategies on sustainability and defence are linked. In addition, long-term strategic analysis or information also appears not to have been systematically back-cast to inform the objectives of the Government Programme. For example, no systematic process for horizon scanning or long-term visioning with a time horizon of more than five years exists. When drafting and renewing Estonia 2020, long-term analysis and projections were used both in demographic and economic data, yet the strategy only projects to 2020.
- Implementing longer term strategic objectives can be achieved by linking a country's medium-term strategic framework to the objectives identified in the longer term strategy document. Ideally, these longer term strategy documents are informed by the results of strategic foresight that use a planning horizon of 10, 20 or more years (see Chapter 3 on generating and using strategic foresight results). In this case, the Estonia Government Programme would need to present initiatives that seek to advance over the life of the government, objectives identified in all of Estonia's longer term strategies, not just Estonia 2020. This equally demands adequately generated and linked foresight activity informing Estonia's longer term strategies. For example, in Poland, the key national long-term development strategy "Poland 2030: The Third Wave of Modernity – A Long-Term National Development Strategy" is linked to the country's medium-term strategic framework entitled "The Medium-Term National Development Strategy 2020" which, in turn, is rolled out in the government's eight integrated strategic implementation plans.

The Government Programme could serve to articulate a small number of overarching, integrated, outcomes-based strategic objectives for the country. Indeed, in its 2011-14 edition, the 55 objectives[16] under 7 priorities and 18 policy fields (Table 2.7) could be framed within a broad strategic vision statement that could enable the government – both ministers and the civil service leadership – to articulate and communicate broadly and in simple terms, both within and outside the government, the government's overarching objectives and the relevance of individual single- and multi-sector priority initiatives to their pursuit.

- This could allow a clustering of the initiatives in the Government Programme around a small number of integrated whole-of-government policy priorities, themselves linked to the strategic vision statement that is to be pursued over the government's term.
- This could also encourage the alignment of ministry plans with this small number of cross-cutting, whole-of-government strategic objectives.
- As a result of the 2014 change in government, Estonia's new Government Programme – adopted in the autumn of 2014 to guide the government's activities until general elections in early 2015 – has decreased the number of key strategic priorities to four, with at least one cross-cutting priority (reducing child poverty) requiring a whole-of-government response. This is a good step; the challenge will be for the incoming government to approve a Government Programme with an equally small number of focused, integrated, whole-of-government strategic objectives covering the entirety of the government's longer term strategic framework, within which it will pursue its strategic priorities over the course of its term in office.

Table 2.7. **Objectives in Estonia's Government Programme over time**

	Objectives	Policy fields
2014-15	4	14
2011-14	7	18
2007-11	18	19
2006-07	No descriptive objectives	14

Source: Government Office Estonia.

Both countries face challenges in linking budgeting to strategy setting and implementation

Currently, there are no direct links between national strategy setting and the budget process in either country. Estonia and Finland display remarkably similar approaches in the way they link budgeting and strategy setting – particularly in the way they finance national strategy through the budget process: neither country does. In Estonia and in Finland, there is no direct link between identifying resources to fund national whole-of-government strategies and the national budget-setting exercise, a key challenge that has already been identified in the previous OECD reviews:

- In Estonia, all multi-sector strategies have to be costed at a fairly high level of detail, but there is no clear link between this cost-estimate exercise and setting the national budget. Key strategies are to be financed through the budget allotments assigned to the various relevant ministries mandated to implement the strategy. This leads to elaborate policy and fiscal co-ordination, primarily through the use of one-time, single-purpose government task forces (set up only at the beginning of the government's term to last the duration of its term) mandated to set and oversee the implementation of the strategy (see Chapter 4).
- In Finland, key national strategies are not financed separately in the budget either. As in Estonia, they get their resources from the monies allocated to the ministries involved in pursuing the strategy. There is no separate allocation for multi-sector national strategies. This is one of the reasons why horizontal policy programmes

were discontinued at the beginning of the current decade. They had not been resourced with a proper budget allocation.

Although all strategies are costed in a fairly high level of detail in Estonia, there is still little linkage between budget allocation, strategic priorities and the assessment of the government's performance in how successful it is in pursuing these priorities as laid out in the Government Programme.

- In Estonia, to a large extent, the budget system is input-based, as opposed to output-based let alone outcome-based, with funding tied directly to ministries' organisational development plans, as opposed to priorities in the Government Programme or single-sector strategies. In addition, with up to 75% of the budget fixed (in law or even in the Constitution) in entitlements, significant constraints exist on spending flexibility (see Chapter 4).
- As in many OECD countries, the "fiscal space" within which the government can freely allocate financial resources can be limited by pre-existing commitments, such as public sector wages and various entitlements. In Estonia, this is compounded by the fact that laws specify the nature and missions of implementing agencies in relative detail and therefore any restructuring of the machinery of government requires a legislative amendment.
- To this end, reallocation of resources can be pursued through strategic spending reviews, as in other OECD countries (see Chapter 4). Estonia can also benefit from the fact that it still has a significant capacity to close the gap in income levels with the rest of the EU; with above-average economic growth expected over the longer term, this may offer some margin of flexibility. Estonia thus differs significantly from Finland in this respect.
- Rules respecting the management of the European Union's 2014-2020 Structural Funding set a positive example for moving forward with regard to identifying possible areas for potential savings and reinvestment in emerging priorities through more effective performance assessment capacity. EU Structural Funds will now be the subject of more robust performance assessment conditions, which over time could be adapted by Estonia and applied to national policy and spending (see the sub-section above on EU affairs). This can serve Estonia over the medium term as an effective tool to identify areas where spending is inefficient or under-performing against policy results. These areas could eventually enable possible reinvestment capacity in emerging priority areas (see Chapter 4).

Finland, like Estonia, faces a challenge in linking budget processes with priorities of the Government Programme, and thus the ability to steer strategies via resource allocation. Key national strategies are not financed separately in the budget. They receive their resources from the resources allocated to the administrative field(s) involved in that particular strategy. There is thus little incentive for ministries to achieve strategic results through the resource allocation process. As noted above, the horizontal policy programmes were discontinued as they did not have a proper budget allocation, and hence were deemed ineffective even though they could have led to better policy outcomes had they been provided with dedicated fiscal resources.

Both countries could consider using budget tools and integrating performance information into resource allocation decisions to enhance strategy setting and steering

Both countries' budget cycles are mainly dominated by input and are not linked to output or outcomes. To this end, although Estonia has amended the Organic Budget Law to allow a legal framework for programme-based budgeting, for the most part the two countries do not currently link strategic outcomes of the Government Programme with budget processes. Enhanced implementation capacity through performance-informed, multi-year budgeting linked to strategic outcomes could be considered by both countries.

The budget is a key strategic decision-making tool. It needs to be comprehensive, covering all government revenue and expenditures, so that the necessary policy trade-offs between options can be made based on hard evidence from the government's fiscal framework. The budget supplies critical information that constitutes a *sine qua non* condition for implementing strategic decisions rationally. This is in the nature of the strategic tools governments use to affect change. Lacking a modern, responsive, transparent and outcome-focused budget process thus significantly restricts a government's ability to perform and deliver strategic results to citizens and businesses efficiently and effectively.

"Performance budgeting" in a broad sense enables the use of budget output and outcome information for resource allocation purposes. Performance budgeting is widely implemented in OECD countries, but has also shown some of its limitations and there is currently no consensus on how best to use it. The OECD has identified three broad categories of performance budgeting: presentational performance budgeting, performance-informed budgeting and direct performance budgeting (formula-based budgeting; see Table 2.8).

Table 2.8. **Performance budgeting categories**

Type of performance budgeting	Link between performance information and funding	Planned or actual performance	Main purpose in the budget process
Presentational	No link	Performance targets and/or performance results	Accountability
Performance-informed budgeting	Loose/indirect link	Performance targets and/or performance results	Planning and/or accountability
Direct/formula performance budgeting	Tight/direct link	Performance results	Resource allocation and accountability

Source: OECD (2007).

The purpose of introducing performance information into the budget process is to improve policy delivery to citizens by managing the country's public finances in a way that enables the government to assess whether spending is achieving strategic outcomes. Performance-informed budgeting strengthens allocative and operational efficiency, multi-year fiscal planning capacity, and transparency and accountability of government. Of course, in practice, the degree to which "performance budgeting" works relates as much to the stability over time of what is being measured and the results that are supposed to be achieved, as with the degree to which this is cascaded down to operational

levels within ministries, as it does to the robustness of the government's overall performance budgeting framework.

While the use of "performance budgeting" varies greatly, almost all OECD countries now use non-financial performance targets/measures[17] in their budgeting methodology. This usually involves a government developing a performance framework through which objectives can be set and performance indicators can document results (as like the US and Austrian examples provided in Boxes 2.9 and 2.10). In some countries, objectives and indicators are developed as part of an overall strategic plan for the government; in others, objectives and indicators will be set and monitored according to priorities in a particular policy area. In practice this means a number of things. This information can be used to gain insight into how different programmes contribute to the achievement of the government's policy goals. Depending on the type of performance information, this can also help explain why some programmes work and whether they represent value for money. The Austrian and US reforms – particularly with regard to linking resources with achieving national strategic outcomes and monitoring results – could be useful for Estonia and Finland (see Boxes 2.9 and 2.10).

Beyond generating output- and outcome-based performance information in the national budget, other tools to generate fiscal room to support emerging policy priorities, including strategic spending reviews, creating policy reserves and contingency funds, are discussed in Chapter 4.

Box 2.9. **Implementing performance budgeting in Austria: Monitoring performance and focusing on results**

There are several ways in which countries carry out "performance budgeting", as illustrated by the richness of examples across the OECD. No country, however, practices it the same way or perfectly for that matter. Austria underwent reforms to develop a binding medium-term perspective for the budget and pragmatically link resources to results. Prior to the reforms, Austria had been facing traditional budgeting challenges, including:

- a short-sighted annual approach without a medium-, let alone long-, term perspective
- budget discussions that focused on ministries' expenditure, but barely on results in light of policy decisions for citizens
- a cash-based system which did not provide a full picture of public finances
- a lack of incentives and sanctions to foster appropriate fiscal behaviour in spending ministries and administrative units.

One of the most important reforms focuses on performance, linking resources to results:

- Each ministry defines a maximum of five outcomes, covered by the budget decision in parliament. These outcomes define the strategy of the ministry. Each outcome has to be justified and explained: Why has this outcome been chosen? How will it be achieved? What is the benchmark for success? The outcomes are not only addressed in the annual budget but also in the medium-term expenditure framework, which links performance information in the medium-term perspective to the annual budget.
- Each ministry contains a number of global budgets (e.g. schools in the Ministry of Education; labour market in the Ministry of Social Affairs). For each, a maximum of five outputs are defined, which form part of the budget decision. These outputs have to be directly attributable to the general outcomes of the ministry as defined in the budget.

Box 2.9. **Implementing performance budgeting in Austria: Monitoring performance and focusing on results** (*cont.*)

- In order to connect resources to results at each level of the administration, resources and results are defined not only for each ministry's global budget, but for each of the ministry's discreet administrative units. Thus, resources and performance information covering all levels of the federal budget are presented within a single budget document.

To make sure that every public servant who deals with the budget is aware of the potential for improvement in the relevant general budget, the Court of Audit may add a set of brief summary recommendations. Thus, the annual budget document provides three basic types of information: resources, performance information and recommendations of the Court of Audit, thereby giving a comprehensive picture of all of the relevant information necessary for members of parliament and the public to interpret the budget documentation effectively.

To reduce the risk either of a lack of ambition when formulating the objectives or possible tensions between objectives in interrelated political areas, the Chancellery was given a co-ordinating role in formulating the objectives. This role is restricted to monitoring and advice. Due to the Austrian constitutional framework, the Chancellery cannot force line ministries to accept specific outcomes and outputs.

The Austrian reform focuses on results. This strengthens the budget as the government's central planning document. Ministers have to decide on their priorities and communicate them in a transparent and binding way. Members of parliament have to vote not only on resources, but on defined performance results. This will curb and strengthen the strategic dimension of policy making. It will be a challenge for politicians, civil servants and the public to interact with the new system to ensure that its intended effects are fully achieved.

Box 2.10. **The performance management framework of the United States: The Government Performance and Results Act Modernization Act**

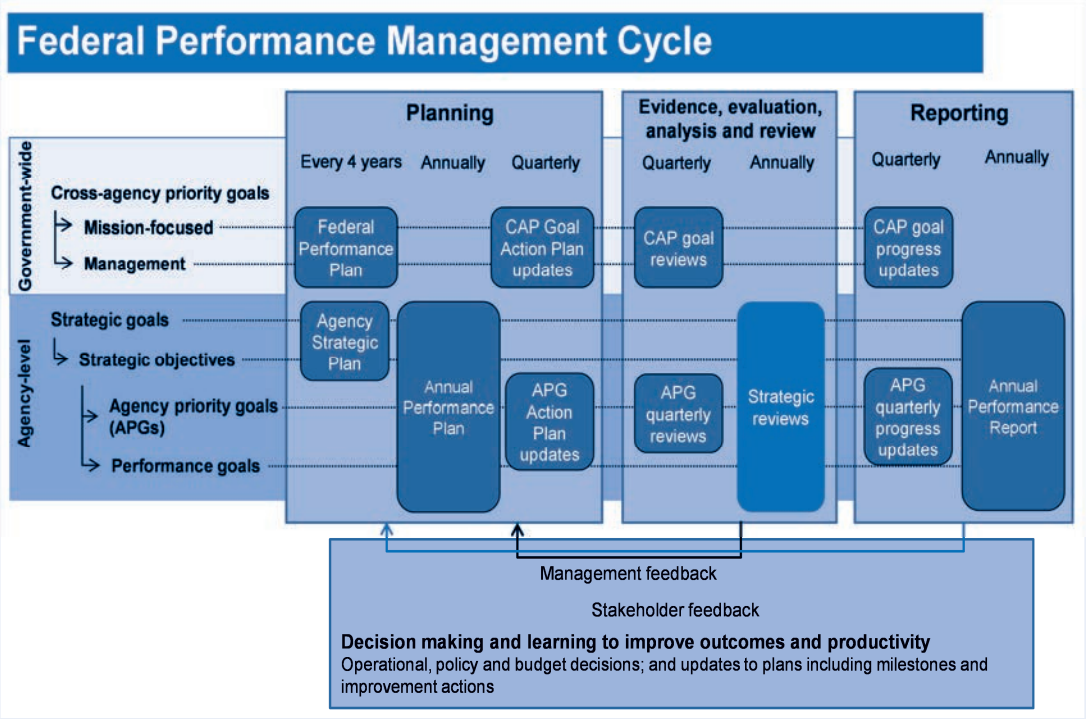
The United States recently undertook reforms to improve the central government's performance management system and foster a dialogue on performance across government. The Government Performance and Results Act (GPRA) Modernization Act of 2010 puts focus on priority goal setting and data-driven reviews. A main effort of the new system is to demonstrate the value of performance information and its usefulness in management decisions. A key element to drive such an effort has been to establish leadership roles and performance improvement responsibilities for senior management, making it their job to engage the workforce in a performance-based discussion as well as assuming accountability for agency performance and results.

The Modernisation Act requires every agency to identify two to eight (usually about five) priority goals (APGs), which inform the setting of the APG Action Plan. The AGPs are set every two years and are subject to quarterly performance reviews by the chief operating officer (usually deputy) and the performance improvement officer. In addition to agency-level priority goals, federal cross-agency priority goals are set every four years, with performance assessed via quarterly reviews by the Office of Management and Budget (OMB) Director and a Performance Improvement Council. Finally, agency-level strategic goals and objectives, which inform the setting of the AGPs, are subject to annual strategic reviews by agencies and the OMB (see figure below).

Strategic reviews are annual assessments which synthesise the available performance information and evidence to inform budget, legislative and management decisions. Initial results of the first round of reviews are promising. Many agencies were able to identify strategic objectives with relatively weak evidence and thus identify areas for improving metrics. Moreover, agencies reported that the strategic reviews broke down silos by bringing programmes together to discuss cross-cutting, strategic issues.

Box 2.10. **The performance management framework of the United States: The Government Performance and Results Act Modernization Act** (*cont.*)

United States' performance management framework



Sources: Based on information from the United States Office of Management and Budget; Implementing Strategic Reviews: A component of the GPRA Modernization Act of 2010, Mark Bussow, Performance Team Lead at U.S. Office of Management and Budget (OMB), presented at the 10th Annual meeting of the OECD Senior Budget Officials Performance and Results Network.

Notes

1. For example, the government's strategic implementation plan or programme for the four-year government term.

2. Government regulation on "The types and procedures of compilation, amending, implementation and evaluation of strategic development plans", adopted in 2005. (Government Regulation No. 302, 13 December 2005, available at: www.riigiteataja.ee/ert/ert.jsp?link=print&id=968099).

3. The 2011-2014 Government Programme (originally prepared to cover the 2011-15 period) presented 55 overall objectives and 7 key priorities, which represented a

decrease in the number of overall objectives when compared to the previous Government Programme. As in Finland, Estonia experienced a change in government in March 2014 when the Prime Minister stepped down. Consequently, a new coalition government was formed and a new Coalition Agreement was prepared. The new Coalition Agreement gives priority to national security, child poverty, reducing the tax burden of labour and maintaining a balanced budget. Based on this agreement, the Government Programme for 2014-2015 presented 4 key priorities with quantifiable targets and indicators and 14 policy areas to be addressed over the life of the programme (see Table 1.2) – general elections are anticipated for March 2015. These priorities were also included in the state Budget Strategy 2015-2018.

4. Action Plan for Implementing OECD Public Governance Review: https://riigikantselei.ee/en/oecd-public-governance-review

5. The administrative head of a ministry. Appointment and release from office is the responsibility of the minister. See Table 2.3.

6. Using the D'Hondt method of seat allocation.

7. The use of the term HOT was originally developed during the translation of the 2011-2015 Government Programme. This term may not be used in future Government Programme implementation plans, and thus should be understood as meaning the Strategic Implementation Plan of the Government Programme: http://valtioneuvosto.fi/tiedostot/julkinen/vn/hse-2011/en.pdf. http://valtioneuvosto.fi/en/government-programme-monitoring.

8. The ministries' joint intranet.

9. Development Project for Monitoring the Government Programme (KOKKA) for the next government term.

10. The top civil servant in a line ministry.

11. The last review session was held 28 February 2013: http://valtioneuvosto.fi/tiedostot/julkinen/2013-puolivali/arvio-hallitusohjelman-toteutumisesta.pdf.

12. The following comments were provided by senior Estonian officials in their responses to the questionnaire for the *Public Governance Review*.

13. This challenge was equally raised by Finnish officials during the OECD Secretariat's fact-finding mission in April 2014.

14. Based on interviews with various Finnish officials during the fact-finding mission in May 2014.

15. Management of Government Policies in the 2010s – Tools for More Effective Strategic Work. Development Project for Monitoring the Government Programme, KOKKA: http://vnk.fi/julkaisukansio/2011/j07-hallituspolitiikan-johtaminen-j15-sv-j16-en/pdf/en.pdf.

16. Estonia experienced a change in government in March 2014; the Government Programme was updated in the third quarter of 2014. The number of key objectives has been significantly reduced: 4 key priorities with quantifiable targets have been established among the 14 policy fields covered in the Government Programme.

17. OECD Budgeting Practices and Procedures Database: www.oecd.org/gov/budget/database (Q. 71 "What types of performance information are produced to assess the government's non-financial performance?").

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Chapter 3:

Achieving strategic results through whole-of-government evidence-informed decision making

This chapter examines the ability of the governments of Estonia and Finland to take effective decisions based on a robust set of evidence. It provides an overview of the state of evidence-based decision making in both countries, and assesses it as a function of their capacity to effectively generate and integrate regulatory impact assessment, performance information, citizen engagement, strategic foresight information and existing knowledge bases into government's decisions. The chapter notes recent advancements in improving these processes while emphasising the need to formalise institutional arrangements to foster evidence-based decision making in order to ensure major legislative and strategic initiatives have been informed by a robust set of evidence.

OECD experience suggests that whole-of-government evidence-based decision making tends to lead to greater effectiveness and efficiencies in achieving strategic outcomes (see Box 3.1). A robust, joined-up knowledge base that informs whole-of-government strategic decision making allows for a wide range of policy benefits, including importantly a deeper understanding of the policy challenges and opportunities facing society (on different time horizons), the impact of proposed policy "solutions", and furthermore whether policy interventions are achieving the expected results for society. A broader definition of public results should be considered (Bourgon, 2011), one that encompasses agency results, system-wide results and societal results – which are most meaningful for citizens. To this end, the effective integration of evidence into all aspects of the policy cycle, i.e. *ex ante* and *ex post*, can help governments achieve strategic outcomes while guiding strategy setting and implementation over the medium and long term.

Estonia and Finland are at different stages in building evidence to inform decision making, yet both are facing some similar challenges in integrating evidence into policy making and ensuring a solid knowledge base is more generally informing decisions. The countries have to some extent deployed different tools and institutional setups to foster evidence-based decision making in the public administration, while other forms of evidence (such as performance-informed budgeting) have yet to be generated and integrated in both countries. Still, both countries are relatively small which creates challenges for ensuring the availability of all the right expertise and the human infrastructure that is required to take advantage of this wealth of information.

The current state of evidence-based decision making in Estonia

Estonia has adopted mechanisms to promote a culture of evidence-based policy making in the public administration; however, the systematic use of evidence in policy making is not yet engrained in the civil service as a whole,[1] notably with respect to *ex post* evaluation of policy performance. This may also reflect challenges related to the size of the country, where capacity for staff to perform evidence-based analysis in ministries or key institutions within or outside the government is less abundant than in larger countries.

That said, Estonia has made significant progress in recent years in advancing the use of regulatory impact assessment (RIA). As of 2014, Estonia has developed a firm legal basis for ministries to carry out RIA, requiring *ex ante* preliminary impact assessments to accompany all new primary legislative proposals (to identify the need for an in-depth RIA), with quality control and support being conducted by the Ministry of Justice. The new system is in its early stages and thus it remains to be seen how ministries will adapt to the impact assessment requirements – and furthermore whether the functioning of the new system will prove effective.

In addition to recent advancements in conducting RIAs, Estonia could benefit from expanding its evidence portfolio, especially in terms of building more evidence to support strategic decisions over the long term (i.e. strategic foresight) and by strengthening *ex post* evaluation of policies and strategies to ensure that performance can be assessed and polices can be adjusted if they are not meeting targets. Moreover, while spending performance information is being built after reform of the Organic Budget Law, it is in early development (see section in Chapter 2 on programme-based budgeting). Additionally, capacity for data analysis and research could be advanced by allowing ministries to commission expertise to inform policy initiatives as they are being

developed by a ministry, either from an institution within government or from the broader public sector (e.g. state-owned research institutions; the central bank; the supreme audit institution, Statistics Estonia, the Ministry of Finance or a combination thereof) or via joint ventures with knowledge and research institutes from outside the public sector.

Box 3.1. **Evidence-based decision making: A key aspect of a strategic state**

Since the launch of the first of *Government at a Glance* in 2009, the OECD has been advocating evidence-based policy making with the view that coherent policies require governments to take account of all pertinent information. This implies that governments assess the benefits of policy proposals in relation to the future costs as well as their interaction with structural reforms. Evidence-based policy analysis allows for decisions aimed at implementing and steering strategy to be taken in the country's medium- and long-term interests, based on evidence derived from strategic foresight and environmental scanning that correctly identify domestic and international short- and long-term challenges and opportunities, on performance assessment that allows for judicious prioritisation of expenditures to achieve the best results with the least resources, and on individual issues being analysed within a broader strategic framework.

Insights from recent OECD *Public Governance Reviews* identify key areas for evidence-based decision making:

- performance-informed budgeting as a means to support evidence-based decisions on resource allocation
- analytical capacity within ministries to carry out evidence-based policy analysis and implementation
- use of evidence-based impact assessment to secure the coherence and effectiveness of policies, laws and regulations
- prioritisation of key issues for assessment
- internal (and external) consultation to share issues and secure feedback.

Throughout the OECD, good governance practice suggests that policy should be based on sound evidence derived from rigorous analysis of the available facts. Governance practices determine how evidence contributes to identifying policy options. The OECD *Recommendation of the Council on Regulatory Policy and Governance* (2012b) provides a framework for the making and updating of rules and regulations. This evidence needs to be available at the right time and be seen by the right people. OECD practice suggests that the following major ingredients are needed to obtain and use the "right evidence":

- a sound methodology that allows for proper consideration of the immediate and long-term nature of the issue and of the rationale supporting different options for policy intervention (including doing nothing)
- good data for analysis
- public access to the data, assumptions and methodologies used to frame the issue and identify options to address it, so that scrutiny can be brought to bear and the analysis replicated independently
- time to carry out this analysis properly and to consult the general public on its results
- a capable and skilled public service including people skilled in quantitative methods
- a "receptive policy-making" environment: that is political leaders who are willing and able to decide on the basis of the evidence presented.

Sources: Banks (2010); OECD (2009; 2012; 2013a).

Regulatory impact assessment

Regulating, along with spending and taxing, is a key tool of government. It is of particularly high importance for implementing government strategies. Well-designed, evidence-based legislation tends to help governments achieve policy goals; poorly designed legislation tends to undermine the operation of the economy and impede people's lives. Ill-conceived regulation can stifle innovation and entrepreneurship, reduce welfare and slow growth. Whether legislation is well or poorly designed depends to a large extent on the quality and use of evidence in the rule-making process (see Box 3.2).

Ex ante impact assessment of new regulations is one of the most important regulatory tools available to governments. OECD experience shows that a robust administrative responsibility centre with adequate resourcing can help ensure that impact assessments find an appropriate and timely place in the policy- and rule-making process and can raise the quality of these assessments.

- Co-ordination of rulemaking and regulatory impact analysis is first and foremost a responsibility of CoG institutions.
- Effective strategic whole-of-government oversight by the Centre of Government (CoG) over rulemaking is central to enhancing the efficient functioning of national strategies and achieving national strategic outcomes.

Box 3.2. **Regulatory policy, Better Regulation and administrative simplification**

The objective of regulatory policy is to ensure that regulations support economic growth and development, the achievement of broader societal objectives such as social welfare and environmental sustainability, as well as strengthening the rule of law. It addresses the permanent need to ensure that regulations and regulatory frameworks are justified, of high quality and achieve policy objectives.

The use of regulatory policy to inform and improve policy formulation and decision making has a number of dimensions. A range of tools must be deployed in a consistent and mutually supporting manner if systemic quality assurance is to be the result. The tools involve strategic approaches and the use of instruments to give effect to regulatory policy. The essential tools include regulatory impact analysis, the consideration of regulatory alternatives, administrative simplification, ensuring regulatory transparency and *ex post* evaluation.

The emergence of regulatory policy has taken different pathways across the OECD, reflecting the diverse range of legal, political and cultural contexts in which countries have built their public governance. Perhaps the most important lesson is that the development of an effective regulatory policy is an evolutionary process which involves a broad scope of issues. In the European Union, for example, the terms Better Regulation or Smart Regulation are used to mean delivering policies and laws that bring the greatest possible benefits to people and businesses in the most effective way.

Source: OECD (2011); European Commission (n.d.), "Smart Regulation", http://ec.europa.eu/smart-regulation.

The introduction of *ex ante* impact assessment in the Estonian government was launched by the Government Office in 2007 with its "Development and Systemisation of the Government Long-term Planning System" programme which aims at improving long-term government planning and the quality of analysis informing impact assessment (Kasemets, 2014). Along with the "Better Regulation" programme led by the Ministry of Justice (also running from 2007-14), the Estonian government sought to improve the

evidence informing regulatory choices and more generally the regulatory environment. As a result, a number of improvements in impact assessment have taken place, including advancing impact assessment for development plans as well as creating joint financing for ministries to undertake RIAs (see Box 3.4).

The Estonian government has made significant progress in ensuring that its decisions to adopt regulation are based on sound evidence:

- Starting in 2014, ex ante preliminary impact assessment has been introduced as a mandatory requirement to be reflected in a legislative intent document to be prepared for all legislative proposals (to identify the need for an in-depth RIA), with the Ministry of Justice responsible for oversight. According to the Estonian Rules of Good Legislative Practice and Legislative Drafting, the requirement for a preliminary RIA applies to both primary and secondary legislation initiated by the government.[2]
- Additionally, according to the Estonian Methodology of Impact Assessment, preliminary impact assessment also applies to strategic development plans and to the shaping of Estonian positions with respect to EU legislative initiatives. Oversight responsibility is shared between two CoG institutions:
  - The Legislative Quality Division of the Ministry of Justice is the focal point for all preliminary and in-depth RIAs related to primary legislation, acting to ensure the quality of ministries' impact assessments as well as providing support capacity.
  - The Government Office is tasked with ensuring the quality of impact assessments dealing with strategic development plans and positions regarding EU legislative initiatives, while equally providing support, for example with tailor-made seminars for officials.
- The Methodology of Impact Assessment was developed in close co-operation between the two bodies.

As mentioned above, all legislative proposals, national development plans and EU initiatives must be accompanied by a preliminary impact assessment. In the preliminary impact assessment, ministries must first draw up the legislative intent, in which they:

- describe the problem
- identify the target group(s)
- analyse the different policy options
- choose the best option
- show the legal modifications that the policy option would bring about
- identify its impacts
- determine if significant impacts warrant an in-depth impact assessment (see Box 3.4).

There has, however, been only modest experience with in-depth impact assessments to date, with only two or three carried out since 2012. The limited number of in-depth impact assessments might reflect a tendency to claim special exceptions that allow ministers to by-pass the requirement for the preparation of the legislative intent and the related preliminary impact assessment. In addition, an analysis of the small number of in-

depth impact assessments shows that they were more concentrated on the past and the present rather than on predicting the future – on whether the proposed initiative can achieve the policy objectives that were identified for the initiative at the start. This may be due to lack of analytical capacity and/or data availability in ministries needed to project the future based on either existing trends or on modelling potential consequences of new policies.

Box 3.3. **Financing evidence-based policy-making: The Wise Decisions Fund**

The Wise Decisions Fund was set up in 2008 under the Government Office. The fund was established under a broader programme launched by the Government Office entitled "The Development and Systemisation of the Government Long-Term Planning System", which aims to improve long-term government planning and the quality of analysis informing impact assessment. The programme was created in 2007 with the help of the European Social Fund and was planned to run until 31 July 2014. The programme had five key goals, one of which led to the creation of the Wise Decisions Fund:

- develop a system of government advisory committees
- develop an integrated system of impact assessment
- establish a dissemination system of new and crucial information revealed in studies and surveys supporting the policy-making and implementation process, and make the planning of research transparent
- develop a system for analysing government performance
- finance sector policy studies and impact assessments needed for policy making (the Wise Decisions Fund).

The objective of the Wise Decisions Fund is to foster high-quality and analysis-based decision making through improving the impact assessment of legislative decisions prepared for the government or the parliament. The fund, as a financial tool, supports the financing of ministry-initiated RIAs, if additional funding is needed. Initially, the fund had financed sector research and policy studies as well as strategic development projects and, to a limited extent, doctoral students' study projects. The fund has supported research and development activities with over EUR 3 million. An ongoing project is currently assessing how effective the policy studies and financed RIAs have been. The fund is expected to continue to support both *ex ante* RIAs and *ex post* evaluation studies at least until 2018.

The Wise Decisions Fund is seen as an innovative tool to promote more evidence-based policy making in ministries. For example, the Wise Decision Fund financed an RIA initiated by the Ministry of Social Affairs in relation to the Law on Child Protection. The experience was seen as a positive one as, due to time constraints, the RIA was conducted in parallel with the preparation of the draft law, which led to many of the conclusions being incorporated into the text of the draft on-the-go.

Source: https://riigikantselei.ee/et/tarkade-otsuste-fond.

A well-functioning RIA system requires a system of checks and balances, with engagement from the Centre to exercise oversight and quality control as well as to support ministries in their RIA efforts, notably with respect to training. In Estonia, in addition to carrying out oversight and quality control over their respective impact assessment responsibilities, the Ministry of Justice, the Ministry of Finance and the Government Office have co-ordinated training for civil servants, as in many OECD countries:

- From 2005 to 2011 the Ministry of Finance conducted regular training on the analysis of the impact of legislation. Then, starting in late 2012, in the lead-up to

the mandatory requirement to conduct RIA, the Estonian Centre for Policy Studies, Praxis, was commissioned by the Ministry of Finance to conduct a training programme on "Impact Assessment in the Policy-Making Process". The programme consisted of 13 two-day training modules for officials from constitutional institutions and government agencies tasked with assessing impact in their everyday work. The aim of the training programme was to educate participants in RIA process, planning, methodologies and use of results. More RIA-related training courses are planned in the 2015-17 Central Training Programme for raising Estonian Administrative Capacity, led by the Ministry of Finance. In addition to organising seminars, the advisors are the everyday RIA contact point for government officials with regard to government-initiated legislation.

Box 3.4. **Methodological considerations for regulatory impact assessment in Estonia**

According to the Rules of Good Legislative Practice and Legislative Drafting of the Government, the Rules of Legislative Drafting of *Riigikogu* (the Estonian parliament) and the Methodology of Impact Assessment, the assessment of the following impacts is required (areas of potential impact):

- social, including demographic impact
- impact on national security and international relations
- impact on the economy
- impact on the living environment and natural environment
- impact on regional development
- impact on the organisation of state agencies and local government agencies
- any other direct or indirect impact, short or long term.

The Methodology of Impact Assessment includes a checklist for a more precise identification of impacts in the first six of the mentioned categories.

The significance of impacts is identified on the basis of four criteria: *i)* the scale of the impact; *ii)* the frequency of the occurrence of the impact; *iii)* the size of the affected target group; *iv)* the risk of accompanying undesirable impacts. By assessing the validity of each criterion for each measure on a three-point scale (large, medium, small), it is assessed whether the specific impact is significant or not. If at least one of the four indicators has been assessed as "large" or at least two indicators have been assessed as "medium", the impact shall be qualified as significant and an in-depth impact assessment must be carried out.

Steps of carrying out impact analysis

Identifying impacts	Finding out significance of impacts	Carrying out more in-depth analysis of significant impacts
Preliminary impact assessment		In-depth impact assessment

- RIA advisors in the Ministry of Justice also continuously organise seminars for government officials in order to explain the new RIA system, including the main challenges officials commonly face in its application. At the time of writing, the Legislative Quality Division of the Ministry of Justice was in the process of collecting feedback from government officials working with the new RIA system.

By the end of 2014, the Ministry of Justice was expected to put forth a preliminary assessment, including the gaps in the new system for ministers to discuss.

Box 3.5. **Methodological considerations for regulatory impact assessment in Estonia**

An in-depth analysis shall be carried out for impacts that are considered to be significant. The criteria for in-depth impact assessment are laid down in the Rules of Good Legislative Practice and Legislative Drafting, which state that a report on the assessment of the significant impacts shall:

- introduce information concerning the person ordering and the person carrying out the assessment of impacts, the engaged experts and non-governmental institutions
- describe the issue to be analysed and the purpose of analysis
- give the reason for selecting the method of analysis
- describe the information used, the analytical activities and the results of the analysis in the predefined areas of potential impact (social impacts, economic impacts, etc.; see Box 3.4) describe the positive and negative impacts of the possible policy options in the areas of potential impact
- provide a summary and the policy option most suitable for the achievement of the objective
- set out the obligation to submit an *ex post* assessment report, the activity plan for the preparation thereof, including the estimated date for the performance thereof, the main types of impact and assessment criteria, or justify the lack of necessity to perform *ex post* assessment.

Impacts can be analysed with qualitative and quantitative methods. In the course of qualitative analysis, both qualitative and quantitative data are collected concerning the selected (i.e. significant) accompanying impacts, usually by carrying out the so-called case analysis. Impact analysis by quantitative methods is based on quantitative data, i.e. impacts expressed in a form that can be evaluated in monetary terms, and thereafter the costs and benefits of different measures (cost-benefit analysis) or the cost of the achievement of the desired objectives (cost-effectiveness analysis) are assessed.

Source: OECD Questionnaire to Estonia; Estonian Methodology of Impact Assessment, Ministry of Justice and Government Office, 2012.

- Advice with regard to conducting impact assessment for proposed development plans is provided by the Strategy Unit in the Government Office, while for EU initiatives the European Union Secretariat of the Government Office is the main focal point. The Government Office has organised tailor-made seminars for this purpose for officials involved in impact assessment of EU initiatives. An ongoing study recently commissioned by the Government Office will assess how well the ministries apply the impact assessment methodology (conclusions from ten case studies), and will be used for further training and future revisions of the methodology. In addition, the Government Office has, on several occasions, helped ministries raise awareness about the need for RIA and its procedures, and has supported the development of *ex ante* RIA for strategic development plans in some cases.
- The National Audit Office is also expected to follow up with an assessment of the functioning of the new RIA system.

Citizen and stakeholder engagement

Effective consultation is key to ensuring that the interests of citizens and business are taken into account in the development and design of regulation. It improves the effectiveness of regulation by drawing on the information that regulated entities have about the likely impacts of regulation. The positive effect of increased transparency and stakeholder engagement is not just confined to regulation, but also enhances policy and programme development and delivery. This is consistent with the principle of Open Government, as required by the OECD (2012b) *Recommendation of the Council on Regulatory Policy and Governance*. In addition, citizen participation and inclusive decision making is equally beneficial in terms of budget processes as well as in building a longer term strategic vision for the country.

Citizen and stakeholder engagement in Estonia is linked in part to the mandatory *ex ante* impact assessment and the impact assessment methodology. Engagement was made compulsory for ministries when designing the intention of developing a draft as well as formulating a proposal to prepare a strategy. In the development of the legislative intent, the line ministry has an obligation to actively engage interest groups directly affected by the chosen policy instrument.

- To this end, the relevant interest groups must also be given the possibility to participate in the development of the intent. Once the intent has been drawn up, concerned ministries, agencies, the Ministry of Justice, interest groups and the general public are involved in its approval via the online platform Eelnõude infosüsteem (Estonian Information System for Legal Drafts – EIS; available at: http://eelnõud.valitsus.ee).
- The online platform is an official inter-institutional consultation environment and a comprehensive tool for broader engagement. It encompasses all drafts submitted by the government institutions either for public consultation, inter-institutional consultation or submission to government session.
- In addition to national documents, the EIS provides access to EU draft legislation and other documents related to the EU decision-making process. Through the EIS, all stakeholders have the opportunity to follow the proceedings of drafts, take part in public consultations and submit opinions on drafts that are in the consultation round.
- The inter-ministerial consultation environment is also open to interest groups and the public at large on the same basis. Interest groups can see the opinions given by the ministries to drafts and add their own comments (Kasemets, 2014).

As a complement to the RIA process, ministries must also follow the "Good Engagement Code of Practice".

- The code, which was adopted by government in 2011, elaborates the key principles that support active and meaningful participation of civil society organisations and the wider public.
- After the initial launch in 2006, the code was renewed to ensure that the engagement of all stakeholders was facilitated at earlier stages in the policy-making process – a recommendation made by the OECD in its *Public Governance Review* in 2011.

Overall the Estonian government has been on the leading edge of using ICTs to engage with citizens and other stakeholders. Beginning in June 2001, the government opened a direct democracy e-portal *Täna Otsustan Mina* (TOM, Today I Decide), with the aim to increase public participation in decision-making processes.

- The portal allowed citizens to submit ideas, initiatives, proposals and comments on what had been submitted by others, as well as on legislative drafts.
- Proposals that gathered the most support from users would go to the Prime Minister's Office.
- In 2001, the platform was thought to be a unique solution in the world, although interestingly citizens in Finland were given a similar opportunity to submit proposals on municipal level[3] (Kasemets, 2014).
- "Today I Decide" has developed into more than just one online platform. In addition to the EIS system mentioned above for legislative proposals, osale.ee (participate.ee) enables citizens to raise a wide range of issues and to gain support for their positions.
- The online participation platform (maintained by the Government Office) is linked to the EIS, wherein the EIS sends a notification to osale.ee when an important draft has been put to public consultation.
- While the EIS serves as a consultation environment for government institutions, osale.ee is a more user-friendly environment for citizens where, in addition to the documents, explanations in plain language are given on what is open for public consultation, what stage of procedures the material is linked to, and what is expected as a feedback.
- A third online platform, petitsioon.ee (petition.ee), enables citizens to participate and express their opinion on issues concerning society at large. The private initiative, created by the National Foundation – a non-governmental organisation – gathers signatures in support of various undertakings/initiatives and conducts opinion polls.
- Additionally, an innovative project to reinvigorate discussion on the functioning of democracy was launched in the beginning of 2013. "The People's Assembly" used co-creation methods such as crowdsourcing to start a public conversation on democratic practices in the country (see Box 3.6). There is an initiative to develop the webpage of the People's Assembly (rahvakogu.ee) further so as to make it possible for the citizens to initiate and send suggestions and collective proposals to the government based on crowdsourcing principles, and collect digital signatures required to submit the collective proposal to the attention of the parliament.

At the local level, citizens' participation has also taken place in relation to municipal budgetary processes. A participative approach to Tartu's budgetary decision process – the second biggest municipality in Estonia – allowed citizen to engaging in what they thought the city should spend part of its budget on (see Box 3.7).

Box 3.6. **The People's Assembly**

On 9 April 2013, the President of the Republic of Estonia presented to parliament a package of proposals intended to advance the functioning of democracy in the country. The proposals were a result of a co-creation (crowdsourcing) process, which had taken place during the previous three months. The process started by opening an online platform www.rahvakogu.ee (the so-called People's Assembly) for crowdsourcing ideas and proposals on five topics, where public satisfaction with the present situation was low: the electoral system, competition between political parties and their internal democracy, financing of political parties, strengthening the role of civic society in politics between the elections, and politicization of public offices.

The co-creation process combines modern communication tools with traditional face-to-face discussions. During the first stage (until the end of January 2013) nearly 2 000 proposals and comments were submitted, commented, supported or criticised online. During February and March 2013, analysts grouped the proposals and comments into bundles of different scenarios and provided an impact analysis. On 6 April 2013, a "Deliberation Day" was held to select the most preferred scenarios at a public meeting. This event gathered 300 people, randomly selected to proportionally represent all (voting) age groups, genders, regions and nationalities. On 9 April 2013, 16 proposals were presented to the parliament by the President of the Republic of Estonia.

The People's Assembly is organised by volunteers from various civil society organisations. The member organisations of the Estonian CS Open Government Partnership Roundtable were actively involved in the process. Several proposals presented to the parliament intend to bring Open Government in Estonia to the next, more advanced level.

Source: Rahvakogu (n.d.), "What is Rahvqkogu?", www.rahvakogu.ee/pages/what-is-rahvakogu.

Box 3.7. **Participatory budgeting in Tartu, Estonia**

In 2013, the City of Tartu, the second-largest city after Tallinn, became the first municipality in Estonia to launch participatory budgeting. Participatory budgeting grants citizens a better understanding and say of how the budget is spent, in this case on the local level.

The participatory budget process granted citizens of Tartu the opportunity to decide on how a portion of the city budget (amounting to EUR 140 000 of the investment budget, or 1%) should be spent. The initiative was part of the broader programme to raise awareness of local governance and foster broader engagement. The aims of the programme included:

- better explaining the logic of budget to citizens and reducing criticism
- increasing the understanding of how decisions are made in the city, and increasing trust in those decisions
- increasing co-operation inside the community and between the communities
- building discussion among all stakeholders in relation to the problems the city faces and the possible solutions
- increasing citizens' readiness to take part in activities of the city.

In March 2013 a working group of participatory budgeting was created in the Tartu city government. From March to June, a working group of the political and administrative leaders had meetings to decide how to implement participatory budgeting in Tartu. The City Council adopted the scenario for implementing participatory budgeting and assigned 1% of the investment budget to it.

Box 3.7. **Participatory budgeting in Tartu, Estonia** (*cont.*)

In August, the process was presented to the public and an online platform was launched. From the period 21 August-10 September 2013 the public could submit their suggestions for the portion of the investment budget via the website. Suggestions had to meet three basic criteria: *i)* be an investment in the public sphere of the city that would benefit as many people as possible; *ii)* cost less than EUR 140 000; *iii)* be feasible within a year. The people of Tartu submitted 158 ideas (one on paper, all others electronically).

In September and October, the proposals were analysed by field experts, similar ideas grouped together, and for each idea an assessment was made about its feasibility and its estimated cost. Based on the above criteria, the experts passed 74 ideas to the public vote. In November, the proposed ideas were published on Tartu's municipal website and on 19 November a public presentation event took place. The event provided the opportunity for proposed ideas to be presented.

Public voting took place during 2-8 December on the 74 proposals. All citizens of Tartu, 16 or older, had the opportunity to vote, either electronically (using ID-card or mobile-ID) or on paper ballot. Altogether, 3.3% of Tartu's citizens participated in the public ballot. Ninety percent of the votes were given electronically and 10% on paper ballot. The average age of the voters was 38 years, 42% were men and 58% women.

The proposal to invest in presentation equipment in the Cultural Quarter won the ballot and was granted the investment sum via the adoption of the budget by the City Council in December 2013.

Lessons from the first participatory budgeting process revealed that the scenario should be changed to enable public discussions in the initial phase and engage more non-profit organisations in the planning phase, as well as the need to change the voting system to give smaller ideas more chance.

Since 2014, the participatory budgeting process in Tartu is synchronised with the budgetary process of the city, both starting in the spring. In 2014, along with Tartu continuing with participatory budgeting, the Estonian town of Kuressaare will also launch participatory budgeting, assigning EUR 30 000 to be decided by the citizens.

Source: Kasemets (2014).

Lastly, participation in the Open Government Partnership, which resulted in the drafting and approval by the government in June 2014 of the second Action Plan 2014-2016, has strengthened the co-operation and relations between the government and civil society organisations (CSOs) in supporting open and transparent governance. The Action Plan was developed as a joint initiative where CSOs and the general public were invited to contribute their proposals and ideas from the very beginning. Open policy processes, transparent budgeting and financial management, and citizen-centred public services are the key areas in which progress is to be made over the two years from 2014 to 2016. A consultative body consisting of both government and civil society representatives was established to monitor, co-ordinate and evaluate the implementation of the Action Plan.

The generation and use of performance information

The capacity of governments to assess the performance of policies is essential for understanding whether a given policy or action plan is contributing to achieving wider national strategic objectives, or alternatively if it is hindering them. The process of performance measurement includes a definition of concrete and measureable objectives and an evaluation of whether these have been achieved. It helps to ensure that strategies inform daily decision making, to enhance accountability and credibility and to communicate progress (see Box 3.8).

Box 3.8. From setting objectives to measuring results – A seven-step process

Performance measurement and evaluation need to be integrated into all major policy initiatives both *ex ante* and *ex post* – these tools are critical to evaluate policies to identify success and failures, and to improve policies accordingly. The process of performance measurements includes the definition of concrete and measurable objectives and the evaluation of whether they have been achieved. It helps to ensure that strategies inform daily decision making, to enhance accountability and credibility and to communicate progress. Performance measurements work best if they build on clear objectives, good-quality data and are embedded in a culture of constant learning and improvement.

There are risks, however. If measurements are not complemented with more in-depth qualitative analysis these indicators lead to a situation in which reward is given to programming that is not achieving its intended result, or is achieving perverse outcomes. Moreover, an exclusive focus on "what is measurable" leads to the discounting or non-measurement of other important performance objectives.

The OECD has developed a seven-step methodology to help policy makers set objectives for their policies and assess whether they have been achieved. The figure below provides a concrete illustration of the application of the seven-step method to a policy on strengthening the enforcement of traffic regulation to reduce traffic causalities.

Step 1: Establish priority policies

For indicators to provide valuable information, they must be properly rooted in policy itself. At the same time, it is unrealistic – and perhaps undesirable – to link indicators to all policy initiatives. Thus, policies need to be prioritised according to their ability to help government meet its strategic objectives. A priority policy should be articulated as a consistent course of action expressed as a causal and concrete statement (see example below).

Step 2: Define the targets

A target is a concrete goal that states the degree or level of achievement expected with respect to its associated priority policy. Targets are most directly linked to results indicators, and the degree or level of achievement that a target measures can be based on a variety of comparative parameters, depending on the base comparator and the results being sought.

Step 3: Identify key activities

An activity is a specific programme, initiative or project that clearly supports reaching a target. Activities must be systematically and clearly linked to targets and should be expressed as action verbs. Thus, "train", "implement" and "build" all work well to lead an "activity statement" but "improve", "strengthen" or "enhance", for example, do not.

Step 4: Build output indicators

An output indicator measures progress with an activity, and thus these two components should be clearly linked. A well-constructed output indicator is measurable. Thus, it must be quantitative (i.e. expressed in physical or monetary units) and time bound (i.e. limited to the lifetime of the corresponding activity). One key question to ask when establishing an output indicator is what will be produced by the activity being measured?

Step 5: Build results indicators

A results indicator measures the results of activities in terms of their contribution to corresponding targets. Thus, they are closely associated with targets.

Box 3.8. **From setting objectives to measuring results – A seven-step process** (*cont.*)

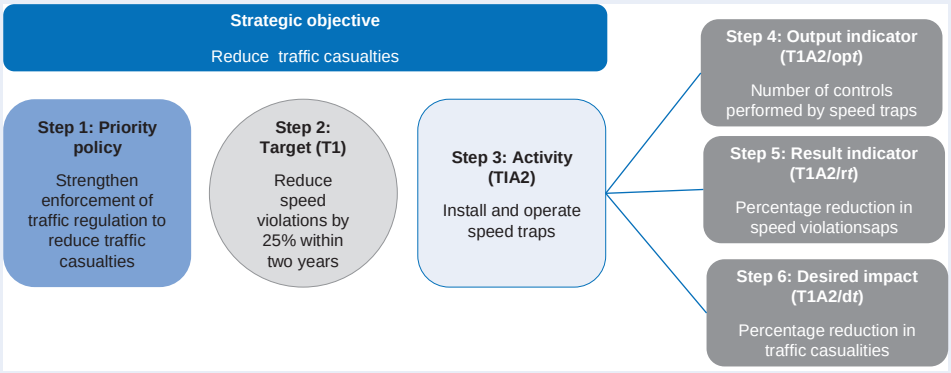
Step 6: Identify the desired impact

An impact indicator sets a longer term perspective and provides insights on the effect that one or more key activities has on the priority policy, and ultimately on the strategic objective. Impact indicators are particularly difficult to develop because attribution or causality is hard to establish – i.e. making a direct and complete link between the activity's impact and policy objective can be difficult. This is because other factors, often not within the control of government, may be involved with meeting a strategic or policy objective. Thus, it may be more rewarding and appropriate to identify desired impact – the desired impact of an activity on a priority policy, and more fundamentally the desired impact of a priority policy on a strategic objective. Such a conversation can: *i)* help focus policy thinking by providing a framework or an orientation within which other decisions can be made; *ii)* inspire extended institutional and individual effort.

Step 7: Identify appropriate qualitative research methods

There are many approaches to determining the effectiveness of activities and/or priority policies. Output, result and impact indicators may signal problems and trigger governments to "dig deeper" to find the causes of the problem and identify the appropriate actions. Qualitative research methods can add value to the indicators and an understanding of policy effectiveness. Such research methods can include case studies, focus groups, interviews and reviews (e.g. OECD peer reviews).

Steps of carrying out impact analysis



Source: OECD (2013)

There is currently no systematic *ex post* assessment and monitoring of policy and strategic decisions within the government of Estonia. Estonia does not currently have an integrated national performance assessment framework that generates performance information on spending measured against the achievement of strategic policy results on an ongoing basis, notwithstanding the injection into the Government Programme of policy targets and performance indicators. Indeed, since the 2006 budget, Estonia presents performance data with the medium-term expenditure framework, the budget and the Annual Report, with links to financial data made through ministries. However:

- Such financial performance data is not measured against ministries' achievement of strategic policy results.
- The performance of the Government Programme is not monitored on an outcomes basis. For example, the key objectives of the Government Programme are not attributed to a particular ministry, although a dominant one may contribute.

- This reflects some of the current gaps in the performance assessment governance framework and the lack of co-ordination of performance monitoring between the Government Programme and the budgeting system.

The National Audit Office regularly carries out performance audits. Performance audits are similar to policy evaluations, in which the National Audit Office gives an opinion on whether effectiveness and efficiency have been achieved with a given policy:

- In 2012, the National Audit Office published a report on the government's activities in assessing the impact of its work and performance reporting. The report found, among other conclusions, that the government could not give an overview of how its activities had contributed to the achievement of national objectives.
- It is thus still not clear how the government traces and measures what the resources achieve in terms of the Government Programme's objectives and outcomes.

Moving toward performance-informed budgeting

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 was to finalise the necessary preparations for the new system by the end of 2014, which would allow the launching of pilots in the 2016 state budget.

- Ongoing 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.
- The introduction of programme-based budget requires two secondary decrees to be approved, one by the government and the other by the Minister of Finance. The Government Office and the Ministry of Finance are currently discussing amendments to the Government Decree on Strategic Planning.
- The aim was for the decrees necessary for transitioning to the new system to be approved by the end of 2014. In tandem, an ICT system for budgeting is being developed. The system will include functionalities necessary for accrual budgeting and programme-based budgeting and was planned to be implemented from the beginning of 2015 for the planning of the State Budget Strategy 2016-2019 and the budget of 2016.
- Three ministries have expressed keen interest in implementing programme-based budgeting: the Ministry of Education and Research, the Ministry of the Interior and the Ministry of Culture. The Ministry of Education and Research has made preparations to use programme-based budgeting starting in 2016.

Development of analytical capacity to transform data into knowledge to inform policy

Independent data analysis and research informing whole-of-government decision making is a key ingredient in evidence-based decision making. In terms of independent data analysis related to a range of economic, social and environmental issues, Estonia mainly draws on analysis from a few consultancies, such as Praxis,[4] an

independent think tank, Ernst & Young or the University of Tartu Centre for Applied Social Sciences. In addition, Statistics Estonia also makes analyses ordered by the National Audit Office or ministries.

The national statistics office in Estonia (Statistics Estonia) provides objective statistics on the environment, population, social aspects, and economic situation and trends in Estonia. It is a government agency under the Ministry of Finance. However, ministries' use of sufficiently detailed raw data from the producers of official statistics (i.e. Statistics Estonia and the Bank of Estonia) has been challenging, as is similarly a challenge in Finland and other OECD countries. The Estonia Official Statistics Act (although amended) still limits dissemination of data which could disclose a statistical unit (see next section on challenges). In addition, Statistics Estonia does not have the capacity to engage in producing analytical reports on all subjects, although ministries commission certain analysis and reports to be carried out.

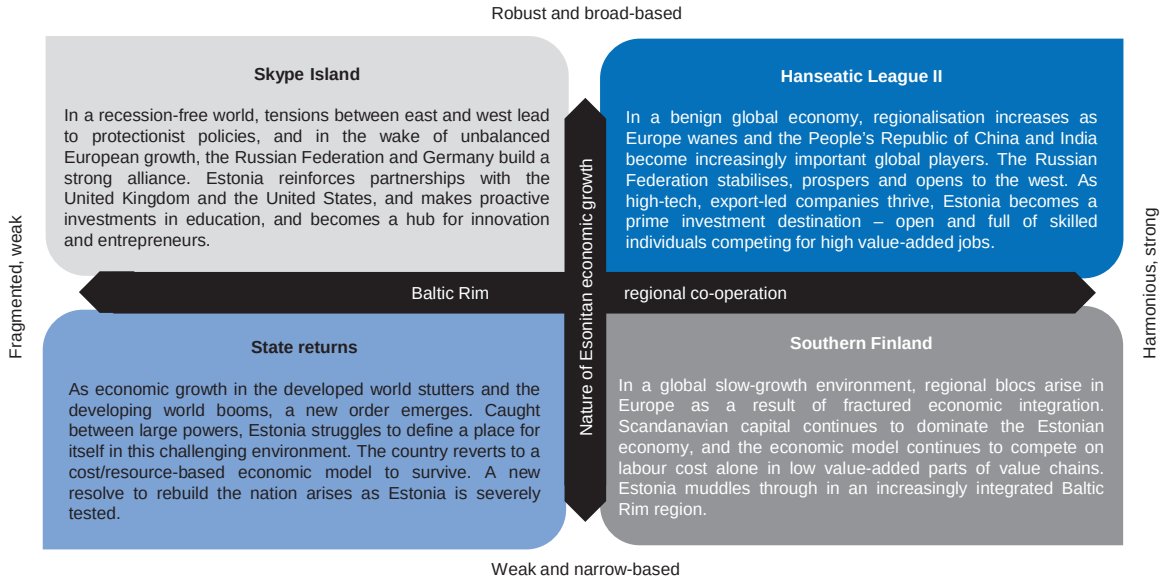
Strategic foresight activities

The policy environment faced by governments is no longer dominated by predictability. It has become ever more complex, unpredictable and immediate, with multiple actors taking concurrent action both domestically and internationally. Such an environment requires governments to be proactive in scanning, gathering and analysing information to guide decision making and priority setting. Strategic foresight reporting helps governments look ahead to identify future risks and opportunities as a means of prioritising and focusing government policies; it is an essential component of achieving strategic insight.

A number of countries, Finland in particular, use the results of strategic foresight to inform policy design. Estonia has made some efforts toward building its strategic foresight activity in recent years, albeit with mixed success.

- The Estonian Development Fund (EDF), founded by and reporting to the parliament, resides outside of the machinery of government and its core policy-setting processes. The EDF's foresight activity consists mainly of producing scenarios, sector-specific analysis and some horizon scanning (initially to support the EDF investment branch with relevant analysis on emerging clusters of economic activity), in co-operation with ministries[5] (see Figure 3.1).
- However, the reports appeared to be more sector-specific and limited to particular projects as opposed to being systematic and comprehensive. In addition, as the analysis was formulated from outside the machinery of government, they became a tool to criticise government in political debate, and were less easily integrated into the policy-making process.
- In 2012, this strategic foresight activity was terminated, following budget cuts linked to the crisis. While a systematic process for horizon scanning does not exist, a comprehensive forecasting exercise done for the planning of European Structural and Investment Funds for 2014-20 signals positive advancements. Three reports were prepared to inform the planning of these funds: on international trends (in co-operation with the Estonian Development Fund), on national trends (carried out by the Ministry of Finance) and on policy challenges (derived from the first two reports). Special effort in the activity was made to present cross-sector and whole-of-government challenges, with reasonable success.

Figure 3.1. **Estonian economic development scenarios**



Source: Estonian Development Fund (EDF).

The current state of evidence-based decision making in Finland

Finland has sophisticated frameworks in place that contribute to evidence-based decision making, including state research institutes, consultation procedures with stakeholders, the use of impact analysis and robust strategic foresight analysis, among others. Current challenges in Finland appear to stem not so much from the evidence base itself, but from how to foster a culture and its related processes among politicians and within the civil service that promote whole-of-government evidence-based decision making and generate demand for evidence when taking decisions, including which institution in government is best placed to encourage the use of various forms of evidence in the policy-making process (Pollitt, 2013).

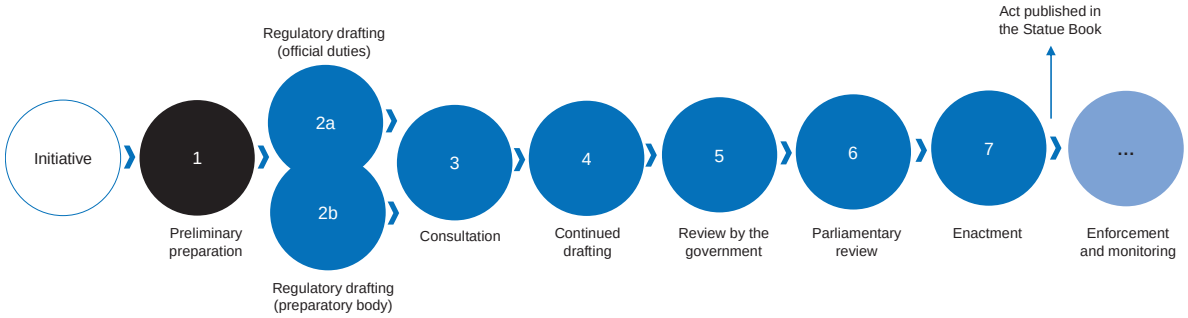
To a large extent, Finland's knowledge base is rooted in a set of single-sector state research institutes organised as agencies working under specific ministries. Ministries rely heavily on these sector-specific research institutions for the provision of evidence to inform the policy process. Finland also has a number of independent analytical and research institutions which contribute to enriching the policy debate. However, at the time of writing, the state-run research system was undergoing a reform[6] to rein in these various bodies and create a stronger and more horizontal knowledge base as well as a systematic operating model to ensure that the knowledge generated is used in the policy-making process and more generally supports decision making, whether through RIA, performance-informed budgeting or performance monitoring, among other things.

Regulatory impact assessment

As is the case in many OECD countries, Finland, like Estonia, has established (with the Ministry of Justice as the lead) an explicit Better Regulation Strategy to support the awareness and use of RIA (OECD, 2010a). The legislative drafting process (Figure 3.2) and RIA guidelines exist in the form of recommendations from the Ministry of Justice.

However, unlike Estonia, these general guidelines are not enforced in legislation, nor are impact assessments overseen by a central body for quality or content. The process has until now relied upon an informal and flexible internal approach without formal checks and balances. Individual ministries responsible for drafting legislation decide autonomously how to carry out impact assessments, for example by outsourcing to experts or by preparing them themselves in the ministry.

Figure 3.2. **Legislative drafting process guide in Finland**



Source: Finnish Ministry of Justice (n.d.), "Choose the state of process", *Legislative Drafting Process Guide*, http://lainvalmistelu.finlex.fi/en.

A 2012 survey to determine the types of impacts identified by drafters of legislation found that legislative impact on public finances and on public authorities was most frequent (62% and 59% respectively of all legislative proposals were deemed to have an impact in these areas). The same survey showed that only 38% of all impact assessments took into account impacts on business, 21% took into account impacts on the status of citizens and functioning of a democratic society, and 16% took into account impacts on employment. This research was compared to previous studies done on legislative proposals. The report finds that, "as before, the assessment rate of social impacts like impacts on households, the status of citizens and the functioning of democratic society is fairly low. It also seems that the impacts assessed are most often direct impacts from the [g]overnment's point of view rather than more indirect impacts" (National Research Institute of Legal Policy, 2013). It is important to note that this quantitative survey does not take into account the quality of the impact assessments (Slant and Rantala, 2013).

The 2010 *Public Governance Review of Finland* found that, "despite concerted efforts to increase the profile of RIA (e.g. mentioning the Better Regulation Strategy in the Government Strategy Document for the first time) it is still not embedded in the culture of the Finnish public administration and thus remains weak" (OECD, 2010a: 85). Since then, efforts have been undertaken to increase the use and quality of RIA throughout ministries. For example:

- An inter-ministerial Network for Regulatory Policy (co-chaired by the Ministry of Justice and the Prime Minister's Office) was established to share information and learn about what other ministries were doing in regard to RIA. Differences in approaches to conducting impact assessments across ministries were laid bare through this process, resulting in quality gaps; thus the network was an attempt to improve practices in ministries.

- An advisory regulatory working group was created, headed by the Ministry of Justice, and focusing mainly on training and advising law drafters in the ministries.
- A ministerial working group on regulation was also established.

These last two bodies apparently failed to have any real impact on regulatory quality in ministries, in part because they did not have the right to intervene in ministries' legislative drafting, and because there was apparently little interest in the issue. These bodies were thus disbanded as a consequence. The current government has established another inter-ministerial working group to co-ordinate RIA development efforts, particularly RIA activities in ministries; this group is co-chaired by the Prime Minister's Office and the Ministry of Justice.

A good practice has emerged in an attempt to improve regulatory impact assessments on business. The Ministry of Employment and the Economy has started a trial phase on evaluating the impacts on businesses of government bills. This "evaluation check" consists of grading the impact assessments in bills from 1 to 3 and they also give feedback to improve the quality of the assessment. This check is done in the mandatory consultation round. The trial phase is still in process. This co-operation between ministries, in terms of building a culture of impact assessment and use of evidence, is promising.

Citizen and stakeholder engagement

Finland's stakeholder engagement, like that of most Nordic countries, is based on the model of consensus-building. It also relies upon a very rich and active civil society (one non-governmental organisation for every 40 Finns) and a strong commitment to Open Government.

- In the last ten years, increasing ex ante consultation and citizen engagement in the legislative drafting process, i.e. during policy design, has been a priority in Finland.
- In addition, efforts to ensure that consultations are transparent and open to the public have increased. For example, different online tools have been developed, directed to engage both with individual citizens and CSOs. All are made publically available.
- At the same time, face-to face consultation and engagement is emphasised and carried out.
- The state secretaries have signed the Open Government principles (part of the Open Government Partnership [OGP] Finland Action Plan).

The new online tools are collected under one portal: www.demokratia.fi. A central goal of improving online platforms for consultation has been to guarantee that different forms and stages of democratic participation are covered. Therefore, the online engagement platforms consist of four parts:

- www.kansalaisaloite.fi: a system for the electronic collection of signatures for citizen's initiatives. The 2012 Finnish Citizens' Initiative Law was launched to drive a new form of democratic participation. The law states that the Ministry of Justice must offer a citizens' initiative e-service with strong electronic identification. The objective of offering an online service free of charge for

launching and signing citizens' initiatives was to ensure that there would be no thresholds for launching or signing initiatives.

- www.kuntalaisaloite.fi: a system for the electronic collection of signatures for initiatives to municipal authorities.
- www.otakantaa.fi (Share Your Views with Us): a channel for participation and interaction open to all. Consultations can be initiated by government, municipalities, CSOs or citizens. This tool is meant to be used at the very beginning of the law-drafting process to collect citizens' views.
- www.lausuntopalvelu.fi: a service for responding electronically to an official statement process. This is to be used in law drafting when the draft government proposal is officially open for consultation.

These services have been developed with the active involvement of a variety of actors, such as state authorities, joint municipal authorities, companies and third-sector organisations. The Citizens' Initiative service and the www.otakantaa.fi portal have about 300 000 visitors per month and the Local Initiatives service has about 30 000 visitors per month. Permanent state secretaries have emphasised that online engagement services should be used when drafting significant legislation. Civil servants, both in government and municipalities, have been educated on how to use the services.

The use of performance information and management

Generating and using performance information enables government to take decisions as to whether policies/programmes should be continued or adjusted. Finland uses a principles-based performance management framework (see Box 3.9).

Box 3.9. **Common principles for performance management in the Finnish government**

Performance management is one part of the Finnish state administration's steering system.

- Societal effectiveness is a result from co-operation between different actors in the society.
- The performance management of the administrative field is based on common guidelines and practices as well as the administrative field's own steering practices.
- The performance management concentrates on the strategically most important issues and on those that need change. The intensity of the performance management can vary.
- There are clear roles and tasks and well-functioning forums for performance management.
- Performance management is professional and coherent.
- The basis of performance management is clear targets, indicators that describe them and monitoring the achievement of targets.
- Performance management is based on a structured and genuine dialogue and partnership between leaders and experts.
- Joint information systems and tools support these principles.

Source: Finnish Ministry of Finance (2013), www.vm.fi/vm/en/04_publications_and_documents/03_documents/20130228Shortd/name.jsp.

Performance information in Finland is collected and brought through the performance management process to the budget. The annual budget is the key document in the Finnish performance management process. It shows the performance targets of all levels of the hierarchy covered by the steering system in a general form. Apart from the budget, performance agreements between ministries and agencies and agency performance reports are also important. The performance information based on the objectives and measures defined in the annual budget are included in the government's annual report submitted to parliament. The difficulty is that reporting on the performance agreements has been distinct from the reporting on the implementation of the Government Programme. Although the two previous annual reports have had a specific chapter on the results and effectiveness of the horizontal HOT objectives, these two parts are not interconnected enough.

Ministries are responsible for measuring performance in their respective administrative fields.

- Each ministry drafts outcome targets for its administrative sector independently. Outcome targets typically extend beyond the purview of any single ministry. Outcome targets require as matter of course co-operation across ministries and between ministries and other national and international actors. These targets are thus typically horizontal.
- Implementation of decisions is mainly the responsibility of agencies, which are subject to performance management by the ministries. Ministries and agencies sign performance agreements which define operational performance targets (outputs) to be met by the agencies and determine the funding in the budget required to attain these targets.

The problem with this process is that it essentially mirrors the administrative silos that characterise the structure of the government. It lacks horizontality, in that it does not lead to the definition of broad public sector strategic results that can lead to measuring whole-of-government performance against the pursuit of societal outcomes. That said:

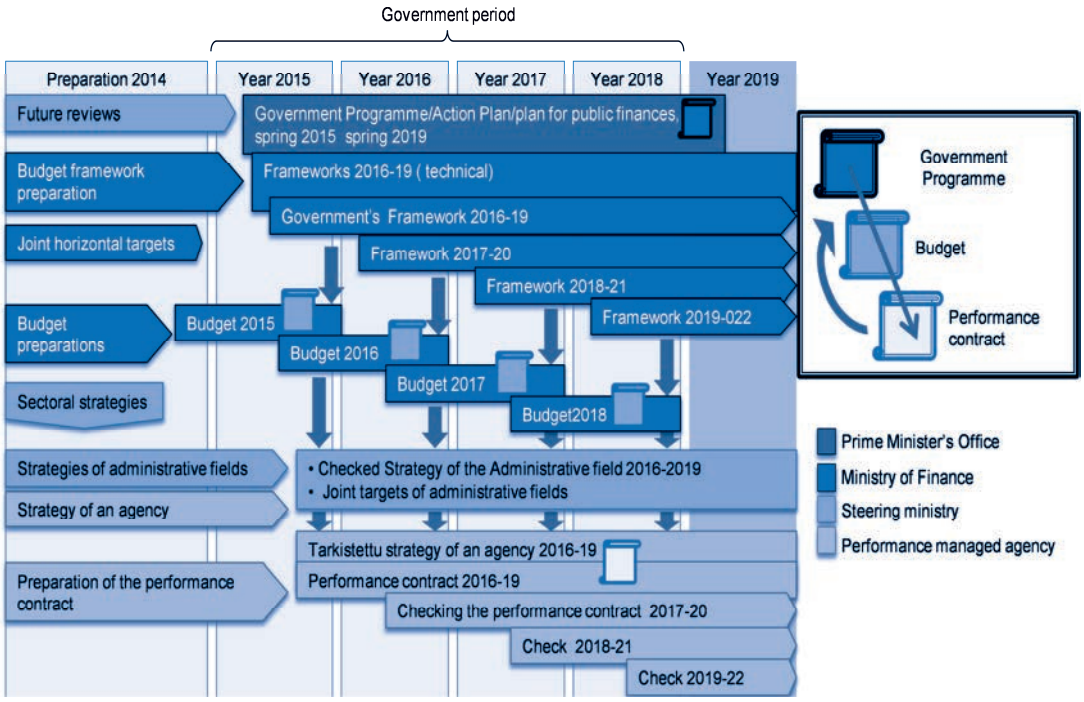
- The performance management process is a key aspect of the KEHU and OHRA reform measures (see Chapter 1). As part of Finland's overall government reform to improve steering systems, actions are being proposed to link all performance management systems and processes better, as well as to strategic objectives and results (Figure 3.3).
- The performance management process remains siloed, where the performance contracts of these ministries rarely inform budget allocations and further are not linked necessarily to the government programme. The government is fully aware of these issues, which is why the above-mentioned OHRA Steering Systems reform is being proposed.

The knowledge infrastructure and reform of state research reform

As noted in the OECD's 2010 *Public Governance Review*, Finland displays strong research and technical capacity, particularly in the various state-funded sector-specific research institutes as well as in Statistics Finland, which produces a vast amount of national indicators and manages databases such as *Findicator* – a collection of indicators describing the development of society – in collaboration with the Prime Minister's Office. While single points of contact within certain ministries carry out some research activities,

ministries are often dependent on the state research institutes in their respective sectors for relevant data or analysis, as mentioned above.

Figure 3.3. **Planning of the reorientation of the performance management system in Finland**



Source: Briefing note, Ministry of Finance, Finland.

However, in October 2012, as mentioned above, a comprehensive reform of the state research institutes and research funding was launched to create more interdisciplinary research institutes and to invest in shifting research activity and funding back into the government and line ministries. To achieve these goals, reform measures included:

- Structural reforms:
  - merger of research institutes
  - merger of research institutes with the University of Helsinki
  - deeper co-operation between research institutes and universities
  - development of activities of research consortiums.
- Research funding reforms:
  - establishment of a strategic research funding instrument
  - strengthening research, assessment activity and report work in support of decision making by the government
  - gathering of research funding from ministries.
- Implementation and follow-up of reform:
  - status of personnel in reorganisation of operations
  - implementation and follow-up of the resolution.

Among other initiatives being implemented under this reform, two new strategic research funding instruments have been established. Financing through these funding instruments will be subject to competition and disbursed in support of social policy. The first research funding instrument is aimed at more short-term information provision in the interest of the government in term. This funding will gradually grow from some EUR 5 million in 2014 to EUR 15 million in 2017. A bigger funding instrument of some EUR 70 million annually is directed to longer term strategic research.

- Such funding will be assembled in stages between 2014 and 2017, from the state research institutes' research appropriations, from the Academy of Finland's programme-based research funding and from the Finnish Funding Agency for Innovation's (Tekes) innovation and research funding.
- Both instruments aim at generating research of a horizontal and multidisciplinary nature. The funding of strategic research aims at finding solutions to the major challenges facing Finnish society and promoting imperatives such as the renewal of the country's economic base, the improvement of its competitiveness, the development of working life and the enhancement of the public sector. This will enable research to be focused on blind spots and sub-areas not currently covered by research institute activities.
- The first research funding instrument focused on the government in term has already been implemented, with the first round of competition completed and research projects financed. The strategic research activities will commence in 2015.

Strategic foresight activities

Finland's strategic foresight practices have served as a benchmark for many OECD countries. The 2010 *Public Governance Review* highlighted in detail the comprehensive foresight framework carried out by the government, including both the once-per-term horizontal government foresight report, as well as the ministries' Futures Reviews, which are prepared to inform the incoming government of sector-based challenges and opportunities over an eight- to ten-year planning horizon.

Government foresight reporting has been in practice in Finland since 1993, when the first horizontal government foresight report, entitled *Finland's Options*, was tabled in parliament. This initial report presented views on major future developments and optional scenarios for Finland posited in the context of future research and the then-government's priorities; it also provided a plan for the kind of future society that the government was seeking to create through its actions in office (Prime Minister's Office, 2007). Since then, a horizontal government foresight report has been submitted to parliament during every electoral period. While the first report mainly examined Finland's future from a relatively wide variety of angles, subsequent reports have been organised around selected themes focused on a core future issue that affects a number of social and administrative sectors.

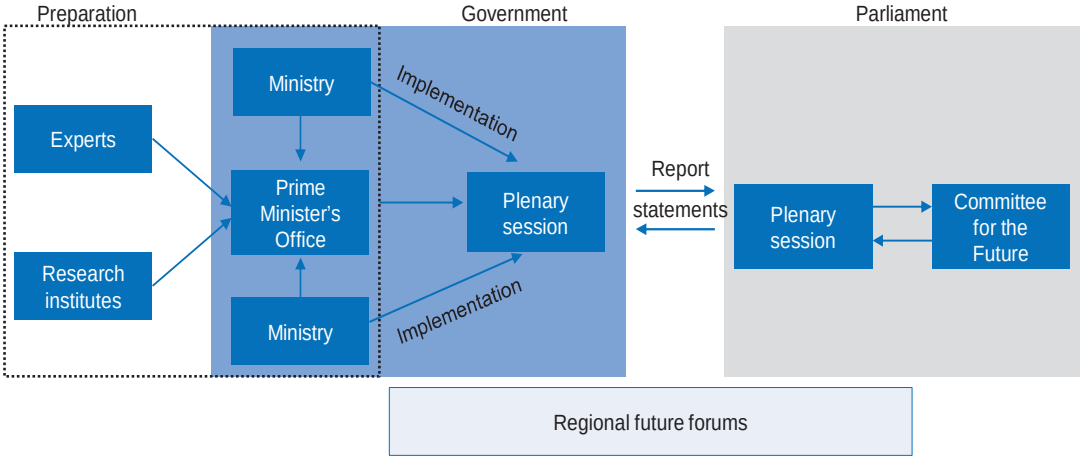
Horizontal government foresight reports set forth the Finnish government's long-term views and proposed objectives and policies on selected issues.

- Presented to parliament as government proposals, they outline the government's aims while serving as policy statements directing administrative actions. The initial proposals are assessed and discussed by the Committee for the Future, a parliamentary committee assigned to research and comment on matters associated with futures studies, including the methodology. For each report, the government

passes a resolution in its plenary session to give parliament a report addressing a topical or otherwise important subject.

- Although the report is prepared by the Prime Minister's Office and under the authority of the Prime Minister, the subject of evaluation in the foresight reports has, to date, been selected by the Prime Minister in consultation with Cabinet members. Finland's coalition government system ensures that the plenary session reaches consensus on the selected foresight issue, which, in principle, should secure commitment across the coalition parties to the issue under investigation (OECD, 2010a).

Figure 3.4. **Finnish government foresight report: Dialogue on the future**



Source: Presentation during the OECD evidence-informed policy-making seminar, Sirpa Kekkonen, Prime Minister's Office of Finland, 2014.

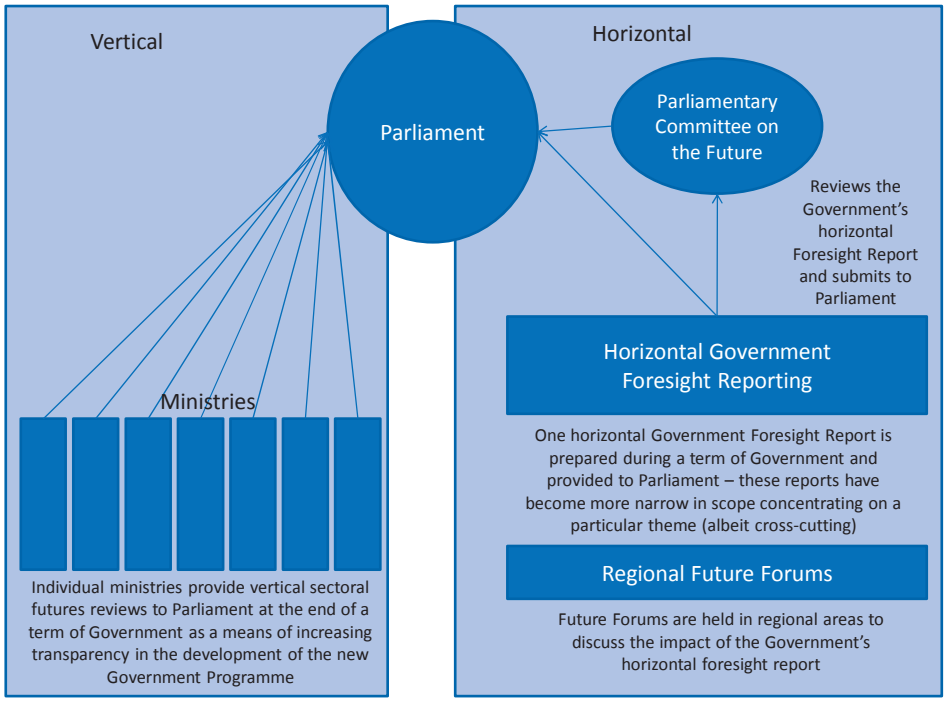
In addition to the horizontal reporting, the government disseminates vertical futures reviews at the end of each term of government for consideration by parliament in the preparation of a new Government Programme (Figure 3.5). These reports are sector-based and are produced by individual ministries (OECD, 2010a). Before parliamentary elections in 2003, 2007, 2011 and now in 2015, ministries prepare future reviews outlining sector prospects and proposing optional strategic policies. The reviews are sent to all political parties represented in parliament as a means of increasing transparency in the preparation of the Government Programme.

That said, the current process of having future reviews shaped by ministries independently, and for the most part relying solely on internal information, has faced some limitations. The dependency on merely internal ministerial information and input may give rise to ministries promoting existing strategies into the future. There is a realisation in Finland that the futures reviews should engage society more widely, and that they should be built from a whole-of-government perspective. In preparation for the upcoming election in spring 2015, some practices in foresight activity have been shifted, mainly in an attempt to standardise and integrate information better for policy makers – to present a whole-of-government perspective.

- Ministries' futures reviews have been made shorter (ten pages per ministry), follow a standard model and are published on the same date.

- There was a launch in the parliament building to present all of the futures reviews.
- Later in the year, an analysis of the common themes across the reviews will be drafted by the Prime Minister's Office in co-operation with all the ministries and communicated to political actors.

Figure 3.5. **Futures reporting activity in Finland**



Source: OECD (2010a).

- Several ministries involved stakeholders in their futures review e.g. through crowdsourcing.
- In addition, there has been an effort to better link the results of the horizontal foresight report to the drafting of ministries' futures reviews, although it remains unclear how this is being done or if it is proving effective.

The latest horizontal government foresight report, "Well-being through sustainable growth", was prepared in a slightly different manner than previous reports and carried out in two phases. In the initial phase, before the government report on the future was produced, independent representatives of research institutes, the business community and non-governmental organisations drew up a preliminary foresight report, which was published in February 2013.

- The Finnish Innovation Fund Sitra, the Academy of Finland and Tekes, the Finnish Funding Agency for Innovation, took an active part in the preparation of the analysis report, which identified promising opportunities for Finland.
- The foresight report *Future 2030* and foresight work have been widely discussed on the www.2030.fi website (Prime Minister's Office, 2013). This new "foresight phase" was part of a broader initiative in government to build a national foresight

model; the aim being to better connect the whole-of-society (including children, youth and all regional areas of Finland) in the foresight discussion.

- This new foresight model is steered by the Prime Minister's Office, yet the main element is a large and comprehensive network of foresight actors across society. The network will organise foresight forums yearly as well as share training and knowledge amongst each other. The main method used to discuss and collaborate is via Yammer software.

To date, there is no clear or institutionalised connection between the government foresight report (horizontal) and the ministries' futures reviews. The audience and the purpose of the two processes is slightly different: the former is notably addressed to the parliament and aims at encouraging dialogue between the government and the parliament; the latter process produces the views and foresights of the civil servants on the policy challenges in the near future, particularly the following government term, in their respective policy areas. This is a tool for the civil service and experts to influence on the electoral agendas and themes of the parties.

Assessment

Estonia is still facing some of the challenges in this area that were flagged in the 2011 *Public Governance Review* in terms of building and integrating all available evidence bases into decision making. In other areas, the Estonian government has made progress in the short period between reviews, most specifically in relation to the adoption of a new RIA system and the more formalised process of gathering input at an earlier phase when drafting legislation.

Finland has many of the mechanisms in place to produce evidence for policy making: RIA frameworks and processes, state research institutes, strategic foresight activities and performance management frameworks, among others. However, the Finnish government is still facing the challenge – first noted in the 2010 *Public Governance Review* – of fostering a culture of evidence-based decision making in the public administration and equally creating processes and mechanisms to ensure that the evidence generated is integrated successfully into both political and policy decisions. That said, these challenges are not unique to Finland. Short time lines resulting from political pressures and complex, rapidly changing flows of information are leading many OECD governments to struggle with effective methods to integrate a wide array of evidence into their policy choices. Indeed, raising awareness of evidence-based decision making in the political culture is an equally shared challenge for many governments (Pollitt, 2013).

Both Estonia and Finland generate policy-relevant information in significant quantities. They both possess comprehensive population and business registries, a powerful base for data analytics and public policy evaluation in the public sector.

- Estonia has a very effective infrastructure in place to share information and data across government (X-Road; see Part II).
- Finland has a strong tradition of partnering with a tightly-knit network of think tanks, research institutions and other policy networks to develop policy advice.

That said, as is the case with many OECD countries, both Estonia and Finland face challenges in operationalising evidence in the decision-making process.

- In the case of Finland, the large portfolio of evidence bases can be a challenge for ministries to integrate the information they generate into policy making. This has been evident with the research sector, where it was found that the wide range of state-funded research institutes were not informing government activity and were not joined-up enough to inform cross-cutting policy analysis. This difficulty in integrating evidence into government policy making, as opposed to a lack of supply of evidence, was also addressed in the *Government for the Future* report (Pollitt, 2013). It remains a challenge in Finland, as in many other OECD countries, to ensure that the available evidence, of which there is much, finds its way to policy makers and politicians in a timely enough manner to inform policy choices.
- In the case of Estonia, the country has made positive steps toward building mechanisms to ensure evidence-based decision making. This is most evident in the new RIA institutional and legal set-up beginning in 2014. While in its early stages, many of the measures and organisational arrangements adopted are, by OECD standards (OECD, 2012b), the right ones, albeit they appear to be under-resourced and lack adequate analytical capacity. The challenge will be to implement the new RIA system; capacity appears weak to transform data into policy-relevant knowledge to inform decision making.

Estonia faces challenges in transforming information into knowledge

Access to independent data and analysis on a range of economic, social and environmental issues benefits the policy-making process. While Estonia has a very effective infrastructure in place to share information and data across government (X-Road; see Part II), there appears be a gap in capacity within the government to produce sound data analytics and to transform available data and information into policy-relevant analysis. Within the government, capacity for data analysis, for example in the national statistics office[7] and in ministries, does not appear to be effectively resourced or developed.

Including generating and using results from strategic foresight

As noted above, generating and implementing strategic foresight results into decision making is essential given that decision making is increasingly complex, unpredictable and immediate, with multiple actors taking concurrent action both domestically and internationally. Such an environment requires governments to be proactive in scanning, gathering and analysing information to guide decision making and priority setting.

The main challenge facing the government of Estonia 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; thus using the foresight information produced by the EDF could not be integrated effectively into government's decision-making process. This will be a challenge going forward in Estonia, first to build and produce foresight information and second to understand how to channel the information to inform strategic decisions over the medium and long term.

Estonia could focus on developing capacity to transform data into policy-relevant information

The government of Estonia could further develop capacity to drive independent data analysis and research that informs whole-of-government decision making. 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 strategic policy decisions.

- Some larger OECD countries have invested in independent research bodies that advise the government on a range of topics. For example, the Australian Productivity Commission provides independent research on a range of economic, social and environmental issues, and most importantly aids government in decision making by modelling economic costs and benefits of alternative policy options (see Box 3.10). That said, New Zealand, a country of the size of Finland, is in the process of setting up a Productivity Commission following the example of Australia.
- In smaller countries, partnerships to produce more robust policy-relevant data and analysis, particularly regarding economic analysis of policies, are sometimes pursued jointly with academic institutions.

Box 3.10. **The Australian Productivity Commission**

The Productivity Commission (PC) is an independent research body that advises the Australian government on a range of economic, social and environmental issues that affect the welfare of Australians. Its mandate is to improve productivity and economic performance, taking into account the interests of the community as a whole, considering environmental, regional and social dimensions; not just the interests of particular industries or groups.

An important function of the PC is modelling the economic costs and benefits of alternative policy options. It may make recommendations on any matter that it considers relevant, and it is up to the government to decide how to use the advice provided. The PC is unique among OECD member countries for its standing inquiry and policy-advising work across a range of economic, social and environmental issues. The government directs the PC on what areas to study through the issuance of formal terms of reference, but the PC is independent in its analysis and findings.

The processes of inquiry are public, allowing the opportunity for the participation of interested individuals and groups, and the inquiry reports must be tabled in parliament within 25 sitting days of the government receiving the report. The PC cannot launch its own inquiries, although it can initiate supporting research and publish the results via commission or staff research papers.

Source: OECD (2010b).

The government of Estonia could thus consider further investments to build stronger analytical capacity so that information can be transformed into targeted policy-relevant knowledge on which to base decisions. In terms of independent data analysis related to economic, social and environmental issues, there appears to be only a few independent sources to draw on, within and outside government. Hence, this analytical and research capacity could be located within or outside government and could be funded by, yet remain independent from, the government.

- Within the public sector, this capacity could be built or enhanced within such institutions as Statistics Estonia, the supreme audit institution, the central bank, the Ministry of Finance's Research Department or any combination thereof.

- Estonia could also look toward building joint ventures within and research institutes outside the government – including with Estonian academic research institutions or such think tanks as Praxis.
- Governance arrangements would need to focus on ensuring that the results of this research and analysis can be readily used by policy makers in ministries, agencies and the CoG to inform whole-of-government strategy setting, implementation and performance assessment.

In this connection, there may be legal barriers to using statistical data on a whole-of-government basis that might need to be overcome. The Official Statistics Act (revised in 2010) limits how data can be disseminated and used by ministries, which could be a significant hurdle in envisaging an "Open Data Strategy". The Official Statistics Act states that data can only be disseminated in a form that precludes the possibility of direct or indirect identification of a statistical unit. However, the act does provide exceptions in order to allow dissemination of confidential data, for example dissemination of confidential data for scientific purposes (Section 38) or new services which allow the users to analyse micro-data (Sections 36 and 37). That said, due to the small size of the country, data tends to be highly personalised. In this case, access to the information needed by national statistics officials in ministries to carry out the appropriate analysis remains a challenge for evidence-based policy making in Estonia.

Finland faces challenges in integrating its considerable foresight efforts into the Government Programme

While Finland's foresight activities have served as benchmarks for many OECD countries, there remains a challenge in integrating the results of foresight efforts (notably the cross-cutting themed foresight reports inform ministries' futures reviews), as well as ensuring that these results inform the setting and steering of the Government Programme.

At issue for Finland (and for many countries) is maximising the impact of foresight results on policy and strategic decision making.

- Political parties are more responsive in drafting their political platforms to conventional lobbying by interest groups than to the opportunities to build on the results of strategic foresight.
- Additionally, there is a need to ensure alignment between foresight results and policy development and strategy setting – to give politicians a clear view of future opportunities and challenges. However, with foresight work focusing on sector-specific or a single cross-cutting theme in a given year, it may make it difficult to apply to a wide range of ministries' futures reviews.
- Horizon scanning is currently being carried out with respect to business trends; however, whole-of-government horizon scanning efforts currently do not exist. This may reflect governance gaps in the current system which, if addressed, could help maximise impact.

Both countries could focus on building strategic foresight results into government strategy…[8]

Estonia and Finland are thus at different stages in building and embedding foresight information into decision making. Estonia could learn from Finland, along with other OECD countries, 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 machinery of government. OECD experience demonstrates that foresight efforts are more effectively integrated in whole-of-government decision making when tightly linked to the CoG, notably the unit reporting to the head of government (see Table 3.1).

- For example, the Commission on the Future of Sweden was chaired by the Prime Minister while the Prime Minister's Office in France is leading the work "France in 10 years". In France, the Netherlands and Sweden, these constitute or constituted one-time initiatives.
- The United Kingdom regularly plans and programmes major foresight reports on relevant and emerging topics into government's work (see, for example, UK Foresight major projects)[9] managed by the Cabinet Office.

Table 3.1 **Interdisciplinary foresight projects: Overview from selected initiatives**

Country	Body responsible for co-ordination	Foresight effort	Main purposes	Time horizon
Finland	Prime Minister's Office (PMO)	Government Foresight Report	To identify likely development trends and set objectives and strategic outlines for government work	10-20 years
Flanders, Belgium	Advisory Board reporting to the Prime Minister's Office and Cabinet	Future Search	The Flemish government undertook a three-day "future search" exercise to identify and "co-create" five priority roles for Centre of Government focus and capacity building. These were: large government-wide priorities (e.g. climate issues, etc.); improving the flexibility and agility of government; promoting innovation; developing long-term vision; and legal quality and transparency	Not specified
France	Prime Minister's Office	France in 10 years?	To show a pathway to advance the country with indicators and clearly identified benchmarks; to engage in clearly identified common choices that organise major transitions; to adapt policies and instruments in view of the desired objectives; to engage a large debate with all stakeholders	10 years
Netherlands	Commission for Consultation of Sector Councils (COS)[1]	Horizon Scan Report 2007	To help decision- and agenda makers, researchers and developers think about future societal problems, threats and opportunities	Open (long-term)
Sweden	Prime Minister	Commission on the Future of Sweden	To identify long-term challenges and contribute to a more future-oriented public debate, enabling government and society to improve preparedness	40 years
United Kingdom	Cabinet Office (PMO) with the Government Office for Science	UK Foresight Major Projects	To assist decision makers in understanding how their decisions today might affect the future, and to help policy makers to reach more stable decisions that are more likely to survive the uncertainties of the future	20-80 years

1. Independent commissions of representatives from research, society and government.

Source: OECD Secretariat desk-based research and interviews.

After realising the benefits of carrying out an in-depth foresight project, the Netherlands shifted the one-time Horizon Scan Project of 2007 to a more regular programme which is now situated in the Ministry of Education, Education and Science. While the selected foresight projects may differ in form or frequency, the end goals of the initiatives were similar: to identify long-term challenges and developing trends in order to help decision makers improve preparedness, inform current policy choices and establish policies that are more likely to survive the uncertainties of the future.

The government of Estonia could consider some similar steps to the UK's efforts, in terms of considering setting up horizon scanning within government, locating co-ordination capacity within the Government Office. Indeed, wider ongoing horizon

scanning, highlighted for its importance in the United Kingdom's John Kay review (see Box 3.11), can be useful in monitoring trends more continuously.

Box 3.11. **John Day Review of Cross-Government Horizon Scanning**

A recent assessment of horizon scanning across UK government (the John Day Review) revealed that while horizon-scanning work already existed in government departments, these efforts could be more joined up. To this end, a cross-government Horizon Scanning Programme headed by the Cabinet Secretary and its Advisory Group has been created to funnel information from an existing network of officials in various government departments, escalate emerging trends and risks, and co-ordinate work on cross-cutting themes that affect multiple parts of government. The Horizon Scanning Programme, aiming to embed better horizon-scanning capabilities in the policy-making process, will:

- ensure implications for policy are highlighted at the right levels
- establish a common baseline of understanding across government departments and organisations
- minimise duplication
- share best practices.

The Cabinet Secretary's Advisory Group is supported by a small Horizon Scanning Secretariat within the Cabinet Office's Government Innovation Group, which is working closely with the Foresight Horizon Scanning Centre in the Government Office for Science. The programmes will ensure greater co-ordination of existing resources. It also benefits from ministerial oversight by the Minister for the Cabinet Office, the Minister for Government Policy and the Minister of State for the Cabinet Office. During 2013, cross-departmental working took place in "communities of interest" to deliver horizon scanning, as part of the Horizon Scanning Programme, on a series of work streams, including *inter alia* changing social attitudes of young people, the future of demographic change in the United Kingdom, and changing the supply and demand of resources.

Source: Cabinet Office (2013), "Review of Cross-Government Horizon Scanning", United Kingdom, www.gov.uk/government/uploads/system/uploads/attachment_data/file/79252/Horizon_Scanning_Review_20121003.pdf.

For Finland, the government's foresight activity is already robustly developed, with co-ordination of both the horizontal foresight report and the ministries' futures reviews carried out by the Prime Minister's Office.

- Finland has gone even further in the lead up to the 2015 elections by creating a more joined-up version of the ministries' futures reviews and by fostering more stakeholder engagement in the foresight report. Finnish officials have also noted innovative mechanisms that they intend to use to raise awareness and the impact of this foresight activity with ministers and politicians.
- However, there is recognition that while the foresight tools being used are producing valuable insights, the two foresight activities and their processes need to be better co-ordinated and more closely aligned to the strategy-setting phase.
- To this end, the government of Finland could consider better joining up both major foresight activities and ensuring that the timelines of the foresight activities are shifted in order to have results inform the various processes and work streams (see recommendations).

… while focusing on building capacity to use knowledge to guide decision making

Finland, as noted above, already possesses an elaborate network of knowledge-generating research institutions. The issue in Finland, therefore, is not one of transforming data into policy-relevant knowledge – one of the challenges Estonia faces –

but harnessing this knowledge effectively for policy- and decision-making purposes. This too is an issue for Estonia. Thus, both countries could focus on building capacity to use knowledge effectively to guide strategic decision making.

Finland's reforms to the state research institutes and funding model are still ongoing, but represent a step in the right direction: the policy rationale driving this comprehensive reform reflects the recognition of the challenge the government of Finland is facing in integrating the various state-funded knowledge bases into the policy-making process.

- Finland decided to assess the current situation of research funding and more specifically to re-evaluate and rein in the various state research institutes, to allow for research carried out with state funds to be closer to and more integrated in line ministries.
- Finland has established a ministerial working group, headed by the Prime Minister's Office, to monitor the implementation of the reform, which sends an important signal regarding the high priority assigned to it.
- It will be important to monitor whether the various measures in the reform, such as the merging of state research institutes (to create more horizontal and cross-cutting research), the establishment of the strategic research-funding instrument (as a result of funds acquired through the mergers as well as additional funds allocated) and joint relationships with universities (including merging research institutes with capacities at the University of Helsinki) will end up supporting knowledge-based decision making more effectively in ministries.

Both could focus more deliberately on performance management

Additionally, both countries could benefit from enhancing their performance management systems, more specifically by simplifying and better linking performance results with national strategic objectives. While Finland's performance management system was, at the time of writing, undergoing reforms to better link the government programme with the national budget process, and in turn the budget process with the ministries' performance contracts, Scotland's national performance framework could prove a useful example of how to structure performance objectives and communicate national performance, both internally down to all levels of the administration, and out to the public (see Boxes 3.14 and 3.15).

Estonia faces challenges in implementing the new regulatory impact assessment system

Since the 2011 *Public Governance Review*, Estonia's new RIA system has come into force. However, it remains to be seen how the system will be implemented. A National Audit Office report produced at the end of 2011 concluded that the impact of legislation was insufficiently assessed and therefore the institutions adopting legislation, as well as the public at large, may not have sufficient and reliable information about the consequences of the legislation. While the obligation to conduct preliminary impact assessment for all new legislative proposals and strategies is in its early stages, concerns remain regarding the efficient and effective implementation of the system and particularly the use of exemptions that allow ministries to by-pass the preparation of legislative intent and thus preliminary impact assessment; and in that case also the requirement for in-depth RIAs for legislation with significant impact.

- Officials from the Ministry of Justice[10] have noted that there was significant resistance in the public administration to conduct RIAs, and that while the rules are there, the capacity and willingness to learn how to conduct them was weak across the system.
- In addition, the Legislative Quality Division in the Ministry of Justice is also suffering from capacity gaps which can hinder implementation: the division has three advisors on RIA, yet only two are responsible for conducting quality control of all RIAs. And while they offer consultation services to officials before presenting legislative intents and legislative drafts, to date not many officials have used it. That said, these challenges are not unique to Estonia as many OECD countries face them.

Box 3.12. **Scotland's National Performance Framework**

The Scottish government introduced a National Performance Framework in September 2007. The introduction of the National Performance Framework was part of the Spending Review carried out by the new government to set financial plans for the period of that parliament (2007-11) but it was made explicit that the National Performance Framework was concerned with a ten-year time horizon.

The National Performance Framework consists of a single overarching purpose: "To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth."

The second level of the framework consists of five strategic objectives which underpin the purpose. At the third level of the framework, those strategic objectives are disaggregated into 16 national outcomes, which describe what the government wishes to achieve by 2017. The process of determination of the initial content of the National Performance Framework was internal to the Scottish government.

Measurement of progress in achieving the national outcomes, and ultimately in fulfilling the single purpose, was initially through 45 national indicators. In order to provide clarity of accountability, each national indicator relates to a single measure. A ministerial decision in the process of design of the framework declared that assessment of performance should be through the best available direct or proxy measure.

In 2011, after the elections, there was a review of the selection of national indicators. As a result of the review, the number of indicators was increased to 50 in December 2011. Of the 45 original indicators, 29 were unchanged, 9 were revised and 7 were replaced by different ones.

Performance against the national indicators is reported publicly through a website, *Scotland Performs*: www.scotland.gov.uk/About/Performance/scotPerforms. Scotland Performs provides a direct and simple overview of performance using a system of arrows combined with traffic light colour coding. It incorporates the option of a much more detailed account of the evidence supporting the performance assessment for each national indicator, through a single click on the relevant indicator.

The National Performance Framework has applied from the date of its introduction to central government and to all public bodies accountable to central government. It replaces separate strategic ministerial guidance to individual public bodies.

Many public services are delivered by local government, which consists of 32 unitary local authorities (municipalities) and is autonomous. Early in 2008, a Concordat was agreed between the Scottish government and the Convention of Scottish Local Authorities. One aspect of that agreement was that individual local authorities would incorporate relevant elements of the National Performance Framework into their single outcome agreements with the Scottish government, which formed the basis of the central government contribution to the funding of local authorities.

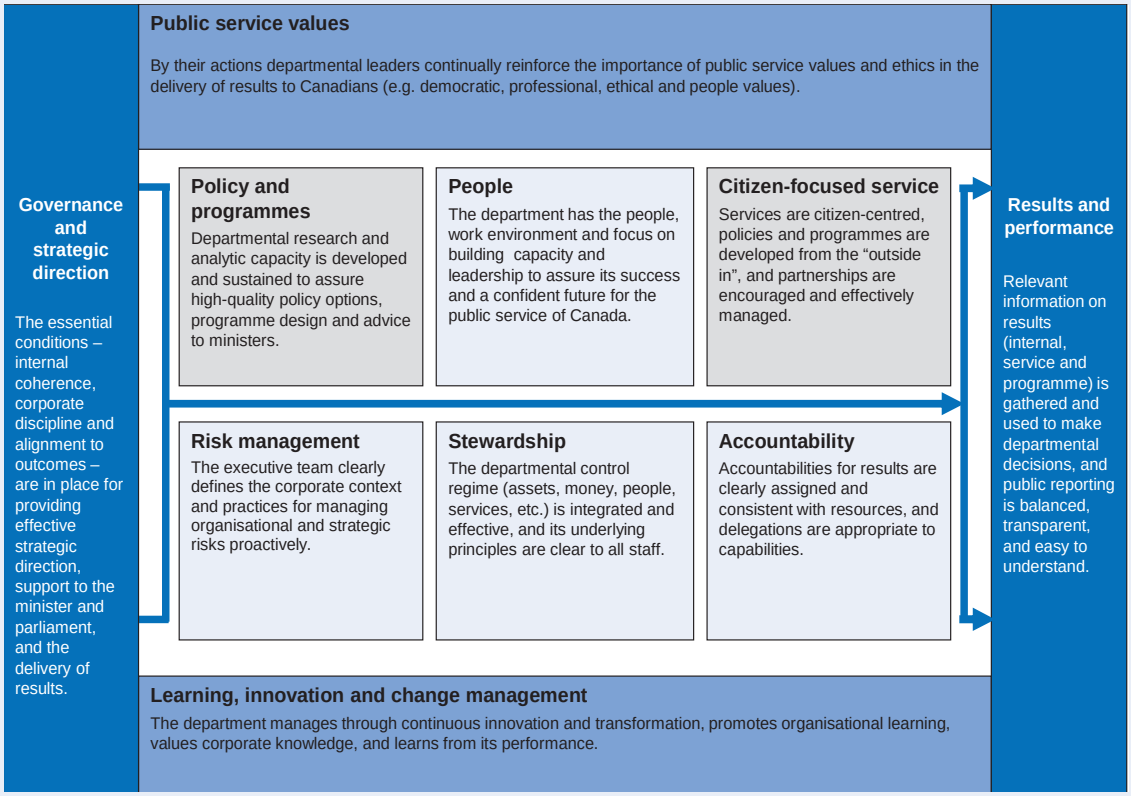
The National Performance Framework does not have a statutory basis but there are current proposals, which have all party support, to develop legislation.

Source: Scottish Government (n.d.), www.scotland.gov.uk/About/Performance/scotPerforms.

Box 3.13. The Canadian Management Accountability Framework

In the context of increased emphasis on results and performance management and increased delegation of management functions to departments, the Canadian government has developed a Management Accountability Framework (MAF) to ensure departmental accountability for management results, including human resources. The MAF is structured around ten key elements that collectively define "management" and establish the expectations for good management of a department or agency. It sets clear indicators and measures that can be used to gauge performance over time to help managers, deputy ministers and central agencies to assess progress and to strengthen accountability for management results.

The MAF is part of the government's efforts to move away from prescriptive rules and heavy central regulation to focus on risk-based monitoring and accountability for results. The government uses annual MAF assessments to identify management strengths and weaknesses in individual departments and agencies and ultimately government-wide. The assessment process leads to a joint agreement on specific management improvement action plans and ultimately public reporting on the state of management. The MAF assessment now also factors into deputy ministers' performance appraisals.



The People Component of the MAF provides a common structure for assessing human resources management (HRM) in departments and agencies. It sets out vision, expectations, key performance indicators and associated measures for sound HRM. It centres on key workforce, workplace, leadership and HR infrastructure outcomes, and associated measures. The outcomes are:

- a workforce that is talented, professional, representative, engaged and productive, with the required competencies and values to meet current and future needs
- a workplace that is healthy, safe and fair and enables employees to work effectively in a supportive environment and a culture of excellence
- strong leadership and management capacity to effectively lead organisations and people in a complex and dynamic environment

Box 3.13. **The Canadian Management Accountability Framework** (*cont.*)

- effective infrastructure, which facilitates effective organisational planning supported by strategic and enabling HRM and achieves high levels of client satisfaction.

The key "people management" performance indicators provide a solid foundation on which managers at all levels, including deputy ministers and human resource professionals, can build their accountability regimes for quality HRM and assess their organisation's business and human resources outcomes. Every department and agency (except for small and micro agencies) in the federal public service is assessed in each component of the MAF. Each MAF component is further subdivided into areas of management (AoM), each of which has lines of evidence with associated rating criteria and definitions to facilitate an overall rating by AoM. The four-point assessment scale measures each AoM as either strong, acceptable, opportunity for improvement or attention required. The annual performance assessment of deputy ministers takes their department's MAF performance into account.

The MAF assessment process is performed annually by the Treasury Board Secretariat (TBS) (the Office of the Chief Human Resources Officer performs an assessment of the "people" component of the MAF), based on evidence submitted from departments and agencies to support the defined quantitative and qualitative indicators within the framework. Assessments are completed by the TBS representatives, including a quality assurance process to ensure results are robust, defensible, complete and accurate.

Source: OECD (2010c).

Finland faces challenges in building a culture of conducting regulatory impact assessment across the system

While RIA guidelines exist for law drafters in ministries, it is not clear how well-implemented impact assessments are throughout the Finnish public administration and what the real impact is on policy.

- As there is no whole-of-government oversight body to ensure the quality of regulation and RIAs, it remains a challenge for CoG institutions to understand whether quality regulation is furthering national and societal objectives, or conversely whether poorly assessed regulations are hindering the achievement of national goals.
- Finland thus faces the challenge of an uneven culture of impact assessment in the public administration, with the use of softer tools to increase the profile of RIA – such as inter-ministerial networks or working groups on regulatory policy – proving less effective.
- In addition, it remains unclear whether the wider legislative drafting process guidelines (see Figure 3.2), produced by the Ministry of Justice, are followed by ministries. These quality checks are essential for ensuring evidence is informing policy choices and, in turn, that the policy choices are helping further national objectives.
- Overall, the governance of the RIA system appears limited in its capacity to deliver effective results. For instance, the process does not appear to involve full tests of impacts of legislative or regulatory initiatives on small and medium-sized enterprises, which is important to assess the different types of burden that could be created as a result.

Both countries could strengthen their regulatory impact assessment arrangements to improve evidence-based policy making

Estonia and Finland have adopted different institutional arrangements and processes to promote evidence-based decision making.

- While both countries have a mechanisms in place, Estonia has established – on paper at least – stronger oversight to promoting evidence-based decision making, specifically in regard to implementing preliminary impact assessment requirements for all new legislation and creating a quality assurance focal point in the Ministry of Justice.[11]
- These institutional arrangements differ from the Finnish model, which equally promotes regulatory quality and the use of RIA through its Better Regulation Strategy, however, via softer mechanisms such as RIA guidelines, inter-ministerial networks or working groups on regulatory policy.
- Compared to Estonia, however, the Finnish government lacks a central oversight body to verify the quality of impact assessments carried out by ministries.

The OECD 2012 *Recommendation of the Council on Regulatory Policy and Governance* (including 12 high-level principles) can prove a helpful guidepost to assess both countries' institutional arrangements to promote RIA, and evidence-based policy making more widely (see Box 3.14). For example, Principle 3 suggests countries should "establish mechanisms and institutions to actively provide oversight of regulatory policy procedures and goals, support and implement regulatory policy, and thereby foster regulatory quality".

Box 3.14. **2012 Recommendation of the Council on Regulatory Policy and Governance**

The impact of the financial and fiscal crisis, and of social change and environmental challenges, highlight the importance of sound regulatory frameworks as a basic condition for well-functioning markets and societies, protecting the environment and the promotion of economic growth. The Recommendation sets out the measures that governments can and should take to support the implementation and advancement of systemic regulatory reform to deliver regulations that meet public policy objectives and that will have a positive impact on the economy and society. These measures are integrated in a comprehensive policy cycle in which regulations are designed, assessed and evaluated *ex ante* and *ex post*, revised and enforced at all levels of government, supported by appropriate institutions.

The 12 high-level principles in the Recommendation recommend that member countries:

1. Commit at the highest political level to an explicit whole-of-government policy for regulatory quality. 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.
2. Adhere to principles of Open Government, including transparency and participation in the regulatory process to ensure that regulation serves the public interest and is informed by the legitimate needs of those interested in and affected by regulation. This includes providing meaningful opportunities (including online) for the public to contribute to the process of preparing draft regulatory proposals and to the quality of the supporting analysis. Governments should ensure that regulations are comprehensible and clear and that parties can easily understand their rights and obligations.

Box 3.14. **2012 Recommendation of the Council on Regulatory Policy and Governance** (*cont.*)

3. Establish mechanisms and institutions to actively provide oversight of regulatory policy procedures and goals, support and implement regulatory policy, and thereby foster regulatory quality.
4. Integrate regulatory impact assessment (RIA) into the early stages of the policy process for the formulation of new regulatory proposals. Clearly identify policy goals and evaluate if regulation is necessary and how it can be most effective and efficient in achieving those goals. Consider means other than regulation and identify the trade-offs of the different approaches analysed to identify the best approach.
5. Conduct systematic programme reviews of the stock of significant regulation against clearly defined policy goals, including consideration of costs and benefits, to ensure that regulations remain up-to-date, cost-justified, cost-effective and consistent, and deliver the intended policy objectives.
6. Regularly publish reports on the performance of regulatory policy and reform programmes and the public authorities applying the regulations. Such reports should also include information on how regulatory tools such as RIA, public consultation practices and reviews of existing regulations are functioning in practice.
7. Develop a consistent policy covering the role and functions of regulatory agencies in order to provide greater confidence that regulatory decisions are made on an objective, impartial and consistent basis, without conflict of interest, bias or improper influence.
8. Ensure the effectiveness of systems for the review of the legality and procedural fairness of regulations and of decisions made by bodies empowered to issue regulatory sanctions. Ensure that citizens and businesses have access to these systems of review at reasonable cost and receive decisions in a timely manner.
9. As appropriate apply risk assessment, risk management and risk communication strategies to the design and implementation of regulations to ensure that regulation is targeted and effective. Regulators should assess how regulations will be given effect and should design responsive implementation and enforcement strategies.
10. Where appropriate promote regulatory coherence through co-ordination mechanisms between the supranational, the national and sub-national levels of government. Identify cross-cutting regulatory issues at all levels of government to promote coherence between regulatory approaches and avoid duplication or conflict of regulations.
11. Foster the development of regulatory management capacity and performance at sub-national levels of government.
12. In developing regulatory measures, give consideration to all relevant international standards and frameworks for co-operation in the same field and, where appropriate, their likely effects on parties outside the jurisdiction.

Source: Each of the principles expressed in the Recommendation are further developed in the full text of the Recommendation, available at: www.oecd.org/gov/regulatory-policy/2012-recommendation.htm.

In Finland, a standing body charged with regulatory oversight could be established close to the Centre of Government to ensure that regulation serves whole-of-government strategy. Such a regulatory oversight body usually performs the following functions:

- Co-ordination function: co-ordinating and supervising the implementation of Better Regulation with a horizontal perspective.

- The challenge function: a central pillar of regulatory policy is the concept of an independent body assessing the substantive quality of new regulation and working to ensure that ministries comply with the quality principles embodied in the assessment criteria. This function usually implies that the oversight body reviews RIAs and draft regulations, and challenges them if they do not meet the criteria established by the Better Regulation policy.
- The "advisor/facilitator" task: government bodies in charge of Better Regulation advise public administration offices to draft their regulatory programmes and train their staff through seminars, workshops and the dissemination of best practices.
- Advocacy: drafting annual reports and programmes, strategically guiding Better Regulation policy and communicating its achievements are activities carried out by regulatory reform bodies as part of their advocacy function.

Estonia is moving in the right direction in terms of creating a regulatory oversight function, yet questions remain over the location of the unit in the Ministry of Justice, namely whether it is close enough to the Centre to carry out its role effectively.

- However, the unit has a staff of only three – to review the quality of all legislative impact assessments as well as provide consultations to officials – and thus it cannot be assumed that a thorough and detailed review of the RIAs will take place.
- This may require significant prioritisation and a clearer internal system of traffic lights, as well as resolving capacity gaps. It might also warrant a reassessment of the policy for granting exceptions to preparing legislative intent accompanied by preliminary impact assessment (to determine if significant impact requires an in-depth RIA). The system, which requires initial impact assessment for almost all primary legislative proposals, has been subject to an increasing use of exceptions by ministries (which enable them to avoid the preparation of a legislative intent), resulting in draft laws with significant impact being passed without the required in-depth RIA. As of 2012, only two to three in-depth RIAs have been conducted, while more draft laws would have required such RIAs.

In Australia, while RIA is intended to apply to the full range of policy instruments (including laws, subordinate legislative instruments and quasi regulation) a similar general principal to Estonia's is applied to ensure that when an RIA is prepared, the level of analysis is to be proportionate to the magnitude of the policy impact expected from the regulatory proposal (OECD, 2010b). However, Australia has introduced an interesting tool to standardise and help ministries comply with preliminary assessments of impacts, and to assist policy officers to efficiently calculate regulatory burden on new regulations. The Regulatory Burden Measure (RBM) (formerly the Business Cost Calculator) is an IT-based tool that allows policy officers to estimate the regulatory costs imposed on businesses, community organisations and individuals of various policy options (see Box 3.15).

For Finland, while some of the ingredients mentioned in Principle 3 are present, a gap remains with respect to central oversight in regulatory quality – particularly in relation to ensuring the practice and quality of *ex ante* impact assessment.

- Assessing regulatory compliance costs for business in Finland could also be raised as a priority, including involving the business community directly in both

the identification of regulatory burdens as well as areas where regulatory or policy responses are required (see Boxes 3.19 and 3.20).

- As Principle 4 notes, countries should "integrate [r]egulatory [i]mpact [a]ssessment (RIA) into the early stages of the policy process for the formulation of new regulatory proposals by clearly identifying policy goals, and evaluate if regulation is necessary and how it can be most effective and efficient in achieving those goals".
- In line with Principle 3, OECD experience demonstrates that the support of a well-resourced regulatory oversight function helps to integrate impact assessment in the policy- and rule-making process, and to raise the quality of assessment.
  - For example, the Regulatory Policy Committee (RPC) in the United Kingdom is an independent advisory body which provides external, real-time scrutiny on the quality of evidence and analysis for government regulatory proposals (see Box 3.16).
  - Following scrutiny of a department's impact assessment the RPC provides an opinion on the quality of analysis and evidence presented in the impact assessment.
  - This opinion then informs the decisions of ministers as to whether or not they should proceed with the proposal.

Box 3.15. **What is the Regulatory Burden Measure?**

The Regulatory Burden Measure (RBM) is an IT-based tool designed to assist Australian policy officers in estimating the compliance costs imposed on businesses, community organisations and individuals of various policy options. It provides an automated and standard process for quantifying compliance costs of regulation using an activity-based costing methodology. Compliance costs are defined as the direct costs to businesses, community organisations or individuals of performing the various tasks associated with complying with government regulation, and include administrative costs, substantive compliance costs and delay costs. Compliance costs must be estimated for all new and amended regulations. Users are asked to detail:

- the number of businesses affected by each option
- the tasks that business will have to complete to be compliant with the regulation
- whether the task is an internal cost or an outsourced cost
- whether the task is a start-up or ongoing cost
- how long each task will take to complete
- how often each task will need to be undertaken
- the associated labour and other costs
- supporting evidence for all information.

From this information, the RMB will provide an estimate of the compliance costs associated with each option. The RMB data can be displayed, printed and downloaded to other applications in a range of reports. The RBM data is presented in a regulatory burden and cost offset estimate (RBCOE) table, which must be included in any associated regulation impact statement.

Source: Australian Government (2007).

Box 3.16. **United Kingdom's Regulatory Policy Committee**

The Regulatory Policy Committee (RPC) is made up of eight committee members working on a part-time basis. The RPC is appointed by open public process and is independent of government. It is supported by a secretariat of civil servants – mainly policy analysts and economists.

The RPC assesses or scrutinises departments' impact assessments against established guidance (the HM Treasury's Green Book; the *Better Regulation Framework Manual*) and has set out seven recommendations to provide further clarity:

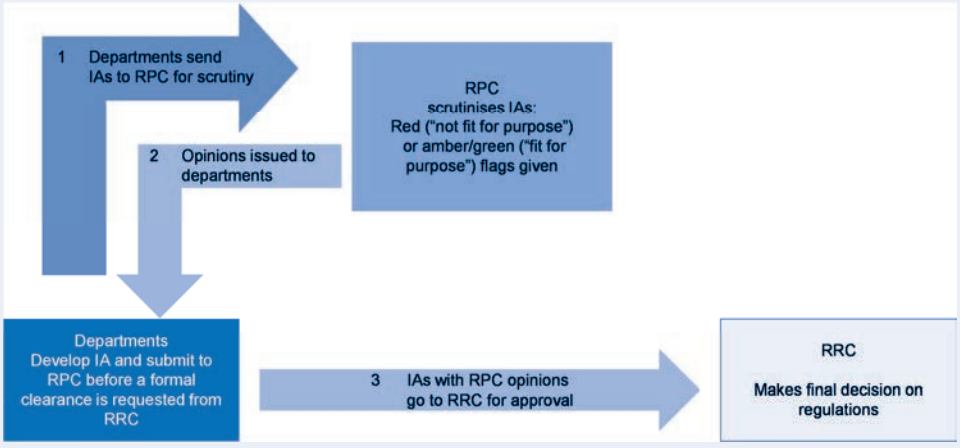
1. Do not presume regulation is the answer.
2. Take time and effort to consider all the options.
3. Make sure you have substantive evidence.
4. Produce reliable estimates of costs and benefits.
5. Assess non-monetary impacts thoroughly.
6. Explain and present results clearly.
7. Understand the real cost to business of regulation.

Following scrutiny of an impact assessment, the RPC issues an opinion to back to ministers on the quality of analysis and evidence presented in the impact assessment, which follows a traffic light system:

- RED: The impact assessment is "not fit for purpose". Major concerns over the quality of the evidence and analysis and overall quality of the impact assessment that must/need to be addressed.
- AMBER: The impact assessment is "fit for purpose". However, areas of concern with the impact assessment are set out which should be resolved so as to improve its contribution to the final decision made. (Only used at consultation stage.)
- GREEN: The impact assessment is "fit for purpose". No significant concerns or some minor issues where the impact assessment that could be improved to deliver greater clarity or to aid understanding.

Ministers have said that any impact assessment receiving a red opinion must be amended and resubmitted to the RPC for a new "fit for purpose" opinion prior to submission to the Reducing Regulation Committee (RRC). Impact assessments with opinions from the RPC go to the RRC for a formal decision on the regulation. The figure below outlines the process.

The role of the RPC in the clearance of major (> GBP 1 million) regulatory proposals



Source: Regulatory Policy Committee, United Kingdom.

Box 3.17. **Business Test Panel example: Unfair business to business practices**

The European Commission used the Business Test Panel model in 2011 to inform itself of the nature and extent of unfair business to business practices and help determine whether a regulatory or other policy response was required. During a three-month consultation period, 700 businesses responded to a survey which sought information on whether they had experienced unfair practices, in what specific business context they were experienced (e.g. pre-contract negotiations, being forced to accept unfair contract terms) and to what extent these practices varied between member countries.

The survey also sought data on what specific unfair practices were most common and problematic and the responses were used to determine the content of the subsequent EU policy response. Key concerns were found to include withholding essential information, territorial supply constraints, unilateral contract variations, non-transparent and disproportionate contract penalties and transfer of business risk to the other contracting party.

The use of the Business Test Panel in this case both served to confirm that the extent of the problem identified required EU intervention and to guide the design of the policy response.

Source: European Commission (2012).

Box 3.18. **The Board of Swedish Industry and Commerce for Better Regulation (*Näringslivets Regelnämnd*, NNR)**

The Board of Swedish Industry and Commerce for Better Regulation, formed in 1982, is an independent, non-political business organisation whose main mission is to advocate on behalf of the Swedish business community for simpler, more business-friendly regulations both within Sweden and in the European Union. It can be seen as a form of external watchdog and, as a business organisation that only deals in Better Regulation issues, it has no exact counterpart in other European countries. It has a staff of five and is financed by its members, which include 15 Swedish business organisations and trade associations that together represent more than 300 000 companies in every sector and of all sizes. It represents a third of all active enterprises in Sweden.

The NNR has, since 2002, published an annual regulation indicators report which evaluates policy and progress on Better Regulation and makes proposals for action. The NNR's work covers the whole range of Better Regulation issues, including impact assessment (co-ordinating business views on the quality of impact assessments for new or amended regulations); and administrative burden reduction (collecting proposals from business, work on the measurement of costs). The NNR carried out a perception survey of the government's Better Regulation work in 2006 (checking for the "noticeable effects" of government actions). It also carried out an analysis of business regulatory costs in 2006, which it plans to follow up.

The 2008 regulation indicators report published in June concludes that the government's objectives are aligned with the views expressed by the business community. Many of the tools needed within government to achieve the objective of "a simple and efficient regulatory framework" are being put in place. The big challenge now is that politicians and civil servants must give priority to regulatory simplification and use the tools that are available.

Source: OECD (2010d).

Notes

1. This was a conclusion of the 2011 OECD *Public Governance Review* which appears to remain.
2. See § 1, § 40, § 46 and § 47 of the rules in relation to primary regulation; § 65 in relation to the Regulations of the Government of Republic and the Draft Ministerial Orders; the Rules of Legislative Drafting of the Estonian Parliament *Riigikogu* state in § 46 the same requirements of RIA for legislative drafts of the *Riigikogu*.
3. http://epl.delfi.ee/news/eesti/valitsus-avas-portaali-tana-otsustan-mina.d?id=50886729.
4. Praxis' mission is to improve and contribute to the policy-making process in Estonia by conducting independent research, providing strategic counsel to policy makers and fostering public debate.
5. Initial foresight analysis in EDF was originally to support their investment branch, yet grew to take on other responsibilities informing government.
6. The "Government Resolution on Comprehensive Reform of State Research Institutes and Research Funding" was passed in October 2012.
7. According to the Official Statistics Act (Section 9 p. 3) and EU Regulation on Statistics No. 223/2009 (Article 2a), Statistics Estonia is professionally independent, notwithstanding the fact that the institution is the part of the central government. Statistics Estonia is capable of producing independent data, but it faces challenges relating to a lack of investments and other resources in this area.
8. For example, the four-year Programme for the Government.
9. www.bis.gov.uk/foresight/our-work/projects.
10. During the OECD fact-finding mission to Tallinn conducted for this Review.
11. The Minister of Justice in Estonia reports each autumn to the parliament on the implementation of the Principles of Legislative Policy as well.

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Chapter 4:

Fostering structural and resource flexibility in the public sector

This chapter examines the flexibility the governments of Estonia and Finland have in reallocating resources to address shifting strategic priorities. It provides an overview of the current state of structural and resource flexibility in the two countries and highlights recent successes at governance reform to address these challenges. It assesses for each country how joint action by the Centre of Government institutions is being pursued to enable coherence in policy making to meet shifting demands, and how nimbly or flexibly they can move human, financial and institutional resources across the government to respond to emerging strategic priorities. This chapter underscores the need to enhance flexibility in financial-resource allocation through tools such as contingency funds and spending reviews, while also enhancing flexibility in human resource management and in institutions, by breaking down institutional and regulatory barriers.

The "strategic agility" of a government refers to the degree to which high-level, whole-of-government policy-debating and decision-making fora enable the government to identify correctly emerging strategic or "hot" priorities, and take decisions on how best to shift and reallocate human, financial and institutional resources quickly to address them effectively and efficiently. 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.

This chapter examines the degree of flexibility the governments of Estonia and Finland have in reallocating resources to address shifting strategic priorities. In particular, the chapter assesses for each country how joint action by the Centre of Government (CoG) institutions acting together can ensure coherence in policy making to meet shifting demands, and how nimbly or flexibly they can move human, financial and institutional resources across the government to respond to emerging strategic priorities. The chapter assesses flexibility in the context of how the government sustains its ability to deliver policy and services effectively and efficiently to citizens and businesses that accurately reflect their needs in a changing environment.

This chapter thus assesses how:

- Whole-of-government multi-sectoral strategies get financed through the budget process, how budget (re)-prioritisation and strategic programme reviews are used to fund emerging strategic priorities and to reallocate resources from existing areas, and whether annual/multi-year budget-setting is used more generally to inform the nature, scope and time frame for implementing the government's strategic objectives by injecting national strategy setting with a clear sense of reality of the limits of the country's fiscal capacity.
- Governments reallocate policy and service delivery resources (human, facilities/equipment/IT platforms and data) between ministries and/or agencies, temporarily or otherwise, to focus on areas of high or emerging priority to the government; and how governments pursue institutional change more generally – reshuffle ministry portfolios, redefine agencies structures and goals as well as institutional mandates, merge/eliminate ministries/agencies – to shift low-priority/redundant institutional resources to meet higher or emerging priorities and to reflect the increasing role of information and communication technologies (ICTs) as a way to streamline service delivery.
- Each government optimises its whole-of-government mind-set at the top of the decision-making apparatus: fostering and sustaining common values and ethics and a shared vision of the future within the top ranks of the civil service, for example, along with the effectiveness of its political-administrative interface – how politicians and senior civil servants interact productively at all stages of the strategy development and implementation process – to translate, communicate and execute strategy based on a common understanding of the issues at hand and of the means to address them that take into account the political realities and policy and resource constraints at play on the ground.

This chapter provides an overview of the current state of play in each country in these areas. It first provides an overview of each country's key strengths and challenges. It then provides a comparative assessment of the key priorities for greater flexibility each country could consider pursuing to achieve greater institutional agility.

The current state of structural and resource flexibility in Estonia

The 2011 *Public Governance Review of Estonia* advised on the need to promote a "whole-of-government" approach to strategy setting and implementation, build a common whole-of-government agenda, and deliver public services effectively. In response, an action plan was approved by the Estonian Cabinet in October 2011 to implement the *Public Governance Review*. It outlined 14 integrated initiatives aimed at reforming the functioning of the Estonian CoG, of which the following 11 speak to greater structural and resource flexibility:

- Define clear responsibility for priority horizontal initiatives and topics. The main activities to be led by the Government Office included designating primary and shared responsibility for new initiatives in the Government Programme, forming working groups of deputy secretaries-general to co-ordinate the implementation of the Government Programme, and forming inter-ministerial task forces to launch new horizontal initiatives (see below). These activities were completed during the period 2011-13. One more activity identified under this initiative – carve out on a pilot basis from the state budget special-purpose funding to implement priority horizontal initiatives – was advanced in early 2014, with amendments to the State Budget Act to set a legal framework for programme-based budgeting. Special-purpose Cabinet committees to oversee important policy priorities were not implemented for reasons that remain unclear.
- Increase flexibility in the institutional organisation of the government. To be led by the Government Office and the Ministry of Justice, legislative amendments were to be developed that would redefine the division of responsibilities between ministries and create and/or reorganise agencies and government inspectorates. The Government Act was changed in spring 2014 with the incoming government. As a result, the Prime Minister now appoints ministers to the policy fields she or he deems necessary. The legislation now includes referrals to the "minister responsible for the area" as opposed to the Minister of Justice or Finance.
- Harmonise ministry structures. Activities to be led by the Government Office and the Ministry of Justice include designating the roles and responsibility of secretaries-general and deputy secretaries-general, harmonising management levels across all ministries, and analysing options for harmonising horizontal functions (EU co-ordination, legislative drafting and support services). Much of this was never pursued, although an informal decision was made (and is being implemented voluntarily) to streamline ministry management levels at three tiers.
- Continue the centralisation of support services (ICT, accounting and personnel accounting, real estate, procurement. Much has been accomplished in this area, particularly in digital governance and integrated online service delivery (Part 2 examines Estonia's remarkable performance in digital governance in considerable detail), and centralising the provision of core services.
- Concentrate responsibility for the development of the public service under a single ministry. The new Civil Service Act (see below) unifies most functions related to the civil service within the Ministry of Finance (whereas before, responsibility was shared between the Ministry of Finance, the Ministry of Justice and the Government Office). The act also simplifies the salary system and makes it more transparent, but it did not create a single system. The act did not designate

the government as the single/sole employer of the civil service, nor did the government act on the recommendation to design a strategic whole-of-government human resources management plan.

- Encourage rotation in the civil service. This was partly acted upon, with the act abolishing provisions hindering cross-ministry movement of personnel. As well, the Government Office is actively promoting the rotation across ministries of senior officials (see below).
- Strengthen co-operation between secretaries-general and deputy secretaries-general, and extend this to other levels. Much has been done in this area (see above), although more could be done to disseminate good practice at the senior levels down through the ranks.
- Organise the strategic goals of the government and take these into account when establishing the state budget. This initiative has been taken very seriously by the government, but more could be done in this area (see below). Efforts have been taken to harmonise the objectives of the government as presented in the Government Programme with the state budget strategy and to ensure interconnection between whole-of-government strategic planning and the budget-setting process. The legal basis for these linkages has been established in the organic budget law (see below).
- Manage EU funds to support reforms in a more integral way and by adhering more to the service-based approach. Management levels have been reduced and Ministry of Finance co-ordination of planning the use of EU Structural Funds (including rationalising the number of operational programmes from three to one) has been enhanced (see below). The new organic budget law will also increase programme-based financing once it is implemented (see below).
- Co-ordinate the provision of public services better. This is being addressed by the Ministry of Economic Affairs and Communications, although at this point enhanced co-ordination is only being applied to online service provision and the digital governance of service delivery. Of course, that said, Estonia scores very high for its integrated service provision and forward-looking digital governance.
- Support co-operation between local authorities for more effective and high-quality services. This area represents a priority initiative under the current Government Programme and is linked to the management of EU Regional Funds over the upcoming programming period. The Ministry of the Interior is leading the work in this area. This policy area is important because it is linked both to the government's ability to assess performance in service delivery across local areas in the country and to its ability to co-ordinate effectively across levels of government in policy design, spending and service provision (see below). That said, this is less of an issue than in Finland, where service delivery competencies assigned to local governments are much broader and have more impact on the daily lives of citizens and businesses (an issue raised in the 2010 Public Governance Review of Finland).

Using this Public Governance Review Implementation Action Plan as a guide post, the next parts of this chapter examine current activities under the main themes of cross-government co-ordination and structural and resource flexibility.

Strengthened Centre of Government-led co-ordination in designing and implementing the Government Programme

The government of Estonia is *inter alia* clearly pursuing an agenda to strengthen capacity (and institutional will) within its three CoG institutions (the Government Office, the Ministry of Finance and the Ministry of Justice) to sustain policy co-ordination between them and with line ministries while building stronger links between strategy design and implementation, and budgeting.

The first area in which the government of Estonia has implemented reforms is in CoG-led whole-of-government policy co-ordination. Since 2011, the Government Office has invested much time and energy in making the co-ordination between the three CoG institutions work properly. The mandate of the Government Office has, in fact, been recalibrated to focus more exclusively on whole-of-government leadership in strategy setting and in co-ordinating policy development and implementation: content-specific functions not linked to this core mandate – for instance, responsibility for the National Archives – have been spun off to other institutions. At the same time, the Government Office has focused on clarifying the responsibilities assigned to ministries, departments and agencies under the Government Programme. In co-operation with the Ministry of Finance, the Government Office has worked to establish common performance targets for inclusion in the Government Programme as well as a medium-term expenditure programme under the state budget strategy. These targets are also monitored to be harmonised with the other relevant sector-based development plans. As mentioned in Chapter 1, the Government Office's Strategy Unit (established in 2006) now functions, in co-ordination with the Ministry of Finance's Budget Department, as the government's integrated planning unit to ensure implementation of the Government Programme and coherence in the whole-of-government planning.

The Ministry of Finance works closely with the Government Office

The Ministry of Finance co-ordinates with the Government Office on linking the multi-year fiscal framework with the Government Programme. Every January, the Ministry of Finance and the Government Office meet with the main policy heads of line ministries on sector policy objectives and performance indicators under the Government Programme and the State Budget Strategy. These policy targets and indicators are fed into both the annual and the four-year, rolling fiscal plan. Any new initiative has to be cost and funded within this fiscal framework. The adjudication process occurs in Cabinet, since there are always fewer fiscal resources than there are priorities. That said, up to 75% of the annual budget[1] can be earmarked for entitlements and other social policy expenditures, so "horse-trading" between ministers happens around the remaining 25% of the budget. Changes can be, and sometimes are, agreed outside of these legal limits.

The Prime Minister, supported by the Government Office, oversees the finalisation of the fiscal framework in light of the Government Programme. Dispute resolution to fund competing policy priorities within the framework occurs at the August and September Cabinet meetings. Resolution tends to be smoother when the Prime Minister and the Minister of Finance are from the same political party in the coalition. However, even under the most harmonious of discussions, competing priorities are sometimes left unresolved due to the preponderance of earmarked resources.

Strategic spending reviews, often used in OECD countries to determine continued expenditure relevance as well as to identify inefficiencies in spending, whether in entitlement or discretionary programming, are only conducted sporadically in Estonia. In

a tight national fiscal environment, maximising spending efficiency, especially in entitlement programmes and especially within a fiscal framework in which these entitlements represent three-quarters of all public expenditures, takes on critical importance. Creating fiscal space to support emerging strategic priorities in a tight fiscal environment requires constant vigilance to maximise spending efficiency; the recommendations address this matter.

This issue is not inconsequential in Estonia as social services funded under the entitlement programmes (and under discretionary programming) are delivered by local authorities (except for healthcare which, unlike in Finland where this is an even more important issue, is funded nationally through the Estonia National Health Fund). This raises vertical co-ordination issues with respect to ensuring comparable standards and quality of services across the country, as well as the issue of disparities in local capacity to gather performance information in a way that enables the Government Office (which is responsible for monitoring performance) and the Minister of Finance to assess national standards in service delivery (and inter-regional equity in achieving policy results) properly. Since the current Government Programme identifies local government reform and multi-level governance as a priority, the recommendations at the end of this chapter address this issue in greater detail.

Notwithstanding significant deepening of co-ordination between the Government Office and the Ministry of Finance, this has not been translated into linking budgeting to policy performance within a proper, integrated national performance assessment framework that generates performance information on spending measured against the achievement of strategic policy results on an ongoing basis (see Chapter 2). The ability of the Government Office to measure the impact of spending on the achievement by the government of its strategic policy objectives remains limited, notwithstanding the injection into the Government Programme of policy targets and performance indicators.

At issue here is that these policy targets and policy performance indicators are not directly tied to spending in the annual state budget. While the performance indicators are included in the medium-term expenditure framework/State Budget Strategy and in the explanatory letter of the budget itself, the direct link to spending and outcomes achieved in the Government Programme cannot be assumed. It would appear that the two main reasons for this – identified by the Estonians themselves – are on the one hand the paucity of comprehensive RIAs and cost-benefit/value-for-money analysis being conducted on major strategic decisions being taken by the government under its Government Programme (see Chapter 3), and on the other hand the absence of a performance-influenced budgeting approach to annual and multi-year budget setting. This second issue is being addressed through reforms to the budget-setting process as framed by the new Budget Act (see below).

The first issue may be institutional – the Ministry of Justice is responsible for overseeing the government's RIA process, yet is has no mandate to assess whether *ex ante* RIAs effectively guide decision making, while the Government Office and the Ministry of Finance are responsible for assessing policy performance, but are not required to ensure that RIA results inform policy and budget decisions.

In addition, lack of training and limited resources in line ministries may also explain limited systemic linkages between RIAs, policy performance assessment and results-based spending performance assessment when the government takes decisions on implementing strategy under the Government Programme. The recommendations below address this CoG co-ordination issue.

Horizontal task forces address the government's key multi-faceted strategic priorities

Improvements in inter-ministerial co-operation and co-ordination on domestic strategic policy issues are also being pursued, albeit in a more informal or *ad hoc* manner than with respect to managing relations with the EU. Under the 2011 plan adopted by the Estonian Cabinet to implement the OECD's advice in the *Public Governance Review*, the government (led by the Government Office) created two inter-ministerial task forces (at the level of deputy secretary-general) to develop multi-sectoral action plans in policy areas where there is no lead ministry, define the functions of different actors across the government, determine a lead institution and assign responsibilities to line ministries to implement the action plan. This type of inter-ministerial task force was highlighted in the *Public Governance Review* as an example of a tool that could be adopted by the government of Estonia to enhance inter-ministerial flexibility and co-ordination to address policy issues of strategic importance to the country's development.

The Estonia Task Force on Skills Development

The first task force was created in 2012 to examine skills development in Estonia. In August 2012, the government launched this task force to match the needs of the labour market with the skills of the people. The task force was initiated and led by the Government Office, to better match the changing needs of the labour market against peoples' skills availability in the marketplace. The goal of the inter-ministerial task force was to propose a suite of concrete labour-market active measures to ensure better availability of a workforce with skills that match the needs of the labour market, thus fostering better quality and more sustainable employment.

The task force was co-ordinated by the Government Office and consisted of representatives from the Ministries of Education and Science, Social Affairs, Economic Affairs and Communications, Finance, and the Interior; the Estonian Unemployment Insurance Fund; the Foundation Enterprise of Estonia; the Estonian Qualifications Authority;[2] Foundation Innove; the Association of Municipalities of Estonia; and the Association of Estonian Cities. The composition of this task force thus exemplified the essence of cross-government co-ordination along with key linkages with key civil society stakeholders in the policy area under study.

The task force focused on driving inter-ministerial co-operation, as activities and target groups fall between different ministries and areas of responsibility. Reaching results that lead to qualitative changes in the labour market requires a common understanding of the whole process. Therefore, the task force first focused on agreeing upon policy principles and division of tasks to solve the key challenges in assessing training needs, in guaranteeing the quality of training and in planning training resources for the next financing period, while at the same time safeguarding the maximum use of existing investments in education and services for adult training. The task force secured agreement on the principles and division of tasks, on an action plan to tackle pressing challenges, on defining the responsibilities between ministries and other institutions, on amending legislation if needed, on the need for more coherent and better targeted financing for skills development, and on proposals to the government concerning planning or changing programmes.

The Estonia Task Force on Injuries and Premature Deaths

The second task force created by the Government Office, in late 2013, is examining policy and institutional issues in the area of injury and premature death prevention. Estonia faces higher than average injury and premature death rates, and the government has deemed it a priority to determine accountability for injury and deaths, while surveying and adapting good practices from outside Estonia to reduce deaths due to traffic accidents and auto safety issues, drowning, falls and construction accidents, alcohol and drug abuse, and fire hazards. Thus, the inter-sector task force was established to analyse policy, programme and data issues topic by topic in this area with representatives from the key implicated administrative departments and inspectorates, including, for example, the Road Administration, the Labour Inspectorate, the Ministry of Justice, the ministry responsible for healthcare services, the Ministry of the Interior, and so on. Here again, the composition of this task force illustrates the cross-ministry nature of the collaboration needed to define the issues and develop a roadmap on how to address them effectively.

The task force will thus focus on establishing a clear definition of mandates and responsibilities for accountability purposes, along with performance targets and outcomes in reducing injuries and deaths, and the resources needed to implement them. Through this process, the government hopes to achieve certain outcomes in terms of the evolution in how government institutions interact with each other in dealing with complex, multi-sector policy challenges. First and foremost, the government hopes that as the task force carries out its work, it will succeed in raising awareness among ministers and line ministry officials of the linkages between responsibility areas that affect injuries and premature deaths, along with whatever mandate and programming gaps might be uncovered in the process. In turn, the government hopes that better awareness leads to renewed and sustained efforts at collaboration between institutions so that individual responsibility centres move beyond delivering their own narrow mandates to working in a way that contributes to achieving each other's objectives so that gaps are filled and outcomes are achieved more efficiently and effectively.

For both of these task forces, it will be important for the lead ministry and the Government Office to monitor the impact of this approach to outcomes related to deaths and injuries, or to employment as the case may be. This monitoring and assessment should focus on whether the ultimate targets of greater labour market participation rates – by better educated people who are finding employment in jobs requiring the skills they have acquired – or fewer deaths and injuries because better programming and better prevention campaigns, for example, are being attained.

A broader issue for consideration by the Estonian government is how to connect the work being pursued to advance the national strategies with the work of these task forces:

- The National Lifelong Learning Strategy and the Research, Development and Innovation Strategy clearly speak to enhancing the employability and productivity of the national labour force, the key policy objective of the Skills Development Task Force. Yet there do not appear to be linkages between the Skills Development Task Force and these national strategies.
- The Innovation Strategy is driven by the Ministry of the Economy and is overseen by an arm's-length Council on Research and Development, chaired by the Prime Minister and composed of ministers, academics and business people, which acts as a forum for discussion rather than a cross-government policy-setting and

implementation oversight body. Yet the Task Force on Skills Development does not appear to be operating within the purview of the Innovation Strategy – skills development is a key driver of innovation – and the Council on R&D does not appear to have a role in advising on the implementation of task force's initiatives undertaken to enhance skills in the national labour force so that these link up with the Innovation/R&D Strategy's policy framework.

A new budget act lays the foundations for enhancing allocative flexibility

Following-up on the last *Public Governance Review*, the government proceeded to examine the need to simplify Estonia's approach to strategic planning and establish stronger linkages between strategic planning and budgeting, including through the introduction of performance information in the budget, as recommended by the OECD. As in Finland, Estonia has not traditionally used performance information in measuring results achieved through budget allocations. Nor has Estonia experimented with mechanisms such as spending reviews, which can introduce more flexibility in the budget by, in general terms, continuously reviewing the appropriateness and effectiveness of existing programmes, using performance information to identify programmes that can be cut, thus creating fiscal space (see the assessments at the end of this chapter).

The government established a working group of state secretaries to examine these issues. As a result, a general programme for renewing the strategic planning framework was launched, including the definition of substantive amendments to the state organic budget law.

In February 2014, the *Riigikogu* (Estonian parliament) passed amendments to the organic budget law to give effect to the EU Fiscal Compact and reform the national strategic planning framework and its links to the state budget. The main objectives of these amendments were:

- to simplify and increase the flexibility of the strategic planning framework
- to allow for elements of performance budgeting to be introduced into the state budget through partial activity-based budgeting.

These amendments did not bring major changes to the overall logic for strategic planning in the government of Estonia, as the main strategic planning tools remain the development of policy principles, development strategies and development plans. The amendments did, however, clarify responsibility between the parliament and the government on how the two branches should contribute to strategic management:

- Policy principles set the vision, national goals and priority development trajectories for a single or multi-sector policy area. These are adopted by the Riigikogu on its own initiative or based on a government proposal.
- Development strategies set comprehensive overall goals for a single or multi-sector policy area, as well as sub-goals and indicators, and identify the policy instruments that enable these goals to be reached. These are identified for inclusion in the State Budget Strategy, adopted by the government, before being sent to the Riigikogu for debate.
- Development plans identify the contributions of the lead ministry and its agencies in attaining the overall goals within the policy area. These are also identified for the State Budget Strategy, adopted by the minister. (However, it is important to note that preferably development strategies are used for input in any policy area)

- Programmes identify measures, indicators, activities and financial plans for attaining each sub-goal in the policy area. They are identified for the State Budget Strategy, and are adopted by the minister. In case several ministries contribute, programmes shall be divided into sub-programmes to be adopted by the relevant ministers.

The compilation, implementation, reporting, evaluating and changing of a development strategy, development plan and a programme are framed by government regulation. As they relate to strategic planning, the 2014 Budget Law amendments:

- Mean that development plans are now regulated under the organic budget law (which gives them a sounder legal basis, since formerly they were regulated at the secondary legislation/regulation level).
- By introducing the concept of programmes into the organic budget law, formally establish the link between strategic planning and budgeting. This is the biggest change; the link between strategic planning and budgeting had previously not existed in law. The creation of programmes, which identify measures, indicators, activities and financial plans for attaining each sub-goal, will eventually enable the government to conclude results achieved through budget allocations and can contribute to building flexibility through the reallocation of resources which are not being used efficiently (see below).

These amendments are among the most important that have been introduced during the four-year mandate of this parliament. They touch upon the whole process of compilation, negotiating, amending and changing the state budget. The main principles framing the amendments are:

- Budgeting rules – the amendments now oblige the state budget to be balanced – this long-standing tradition is now legally binding; i.e. the structural budget position of the government must be at least in balance, including balance from operating activities as well as net debt that does not exceed 40% of gross domestic product (GDP) with its automatic correction mechanism transposed from the EU Fiscal Compact.
- The government approves ceilings on total expenditure – ceilings are set in the government's four-year budget strategy which defines annual state budget spending limits.
- Fiscal requirements and financing plans will be more clearly outlined in the state budget strategy – the requirement of adopting a four-year financing plan will be added, timetables will be harmonised with the EU budgeting process to enable all strategic plans to be processed by the government at the same time.
- Strategic management will be better harmonised – there will be a decrease in the number of development plans – and will be better linked to the budget. This means that the roles of the parliament and the government will be more clearly delineated; including that parliament may give its statements on all development plans before they are adopted by the government. These roles will be separated so that parliament adopts the policy principles and the government decides upon compiling development plans.
- Introduce performance-based budgeting linked to the creation of programmes (on a voluntary basis for ministries that are ready and willing to adopt it). The role of

> parliament in guiding long-term development; the overall harmonisation of the system, a smaller number of development plans; and a clearer outline of requirements will hopefully enable more efficient co-operation among line ministries and between line ministries and CoG institutions to link goals, activities and resources more effectively.

According to the government, the main driver[3] framing these reforms is the desire to address the weak link between development plans and resources (as underscored in the *Public Governance Review*) – the lack of linkages between strategic planning and the budgeting process. The goals to be achieved by these amendments are to better link strategic choices and performance information with financial information and ensure that decision makers in the budgeting process have this information before budgeting decisions are taken – to link more organically policy making, planning, budgeting, cost calculation, policy implementation and reporting, while reducing technical administrative burden to leave more time to make substantive financial management decisions.

During the process of formulating these amendments, major discussions occurred on the division of responsibility between the parliament and the government on how the two branches should contribute to strategic management – including planning, financing, and control. Parliament's Constitutional Committee, the National Audit Board as well as the opposition supported the view that parliament should adopt development plans, make proposals as well as provide guidance to compiling development plans; and that parliament should have the right ultimately to assign funding through the budget. The government supported the view that parliament should guide strategic development by adopting broad policy principles and trajectories of development, while the government should adopt development plans and assign finances (including setting ceilings on expenditures through the four-year state budget strategy and the annual state budget submitted to parliament for approval).

In the end, responsibilities between parliament and the government in strategic planning were clarified and differentiated. Parliament was given a more strategic and unified role in this process: all governmental strategies (sector-based development plans) are presented to the parliament for discussion before these are approved by the government. Parliament gained more control over the long-term strategic direction for the country: parliament approves the policy principles documents itself.

Discussions on these amendments lasted over two years. In order for these amendments to take effect, the Ministry of Finance needs to change the regulation on strategic planning. Therefore, it is expected that ministries' movement toward programme-based budgeting could take place gradually starting form 2016, although no deadline is set. On the other hand, ministries may not yet be ready to implement it fully as preparatory work has not been sufficiently carried out. Once fully implemented, however, expected indicators of success include a smaller number of strategic plans and a greater number of ministries using programme-based budgeting.

The government expects that line ministries will face challenges in implementing these reform, especially in the early days following implementation. Different line ministry experiences in performance-informed budgeting, for instance, might exacerbate scepticism across the system as to its long-term merits. Implementation planning based on good practice from both within and beyond the government, and workforce training and institutional support to make reforms operational on the ground will also no doubt be high on the list of line ministries' requirements. The need for more communication and for tailoring messages for the government and its various institutions, parliament and the

public are also factors that need to be taken into account when moving these reforms through the system.

This all provides the Government Office and the Ministry of Finance with an important opportunity to lead this reform implementation process jointly and work with line ministries on applying and adapting good practice and sharing success information broadly across the government. The recommendations section addresses this issue.

A new Civil Service Act begins to break down barriers to cross-government mobility

Estonia's new Civil Service Act came into force on 1 April 2013. Its main 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 development of the civil service under a single institution housed within the Ministry of Finance (while keeping senior civil service management in the Government Office).
- Simplify the salary system and make it more transparent (although the act did not consolidate the pay system across ministries and agencies).
- Abolish provisions hindering rotation between ministries across the government.

However, notwithstanding the intent of the government to break down rigidities and inject greater flexibility in managing its workforce – a key recommendation in the previous *Public Governance Review* -- the act, in fact, maintains many of the features of a siloed, rigid government structure:

- Recruitment competition practices have not been standardised.
- Inequities in treatment and pay of civil servants continue to exist across ministries and agencies.
- Traditional ministry autonomy (which the act entrenches by listing specific names of institutions instead of referring to a management authority) is in effect preventing the setting and implementation of a single whole-of-government strategic human resources management strategy and despite the objectives of the government as reflected in the spirit of the new act to inject greater flexibility into the system.
- Training is so decentralised that it is leading to inconsistent and inequitable treatment of employees across ministries, who are, in principle, entitled to the same training opportunities.

At around the same time as the act was being debated and implemented, the government drafted first a Green Paper, then a White Paper, on Personnel Policy of the State as an Employer. Indeed, the use by the government of Green and White Papers as a tool to engage parliament and civil society on strategic policy issues of national importance is now a regular feature of Estonia's approach to strategy setting and implementation. The Green Paper on Personnel Policy was adopted by the government in

July 2013, while a draft of the White Paper was released in June 2014. Both of these policy documents examine for the first time the issue of human resources management (HRM) in the government comprehensively, and more broadly than just for the core civil service.

Both the Green and White Papers seek to build an active approach to HRM to capture changes in the government's operating environment in a timely manner, and to propose ways to anticipate challenges in a proactive, productive way (in the context of demographic and labour-market trends it is anticipated that there will be a need to reduce significantly the number of employed in government sector, and to reassign or retrain those remaining on the payroll).

The White Paper supports the spirit of state reforms undertaken by the government coalition, framed by the principles of more open government, greater flexibility, more collaboration, more effective policy making and better service delivery. The White Paper reinforces the spirit of decentralisation in personnel management, arguing that managers must be equipped with the personnel policy levers to achieve their objectives. Interestingly, however, it also posits that state personnel policy is an important tool for coping with the shortcomings of low intervention – reducing the negative impacts of the decentralised model. It therefore emphasises market-based co-ordination to build managed networks and co-operation across the government. The main co-ordination tools proposed in the White Paper include:

- common, government-wide operating principles and guidelines, and methodologies
- co-operation networks
- sharing of best practices
- common training and consulting
- data collection and analysis
- standardisation of practice where this makes sense.

The White Paper's diagnosis includes the views that:

- The management of people on the state payroll must be open and meritocratic, it is important to guarantee mobility of people within the public sector and between the public and non-public sectors.
- State personnel policy should not increase state operating expenses and internal administrative burden; the goal is the wise use of existing resources and better planning, including that the state should be considered a worthy option as an employer.
- A common personnel policy must be supported by managers and not unduly restrict their freedom of leadership; unity will be built step-by-step with offering support in development.

The White Paper also suggests that the scope of the state personnel policy will vary in its nature in different parts of the government sector. That said, it argues that it should apply to:

- civil servants (including special service) and employees in government authorities and the staff of government-managed agencies

- local government authorities and constitutional institutions to the extent that it does not restrict their right to self-organisation
- private organisations (state-owned enterprises) to the extent that does not restrict their independence or harm their competitiveness.

The White Paper notes the institutional division of responsibility as codified in the Civil Service Act. The paper suggests, however, that a whole-of-government co-ordinating role for the Ministry of Finance should be added to the mix under a "competency centre" approach to whole-of-government HRM. The Ministry of Finance should evolve into a competency centre for the entire state as the employer. The Ministry of Finance would be responsible for the development of the civil service as a whole, co-operating with Ministry of Justice (responsible for the act – and for employees in the legal profession), the Ministry of the Interior and the Top Civil Service Excellence Centre in the Government Office, and supporting the ministries in implementing their HRM programmes and practice in the areas under their administrative responsibility.

This approach appears to reconcile in an elegant fashion the imperatives of requiring a whole-of-government approach to HRM, while acknowledging the need for wiggle room for individual ministries in taking day-to-day HRM decisions, including "letting managers manage". The use of common standards (for operating principles, staffing, training, etc.) within a decentralised HRM system is widespread across the OECD. The recommendations section raises this issue.

While the Government Office is taking a whole-of-government approach to training and assessing the senior civil service

It is perhaps in this area – treating the senior civil service as a community of leaders who share a common value set and dedicate themselves to serving the state from a whole-of-government perspective, and through the state's political leaders– that Estonia, led by the Government Office, has made the most progress by OECD standards over the past half-dozen years or so.

Senior management in the Estonian civil service is defined as secretaries-general and deputy secretaries-general in the ministries, directors in the Government Office, directors-general in the state agencies and inspectorates, the Director General of the Estonian Rescue Board, the State Archivist and the Commander of the Defence Forces. 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. Modern and motivated top civil servants sharing common values work as a dedicated team where every member acknowledges his/her role and where decisions are taken based on the priorities of the state.

Evidence (Kasemets, 2014) suggests that this approach is indeed generating a genuine *esprit de corps* within the top ranks of the Estonian civil service, and that job satisfaction ranks high:

- According to the typology presented in international comparison, the satisfaction index among senior managers in the public service is notably higher (78) than

among managers in general and top specialists in Estonia, or among managers in Western Europe (63 and 65 respectively).

- The share of leaders among Estonian senior managers in the public sector matches the share among managers in general in Estonia as well as in Western Europe – one-fifth of senior managers. Comparatively, there are less people indifferent toward their work than among managers in general in Estonia as well as in Western Europe.
- While this share of leaders remains steady, the proportion of those who are indifferent among Estonia's senior managers in the public sector is twice as low as that of their European counterparts (13% versus 27% respectively), and the difference is even larger compared to Estonia's senior managers overall (32%). This suggests that the share of stabilizers (oriented to stability and sense of security) is greater among senior managers in the Estonian public service.

Senior managers are motivated primarily by the content of their work – the opportunity to participate in making future-shaping crucial decisions for Estonia. Alongside the mission of serving the state is the important opportunity that the work offers to test oneself continuously. Less acknowledged is the opportunity to participate in international co-operation, which is as important in the context of dedication, and should be taken more into account when recruiting and more widely acknowledged.

One source of frustration is the complexity of decision-making processes that does not always allow achieving results at the desired pace. The other point of concern is the failure of inter-organisational co-operation as a result of lack of common operating principles of the public service and different concepts of what they should be. A wider discussion could be initiated on this subject, as in the survey the complex of values received more critical notions than specific values when evaluated separately (honesty, citizen focus, quality orientation, resource efficiency, role model).

Senior managers in the Estonian public service do not recognise themselves as a single, integrated team (especially outside the secretaries-general among whom co-operation is the strongest). Most of the tensions derive form the difference in perceptions about strategic objectives, and about working principles, including perceived obstacles to inter-institutional co-operation. In these respects, the group at the top (secretaries-general) differed notably – perhaps because they are the ones who lead the closest co-operation and use the networking tools they themselves adopt. This elicited proposals from senior executives that underline the importance of organising joint events that would create the first direct personal contact and of agencies collaborating together in the realisation of common projects (practical co-operation).

In the long-term, the threat to the commitment of the public service's top management could derive from the scarcity of career perspectives in the public service. This is also confirmed by the relatively lower scores on commitment and dedication to their work of the secretaries-general and deputy secretaries as compared to the civil service in general. They highlighted the need for developing a rotation system for top officials.

The survey highlighted recommendations made by those surveyed, including demonstrating a greater appreciation to the leadership role played by the top civil service, making decision-making mechanisms faster and more flexible, agreeing on the common concept of the operation of the civil service, strengthening collaboration between senior

managers and creating clearer career perspectives for senior managers in the public service.

An interesting point raised during the fact-finding mission to Tallinn was the fact that top civil servants' performance was only evaluated against core competencies for their position. This is not unusual, of course, but in light of the survey results in the area of job satisfaction, career prospects and collaborative successes, and given the aim of the Government Office and the Ministry of Finance to link budget performance information to strategic targets and indicators to implement gradually programme- and performance-based budgeting, consideration could be given to evaluating the performance of the top civil service against the achievement of policy and spending outcomes on an annual basis in addition to their being evaluated against position competencies. This would require the elaboration of a set of performance indicators that cascade down from the strategic whole-of-government indicators in the Government Programme to ministry-specific strategic and operational (including financial) targets and indicators against which the ministry's civil service leaders' performance could be measured. Over the long term, this performance assessment framework enhances job satisfaction on the part of the senior public servants because they can demonstrate how their leadership materially contributed to advancing the government's overarching policy objectives for citizens and businesses.

In sum, the government of Estonia, led by the Government Office and the Ministry of Finance, has done much to follow up on the advice contained in the 2010 *Public Governance Review* to design and implement strategic initiatives to foster structural and resource flexibility as a means to enhance whole-of-government co-ordination to implement the Government's Programme more effectively. Estonia has deepened inter-CoG co-ordination, enhanced linkages between strategy setting and budgeting to ensure that fiscal decisions are made on the basis of achieving policy objectives, and heightened the quality of the political-administrative interface through fostering a solid "*esprit de corps*" within its top civil service based on a common set of whole-of-government values to help advance the political leadership's strategic agenda for the country.

However, in several areas, Estonia could do more. The government could consider the advice that is presented in the assessment and recommendations at the end of the chapter in all three areas highlighted as part of structural and resource flexibility.

The next section examines the state of play in Finland. The final section concludes with advice.

The current state of structural and resource flexibility in Finland

Strategic agility requires a whole-of-government perspective to determine which policy challenges require collective action, what resources should be assigned or reallocated where to address these challenges, and what should be handled by which institutional sector or level in order to ensure the greatest responsiveness to the issue at hand.

As mentioned above, while the results of government coalition agreements on resource and institutional allocation are relatively transparent because they are codified in general terms in the implementation plan of the Government Programme (Finland's HOT), this allocation is difficult to adjust during a government's term:

- Most importantly, the key factor limiting flexibility is the fact that it is the Finnish Constitution that defines the organisation of the government; this significantly limits the powers of the government to reorganise itself.
- The mandates and structures of line ministries are enshrined in law. Each ministry has its own piece of legislation that spells out in considerable detail its mandate and responsibilities. Human and financial resources are then assigned to the ministry against this mandate. It thus becomes difficult, if not impossible, to reallocate resources between ministries without changing the legislative rationale for their initial assignation.
  - Of course, while inter-ministry mobility of civil servants is legally possible, particularly through competitions to fill job openings, institutional reallocation is a challenge. Because of this legislative framework, each ministry has a different work culture and set of traditions, which act as a kind of "mental barrier" to fluid cross-ministry mobility of civil servants.
  - Each ministry also controls its own pay system, which leads to situations where people performing similar or identical tasks get paid differently depending on the ministry (that said, the shared services unit VNHY [see below] should lead to more unified salaries over the long term).
  - Career management does not seem to include work experience in different ministries as a value to be taken into consideration for promotion.
  - This state of affairs in the central government administration takes on immediate, practical importance: by 2023, half (51%) of those employed in the Finnish civil service in 2012 will have left, either via retirement or changing jobs. Mobility thus becomes crucial to ensuring that the government has the right people with the right skills in the right place at the right time to deliver policy and services properly.
  - Mobility also becomes a key recruitment and retention tool to entice senior candidates to join the government, especially since pay at the higher echelons becomes increasingly uncompetitive with the private sector.
- The earmarking of significant parts of the state budget for entitlement programmes that are enshrined in legislation significantly limits flexibility. This means in practice that intra- and inter-ministerial flexibility in reallocating financial resources is limited to the discretionary parts of the state budget.
- These features result in significant challenges to changing the institutional configuration of the government and assigning human and financial resources quickly to one-off initiatives to address emerging multi-faceted strategic priorities.
- These rigidities thus significantly hinder the strategic agility of Finland's public sector – the government's ability to anticipate and respond flexibly to increasingly complex policy challenges.

The 2010 Public Governance Review provided a roadmap to enhance structural and resource flexibility

The 2010 OECD *Public Governance Review of Finland* assessed Finland's three pre-requisites for achieving strategic agility (drawing upon strategic management

experience in the private sector: Doz and Kosonen, 2008): strategic insight, collective commitment and resource flexibility. The *Public Governance Review* noted that in Finland, adherence to the government's common vision could be improved by addressing both incentives and values within the public service. Finland is hindered in its ability to achieve collective commitment across the government with respect both to values and the use of incentives to drive a common vision, at both the strategic and individual levels. Yet collective commitment will be of particular importance for Finland to improve performance in areas that cut across individual sector portfolios. The relative homogeneity of the Finnish public service means that much is being accomplished through informal working methods and networks that cut across sector boundaries. This is important as it significantly lowers public sector transaction costs. Yet it remains fragile as it simply reflects individual tastes and the will of an individual to pursue working relationships with other like-minded individuals across the system.

This situation is leading to "bottom-up", organically generated institutional innovation that could eventually be scaled up and formalised. Currently, informal, *ad hoc* initiatives being taken by younger-generation civil servants to drive change reflect a desire to enhance inter-ministerial co-operation and co-ordination to achieve multi-faceted strategic outcomes more coherently. The government's Change-Agent Network is one of this phenomenon's most dynamic examples (see Box 4.1).

The 2010 *Public Governance Review* underscored that while resource flexibility is of increasing importance as a tool for strategic agility, Finland has limited ability to move both personnel and financial resources to support changing priorities. The Review also found that while Finland had entered the global economic crisis with a relatively strong fiscal situation – it had at the time a robust competitive environment, and it had (and still has) a qualified workforce and a deserved reputation for good governance – like many other OECD countries, Finland was awakening to the notion that preparing for the future is essential to maintaining its global standing. Today, with Finland's economic outlook worsening, this realisation is crystallising around key objectives to enhance the government's flexibility. And while these efforts need to be strategically driven by the Centre, they require the commitment of the public sector as a whole, and increasingly, they need to rely on a whole-of-government vision and horizontal ways of working to pursue it.

Inter alia, in terms of structural and resource flexibility, the *Public Governance Review* found that:

- despite sound fiscal management, the longer term demographic outlook requires continued improvement of the public administration to maintain strong societal gains
- the public service increasingly needs to work collaboratively to strike a balance between controlling costs and maintaining equitable access to public services
- strong governance arrangements instil stability in public administration, but at the price of greater agility
- the government's whole-of-government vision is not being realised at the operational level
- institutionalising horizontal co-ordination and collaboration requires changing traditional ways of thinking and working

- effective leadership is a key condition for managing change to achieve collective commitment
- the disconnect between strategic and budget frameworks limits the ability to prioritise and redeploy resources as needed
- workforce challenges, notably low workforce mobility, are limiting resource flexibility in the Finnish public administration.

Box 4.1. **The government of Finland's Change-Agent Network**

On the occasion of the release in October 2013 of the "Government of the Future" report of which Finland took part, the government of Finland's Change-Agent Network of young civil servants, an *ad hoc* group of like-minded professionals from across the central government, published a kind of policy "manifesto" on "how to build a government that facilitates sustainable growth". They began by quoting the GfF report: "The public sector – central government, regional government and local authorities – plays a key role as an enabler of sustainable growth, proactively adopting and testing new ideas and operations and scaling up good practices for wider use."

The network then declared that "It's time for the public sector to step up and seize the moment", and made the following points:

- Ministries remain too detached and isolated from one another, without sufficient co-ordination and co-operation. The challenges and problems faced by our society cut across all boundaries – attitudinal, professional and especially administrative boundaries.
- Time pressure, dwindling resources and the sheer scale of problems mean we have to change course quickly. Have ministries set aside enough time for innovation and the development of new directions and approaches, have they invested enough in creating the conditions and the kind of management culture where people are inspired to exchange ideas and to work together?
- Matters under ministerial preparation today are becoming increasingly complex and interwoven. In implementing government strategies, ministries need to take an agile and smart approach that cuts across administrative boundaries, that makes it easier to link up with other relevant stakeholders in society, and that makes the best possible use of their wide range of skills and expertise.
- A stronger emphasis on multi-sector co-operation and collaboration will also add significant flexibility to ministries and improve their ability to sense and predict changes. It's important to be able to boldly try out new and different practices and approaches. Excessive rigidity always spells poor performance and inefficiencies, with new and alternative ideas buried under the weight of established practices.
- The introduction of new, agile approaches challenges our existing institutional and management culture as well as the traditional ways of doing things. It is crucial that political leaders and senior civil servants lend their weight to supporting new practices and send out the message that even less formal and more experimental approaches are permitted and even encouraged.

This network has no formal status; its membership is entirely voluntary. Its plea for greater horizontal collaboration illustrates perhaps the beginning of a fundamental shift in values away from tradition-bound vertical management.

Source: Kasemets (2014).

Certain key policy and operational initiatives are currently focusing on ways to enhance flexibility

In response to the *Public Governance Review*'s recommendations, key reform projects were launched by the government. Among them, in 2010-11 the Prime Minister's Office launched the KOKKA project that proposed recommendations on strengthening

the government's capacity to set and implement strategic policy (see Chapter 2). More recently, the current government has undertaken several initiatives related to over-arching governance reforms, including the KEHU project that will report in early 2015. Taken as a whole, these projects have generated much in the way of a reform agenda but, so far, little in the way of concrete reforms. That said, certain initiatives are being pursued by the current government, particularly with respect to the senior civil service.

Managing the senior civil service as a community supporting whole-of-government strategy

The current government is strengthening the role of the collective of permanent secretaries as a forum for whole-of-government co-ordination. In addition, senior civil service reform is a component of the KEHU project. Its objective is to refine the top senior civil service positions (about 130 positions) across the whole government. This initiative appears to be based on the following arguments:

- The domestic and international factors affecting Finland's economy and society imply that the government's approach to problem solving needs to be rebuilt. National decision-making processes thus need more than fine-tuning.
- Today, the external impacts on Finland's national agenda imply that the very process of defining the content of the government's agenda needs to be renewed, along with how the civil service contributes to defining it and implementing it once the political leadership has approved it (see Chapter 2 on strategy setting).
- The traditional culture of how the political leadership and the senior civil service work together to deliver the government's strategic plan, and of each group's traditional role in this process, has to evolve into a shared understanding of the purpose of the government's agenda, a common commitment to its objectives and a partnership-based relationship to achieve them.

Under the leadership of the Permanent Secretary to the Prime Minister, the current government has taken steps to develop this community into the civil service's key strategic management and leadership group in the government. Significant investment has been made in training and coaching permanent secretaries as a group and in building a whole-of-government team spirit within this community.

- At the beginning of the government's term a strategy document was approved on the role of this community, its tasks and its responsibilities from a whole-of-government values-and-ethics perspective. This has led to major changes in the way permanent secretaries meet as a group: from simply exchanging information, permanent secretaries now meet to discuss and debate policy content and decide on sharing responsibility on horizontal or multi-sector policy issues.
- At the same time, technical changes to the contractual arrangements governing the employment of permanent secretaries have been debated at the KEHU Parliamentary Committee steering group. The forthcoming government proposal will likely contain proposals to facilitate hiring and retention of highly qualified talent at the most senior levels of the civil service, to be managed by the recently established top management support unit (currently located in the Ministry of Finance) to help ministries and agencies recruit senior staff and engage with senior appointments on career planning and contract management.

Mobilising budgeting tools to foster agility

One of the pillars of strategic agility is resource flexibility; that is, the ability to reallocate quickly and flexibly resources from one area to another when priorities or needs change. The overall trend in recent years has been to decentralise budgets and give more freedom to line ministries in managing their resources. However, this 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.

Finland has traditionally not used spending reviews, nor does it have any meaningful experience with performance-based budgeting. As in Estonia, there is no tradition of the government using spending reviews – either with respect to entitlement or discretionary programme spending – to identify possible savings that could then be used to support high-priority strategic initiatives. That said, the government is beginning to experiment with tools to enhance flexibility in budgeting and budget allocation capacity:

- In 2013, quite by accident, the Ministry of Finance and the Prime Minister's Office co-led a joint discussion on the government's fiscal and policy strategies. The results of the meeting were positive, according to participants. While there are currently no plans to repeat, let alone institutionalise the process, this positive outcome could be built upon to deepen the linkages between strategy setting and budget planning at key stages of the government's strategy-setting process.
- Line ministries have budgetary carry-over capacity (known as deferrable appropriations), where budget items are subject to carry-over of one to three years, depending on the budget item. In addition, ministries have carry-over capacity of between 15% and 20% of their annual allocation, and in-year reallocative flexibility. While this is not the same thing as the government as a whole having the capacity to reallocate fiscal resources between ministries or agencies, this "in-silo" flexibility is a positive development;
- Line ministries, supported by the Ministry of Finance, have advanced the idea of identifying within the fiscal framework dedicated resources to fund horizontal initiatives. A recent example was the Youth Unemployment initiative launched by the Ministry of Employment. In the end, Cabinet decided not to allocate dedicated resources for the initiative.

The current government has designed and pursued a series of public management reform programmes aimed at enhancing whole-of-government operational flexibility, many of which reflect the spirit as well as the letter of the *Public Governance Review* and KOKKA reform roadmap. That said, since none has reported or finished its work, it is too early to determine or assess the impact of these programmes on the government's strategic agility:

- The Effectiveness and Performance Programme (VATU) aims to respond to Finland's public finance sustainability gap and labour market changes by re-evaluating the central government's tasks and funding responsibilities, promoting structural reforms and introducing new operating practices in support of a new role:

  - The programme's objective is to reform operating practices and prioritise the central government's tasks in order better to map available resources to tasks in a quality manner.
  - The programme focuses on core function analysis relating to the whole of central government, human capital, developing a performance philosophy and evaluation, and individual VATU programmes in the administrative branches.
  - The programme runs until April 2015. VATU, KEHU and the Public Sector ICT Strategy (see below) are interlinked and are being developed and implemented in close collaboration.

- The KEHU Programme (see Chapter 2), which seeks to respond to the Government for the Future study mentioned above, aims to improve the implementation and effectiveness of government's strategic vision in the public administration and society at large. The reform consists of five areas:
  - A newly created Parliamentary Committee is assessing possible structures for a more integrated government focusing on matters such as the government's power to decide upon its own structure and resources, government as a whole and its functions, relationship to the parliament, the government's and its ministries' management model, the Prime Minister's role and management of Cabinet, the role of other ministers and jurisdictions, the relationship between political and administrative leadership. Ultimately, reforms will require legislative changes. If constitutional amendments are required, the new legislation will enter into force in 2020 at the earliest.
  - The Central Government Agency Structure Design Project will reform the government's agency structure to increase clarity and uniformity in the central and regional administrations. To this end, the structure of central and regional administrative agencies will be analysed by the VIRSU project. The purpose in the central government is to identify opportunities for structural reform, particularly from the whole-of-government viewpoint. The aim is to ensure skilled, specialised and customer-oriented government agencies in the future. Furthermore, public administration should be transparent, efficient and compatible with the international and digital operating environment.
  - The objective for senior civil service reform is to refine the top senior civil service positions, altogether around 130 posts, common to the whole government.
  - The objective of the Steering Policy Reform OHRA (see Chapter 2) is to strengthen the government's strategic steering capacity and to integrate policy, legislation and resource steering at the government level.
  - Centralising administrative services in the government's administrative unit (VNHY; see below) operating within the Prime Minister's Office.

- The government's Structural Policy Programme is a top-priority action programme covering several policy areas. It aims to boost economic growth and bridge the sustainability gap in general government finances. Among its key measures are: extension of working careers, better employment services, market efficiency and healthy competition, management of sudden structural changes, utilisation of ICT as well as measures aimed at increasing productivity in public service provision. Part of this programme's objectives relate to identifying ways

to enhance flexibility in public service delivery. The mandate of the programme is framed by the following considerations:

- The central government administration is still structurally and operationally fragmented, which adversely affects the effective targeting of resources and the implementation of joint policies, which in turn undermines the achievable effectiveness and creates overlapping work.
- The proportion of electronic services provided to citizens and businesses should be increased, so that in the future services can be handled in a high-quality manner more efficiently and more economically than at present.
- Service structures and functions will be reformed both in the central and regional administrations in order to improve the productivity and effectiveness of the central government.
- Permanent secretaries will be responsible for preparing the reforms and the necessary co-operation as part of the further preparation of the structural policy programme, taking into account both the central government Effectiveness and Performance Programme (VATU) and the Reform Project on Central Government in Finland (KEHU).

Two key operational initiatives are being pursued to give effect to the KEHU and Structural Policy programmes. The first is the central government administration and service structures, and the second is the ICT consolidation strategy (TORI):

- At the beginning of December 2013, the Prime Minister's Office set up the Government Administrative Unit 2015 project (VNHY 2015) to make preparations for the pooling of key administrative functions and services from the ministries into a single operations unit. To be managed by the Prime Minister's Office, the unit is to be established on 1 March 2015:
  - The unit is to be responsible for the management, co-ordination and development of the joint administration of the government and its ministries, for planning internal operations and finances as well as shared practices and procedures. In addition, it will provide shared services and build a common organisational culture. The project is being led by the Prime Minister's Office, with a steering group at the permanent-secretary level representing the Ministries of the Interior, Justice, Transport and Communications, Finance, and Agriculture and Forestry, and is looking at HR services, general administration, facilities management, office services, security, information management, internal communications and information services, translation and language services, contracting services, financial administration services and archival services.
  - The project team is to propose tasks to be pooled in the Administrative Unit along with a timeline for these operations, as well as proposals regarding statutes and budgets. After this, preparations will be made for the internal organisation and reform of administrative processes to allow the unit to launch its operations on 1 March 2015.
  - This project is part of the central government reorganisation project. The establishment of the Administrative Unit has been approved as part of the Structural Policy Programme.

- The second initiative is the Public Sector ICT Strategy and the Consolidation of ICT Services project (the TORI project). Chapter 3 of this Review examines Estonia's and Finland's digital governance policy and online service delivery in considerable detail – but the ICT strategy and service consolidation initiative are mentioned here because they illustrate, along with the administrative service centralisation project, the current government's efforts at breaking down siloes to optimise the use of resource while improving the quality of services being delivered internally across the government and externally to citizens and businesses:
  - In January 2012, the Ministry of Finance set up a project to devise a common strategy for ICT utilisation throughout the public sector. Social media, webpages, newsletters and information bulletins were utilised in the preparation and communication of the strategy. A regional tour, covering 11 localities, on the content and progress of the strategy project was also arranged, as were seminars, workshops and information briefings. More than 1 000 senior personnel, experts and developers from central and local government and the private sector participated in the policy preparation. The preparatory project included a steering group consisting of representatives from the ministries, the Social Insurance Institution and the municipalities.
  - The services consolidation project aims to bring together the central government's ICT tasks that are sector-independent and delivered internally to government users. A government ICT service centre (Valtori) was established as a special agency within the Ministry of Finance's administrative field for this purpose in January 2014. Transfer of operational responsibility for all internal ICT services to this centre is to be completed by the end of 2015. There are currently approximately 80 ICT units spread across ministries and agencies, employing about 1 200 people. The purpose of the consolidation initiative is not only to save on human and financial resources, but to drive whole-of-government interoperability while bolstering safety and security capacity.

These initiatives are primarily designed to achieve cost-savings objectives while improving standards and quality of services delivered to in-house clients across the government. They aim to build economies of scale and maximise efficiency gains in delivering services that are central to optimising the smooth functioning of the government. Eventually, the assumption is that improvements to internal operations will positively affect the quality and standards of services delivered to citizens and businesses. These objectives are of course laudable. It will be important to monitor the performance of these new service delivery arrangements on an ongoing basis to measure impact against not only cost savings and other efficiency targets, but equally – if not more – importantly against effectiveness outcomes related to improved quality and standards.

However, these operational innovations cannot be seen as being coterminous with enhancing whole-of-government flexibility in reallocating human and financial resources to address emerging strategic challenges. Consolidating operational resources to deliver services is not the same thing as removing (or reducing) legal and regulatory barriers and breaking down institutional stovepipes to enhance strategic, whole-of-government flexibility in allocating or shifting human, financial and institutional resources to address emerging policy challenges quickly.

Build flexibility into the next government's Implementation Strategy, piece by piece

At issue, therefore, remains the challenge of optimising decision-making capacity to move resources around efficiently and effectively to address "wicked" policy challenges, while sustaining the government's ability to deliver high-quality services to citizens and businesses in a rapidly changing environment fraught with uncertainty. Several timing factors provide the government with an important opportunity to begin building elements of structural and resource flexibility into its decision-making framework governing how it sets and implements its HOT strategy and programming:

- The translation process of the Government Programme into the government's strategic implementation plan is clearly still evolving, as both the Ministry of Finance and the Prime Minister's Office grapple with how best to enhance flexibility in light of the economic, social and demographic challenges the country is facing. This is particularly true with respect to how it links strategy to the budget-setting process, how it intends to harness financial and human resources to address complex policy issues quickly, and how it will eventually reform the process by which institutional arrangements can be changed to optimise the government's nimbleness in addressing these issues efficiently.
- At the time of writing, the government's main public management reform programmes, including its Effectiveness and Performance Programme (VATU) and its Central Government Reform Programme (KEHU) which includes the Steering System Reform Project and its follow-up implementation project (OHRA) were not yet completed. They were due late 2014 or beginning of 2015, just as the country goes to the polls (on 19 April).
- The recommendations generated by these initiatives will enrich the already elaborate set of ideas presented in the existing governance reform roadmaps provided by the various Finnish (KOKKA, National Audit Office, PS discussions, etc.) and international (OECD, 2010; GfF reports) work that has focused on this since 2010.

This confluence of good timing and new ideas provides the Prime Minister's Office and the Ministry of Finance with a rich resource from which to identify a reasonable number of substantive proposals for reforms that they could present to the incoming government coalition when the political leadership begins to draft its Government Programme. The CoG leadership could then engage the senior civil service community in a substantive discussion on this reform agenda so that it is ready to engage with the politicians at the beginning of the translation process that will produce the government's strategic implementation plan.

It is clear that based on the amount of work already undertaken – and still ongoing – into the issue of getting governance reform right, the key political and civil service stakeholders have a vested interest in ensuring that the government – any government of Finland – possesses sufficient institutional and resource flexibility to address complex, emerging challenges effectively and efficiently. It is equally clear that these stakeholders are already fully conscious of what needs to be done to enhance the strategic agility of the Finnish state to meet its obligations to citizens and businesses in an environment fraught with fiscal, environmental and socio-economic uncertainty. At issue therefore is not so much what to do, but how to proceed – how to build consensus within the government

and between the political leadership and the senior civil service on a reform agenda and how to implement it.

Assessment

While both countries face challenges in terms of their structural and resource flexibility to address emerging priorities strategically, Estonia appears to display slightly greater cross-government nimbleness than does Finland in its ability to (re)prioritise human and/or financial resources to support high-level or emerging priorities. That said, these priorities have to have been identified within the Government Programme and reprioritisation tends to occur at the start of the government's mandate, during the process of translating the Coalition Agreement into the Government Programme:

- When a new government enters office, its major Coalition Agreement promises are costed by the Estonian Ministry of Finance. If needed, new taxes/revenue-raising initiatives may be recommended to support new priorities, usually accompanied by spending offsets to discontinue existing activities deemed to be of lesser importance.
- The incoming government can decide to assign a cross-government task force to work on specific horizontal issues for one to three years. However, there is virtually no flexibility to transfer staff to work solely for the task force or to transfer staff from one ministry to another, if re-prioritisation occurs, because neither country has adopted active HRM mobility policies (Estonia's new Civil Service Act has, however, removed legal barriers to inter-ministry mobility; see below). However, there is a relatively high rate of turnover and transfers between government agencies, which increases ministry capacity – almost by accident or luck – to hire staff with the skills and experience required to work on the new priority at the time of its approval for implementation. Ministries are required to plan their own resources; if strategic priorities assigned to them have not been specifically identified in the Coalition Agreement or the Government Programme, they have to reprioritise internally to implement these other priorities. Compounding this challenge is the fact that in Estonia especially, salaries for senior civil servants are significantly lower than in the private sector, which limits the government's capacity to attract and retain high-quality senior talent (conversely, again especially in Estonia, in disadvantaged regions outside the capital, the civil service remains the main provider of decently-paid employment). Hence, a lot of intra-ministry restructuring tends to take place, whose long-term trend is the amalgamation of government agencies and consolidation of functions.

In Finland, this process of re-prioritisation and reassignment of resources is more rigid (and less frequent). Finland's Government Programme lists the important strategic priorities that the government will pursue over its mandate and presents the implementation process it intends to follow. Moreover, the priorities in the Government Programme tend not to lead to resource reallocation across ministries or government agencies. On the contrary, as in Estonia, the reprioritisation of resources tends to occur within ministries or a single policy sector and even this does not occur frequently.

- In addition, in Finland, the Government Programme is not normally modified during the life of the government. The prioritisation of strategies made at the beginning through the translation process of the coalition platform into the Government Programme tends to remain fixed for the whole period the

government remains in office. In the event there is a need for new priorities or major new actions to be undertaken by the government, separate one-off decisions are taken outside the framework of the original Government Programme, which remains unaltered.

- Indeed, cases in which human and/or financial resources are reassigned – temporarily or otherwise – across ministries to help implement a new or emerging priority are very rare in Finland. While the CoG can commission persons to work on a strategic priority that has been the subject of a one-off decision, the talent assigned to the priority is most often hired from outside the government. Reassigning people from other ministries to work on a new strategic priority simply never occurs. Only when a vacancy appears in a ministry does it happen that an employee in another ministry can apply. This basic structural challenge to cross-government mobility has been discussed in Finland for a number of years (the Horizontal Policy Programme tool designed to address strategically important cross-cutting priorities adopted by Finland in the early 2000s was abolished in 2011 precisely because, having never been assigned dedicated resources, it was fundamentally an ineffective empty shell) – indeed it was raised in the 2010 OECD Public Governance Review of Finland as a factor that, if addressed meaningfully, could enable greater workforce flexibility to meet new and emerging challenges facing the Finnish public administration (OECD, 2010).[4] It appears that the Finnish administration has yet to solve this issue.

Both countries could consider using strategic spending reviews to allow for the re-prioritisation of financial resources during the government mandate, to support emerging priorities strategically. There is no tradition in Estonia nor Finland of the government using such reviews – either with respect to entitlement or discretionary programme spending – to identify possible savings that could then be used to support high-priority strategic initiatives. To enhance the government's budget agility, spending reviews assess the strategic orientation of programmes and/or the efficiency of spending, and are broadly used to reduce and/or (re)allocate budgetary expenditures. An efficiency review seeks to identify how an existing government service or programme can be delivered with fewer resources. Finland has experience in this area (see Table 4.1). Strategic reviews assess both the objectives of policies and programmes as well as the efficiency of spending. The ultimate objective of strategic reviews is to prioritise programmes on the basis of policy objectives and/or performance (see Box 4.2).

There are many different kinds of spending reviews (see Table 4.1), and the roles the institutional actors play also vary across countries and over time. A characteristic of a well-functioning spending review process is perhaps that it is continuously adapted to respond to current challenges. Moreover, while efficiency reviews are useful for understanding how existing policies can be conducted with fewer resources, this does not guarantee the resources saved can or will be reallocated to high or evolving strategic priorities, as Finland has experienced first-hand with its Productivity Programme. The recommendations section highlights this issue.

Box 4.2. **Canada's Expenditure Management System and strategic reviews**

The government of Canada's Expenditure Management System (EMS) guides expenditure planning and decision making, budget implementation and oversight. In June 2007, a renewed approach to the EMS was announced that ensures that all government programmes are focused on results providing value for taxpayers' money and are aligned with the priorities of Canadians and federal responsibilities.

Strategic reviews are an important element of the EMS: federal departments and agencies are required every four years to conduct a strategic review to examine their direct programming and operating costs to assess how and whether they are aligned with government priorities and whether they provide value for money. The results of the strategic reviews are considered by Cabinet as part of budget planning. Strategic reviews have two overarching objectives:

- management excellence: strategic reviews support effective management of the government's resources to achieve results and drive excellence in programme performance and services to Canadians
- fiscal credibility: strategic reviews assist in ensuring that overall spending growth is consistent with the government's commitments in this regard – on average below annual GDP growth.

Strategic reviews enable the government to assess on an ongoing basis the relevance and performance of programme spending. To that effect, organisations undertaking a strategic review must:

- comprehensively assess 100% of their direct programme spending and identify areas where programmes and policy adjustments can improve programming performance and relevance
- assess opportunities for savings by identifying their lowest-priority and lowest-performing programming along with potential efficiency gains in internal services.

To assist in these reviews, reduction targets are provided from which funding could be reallocated to meet emerging government priorities. At the start of the review process, the Treasury Board Secretariat sends a letter to each department or agency conducting a review setting out the scope of the review, including targets for the lowest-priority, lowest-performing programming. In conducting reviews, ministers and deputy heads must provide evidence on the performance of 100% of their programmes and spending, which will allow the Treasury Board ministers to answer the following key questions:

- Are all programmes and spending effectively aligned with the government's priorities?
- Are all programmes and spending consistent with federal roles and responsibilities?
- Are there other organisations (e.g. federal/provincial, private sector or not-for-profit sector) better placed to deliver these programmes?
- Are all programmes and spending relevant and still meet the needs of Canadians?
- Are all programmes maximising value for money?
- Are all programmes effectively serving the purposes for which they were created?
- Are adjustments required to improve performance (including efficiency and effectiveness)?
- Can the same results be achieved using less money?
- Does the organisation have the capacity to spend and manage for results effectively?
- Can improvements be made to internal services in order to maximise efficiencies?

Box 4.2. **Canada's Expenditure Management System and strategic reviews** (*cont.*)

- Are there opportunities to reduce overlap and duplication as a means of achieving greater efficiency and savings?

Strategic reviews use external advisors to provide the responsible minister with independent advice and an attestation to Treasury Board ministers that a comprehensive review has in their opinion been performed.

Source: Government of Canada (2012), Treasury Board Secretariat website, http://www.tbs-sct.gc.ca/tbs-sct/index-eng.asp.

Table 4.1. **Typology of spending reviews and performance evaluation**

Primary objective		
Analysis: analyse management, structures and/or policy to improve efficiency and effectiveness	Create fiscal space: reallocate and/or reduce government expenditure for programmes or organisations	
Performance evaluation (programme, policy or organisational evaluation)	Spending reviews	
	Efficiency reviews	Strategic reviews
	Primary criteria: efficiency – identify how the existing policies can be conducted with less resources	Primary criteria: efficiency and prioritisation – identify what the government should or should not do
	Examples: – Finland: "Productivity Programme"(2005-15) – Korea: "Self-Assessment of the Budgetary Programme" (2005-present)	Examples: – Australia: "comprehensive expenditure reviews"; "strategic reviews" (2007) – Canada: "programme reviews"(1994); "strategic reviews" (2009) – Denmark: "spending reviews" (ongoing) – Netherlands: "interdepartmental – policy review" (1982; 2009-present) – United Kingdom: "spending reviews"(1998-present)

Whole-of-government institutional flexibility is a key enabler to deepen capacity to identify emerging multi-faceted strategic challenges and coherence in designing and implementing multi-sector policy responses. Both countries display relatively little in the way of built-in institutional flexibility to move human and financial resources nimbly, or to adapt institutional arrangements quickly to address "hot" priorities: whatever flexibility exists to modify institutional arrangements or resource allocation is essentially applied at the beginning of the government's mandate during the translation of the Coalition Agreement into the Government Programme. Once the Government Programme is set, the institutional and resource allocation arrangements are essentially frozen for the government's entire term in office.

This lack of flexibility in managing the fundamental components of strategically agile public governance presents a serious challenge to both Estonia and Finland, since it seriously impedes their ability to organise themselves to meet emerging issues effectively. Moreover, these challenges are not new: they were highlighted in the 2010 and 2011 OECD *Public Governance Reviews* for the two countries (OECD, 2010; 2011).

In Estonia, no formal enabling legislation or regulatory framework exists to guide or enforce inter-institutional co-operation. That said, co-ordination mechanisms have been institutionalised in practice over the years:

- Legislation regulates how (temporary) assistance can be organised between different government agencies. In some cases co-operation has been institutionalised (e.g. Memoranda of Understanding on combating crime between the Ministry of the Interior and the Ministry of Justice). Government committees and working groups may also be established to discuss policy issues, as well as to improve co-operation between ministries.
- Political priorities as codified in the Government Programme will guide the establishment or elimination of positions of ministers or the redefinition of ministerial portfolio parameters or institutional boundaries. However, the fluidity with which these changes are enacted depends as much on the political dynamics within the coalition partners on individual ministers being moved or demoted as it does on the policy rationale for proceeding with institutional change: ministers and the functions of the ministries are listed in the Law on Government; changing this legislation requires a majority vote in parliament. In some cases, two ministers of equal political weight but from different parties in the coalition co-exist well within the same ministry portfolio, whilst in other cases two ministers of different political weight from the same party might focus more on jockeying for position as opposed to concentrating on executing their responsibilities.
- A recent example of portfolio changes can be illustrated in the formation of the new government in March 2014. The new coalition led to agreed-upon changes in the Cabinet make-up. For the first time in more than a decade, some ministers' portfolios were split and new positions created: the position of Minister of Social Affairs was split into two, with the nomination of a Minister of Health and Labour and that of Minister of Social Care. The position of Minister of Economic Affairs and Communication was also split into two, with the nomination of a Minister of Foreign Trade and Entrepreneurship, and that of Minister of the Economy and Infrastructure. The position of Minister for Regional Affairs was abolished; regional policy was given to the Minister of the Interior. The number of ministries remained the same, with some of ministries hosting several ministers (for instance, in the previous government, the Ministry of the Interior hosted both the titular minister and the Minister for Regional Affairs).
- In addition to formal Cabinet meetings, regular (almost weekly) informal Cabinet meetings occur during which policy issues are discussed. Indeed, the principal channels through which the head of government discusses policy issues in Estonia are these informal Cabinet discussions (the all-important exception is the EU Affairs Cabinet Committee, discussed below), the weekly meetings with coalition party leaders, and the daily morning meetings with the heads of the main units in the Government Office. The Prime Minister also holds regular bilateral discussions with ministers.
- At the level of officials, biannual meetings of deputy secretaries-general occur within the framework of monitoring the implementation of the Government Programme and the competitiveness strategy "Estonia 2020". Preparation of the State Budget Strategy is usually carried out in close co-operation between the

Government Office and the Ministry of Finance. As well, a significant amount of *ad hoc* co-ordination occurs between these two institutions, for example in relation to preparing Estonia's position on the 2014-2020 EU programming period – both *ex ante* EU decision making and once programming is set to be implemented in Estonia.

The landscape of Finland's approach to whole-of-government institutional flexibility is not dissimilar to – if more elaborate than – Estonia's and can be characterised as follows:

- As in Estonia, ministerial portfolios normally only change from government to government to reflect the results of negotiations on the Government Programme and their impact on the pre-existing configuration of portfolio and ministry arrangements. Indeed, in both countries, formal mandate definitions and the configuration of ministries are defined in legislation and are thus cumbersome to change outside of the legislation implementing the Government Programme. The Government Programme frames the way the government allocates portfolio responsibilities among ministers and parties within the governing coalition: a given minister can be assigned responsibility over departments housed within different ministries or issues that cross ministry boundaries. The nature and scope of these assignments, along with the allocation of responsibility across departments and ministries when two ministers are assigned to the same ministry are codified in an annex to the Government Programme. Once the programme has been adopted, the institutional boundaries and ministerial mandates established as a result of the Government Programme tend to stay put over the life of the government.
- It is possible that over the life of a government one of the member parties of the governing coalition changes its ministers or reshuffles its portfolios – for instance, when a minister leaves the government, the party of the departing minister can make changes to one or more of the portfolios it occupies in the government. But this almost never happens across party lines within the governing coalition. There have also been recent cases when a party has left the governing coalition altogether and that party's portfolios have been reallocated to the remaining parties remaining in the government. But this is also very rare.
- Once the government gets under way, at the political level, the CoG ensures coherence in policy making through the usual fora of Cabinet committees[5] and other arrangements for ministers:
  - Four Cabinet committees (on Foreign and Security Policy; European Affairs; Finance; and Economic Policy) are enshrined in legislation. All are chaired by the Prime Minister. In this context, the Prime Minister's political advisors play a central role in communicating his/her messages to ministries.
  - Other groupings of Cabinet ministers are not based on legislation and can differ from government to government, although their number and focus have remained relatively stable over the past few governments. Currently, 11 working groups of ministers cover single-sector (e.g. education policy; transport and communications) and multi-sector (e.g. Sami Affairs; the fight against the shadow economy) policy areas. These groups are chaired by different ministers and their secretaries come from the different ministries. These working groups, having no dedicated human or financial resources

assigned to them, tend to act as sounding boards for policy discussion and debate to feed the government's policy decision-making process. The rationale for the division of responsibility across working groups is not always clear, however: there are distinct working groups covering education, social and health policy, and basic social services, while only a single working group is mandated to cover integration and migration.

- The government also uses two advisory councils, the Economic Council and the Research and Innovation Council:
  - The Economic Council of Finland is chaired by the Prime Minister and facilitates co-operation between the government, the Bank of Finland and major interest groups. It discusses economic and social issues of key importance to Finland's prosperity. The Economic Council aims to strengthen and deepen broad-based, analytical discussion prior to economic policy decisions relating to the growth, balance and structure of the economy. Under a decision of parliament, the Economic Council also acts as a forum for dialogue between the government, social partners and the Bank of Finland on monetary policy conducted by the European Central Bank. The Economic Council also engages with its economic and social council counterparts in other European Union member countries.
  - As in Estonia, the Research and Innovation Council is also chaired by the Prime Minister. It advises the government and its ministries in important matters relating to the direction, follow-up, evaluation and co-ordination of research, technology and innovation policy.[6] The council also puts forward relevant plans and proposals. The Research and Innovation Council is continuing the work of the Science and Technology Policy Council of Finland, which operated between 1978 and 2008.

- Besides Cabinet committees and ministerial working groups, the government uses a tool called the Government Evening School for more in-depth discussion on strategic issues than the Cabinet's formal meetings allow. In addition, the two most powerful leaders of the government (representing the two biggest parties in the governing coalition), the Prime Minister and the Minister of Finance, also maintain close bilateral contact.
- Most recently, the role of the meeting of the chairs of the political parties represented in the government (the chairpersons of the governing coalition parties are all Cabinet ministers) has taken on added strategic importance as an important and regular forum for policy debate:
  - This forum is used by the Prime Minister to achieve consensus on the most difficult policy challenges as well as for the party chairs to negotiate in advance issues of great importance or ones that otherwise need special attention.
  - Currently, this forum has become the most important instrument used by the Prime Minister to discuss and reach decisions on the most difficult political issues facing the government, even while remaining an unofficial co-ordinating institution. However, perhaps because of its informal status, communication of decisions taken at this forum is not always clearly disseminated to other ministers or to the central administration, as no official minutes are kept in these meetings. Indeed, how the results of these strategic

discussions at the political level get systemically translated into government action through the political-administrative interface relationship – if at all – remains unclear.

- At the level of officials, the role of the Finnish CoG (the Prime Minister's Office in particular) in co-ordinating policy formally is relatively limited. Individual ministries are independent (and make it a point of guarding and promoting this independence). Individual ministries seek to ensure cross-ministry coherence by inviting colleagues in relevant institutions to join different project steering groups. This is more common than not, but it happens outside of any legislative or regulatory rule (or directive from the CoG) compelling inter-ministerial co-operation (which is made more difficult through legislated ministerial mandate definitions that in effect preclude fluid inter-ministerial reallocation of human or financial resources). For these cross-governmental working groups, the challenge remains striking a balance between the efficiency pressures ministries face to deliver quickly and the need to ensure a high quality of preparation that necessarily involves a wide range of actors, and thus takes time. The Nordic approach to building national policy consensus through formal engagement with a wide array of social partners is also an important factor influencing this process.
- The long-standing effect of ministry independence is the persistence of strong siloes across the Finnish public administration and the resulting "stovepipe" approach to policy making. This, of course, is common to many, if not most, OECD countries, but breaking down stovepipes is particularly challenging in Finland (and almost as challenging in Estonia) because of these traditional legislative barriers to mobility. Perhaps in reaction to this state of affairs and in an effort to break down barriers to achieve greater multi-sector policy coherence in addressing increasingly complex strategic challenges, numerous informal networks at the level of officials/civil servants with a common interest are cropping up on an ad hoc basis. These networks tend to coalesce around substantive policy areas or around like-minded professionals seeking a cross-government forum to exchange on experience, challenges and practice. Examples include networks of administrative directors, of directors of human resources, of directors general of state agencies, the Top Leaders Forum and the Government's Change-Agent Network, which is discussed below.

For both Estonia and Finland, whole-of-government strategic management of human resources, managing the senior civil service as a community of leaders based on common public service values and ethics, and getting the political-administrative interface right were identified as strategic issues for consideration in the 2010 (Finland) and 2011 (Estonia) *Public Governance Reviews*. The challenges described in those Reviews, from a serious lack of mobility across ministries to an absence of a whole-of-government "*esprit de corps*" within the senior ranks of the civil service and a sometimes dysfunctional political-administrative interface, especially in Finland, remain. That said, policy responses in both countries are beginning to evolve, particularly in Estonia:

- In Estonia, progress has been made in generating a whole-of-government "ethos" within the Estonian civil service, especially within its senior ranks. For example, new legislation on the civil service adopted in 2012 abolished prohibitions against the mobility of staff across ministries (although inter-ministry mobility has yet to be promoted actively government-wide as a means to enrich policy and service design and delivery capacity as well as to enhance individual employees' career

prospects). The main difference with Finland is that the Estonian Government Office retains a degree of formal direct control over, and effective levers in, the choice, management and promotion of the senior civil service.

  - As a result, the Government Office has driven (and continues to lead) initiatives to build a deeper sense of collegiality within the senior ranks of the civil service by, for example, fostering the rotation of top executives in the public service so as to instil purposeful service-related values and ethics, launching co-operation between secretaries-general to implement strategic initiatives, forming working groups of deputy secretaries-general to prepare and co-ordinate the implementation of the Government Programme.
  - In addition, the Ministry of Finance has launched an initiative to create (or strengthen existing) inter-ministerial co-operation groups in horizontal fields (development managers, personnel managers, financial managers; communication managers and public engagement co-ordinators [led by the Government Office]; and heads of legislative drafting [led by the Ministry of Justice], etc.) so that these fora can become learning spaces for professional development and for sharing experience and good practices to develop solutions to common challenges.
  - To be fair, the current civil service leadership in the Finnish Prime Minister's Office is driving the same sort of pan-government effort to generate a common whole-of-government vision and shared service-related values and ethics within the permanent-secretary community, but is doing so using its powers of persuasion, as it is bereft of any formal regulatory or legal framework upon which it can rely to enforce the effort.

- Indeed, in Finland, the key challenges identified in this area in 2010, from siloed human resource management practices to a lack of common whole-of-government public service outlook shared among the top ranks of the civil service (complicated by the introduction of the position of the political state secretary in line ministries), appear to have remained in place for the most part, except for a single crucial factor: the current political and civil service leadership in Finland now appears keenly aware that these issues need addressed quickly if the Finnish civil service is to adapt successfully to the exigencies of supporting the government in designing and implementing complex strategy and is to sustain this capacity into the future.
  - As a result, and absent effective legal or institutional policy levers, a number of informal tools are being used to influence policy outcomes through the leadership capacity of the CoG, particularly the Prime Minister's Office, through persuasion.
  - There is strong awareness at the top of the civil service, for instance, that the very process of translating the Coalition Agreement into the Government Programme – the quintessential illustrator of a productive political-administrative interface – needs fundamentally to be renewed so as to ensure that there is a common understanding between politicians and senior civil servants of the purpose of the strategy, along with the realities (political, institutional and in terms of availability of resources) shaping the capability of the public administration to implement it efficiently and effectively.

- There now appears to be a growing consensus within the political class and within the civil service (both its senior ranks and beyond) that siloed ministries can no longer operate independently if the complex and multi-faceted challenges to the country's competitiveness and well-being are to be addressed properly – starting with the persistent disconnect between the Prime Minister's Office and the Ministry of Finance on linking strategy setting to results-based spending performance.
- Perhaps most basically, there is recognition that a Government Programme with 964 strategic priorities[7] for action is neither strategic nor actionable.

In sum, key ingredients contributing to strategic agility include:

- budget setting that incorporates the flexibility required to anticipate and support multi-sector strategy design and implementation to address emerging challenges
- institutional nimbleness that enables the government to move financial and human resources quickly to support the design and implementation of these strategies effectively and efficiently
- a productive political-administrative interface based on mutual trust and confidence between a senior civil service corps that acts collegially to advance priorities within a whole-of-government outlook and a political leadership that relies on civil service support to advance whole-of-government strategy.

Each and all serve to optimise a government's capacity to respond effectively to complex challenges in a way that delivers policy and services to citizens and businesses at the speed of need. Both the Estonian and the Finnish governments face significant challenges in funding cross-sector strategies through their budgets and in linking whole-of-government policy design to budget setting; both countries recognise they need to do more to break down institutional siloes and generate broader and deeper co-ordination between their key CoG institutions and with line ministries, and both are advancing in optimising their political-administrative interface while building a common commitment to whole-of-government values within the senior ranks of their civil service. Most importantly, there is increasingly generalised recognition in both countries that these key ingredients for effective, strategically agile public governance constitute strategic priorities for reform that need implementing quickly.

The recommendations presented in the assessment and recommendations section of this volume have been crafted in a way that takes into account each country's recognition of the increasingly urgent need to achieve greater flexibility to address complex, multi-sector policy challenges efficiently and effectively. They seek to build on each country's progress to date in these areas and aim to reflect practical considerations of how to achieve greater whole-of-government strategic agility, led by their Centres.

Notes

1. Data provided by Ministry of Finance officials during the fact-finding mission.
2. The Estonian Qualifications Authority develops and administers the occupational qualifications system that is an interface between the labour market and the lifelong learning system enhancing the development, assessment and recognition of a person's occupational competence.
3. Also, better co-operation and less administrative burden were expected.
4. See especially Chapter 6 on resource flexibility.
5. Estonia equally uses the practice of Cabinet committees on different topics.
6. Estonia has the same structure and set-up.
7. Referring to the Finnish Government Programme, 2013.

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Part II

Digital government and cross-border services

Chapter 5

Digital government context

This chapter sets out the context for digital government in Estonia and Finland. It outlines some of the traits that are common to the two countries: high levels of connectivity, important domestic information and communication technology sectors, and sound innovation policy frameworks. It also analyses important variations, such as the different policy developments over the past decades, which have an impact on today's state of digital government in both countries.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

Governments are under pressure to respond to multiple demands. They are expected to formulate good policies and ensure that they are effectively implemented. They face ever greater demands to become more transparent and accountable, to make decision processes more inclusive, to increase participation options. At the same time, they need to reduce costs. Moreover, governments are expected to proactively address complex emerging issues and respond to populations' changing needs while showing a creative vision for the future of domestic society and its integration in the global context.

All this together has led some Nordic countries to identify "agility" as the guiding principle for today's public administrations. Although primarily coined and used in the context of Finland, the ambition to become more agile can be witnessed all across OECD governments, even if the term itself is sometimes replaced by words such as flexibility or strategic alignment.

Digital government supports government agility. This is done through digital initiatives' support to open up government, to increase the effectiveness and efficiency of government operations, and to align policy and policy makers' agendas. Overall, digital government is an important lever to help governments better match resources with policy objectives.

A number of pre-conditions have to be met though before digital government effectively contributes to the achievement of wider policy objectives. Making government IT more than an operational tool requires strategic orientation of digital government policies and purpose-oriented governance mechanisms.

But decision makers also see the limits of purely domestic initiatives in today's global and interconnected world. In the specific context of Estonia and Finland, cross-border exchanges are a standard activity for many individuals, businesses and public authorities. This means that synergies can be obtained – and are actually expected by stakeholders – by establishing workflows, systems and services that facilitate the development of those cross-border realities.

The OECD *Recommendation of the Council on Digital Government Strategies* (2014a) provides important policy orientation for these challenges. It guides national decision makers in the prioritisation of government IT policies and their alignment with wider government objectives at the national, but also at the international, level (see Box 5.1).

Socio-economic context and its impact on digital government development in Estonia and Finland

Before analysing the factors that determine digital government performance in Estonia and Finland, it is worth highlighting common context factors and important differences that have an impact on overall technology adoption and maturity:

- Broadband Internet uptake is among the highest in OECD countries, and is driven by mobile technologies such as 3G and 4G. In statistical terms, over 100% of the population accesses the Internet via mobile devices in Finland and around 90% in Estonia. This obviously includes multiple subscriptions one person can have (e.g. multiple devices or multiple SIM cards), but it illustrates the high diffusion of mobile technologies as a means to access the Internet.[1]

Box 5.1. OECD Recommendation of the Council on Digital Government Strategies

Adopted on 15 July 2014, the OECD Recommendation is a structuring element for decision makers and stakeholders that need to navigate government objectives and resources in an increasingly complex policy-making environment. Digital technologies create both opportunities and challenges for successful government reforms in any policy domain, e.g. welfare, economic development, administrative services efficiency. A set of 12 principles, grouped under 3 themes, guide decision makers:

I. Engage citizens and open up government to maintain public trust.

1. Ensure greater transparency, openness and inclusiveness of government processes and operations.
2. Encourage engagement and participation of public, private and civil society stakeholders in policy making and public service design and delivery.
3. Create a data-driven culture in the public sector.
4. Reflect a risk management approach to addressing digital security and privacy issues, and include the adoption of effective and appropriate security measures.

II. Adopt cohesive approaches to deliver public value throughout government.

5. Secure leadership and political commitment to the strategy.
6. Ensure coherent use of digital technologies across policy areas and levels of government.
7. Establish effective organisational and governance frameworks to co-ordinate the implementation of the digital strategy within and across levels of government.
8. Strengthen international co-operation with other governments.

III. Strengthen government capabilities to ensure returns on IT investments.

9. Develop clear business cases to sustain the funding and focused implementation of digital technologies projects.
10. Reinforce institutional capacities to manage and monitor projects' implementation.
11. Procure digital technologies based on assessment of existing assets.
12. Ensure that general and sector-specific legal and regulatory frameworks allow digital opportunities to be seized.

Source: OECD (2014a).

- Broadband Internet uptake among enterprises is very high too. In Finland, 100% of enterprises have high-speed Internet connections; in Estonia it is 96%. Even the smallest enterprises, which are slower to connect in many OECD countries, show an uptake rate of over 95% (OECD, 2013).
- Solid policy frameworks and support mechanisms are in place to foster innovation in the technology sectors (see country profiles in OECD, 2012). The contribution of the domestic information and communications technology (ICT) industry to national economic development is above the OECD average in both Estonia and Finland (OECD, 2013). The region has seen several high-tech firms and personalities emerge to become global leaders, e.g. Nokia, Skype and the inventor of the Linux operating system, Linus Torvalds. Notwithstanding current structural

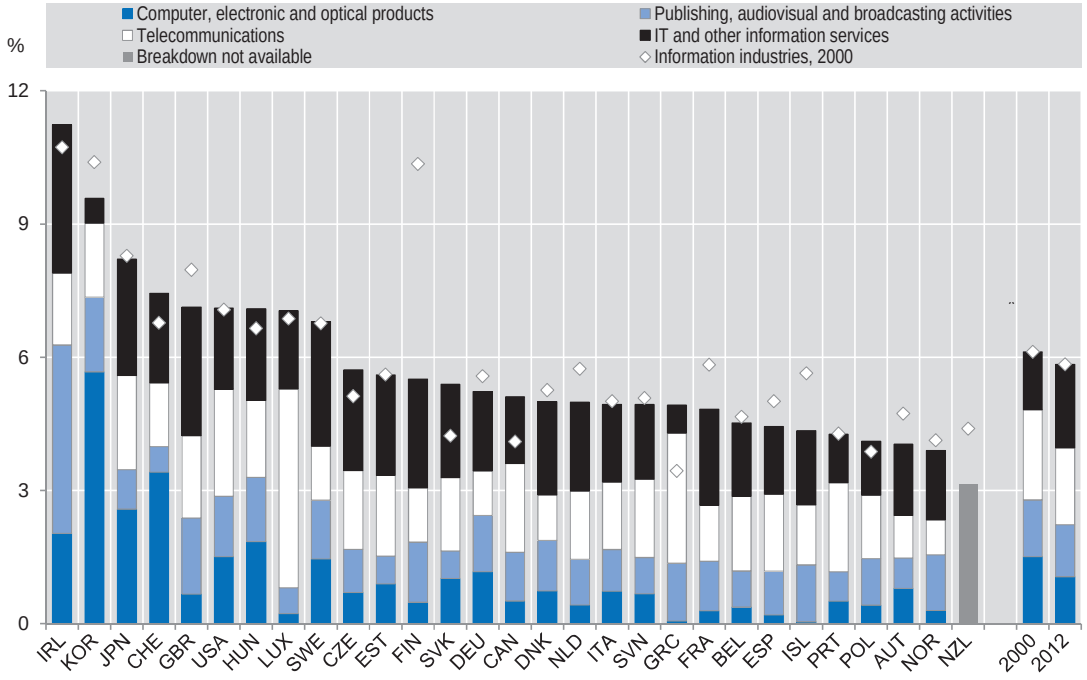
difficulties in each of the two economies, a new generation of technology enterprises is emerging, e.g. the Finnish company Rovio Entertainment, maker of "Angry Birds", and the Estonian TransferWise, creator of an alternative money transfer platform.

Developments in the digital economy of both countries also have an important impact on government capacity to effectively utilise technologies. The diversity of technological and human capital can, for example, influence the choices governments have when procuring, contracting or partnering with the private sector. Rising demand for highly skilled employees can elevate the skills levels available to the public sector, but also puts the public sector in competition with the private sector for the attraction of talent.

Finland's ICT industry has traditionally been a major contributor to domestic growth and an OECD leader in this area. Throughout most of the 2000s, the sector contributed over 10% to value added in the economy. But the economic crisis brought severe problems to Nokia and its eco-system of companies. According to latest available data from 2012, the ICT industry's contribution to domestic value added fell to below 6%, on par with Estonia (Figure 5.1).

Figure 5.1. **Value added of information industries, 2000 and 2012**[2]

Percentage of total domestic value added

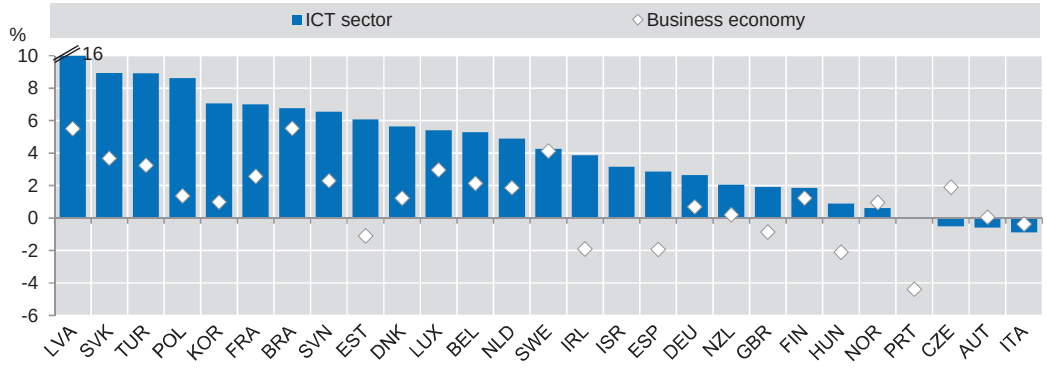


Source: OECD (2014b).

Estonia's ICT industry has, in fact, developed at a fast pace in recent years. The sector contributes around 6% to the national economy today (Figure 5.1). And its growth since the economic crisis has been significant – the number of Estonian ICT firms has grown by 6% on a yearly average since 2009, as opposed to the number of firms in the rest of the economy, which declined (Figure 5.2).

Figure 5.2. **Net business population growth between 2009 and 2012**[3]

Average annual growth rate



Source: OECD (2014b).

Finland does remain one of the leading OECD countries, however, when it comes to the innovation intensity of its ICT industry. Although it has fallen in recent years, the share of ICT firms' spending on research and development (R&D) still represents 1.2% of gross domestic product (GDP) and over half of the entire private sector's R&D expenditures (Figure 5.3). In Estonia, the ICT industry has a smaller R&D footprint, around 0.3% of GDP and just one-quarter of total private sector R&D spending. A noteworthy element is that Finnish innovation is highly concentrated in the ICT manufacturing sectors as opposed to the concentration in the ICT services sectors in Estonia.

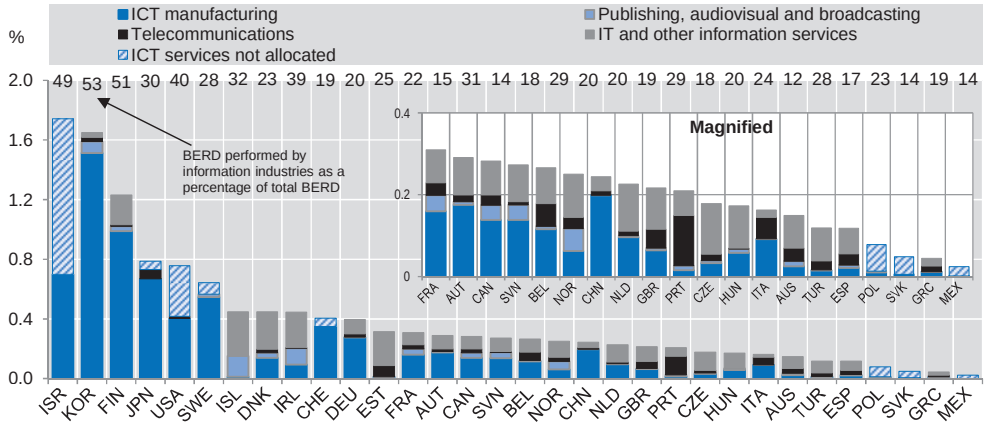
The opposing directions in which ICT industries developed in Estonia and Finland in recent years are also visible in employment statistics. Estonia's IT industry had the second-highest expansion rate since 2000 in terms of employees, mainly fuelled by growth in the IT services industries (Figure 5.4). Finland has lost many jobs in the ICT industry since the outbreak of the economic crisis, mainly in technology manufacturing and in telecommunications enterprises. These developments are a framing factor for government interactions with suppliers and partners in the industry. And in the case of Estonia, they also imply challenges for the public sector to attract and retain highly skilled staff.

Besides these structural aspects concern technology diffusion in society and industry, there is one final aspect to consider – the different historical pathways of each country. It is important to acknowledge that national developments over the past two decades have helped to shape today's government information systems.

Estonia restored independence in 1990 and had the opportunity to newly develop many digital information systems. This is not to say that the country's administration was a "greenfield" for investments. Information systems and base registers had existed, were used and constituted legacy systems that had to be transferred into the newly independent state. But the country launched public administration reforms that included profound redesign of some of the ways government operates, uses information and delivers public services. Altogether these changes led to some disruptive and radical changes in government workflows and information flows, especially since the 2000s (see Chapter 6 for more information).

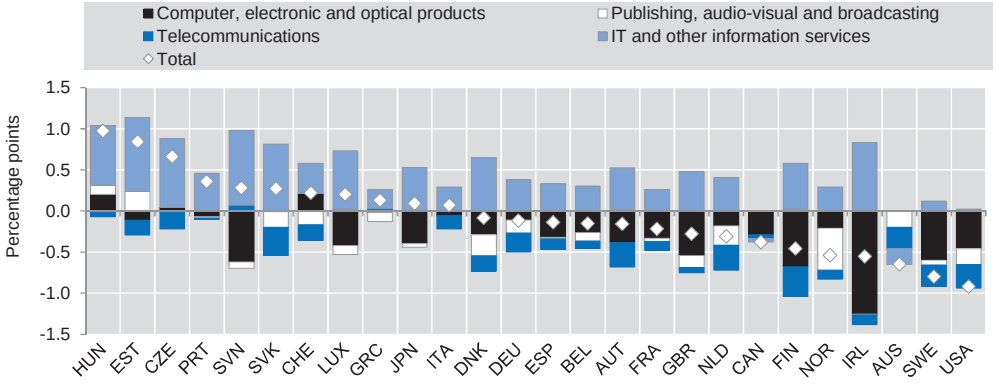
Figure 5.3. **Business R&D performed by information industries, 2011 or latest available year**[4]

Share in GDP (left axis) and share in R&D expenditures of all business sectors



Source: OECD (2014b).

Figure 5.4. **Change in employment shares of information industries between 2000 and 2012**[5]



Source: OECD (2014b).

Finland's public administration started digitisation much earlier, around the 1970s. Interestingly, some of the information systems designed and implemented in that era are still in operation today. The country witnessed a major domestic shock in the form of a severe financial and economic crisis in the 1990s. Reforms were launched to improve framework conditions towards better long-term competitiveness of the country, including major education and innovation policy reforms. But what was left relatively unaddressed by these reforms was the question of public sector processes and governance mechanisms. Overall, workflows and information flows in the Finnish public administration evolved gradually and without major disruptions and this includes the development of government IT infrastructures (see Chapter 6).

These remarks are important because they highlight some of the contextual factors that determined the different digitisation and service transformation paths along which the Estonian and Finnish public administrations developed.

Structure of Part II

The structure of Part II is adapted to meet the demands by the two reviewed countries, Estonia and Finland. Some of the findings draw on a survey conducted by the OECD with government institutions in Estonia and Finland in May 2014. A total of 33 institutions provided complete answers, 13 from Estonia (of which 10 were central government institutions) and 20 from Finland (of which 17 were central government institutions).

Chapter 6 analyses if and how governments in Estonia and Finland manage to put digital government at the service of overarching government priorities. The question is whether digital technologies are used as a lever for successful government reforms, more openness and better public services, or whether digital government initiatives remain within a 20th century model dominated by design and implementation in silos and for micro-level operational needs, without consideration for synergies and larger government ambitions.

Chapter 6 also analyses how Estonia and Finland are adapting governance mechanisms to the need for more purpose-oriented digital government strategies. This includes effective leadership, some degree of central co-ordination and control over government IT developments.

Chapter 7 turns towards implementation levers and challenges as they are critical to turn strategies into successful projects. A specific focus is set on each government's capacity to define and follow business cases for decision making about digital government projects. Moreover, this chapter outlines how stakeholders are involved in project design to create more relevant and user-driven service design approaches. Finally, emerging skills and capacities issues will be discussed in light of context-specific challenges for digital government.

Chapter 8 identifies the business cases for cross-border public service delivery across Estonia and Finland. Successful implementation of pilot projects and their subsequent scaling will, of course, depend on progress achieved in tackling some of the domestic challenges for digital government. Notwithstanding future domestic developments, there are already a number of areas where delivery of harmonised services across Estonia and Finland is piloted or ready to be piloted, e.g. in taxation, healthcare, social security, business registration and licensing. Inputs for this chapter are mainly derived from collaboration with and between civil servants and other experts from the respective policy domains, e.g. during a seminar in Helsinki on 2-3 September 2014.

Notes

1. See OECD Broadband Portal, last accessed 20 October 2014.
2. For Canada, data refer to 2009. For Germany, Greece, Iceland, Korea, Luxembourg, Mexico, New Zealand, Poland, Portugal, Sweden, the United Kingdom and the United States, data refer to 2011. For Japan, data refer to 2008. For New Zealand, data refer to the fiscal years 1999/2000 and 2010/11 ending on 31 March, instead of 2000 and 2012. Data refer to information and communication services only.

Therefore, the average figures do not include New Zealand. For Switzerland, data refer to 2010.

3. For Brazil, data include only employer enterprises and refer to 2010-11. The ICT sector includes ICT manufacturing and information and communication services (ISIC Rev.4 Divisions C26 and J58 to 63). For Estonia and Finland, data refer to 2008-11. For Ireland and the Netherlands, data refer to 2008-10. For Israel, data include only employer enterprises and refer to 2011-12. Business economy aggregate is not available. The ICT sector includes ICT manufacturing and information and communication services (ISIC Rev.4 Divisions C26 and J58 to 63). For Korea, data include only employer enterprises and refer to 2011-12. The ICT sector includes information and communication services (ISIC Rev.4 Divisions J58 to 63) only. Business economy refers to service activities in ISIC Rev.4 Divisions 45 to 82 only. For New Zealand, data include only employer enterprises and refer to 2010-12. The ICT sector includes ICT manufacturing and information and communication services (ISIC Rev.4 Divisions C26 and J58 to J63), with the exception of electronic components and boards (C261), magnetic and optical media (C268), and satellite telecommunications (J613). For Turkey, data refer to 2009-11.

4. The "information industries" aggregate comprises ISIC Rev.4 Divisions 26 and 58-63. The terms "ICT manufacturing", "publishing, audiovisual and broadcasting activities", "telecommunications" and "IT and other information services" refer to ISIC Rev.4 Divisions 26, 58-60, 61 and 62-63 respectively. "ICT services not allocated" refers to industries within Divisions 58-63 that cannot be separated. For Australia and the United States, GDP is computed according to the SNA 2008. For Canada, the Czech Republic, Estonia, Finland, Germany, Hungary, Poland, the Slovak Republic, Slovenia, Switzerland and Turkey, data refer to 2012. For China, data refer to 2009.

5. For Australia, data refer to 2009. For Canada, Germany, Greece, Luxembourg, Poland, Portugal, Sweden, Switzerland and the United States, data refer to 2011. For Japan, data refer to 2008. For Poland, data refer to 2004 instead of 2000. For Spain, data refer to 2010.

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Chapter 6:

Prioritisation and governance of digital government strategies for public sector reform

This chapter analyses the priorities and strategies for digital government set by Estonia and Finland. It uses responses to an OECD survey and other information sources to draw conclusions about the coherence of digital government across the large public sectors in each country. Governance and leadership issues are closely related to digital government coherence and performance. The choices each government has made for government IT co-ordination are therefore compared in light of their effectiveness to address national policy priorities. This also includes a look at co-ordination with local levels of government which, especially in Finland, have important policy competencies in areas such as education and healthcare. The chapter concludes with an assessment of practices, issues and challenges for digital government prioritisation and co-ordination.

Estonia and Finland share a challenge with many OECD countries, which is to define coherent strategies that steer digital government efforts towards the achievement of public sector reform objectives. Estonia's Digital Agenda 2020 is a relatively effective tool in that regard because it draws a common vision of how technology can help address national policy priorities. The challenge is somewhat larger in Finland because no single strategy exists; there is rather a set of three public sector strategies that have a strong focus on digitisation but that lack an indication of priorities, sequencing and benchmarks.

International good practices highlight the crucial role of strategic prioritisation and governance choices in this core area of public sector reform. The OECD *Recommendation of the Council on Digital Government Strategies* (2014a) is an acknowledgement by national political leaders that digital government is no longer a separate item on government agendas but is a determining factor in achieving policy objectives in any government domain. Governments can no longer afford to separate efficiency of operations from other societal policy objectives in the governing and management of digital technologies. This is because improved service delivery and internal public sector efficiency go hand-in-hand with economic growth, societal equality and good governance objectives such as greater transparency, integrity and citizen engagement (OECD, forthcoming).

The challenge for governments is not one of introducing more or different technologies into public administrations. It is rather one of firmly integrating their use into public sector modernisation efforts. Public sector capacities, workflows, business processes, operations, methodologies and frameworks need to be adapted to the rapidly evolving dynamics and relations between stakeholders that are already enabled – and in many instances empowered – by digital environment. Setting up more open approaches to policy making and public service delivery requires governments to reorganise themselves around user expectations, needs and associated requirements, rather than their own internal logic and needs.

The OECD Recommendation enables governments to make that cultural transition from using technology to support operations to integrating technologies in the shaping of overarching strategies and agendas for public sector reform and modernisation. Failures of governments to make this transition can have important consequences, including poor service delivery, uninformed decision making and finally, even loss of citizen trust.

Governments need to understand that adaptation to technical progress increasingly determines the result of policy outcomes. In practice that also means understanding the very tangible implications of technological developments on government, i.e. understanding the relevant policy implications of admittedly technical terms such as cloud computing (OECD, 2014c), social media (OECD, forthcoming), mobile government (OECD, 2011a) or interoperability (see Box 6.1).

Prioritisation and coherence of digital government in Estonia and Finland

The OECD recommends that leadership and political commitment to digital government strategies must be ensured to achieve effective digitisation (Principle 5, see Box 5.1); and that governments should aim for coherent use of digital technologies across all policy areas (Principle 6, see Box 5.1).

Today, digital government is not yet fully perceived as an overarching priority by all government institutions in Estonia or Finland. Estonia is more advanced as Figure 6.1 suggests, in that around 60% of Estonia's national government institutions systematically

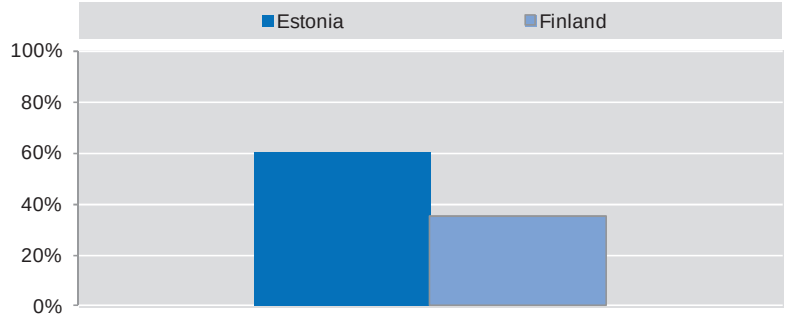
integrate a digital strategy in their core service delivery plans or sectoral policy strategy. In Finland the share is below 40%, which suggests difficulties in integrating a national strategy to provide strategic, mission-critical support to institutions.

Box 6.1. **Interoperability – A technical term, but with high impacts on policy implementation**

Interoperability of information systems is a common ambition across governments. This is because the agility, responsiveness and coherence of public sector organisations depends on their capacity to share and exchange information. However, traditional information systems were rarely designed to easily exchange information. Many public sector organisations today suffer from slow and dispersed access to information, which impacts their capacity to make good policy choices or respond to requests in timely and accurate ways

In a nutshell, interoperability means that individual information systems are able to talk to each other, to exchange and compare data in an automatised manner. Where information systems are not interoperable, information has to be retrieved and transferred manually. But what interoperability of information systems actually means in terms of policy-relevant impacts is that it enables government to act more coherently throughout all phases of the policy process. Identification of policy problems and their placement on the agenda are facilitated when analysis is based on all the relevant data available, e.g. information from national registers and other operational information systems. Formulation of policy responses to an issue needs solid impact assessment which, in turn, depends on the quality of information available at the time of assessment. Implementation and evaluation improve where information about results and impacts is readily available across governments. Finally, the ambition of governments to establish "no wrong door" or "once only" principles requires interoperability of government information systems to channel requests across the administration and assign responsibilities to respond to feedback received from stakeholders.

Figure 6.1. **Integration of "digital" in sector-specific government strategies**



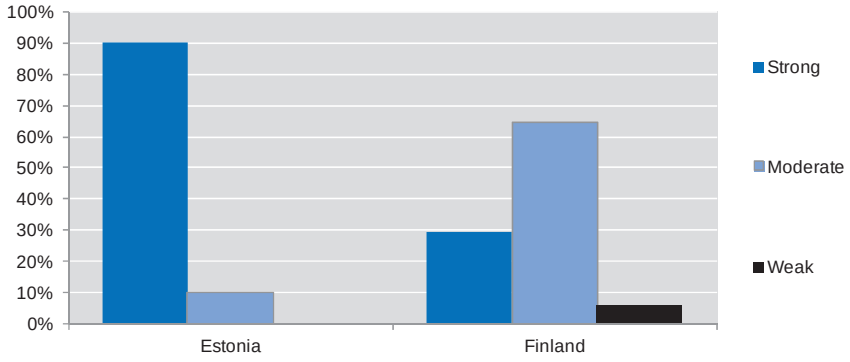
Notes: Share of national government institutions that systematically integrate a digital strategy in efforts to advance core objectives in their institution's service delivery plans or sectoral policy strategies.

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

The challenge of coherence is confirmed by looking at the responses to a different question. While the Estonian national digital government strategy is being perceived as having high relevance to individual institutions, most Finnish institutions regard their national digital government strategy as modestly relevant (Figure 6.2). This points to a persistent lack of shared buy-in and ownership across government, a shortcoming that

was highlighted during the previous OECD *Public Governance Review of Finland* (OECD, 2010a).

Figure 6.2. **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 (2014d), OECD Survey of Estonia and Finland.

Estonia

Looking in more detail at Estonia, strong political commitment and backing for digitisation of the public administration started in the 1990s and has continued. The reinstatement of independence as well as the EU accession process accelerated reforms to turn disparate state information infrastructures into a resource and foundation for coherent decision making and service delivery. The following laws and policies established the necessary building blocks:

- Since 1990 Estonia uses a personal identification code (isikukood) to uniquely identify each citizen and resident in government information systems. This has the advantage of facilitating data exchanges between different administrations and is an important building block for the implementation of the "once only" principle (see next point). The personal identification code had been in place during Soviet occupation, but its structure was codified in law in 1990, and updated in 2007 (www.evs.ee/tooted/evs-585-2007).
- 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. Political commitment to make the principle a reality, coupled with the understanding that speedy and comprehensive availability of information for decision makers is critical in a country with limited human and natural resources, led to the development of a national interoperability infrastructure for real-time exchanges between organisations. The data exchange layer X-Road was launched in 2001 and has since become the standard platform for streamlining services between government agencies in Estonia. It is also used to create seamless workflows that involve non-government actors, e.g. to exchange information on income and assets from private companies to taxation and social security authorities.
- The Digital Signatures Act in 2000 recognises digital signatures as being fully equivalent to hand-written signatures, both in commercial transactions as well as

transactions with the public sector. The Estonian national identification card and later the equivalent mobile-ID (jointly hereinafter: national digital ID) became the building block of a national personal key infrastructure (PKI), turning it into a legitimate means for authentication and authorisation in digital transactions, i.e. electronic signing. The dual use for commercial and public sector transactions, as well as the obligation for the public sector to recognise the national digital ID, created an environment that stimulated the development of compatible public services as well as their take-up by the general population. All digital public services can be accessed using the national digital ID, including electronic voting, electronic prescriptions, electronic health records, registration of businesses, declaration of residence, social benefits claims.

- 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. This was put into practice by creating a mechanism that logs any access to personal data and lets individuals use the public service portal www.eesti.ee (or the national healthcare portal for healthcare records) to monitor which department consulted their data. A data protection claims procedure can be launched at the suspicion of a privacy breach. This is a very important vector for openness and transparency as it gives citizens not only the right to have their privacy protected, but also the actual tools to empower them to monitor if that right is being respected.

The gradual creation of this framework of core principles supported by laws and infrastructure enablers has given the government greater agility in responding to changing contexts. Estonia has developed a relatively high degree of interoperability between government and other information systems. In doing so, it can build services that exploit the availability of a maximum of information, create services that proactively address user needs and support domain-specific policy objectives, e.g. in the areas of social security and education:

- Applying for social insurance entitlements for under-18 year-old children used to be a process that required filing an explicit request, even in the case of automatic eligibility after giving birth. In principle, the administration had all the information at hand to automate this process because hospitals automatically register new born children in the population register. But the automatic transfer of this information to the social security register was not originally foreseen in national legislation. The national legislator opened up this possibility by changing the law. Given that both the population and the social security register are connected to the X-Road, implementing the law required nothing more than defining a new business process and adapting a standardised connector to the specific needs of that data exchange process.

- Applying for student support used to be a process that required students to provide a number of proofs when filing the application to the relevant authority. The proofs concerned the revenues of the applicant and his/her parents, size of the family and place of residence. Following a complete redesign of the service, application requests are now automatically complemented with information extracted via the X-Road infrastructure from various government information systems, e.g. on personal income, parents' income, family characteristics. The decision is taken by the system based on a set of criteria defined by law and is usually communicated within minutes of filing the initial application.

Estonia's current digital strategy (Digital Agenda 2020) is a continuation of political commitment to make the best use of digital opportunities across government. It aims to expand the development of basic service infrastructures and platforms, while stimulating technology take-up across all parts of the population and fostering the development of public sector information and communication technologies (ICT) use. It also has a dedicated view on fostering growth and innovation in the domestic ICT industry, which has seen impressive growth in recent years (see Chapter 5).

An important component of the strategy is the establishment of benchmarks and definition of targets for the years ahead, which gives actors in the administration and key partners a sense of common direction. The strategy establishes four priority indicators for the achievement of higher growth, more jobs and increased welfare:

- take-up of Internet connections of 100Mbit/s or faster should reach 60% of the population in 2020 (currently 5%)
- the share of people not using the Internet should be reduced to 5% (currently 12%)
- satisfaction with public services in 2020 should surpass 85% for citizens and 90% for entrepreneurs (compared to 67% and 76%, respectively, in 2012)
- the share of ICT professionals in total employment should make up 4.5% (currently 3%).

These high-level objectives have more granular subordinate objectives in the different areas. But the Digital Agenda 2020 is also a progressive and ambitious in that it picks up priorities of the national government, combines them with priorities for neighbouring countries and the EU, and provides options for purpose-oriented use of digital technologies:

- The government foresees a "no legacy" principle which will impose the redesign of any government information system that is older than 13 years. The aim is to sustain government agility in the longer term by continuously adapting to changes in context. The length was determined based on the length of typical information system life cycles in the private sector and allowing for a "public sector" margin.
- Estonia will pilot the replication of key government information systems in "data embassies" located outside of Estonia. The aim is to ensure the continuation of the main state functions and institutions in the event of a crisis affecting the state's territorial integrity.
- Estonia will promote the adoption and use of shared digital service infrastructures with other countries in the region – notably the national digital ID and interoperability frameworks. The aim is to exploit synergies by connecting different countries' government information systems if that serves common interests, e.g. pooling information sources available to government, and benefits specific user groups, e.g. cross-border commuters, internationally active enterprises. The Digital Agenda 2020 sets the objective of developing cross-border services based on Estonian infrastructure with at least seven countries by 2020.
- Estonia will actively promote the use and take-up of interoperable digital signatures across the EU. This is in line with EU ambitions to break down barriers for the mobility of people, goods and information, thereby approaching the ideal

of a single market. Estonia has indeed a head-start in this respect because digital signatures are widely used and benefit from many compatible services, including online voting in national elections.

- The "e-residency" programme launched in 2014. The aim is to issue digital ID cards to non-residents who can then benefit from the entire range of digital public services offered by the Estonian public administration and companies, e.g. registering a business or managing assets. Already today, individuals from selected EU countries can use their national digital ID to register a company in Estonia online.

The national digital agenda lays the groundwork for sectoral IT development programmes, e.g. the e-health or digital education strategies, which are part of larger sectoral strategies. The digital agenda is complemented by the national Cybersecurity strategy 2014-2017, which is targeted at mitigating the risks of increasing ICT use and execution of digital development agendas.

Finland

Compared to Estonia, the Finnish government has only recently issued an encompassing strategy for technology use across the public sector, but it also issued other, parallel strategies that create a somewhat incoherent vision for digital government developments.

Finland is by all means not a laggard in OECD comparisons, but maybe not as much in the forefront as one would expect it to be. Online interaction rates of individuals with the public administration stand at around 70%, which is well above the OECD and EU averages and which is higher than in Estonia (48%). To illustrate the intensive use of technology, national law enforcement information systems are sophisticated and interconnected to the point that police officers in the field can obtain mission-critical information within seconds of requesting it on their terminals. An automated number plate recognition is being rolled out that will automatically scan and identify cars that are unregistered, uninsured or stolen (*Helsinki Times*, 2014). Similar levels of technology sophistication are also visible in other areas of the Finnish public administration, e.g. in education where Finland is one of the global leaders (OECD, 2014b).

Strong adoption of advanced technologies in individual government organisations is closely linked to the strong historic contributions of ICTs to domestic wealth, innovation and employment in Finland. However, government adoption and use of technology was often in silos with relatively little co-ordination and too little focus on the contribution to policy outcomes. The education sector is a case in point because past technology initiatives have not been able to halt the relative deterioration of Finnish schoolchildren's performance since 2003 (OECD, 2014b). There are several factors that explain this evolution and one of them is the lack of co-ordination between different institutions and partners in the national education eco-system on how to best use technology to serve the bigger purpose. Moreover, the division of competencies with high levels of autonomy for municipalities in this sector means that many information system developments have been developed in parallel and often without being compatible with each other.

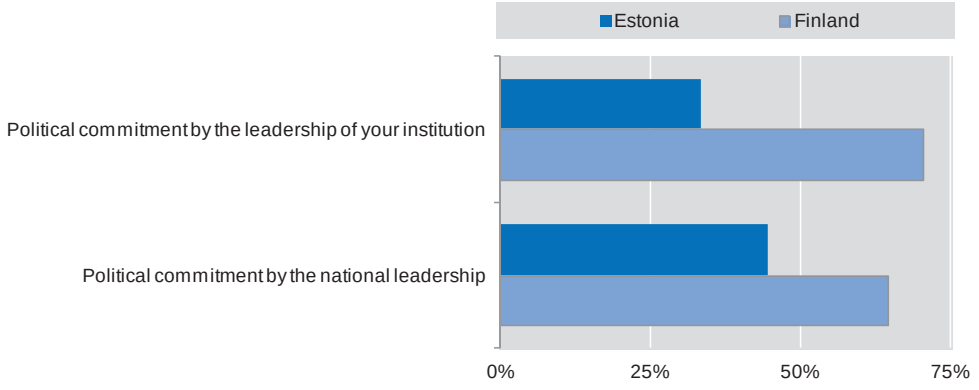
The gaps in co-ordination in the development of digital government in Finland is illustrated by the fact that the first "whole-of-public sector" ICT strategy was launched in 2012 (a government-wide strategy existed before, but only concerned the central government). In parallel, two other strategies were developed by different institutions and

provide alternative, and not necessarily co-ordinated, visions of the use of information technology for public sector reform:

- Public Sector ICT Strategy (2012), developed by the Government Chief Information Officer's (CIO) Office at the Ministry of Finance
- "21 paths to a frictionless Finland" (2013), a report developed by the Ministry of Employment and the Economy and which has resulted in a cross-government working group "ICT 2015" chaired by the Permanent Secretary at the Prime Minister's Office
- Government Decision on Implementing the Structural Policy Programme (2013), developed by the Prime Minister's Office under the State Secretary.

While those recent strategies are an important attempt to clearly articulate the benefits of whole-of-government digitisation for government reforms, there is a risk that a multiplication of strategies and leaders creates confusion about the broad directions individual institutions should follow. The importance of defining a clear strategy and having strong leadership should not be underestimated. This factor is particularly pertinent in Finland, where public sector institutions pay close attention to the digital government decisions and directions of their political and institutional leaders (Figure 6.3).

Figure 6.3. **Importance of leadership for public sector digitisation**



Notes: Share of national government institutions that indicated the selected driver has a strong impact on public service digitisation in their institution.

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

Another important factor to consider is whether strategies are actionable in the sense that they provide a benchmark of the current status and a vision for future achievements. This is not a consistent practice in the current set of digital government strategies in Finland. The "Public Sector ICT Strategy" of 2012, for example, lists ten mostly input-oriented measures, such as creating a new working group or launching a funding programme, but provides no specific benchmarks or measurable results that would indicate achievement and contribution to wider national objectives. Similarly, the "21 paths to a frictionless Finland" develop a set of transformation initiatives without defining indicators to measure progress made on any of the paths.

The absence of a global strategy and clear overarching objectives, coupled with "siloed" digital government developments in the past, have led to a situation today where

the level of implementation of overarching digital government policies is relatively low in some instances:

- In 2003, a law stipulated that digital signatures have to be considered as equivalent to hand-written signatures for interactions with the public administration (24.1.2003/13). Only in 2009 was equivalence expanded to cover commercial transactions as well (7.8.2009/617). Initial take-up rates for digital signatures suffered in comparison to countries where digital signatures were legitimated for public and private sector use at the same time.
- Wider adoption of digital signatures suffered from inconclusive government commitment towards this means of identification and authentication. Although the Finnish ID card was probably the first electronic ID card in Europe, it came with relatively prohibitive conditions, such as an application fee of EUR 50 and an initial validity of only five years. Low take-up rates provided little incentives for the public administration to make their services compatible. As a result, only 400 000 eID cards had been issued by 2012. Banks and mobile phone operators are the most prominent providers of digital identification in Finland (GSMA, 2013).
- Over the years several shared services centres emerged in Finland with the ambitions to create synergies in IT development and operations. This included AHTi as a shared services centre for regional authorities, OTTK as a shared centre for the judicial state administration, and VIP, a central government shared services centre. However, these centres were not able to justify their operations as too few institutions would see the incentives to take up the proposed services; and because of some confusion regarding the actual scope of services offered by individual shared services centres. To remedy these shortcomings, the various organisations were merged into Valtori in 2014 (see also Box 6.3).
- Interoperability of government information systems and implementation of the "once only" principle are objectives declared by the Finnish government (European Commission, 2014). An inwards-facing data exchange bus, VIA, exists for exchange between information systems that manage human resources, finances and other support functions. But the interoperability of core mission-oriented government information systems, including the base registers, is little advanced. Government information systems and data exchange interfaces are largely developed under the sole authority of the institution administering the information system, which means that interfaces, standards or formats are not necessarily compatible across different systems.

The consequence is tangible impacts on the quality of public services. The website www.suomi.fi is the main public service portal and attracted around 215 000 individual users in 2013, equivalent to around 4% of the population. Take-up rates could be higher considering the high overall uptake rates for online services among the population. This is particularly true for the "Citizen's Account", which was expected to become individuals' main means of access to digital public services. Today it has only around 44 000 users, i.e. take-up remains below expectations. In general, individuals and businesses that use either the national portal or the Citizen's Account often have to resubmit information instead of being able to refer to information already provided to other parts of the public administration.

There is an impact on the quality of government operations and policies in the larger sense. The lack of real-time exchanges between many government information systems means that data are often transferred in batches and thereby produce time lags in the availability of information to decision makers. The unavailability of real-time opportunities to verify information can also favour errors, even fraud, in the establishment of rights and duties. Most importantly, however, the current information system landscape in Finland dramatically reduces government agility because changes in legislation that touch upon the authority of several departments can take years between ratification and their first actual implementation. This means that, for example, more complex changes to tax legislation cannot be reflected on people's tax statements until years later.

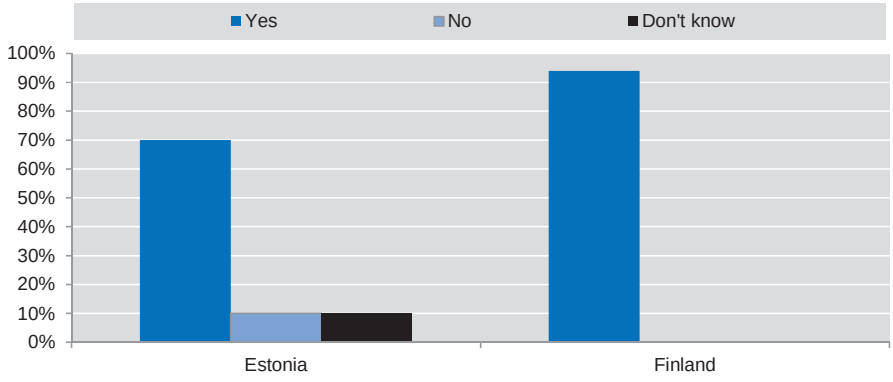
Establishing the right governance mechanisms for better digital government performance

The OECD Recommendation outlines the importance of governance and organisational frameworks to ensure that digital government strategies are formulated and implemented in ways that support wider government objectives (Principle 7, see Box 5.1). In detail this means:

- identifying clear responsibilities to ensure overall co-ordination of the implementation of the digital government strategy
- establishing a system of "checks and balances" for government decisions on technology spending, to increase the level of accountability and public trust, and to improve decision making and management to minimise the risks of project failures and delays.

Responses to the OECD survey show that Estonian national institutions are less frequently part of formal digital government co-ordination processes than their Finnish counterparts (Figure 6.4). This echoes findings of the 2011 *Public Governance Review*, which found that a largely "vertical and siloed institutional structure" was in place in Estonia (OECD, 2011b). The review did not mention though the strong prevalence of interpersonal networks in this small public administration which have to some degree been able to compensate for the absence of more formal networks.

Figure 6.4. **Participation in formal co-ordination processes across government**



Notes: Indication of participation by national government institutions in formal co-ordination processes with other units responsible for IT projects at the central government (e.g. meetings with national ministries' chief information officers).

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

In Finland, the character of co-ordination is somewhat inverse. Virtually all institutions participate in formal networks or processes for digital government co-ordination, but various interlocutors consider those mechanisms to be rather ineffective, which is line with the relatively weak level of co-ordination in many government IT projects. This also reflects wider governance challenges in Finland, including "silo-oriented" approaches in the definition of priorities and responsibilities in other policy areas (see also Part I of this Review; OECD, 2010a).

Estonia

Taking a closer look at governance developments, substantial reforms have taken place in Estonia in recent years. The OECD review in 2011 signalled reform options to make digital government more effective (OECD, 2011b). At that time, government IT projects were mainly co-ordinated by the Ministry of Economic Affairs and Communications, which shared decision-making authority with the Ministry of Finance. Some shortcomings were identified in the capacity for long-term steering of digital government developments. The ensuing changes led to the set-up in place today:

- Establishment of an ICT Policy Advisor post at the Government Office (akin to a government chancellery). This senior civil servant post ensures, through policy co-ordination, that government ICT priorities and broader national priorities are aligned and, where possible, support international agendas. The Policy Advisor provides advice to the Prime Minister.
- Establishment of a Deputy Secretary General position (and *de facto* a Government CIO) at the Ministry of Economic Affairs and Communications, whose main tasks are planning and co-ordination of ICT and digital service development across government, financial management of government ICT projects and the development of a common framework for digital service delivery. The CIO Office is responsible for the preparation of IT legislation and IT procurement procedures, developing the digital service creation and delivery practices in the public sector. It also has authority over government IT projects that are funded by EU Structural Funds, but does not have any formal authority to review or halt other IT projects.
- Also under the authority of the Ministry of Economic Affairs and Communications, the Estonian Information System Authority (RIA) exists since 2011. Its main tasks are the development and operation of Estonia's national digital infrastructure, including the state administration portal www.eesti.ee, the data exchange infrastructure X-Road, a government backbone network, the catalogue of state information systems RIHA, and the national electronic document exchange centre. RIA plays a central role for national cybersecurity because it monitors and addresses security incidents in the public sector as well as in private sector critical service providers.
- Strategy-level co-ordination is further driven by the E-Estonia Council, set up in June 2014. The council is led by the Prime Minister and includes three ministry representatives and five experts and ICT sector representatives. The council's main task is to steer national digital agenda making and implementation. The council was established by reforming the prior Estonian Information Society Council, which had been a government committee of experts advising the Minister of Economic Affairs and Communications.

Line ministries' CIOs or ICT directors meet monthly to co-ordinate ICT developments and enhance ICT management in the public sector. A similar council is organised by the Ministry of Interior and gathers CIOs or ICT directors from local authorities, which meet several times a year.

While institutional responsibilities seem to be clearly distributed, a system of formal "checks and balances" has yet to emerge in Estonia. One of the few "hard" measures available to the government CIO is the allocation of EU Structural Funds to selected IT projects and the authority to review these projects. Another relatively coercive measure will be the "no legacy" principle when it is implemented. "Softer" measures are more common and include, for example, fiscal incentives created for government departments to involve the Government CIO Office and thereby source in the office's capacities for digital service transformation.

The problem is that some institutions fall through this net of checks and balances because they: *i)* have sufficient capacities and therefore do not require assistance; *ii)* finance the majority of IT developments out of their proprietary budget. This includes large organisations like the Ministry of Interior or the Unemployment Insurance Fund which, admittedly, co-operate and co-ordinate with other institutions, but do so on a voluntary basis. The leverage of the Government CIO Office to ensure that common performance criteria are upheld is therefore largely dependent on interpersonal relationships and the strength of informal networks.

The fact that digital government became a key enabler of Estonian government reform in the past had therefore less to do with sophisticated governance or coercive procedures than with a set of context-specific factors, including:

- a high commitment by political leaders to utilise digital technologies as a driver of overall government reform
- a high level of buy-in to the government agenda by individual ministries, which is facilitated by the strong presence of collegiality of decision making in central government overall
- the small size of the country and the public administration, which favours the effectiveness of informal and interpersonal networks, and – considering the small size of the national IT workforce – a relatively high level of IT project management skills and capacities within the respective departments.

A challenge going forward might be to formalise some of the interpersonal and informal networks that have enabled co-ordination so far. Their effectiveness can change over time and become subject to pressures if interpersonal networks break down. A case can, for example, be made around the introduction of co-ordination mechanisms that complement the current set-up, e.g. mandatory use of business case reviews by the Government CIO Office for projects that meet certain criteria.

This is not to say that no mandatory co-ordination and review processes exist. One highly formalised governance mechanism is the process of linking an information system to the national X-Road data exchange layer. Despite some interlocutors mentioning that the process can be rigid at times, it is generally perceived to be a process that leads to beneficial outcomes for all parties (see Box 6.2).

Box 6.2. **Getting on the Estonian X-Road: The governance process**

Connecting an information system (whether government or private sector) to the Estonian X-Road requires completing a process of metadata verification. The goal is to build a nation-wide catalogue of systems (RIHA) and to ensure compliance of information systems with various requirements. Interested institutions can consult https://riha.eesti.ee to identify opportunities for automated data exchange. The national catalogue RIHA and the X-Road system are maintained by the Estonian Information System Authority (RIA).

Today, around 800 state information systems are catalogued in the RIHA. All connected information systems have to go through a two-round approval process. The first round of approval results in the permission to establish a new system. The second round results in permission to launch the system. Five state authorities are involved in the approval process, their supervisory powers are mandated by the Public Data Act and the process is fully supported by the RIHA web-based application:

- The RIA checks compliance with fundamental interoperability requirements, e.g. the principle of non-duplication of data stored, use of the X-Road layer. Information security requirements are also checked here. The interoperability requirements are defined in the Public Data Act and the Estonian Interoperability Framework.
- The Estonian Data Protection Agency checks compliance with requirements of personal data protection and data publication. These requirements are mandated by the Personal Data Protection Act and further exemplified by guidance documents issued by the Data Protection Agency.
- Statistics Estonia checks compliance with statistics production requirements, including the use of the National System of Classifications.
- The Land Board checks compliance with the National Address System and monitors performance as the authority in all matters of spatial data (including EU INSPIRE spatial data requirements).
- The National Archive verifies that long-term archiving requirements are met.

Representatives from different institutions admitted that the process can be arduous and rigid at times. This is because the requirements by each of the five gateway agencies are not always clearly defined and partly overlap. Nevertheless, it is generally accepted that this process has the benefit of identifying flaws in the design of information systems and their interfaces. Moreover, the benefits of having an information system catalogued in X-Road are perceived as being high because this opens up opportunities for accessing policy-relevant information in real time and in formats that allow immediate use of that data to inform decisions.

A recent event highlights the importance of the clearing process to ensure data quality used by the public administration and to reduce the risks of *ex post* correction of initial design flaws. The *Tallinn Ticket Sales* database was designed to access and store a large range of personal data from national ID cards that can also be used for travelling. The data include a person's social security number, home address, email address and other personal information and would be stored for seven years. During the process of X-Road clearance of the systems, these provisions were judged to be excessive and had to be corrected (www.aki.ee/sites/www.aki.ee/files/elfinder/article_files/Aastaraamat%202013%20t6lkesse_en.pdf).

Source: OECD information obtained from interviews.

Finland

Finland has gone through governance changes since an OECD *Public Governance Review* in 2010 found that the existing arrangements did not work well with the "disparate administrative structure" and a decentralised governance model with strong executive agencies (OECD, 2010a). The Review recommended a stronger commitment to implementing central norms and standards to complement "discretion in managing and developing public services".

Finland's response was an attempt to strengthen the central co-ordination capacities of the Government CIO Office while leaving the overall division of responsibilities between the Centre and line ministries (and the Centre and municipalities) unchanged:

- In 2005, a director-level position was created within the Ministry of Finance, supervising the "State IT Management Unit", which was then part of the "Public Management Department". A reorganisation took place in 2011 and resulted in the elevation of the unit to the status of department for public sector ICT. Its manager occupies a director-general position and is the de facto government CIO. The 2011 Reorganisation Law (634/2011) assigned the responsibility for steering and developing common public sector IT policies to the Government CIO Office. It added a few "hard" levers to co-ordinate government IT developments, e.g. the authority to regulate the business architecture of individual government organisations. No formal regulations have been issued so far.
- In 2013 the TIETOKEKO was set up as an inter-ministerial committee to co-ordinate information management and information exchanges. It replaces a co-ordination committee established in 2005. The mandate of TIETOKEKO is to promote common IT services, co-ordinate IT projects across government and oversee large sectorial projects. The committee has mostly consultative functions and aims to achieve consensus on common digital government directions. The remit of IT project and performance reviews remains mainly within the circumference of individual institutions. Meetings are held monthly and involve line ministries' IT directors and CIOs.
- JUHTA, a committee for co-ordination of IT developments with municipalities, was set up in 1998. It is also a monthly meeting of national and municipal IT directors/CIOs. However, the actual leverage of this co-ordination mechanism is very limited because of the constitutional provisions that grant municipalities a high level of autonomy in policy areas such as healthcare and education.
- In 2014, Valtori replaced the previous Government IT Shared Services Centre (VIP) for the production of services and operation of government infrastructures (see Box 6.3). Some of its functions will be mandatory, although considerations should also include whether to provide services on a competitive basis, e.g. as is the case with the Belgian federal government IT service provider SMALS. The government can also provide incentives to use shared services, without actually mandating them.

In terms of checks and balances, there is a central threshold in Finland but it is relatively high. Any project that has a budget of more than EUR 5 million or spans more than four years has to run through the Government CIO Office at the Ministry of Finance. The office only has advisory power for these projects, final decisions remain within the individual ministries and agencies. It only concerns projects implemented at central government level, i.e. not the wider set of social security agencies and not municipalities.

Other countries, like Denmark, have taken a stronger approach to centrally defining, reviewing and managing high-risk government IT projects (see Box 6.4). The UK government, for example, has a GBP 5 million threshold above which any IT project is subject to a rigorous screening and review mechanism, in a country of a much larger size than Finland. This threshold is lowered to GBP 1 million for projects that aim to develop a service or infrastructure that is already offered by a government shared services centre.

Box 6.3. **Revising shared IT services in Finland – The creation of Valtori**

Valtori is a new government shared IT services centre set up in March 2014. In a first phase, ten organisations, including three shared government IT centres, were merged. The plan is to merge or transfer the competencies of another 80 government IT organisations by the end of 2015. The ambition is to achieve more effective government IT use, provide a more coherent set of services, make progress on interoperability and cost efficiency in service production.

Valtori also replaces the former shared IT service centre VIP, which was created in 2009 but had little capacity and an uncompelling offer of services for other public sector organisations. Valtori is expected to remedy the lack of results VIP achieved in developing mandatory "agency-independent" services, i.e. services that are commonly in use across government, such as enterprise resource planning functions.

The aim is to become the single entry point for public administrations that need support for infrastructure development and hosting. A major service provided is the Citizens Account, which acts as a single online portal for various interactions with government. Valtori is expected to meet expectations for three main reasons: *i)* more competitive offers and greater clarity in the services offered; *ii)* making certain services mandatory; *iii)* more resources, up to 1 200 staff are planned to work for Valtori in 2015.

Valtori is an attempt to create synergies through shared infrastructures, including for municipalities. If it is effective, Valtori could help reduce some of the duplications that currently take place because of uncoordinated IT investments across municipalities. It is, however, too early to evaluate the impact in this regard at this stage.

Box 6.4. **Denmark's creation of a "Council for IT projects" to govern high-risk government IT projects**

In 2010, the Danish government recognised that many government IT projects suffered from structural difficulties and established the need for more professional central review mechanisms. The Council for IT Projects was established in 2011. It reviews any IT project with a budget of more than DKK 10 million (around EUR 2 million) and any government IT programme with a budget of more than DKK 60 million. The council evaluates whether the project or programme has high risks. If it does, a binding and very close monitoring of the project becomes mandatory, including reporting every six months and the option of conducting an external review. The council can also recommend that projects that are already underway be subject to a review if they are delayed, become more costly than planned or face substantial challenges to the realisation of expected benefits.

The Danish Council for IT Projects is composed of nine senior managers, primarily from the private sector, but also from semi-public and public IT-intensive organisations. Its members have experience with large-scale IT projects or projects for change and can contribute solid and competent guidance to governmental IT projects. So far the council has carried out around 50 risk assessments for government IT projects, out of which nine were found to be of high risk.

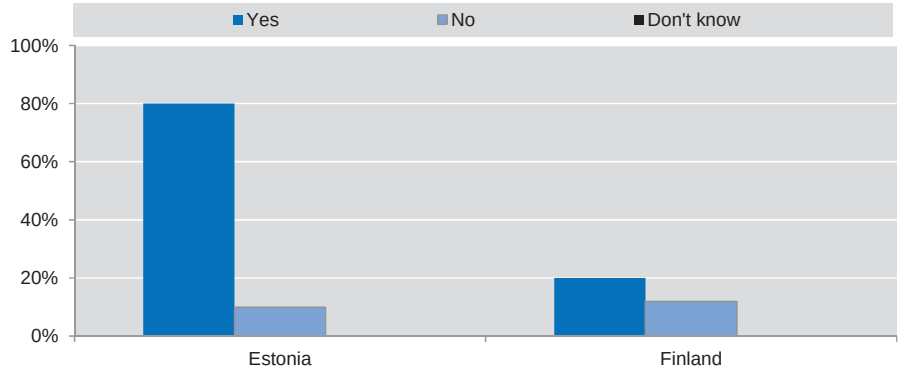
Source: Danish Council for IT Projects (n.d.), www.digst.dk/Servicemenu/English/Policy-and-Strategy/Interministerial-Project-Office/The-Danish-Council-for-IT-Projects.

National-local government co-ordination

The multi-level governance setting in both countries influences the effectiveness of co-ordination mechanisms. There are important structural differences in the degree of financial and decision-making autonomy between Estonia and Finland. Finnish municipalities, along with counterparts in Denmark, Iceland, Japan and Sweden, are among the most autonomous in the OECD in terms of proprietary fiscal revenues (OECD, 2013). The Constitution provides for high autonomy, especially in the areas of healthcare and education. The Estonian state administration is not as decentralised and smaller municipalities particularly depend on fiscal support from the central government.

Central government institutions in both countries indicate they co-ordinate their digitisation agendas with those of municipal authorities (Figure 6.5). However, the effectiveness of these co-ordination measures are limited due a mix of capacity and legal challenges.

Figure 6.5. **Participation in formal co-ordination processes with sub-national authorities**



Notes: Indication of participation by national government institutions in formal co-ordination processes with other units responsible for IT projects at sub-national levels of government (e.g. meetings with IT or service directors of municipalities).

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

In Estonia, central-local co-ordination is a point of friction due to uneven levels of commitment and capacities to implement national digital government agendas across municipalities. This issue was raised in the 2011 *Public Governance Review* (OECD, 2011b) and continues to be an issue of priority. Until very recently, only one person at the Ministry of Interior was formally responsible for the identification and co-ordination of digital government issues across over 200 municipalities. As a result, projects such as VOLIS, which offers a standardised content management system at strongly subsidised prices to local government authorities, has not yet achieved the desired take-up rates. Associations of local councils exist but do not take an active role in digitisation matters.

Finland has a more formal governance mechanism to involve local authorities – the Advisory Committee on Information Management in Public Administration (JUHTA) at the Ministry of Finance. JUHTA promotes co-operation but it lacks the mandate to take binding decisions or create strong incentives for co-ordinated digitisation. The main reason is the high constitutional autonomy granted to Finnish municipalities, notably in the areas of education and healthcare service delivery, coupled with elevated levels of fiscal autonomy (OECD, 2013).

Finnish municipalities do collaborate and co-ordinate IT developments outside the framework provided by the central government. Around 200 municipalities are shareholders in the commonly owned company Kuntien Tiera Oy, including Espoo, one of Finland's largest cities and home to Nokia. The company pools IT procurement and offers the development of shared services. In another instance Espoo, Lahti and a few other municipalities completed a pilot test of the X-Road data exchange infrastructure for healthcare and social services (SITRA, n.d.).

The challenge is that such initiatives are not systematically scaled, even if they prove their added value, because of municipalities' autonomy. Several companies exist in parallel that pool IT procurement and shared services for different groups of municipalities. The result is an IT landscape that suffers from information systems that fulfil very similar and often identical purposes, but that are not interoperable.

Moreover, municipal autonomy in designing and implementing IT projects without any requirement for co-ordination is leading to monolithic IT projects with high risks of failure due to their large budgets and timelines. One such example is the APOTTI project. The integration of healthcare and social security services across the larger Helsinki metropolitan area is expected to last from 2011 to 2018 and has a total cost estimate that surpasses EUR 400 million.[1] This a typical over-scaled IT project, the type which is associated with a very high risk of failure and which rarely succeeds to meet initial requirements and expectations in terms of the actual service (Budzier and Flyvbjerg, 2012). The United States' initial experience of launching www.healthcare.gov provides a good lesson in this area, but many other large-scale government IT failures could be cited. For these reasons, two major municipalities, Espoo and Kerava, decided to opt out of the project in 2013.

Municipal autonomy in both countries is anchored in the Constitution and path dependency. This makes governance changes a political and too often politicised process. Nevertheless, countries such as Denmark have managed to engage in profound municipal reforms that upheld an acceptable degree of autonomy while strengthening central levers to achieve buy-in for common digital government objectives (see Box 6.5).

Box 6.5. **Denmark: Linking municipal reforms to reforms to the governance of national digital government strategies**

Responsibilities for public service delivery within the Danish public sector are divided among the central government, municipalities and regions – each with its own elected political leadership and administrations. The structural reform that took effect 1 January 2007 strengthened significantly the role of municipalities, which took over a major part of the former counties' responsibilities, leaving the regions with responsibility mainly for hospitals and certain social institutions within the healthcare sector.

In the year of the reform, a Steering Committee for Cross Government Co-operation – STS (*Styregruppen for Tværoffentlige Samarbejder*) – was established as a result of a 2005 agreement between the government, Danish regions and local government. The STS is a cross-government co-ordination body aiming at creating joint ownership across the horizontal and vertical layers of the state administration. The overall framework for the co-ordination is confirmed in the annual negotiations on the next year's budgets between the government and the representatives for the regions and municipalities.

The STS consists of high-level representatives (on the level of permanent secretaries/managing directors) from the most important ministries in terms of digital government, and the associations representing the municipalities and the regions.

Source: OECD (2010b).

Assessment

While the current Review proceeds with a comparative analysis of the two countries, the aim is not to harmonise the digital government architecture of the two countries but to share lessons of good practices and contrast experiences. Estonia has some distinct advantages when it comes to the reactivity and agility of the administration to adapt to new requirements or context. This resulted from a focused approach to the development of technology enablers and to the promotion of widespread adoption across the administration, e.g. interoperability, digital signature, information access and provision laws.

How to move Finland's state information systems towards greater interoperability and whole-of-government support is not a technical question. It is rather a question of capacity to generate cross-government political commitment and coherent policy implementation. Given the strong attention government institutions in Finland pay to their leadership, the need for digital government reform has to be made an integral part of the government's overall reform agenda. It is also important to create cohesion between different leaders, which is a sense of common buy-in to digital government as a lever for reform.

Launching governance reforms requires political support and consensus to lead to expected results. For this to happen, there must be a common perception of urgency, which can be created if politicians or senior civil servants acknowledge that the current status and direction are unsustainable – similar to the recognition of Nokia's "burning platform" in 2011. In the United Kingdom, a strong sense of urgency was created through the recognition that many online government services were of poor quality and usability, and that there was a strong perception of incoherence on the side of service users. This recognition by political leaders led to a wide-ranging governance reform, notably the creation of the Government Digital Service (GDS) team at the Cabinet Office and a strong mandate to lead public service transformation (see Box 6.6).

Box 6.6. **United Kingdom: A call for "revolution not evolution" of digital government**

In 2010, public figure Martha Lane Fox was commissioned by Minister Francis Maude to provide a report about the state and potential improvements to digital government in the United Kingdom. The report was instrumental to initiate profound changes in the ways government IT and public service delivery are managed at the central government.

The report chose relatively strong language to underline for example that "most of [government websites] are still run as silos within departments. This fragmentation leads to significant duplication of functions and technology, and means the overall user experience is highly inconsistent".

The report was also explicit in its recommendations to reform the governance around digital government: "The model of government online publishing should change radically, with a new central team in Cabinet Office in absolute control of the overall user experience across all digital channels, commissioning all government online information from other departments". This led to the establishment of the Government Digital Service team, a unit whose head directly reports to a minister (currently Francis Maude), which provides strong political support. Implementation capacity has been achieved through strong expansion of talented staff.

Source: Fox (2010).

Digital government as a key lever for public sector reforms

Estonia and Finland have pursued quite different pathways in their digital government development over the past two decades, leading to very tangible impacts on the quality of digital services and on overall policy implementation.

Estonia's government very early on displayed full political commitment to making digitisation a lever of wider government reform. Realising that financial and human resources are rather scarce in a country as small as Estonia, decision makers identified a number of critical technology options that would enable government as a whole to deliver better results and at lower costs. Strategic spending decisions were taken to develop an information-sharing architecture across the public administration (mainly through X-Road) and to propose seamless and unified access possibilities to information held by the administration (commitment to the "once only" principle). These relatively abstract decisions helped government yield very tangible returns over the years, notably greater responsiveness, agility and service quality. The strategic decisions were facilitated by the fact that, in a sense, Estonia had to recreate state institutions in the early 1990s and could leapfrog stages of technological progress in some areas.

Finland's government and wider public sector were once a leader and early adopters of technology. This brought rewards, but also costs in terms of legacy systems that are still in place today. Being a global leader in technology and innovation, Finnish decision makers and institutions were able to develop state-of-the art information systems in their respective policy domains through a bottom-up approach.

The challenge has been to co-ordinate the developments occurring in "silos" in order to advance wider, whole-of-government objectives through digitisation. A top-down integrated vision has been lacking and explains in large part why Finland today does not have a government-wide IT architecture to exchange mission-critical information in real time. Government information systems and data exchange interfaces are largely developed under the sole authority of the institution administering the information system, which means that interfaces, standards or formats are not necessarily compatible across different systems. Legacy systems in operation only support batch operations, instead of real-time interfaces to data; and central co-ordination of government IT projects has little "bite" to impose common standards for data exchange. The 320 Finnish municipal authorities are autonomous in the delivery of education and healthcare services, which means that national efforts to streamline workflows meet huge challenges when they require integration of data from these two sectors.

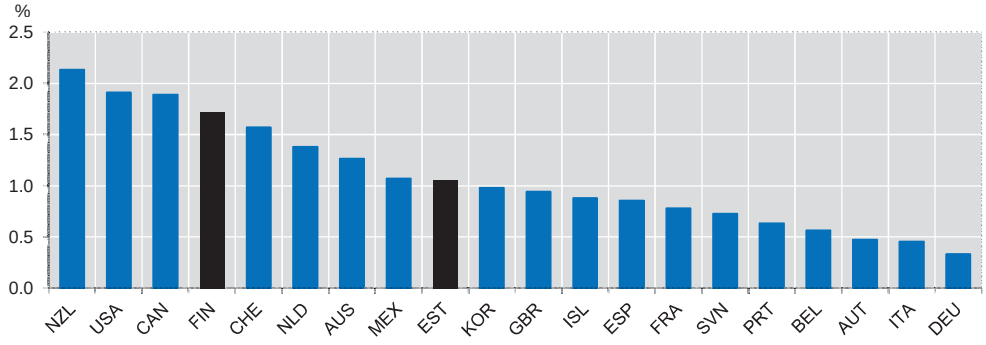
The challenge, therefore, is to co-ordinate developments occurring in "silos" in order to advance wider, whole-of-government objectives through digitisation. Some cross-cutting technology enablers were actually codified in Finnish law (e.g. the Electronic Signature Law, a national digital ID), but their implementation suffered from very heterogeneous levels of commitment across government.

The case of digital technologies is not unique and reflects wider public sector trends and challenges in Finland. There is clearly a need for cohesive action to address the underlying policy challenges. Tackling the "grey", i.e. the informal economy, is, for example, a major priority for the government. The government is not yet able to fully utilise the potential of technology to effectively identify and prevent errors and fraud in the attribution of social benefits because information resources are not interoperable, policy-relevant information cannot be obtained instantly. Another very tangible impact of legacy systems and lack of interoperability is the general slowness to implement legal

reforms. In some policy domains in Finland, new legislation is reported to require information system changes that can take years before the law is first applied. This clearly reduces government strategic agility and hampers its ability to react to sudden context changes, e.g. adapt tax legislation to economic deterioration, in an agile and concerted manner.

The different levels of agility and readiness to drive government reforms with the support of technology are not a question of how much money is spent on technology. Finland's central government IT budget is larger than that of Estonia, in absolute and relative terms (Figure 6.6). The point is not how much is being spent, but how resources are being used and what mechanisms are in place to ensure that IT investments are aligned to achieve overarching policy objectives instead of just supporting departmental priorities. Pilot projects that reuse existing infrastructure enablers (e.g. the Estonian X-Road) point to options to reform digital government without adding substantially to the annual IT expenditures.

Figure 6.6. **Central government ICT expenditures as a share of overall central government expenditures, 2011 or latest available year**



Source: OECD (2013).

Ensuring strategic leadership and governance for public sector digitisation

The main factors for different developments in public sector digitisation between the two countries are around strategic leadership and governance frameworks. It is a telling difference that Estonia has a comprehensive national digital strategy that aims to achieve common objectives for the economy, society and government. In Finland, on the other hand, at least three national strategies exist that include major, but not fully co-ordinated, directions for technology use as enabler of government reform. The result is that central government directions for government IT use are perceived as being less relevant by institutions in Finland than is the case in Estonia.

This raises the question of responsibility for strategic leadership and alignment of IT decisions with wider government objectives. In Estonia, the institutional division of 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 co-ordinates and oversees the implementation of digitisation projects across government.

The importance of personal commitment and interpersonal networks cannot be underestimated. Neither of the two aforementioned institutions has a particularly coercive mandate with "hard" levers at hand. This seems to have worked well in the past,

particularly considering that Estonia has a relatively fragmented ministry structure with high autonomy of individual line ministries and affiliated agencies. But high dependence on interpersonal networks is also a risk factor to consider for times of major stress and cannot always be taken for granted, e.g. if budgetary constraints are further increased. This raises questions about the long-term sustainability of this governance model.

In Finland, on the other hand, it is unclear as yet which institution is responsible for defining strategic directions for government IT and national IT developments, and ensuring they serve national priority objectives. Currently, at least three institutions have shown ambitions to set strategic directions: the Prime Minister's Office, the Government CIO Office at the Ministry of Finance, and the Ministry of Economy and Employment. In addition, the National Audit Office keeps a close eye on digital government developments. Even within the Ministry of Finance there seem to be strategic ambitions for whole-of-government digitisation taking place outside the Government CIO Office, in the context of the implementing economic and budget strategies.

The responsibilities are somewhat more clearly demarked when it comes to digital government co-ordination, implementation and service development. The government CIO at the Ministry of Finance is tasked with co-ordinating cross-government IT developments and implementing strategic objectives. Besides this, Valtori is expected to become the main infrastructure service provider across government. But strategic leadership and cross-government alignment of priorities remain an overarching issue to be addressed. This shows that the earlier concerns voiced by the OECD 2010 Review for creating collective commitment and a shared strategic vision are still of relevance (OECD, 2010a).

A typical strategic steering office has either a strong mandate and powers or has strong political backing by being placed at the heart of government decision making, i.e. President or Prime Minister's Office. In Denmark, the Government CIO Office is located in a specific digitisation agency, which is affiliated to the Ministry of Finance and has authority over government IT budget decisions in well-described cases. Similarly, in Canada, the Government CIO Office is located at the Treasury Board, with important budget authority over defined government IT projects. In Mexico and Spain, on the other hand, the Government CIO Offices were placed with the national Presidency and the Vice Prime Minister, respectively, which provides strong political backing. In Estonia, the strategic steering function is located at the "centre of power", considering the ICT Advisor position at Government Office. In Finland, the Government CIO Office is located at the Ministry of Finance, but it has a relatively weak mandate to actually create co-ordination, be it through coercive levers, negotiation or creation of incentives.

Effective co-ordination for coherent digitisation across levels of government

Co-ordination with municipal authorities is a major issue in both countries, not unlike in other OECD countries, albeit for different reasons. In Estonia, coherent and effective implementation of digital strategies hinges on the severely limited human and financial resources available at local levels of government, particularly in less developed and smaller municipalities outside the Tallinn and Tartu metropolitan areas. Political debates are ongoing on municipal reforms in order to achieve a consolidation of municipalities and their resources, but this remains an overall challenge already addressed in the OECD Review of 2010. Still, in comparison to Finland and many other OECD countries, the responsibilities of Estonian municipalities are in the end relatively limited.

In Finland, voluntary mergers of municipalities occurred throughout the 2000s and a major reform of the municipal system is currently taking place. Assessment of the reform falls outside the realm of the current Review, although the situation can be related to the experience of Denmark in the 2000s, which implemented municipal reforms and reforms to the governance of government IT decision making in parallel. Notwithstanding, a major challenge to coherent digitisation across Finland is the high level of autonomy of municipalities, which is enshrined in the Finnish Constitution and is part of the social construct of the country. There are particularly important implications for crucial areas like education and social security. While direct links are hard to confirm, this fragmented situation does seem to hinder government capacity to act and to implement strategic priorities in key areas, such as improving education, tackling the informal economy or stimulating a " "post-Nokia" economic recovery.

Note

1. See www.hel.fi/hki/apotti/fi/Apotti-hanke/FAQ (last accessed 17 October 2014).

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Chapter 7:

Effective implementation of digital government strategies

This chapter examines the ways in which the governments of Estonia and Finland manage the implementation of cross-cutting government IT projects. A particular focus is set on the "business case" approach, which leading OECD countries have adopted as a critical instrument to review, monitor and assess the impact of digital government projects, especially those with high stakes and high risks attached. This chapter highlights co-operation with non-government stakeholders, as well as the availability of adequate skills across the public administration. Skills gaps pose important challenges to digital government in both countries – as in most OECD countries – although they take different forms in Estonia and Finland, which in turn requires different approaches to address them. The chapter concludes with an assessment of implementation issues.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Building the capacity for effective implementation capacities is critical to achieve expected outcomes for digital government strategies. Implementation requires structured approaches, including building business cases, which are becoming the standard tools for decision making in leading OECD countries.

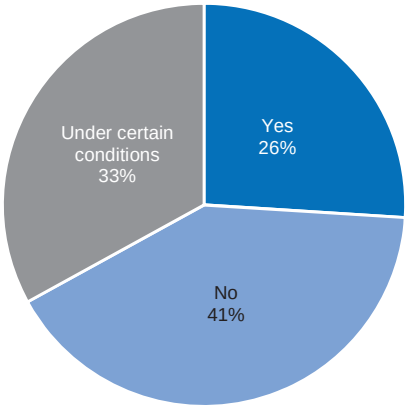
Next to building business cases, ensuring greater stakeholder involvement in the design and delivery of digital services is gaining in importance. Government institutions realise that early involvement of the relevant stakeholders is critical to achieve satisfactory rates of take-up, completion and citizens' satisfaction with public services over digital channels.

A major constraining factor for many public administrations in OECD countries is the availability of the right skills sets to make digitisation successful. Many governments see it as a challenge to attract, develop and retain the necessary human resources to successfully steer and implement government IT projects.

Business case thinking for digital government implementation/transformation

Building business cases is an important complement to the governance levers and "checks and balances" that are necessary for successful implementation of digital government strategies. They constitute a tool to support strategic decisions on ICT investments and to frame and articulate the expected benefits and costs of a given project. Moreover, they create transparency for decisions on government projects and allow identification of synergies, avoidance of overlaps or duplication of efforts and monitoring of success across the various project phases. This is why the OECD *Recommendation of the Council on Digital Government Strategies* (2014a) calls for business cases to become a standard instrument in the implementation of any government IT project (Principle 9, Box 5.1). In around one-quarter of OECD countries their use is mandatory for ICT projects at the central government, and in another third of countries it is mandatory under certain conditions, e.g. when a project surpasses a certain budget threshold (Figure 7.1).

Figure 7.1. **Mandatory use of business cases for central government ICT projects, OECD**

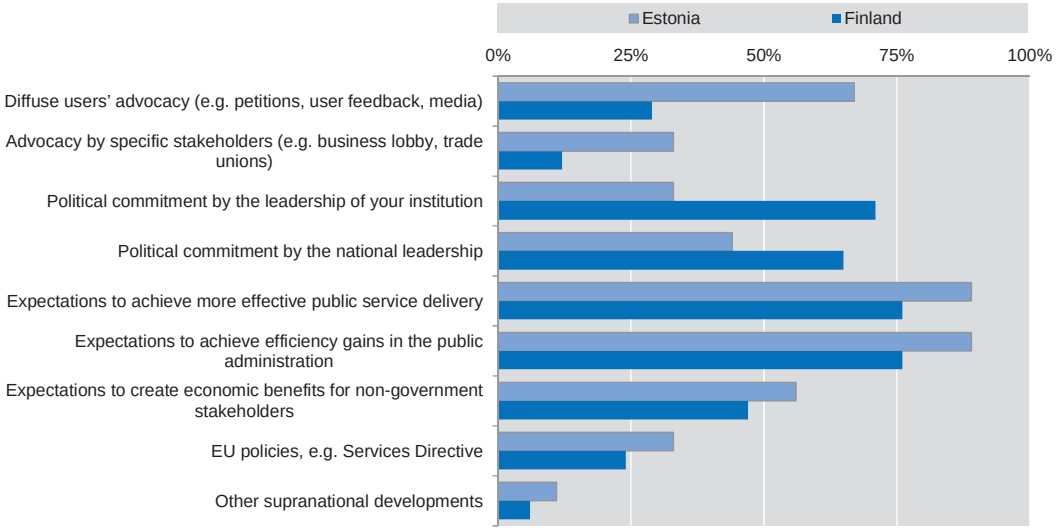


Source: OECD (2014b), OECD Digital Government Survey, preliminary findings, OECD, Paris.

A certain business case "culture" is visible in both Estonia and Finland. The OECD survey shows that government institutions have two principal expectations from any IT project: *i)* more effective public service delivery; and *ii)* efficiency gains in the public

administration (Figure 7.2). In other words, the large majority of government institutions consider that better service delivery and reduced costs are the primary components for building a business case for IT project decisions.

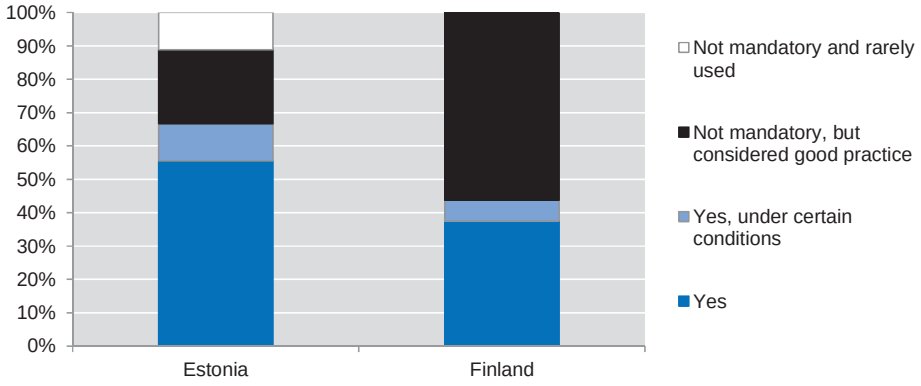
Figure 7.2. **Drivers of public service digitisation**



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

This is an important starting point. However, there is a gap 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; in Finland the share is less than half (Figure 7.3).

Figure 7.3. **Use of business cases for government IT projects**



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

Different levels of business case use across government can be a barrier to achieving digitisation objectives and no commonly defined business case methodology is being used in either Estonia or Finland. Responses to the OECD survey show a high variance

between the definitions and methodologies used to constitute business cases across both governments.

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. The result is an uneven level of quality of public services. Estonia's "Green Paper for the Organisation of Public Services", for example, found that despite overall relatively satisfying quality of digital services, the variance between individual services was high, mainly due to a lack of common methodologies to benchmark and transform public services (Ministry of Economic Affairs and Communications, n.d.*a*). No common methodology for IT project business cases exists in Finland either. The National Audit Office, for example, found that shared IT service projects are usually being conducted without reference to a comprehensive cost-benefit analysis (Finnish National Audit Office, 2013).

Government online portals are a case in point. As most OECD governments, Estonia and Finland each have a central web portal for citizen-oriented government services. The service offers on www.eesti.ee and www.suomi.fi are different and cannot be directly compared because of different contexts and data availability. Nevertheless, a small comparison highlights how harmonised information infrastructures can have an impact on access and user experience of public services:

- Estonia's government service portal www.eesti.ee is relatively small in numbers, it provides an entry point to around 400 government services (300 to individuals, 100 to businesses). This includes some municipal services too, although the autonomy in delivering services at municipal level is much lower than is the case in Finland. The wide adoption of digital enablers discussed in Chapter 6 is one of the explaining factors for relatively high user satisfaction with some of the services provided. In a survey, six selected services reached satisfaction scores between 4.2 and 4.7 on a scale from 1 (not satisfied) to 5 (very satisfied) (TNS Emor, 2012).[1] Another important factor is that the portal is also an entry point to exercise control over government-held personal information. Individuals can see the personal data held by individual government institutions and they can use the portal to monitor who accessed their personal data. This is an important tool to ensure trust in such a critical infrastructure for the country and has led to discoveries of incidents of unlawful access by civil servants.
- Finland's government service portal www.suomi.fi provides over 9 000 services of which 1 460 can be completed online. Over 1 000 of the online services are municipal services, although it is important to note that this number includes individual instances of the same service, e.g. applying to kindergarten, across different municipalities. Considering that Finland has over 300 municipalities, it is evident that the actual coverage of municipal services is rather limited. The portal has gained in user take-up in recent years, mainly by making certain services mandatory, e.g. student application for healthcare benefits. Overall, however, the online portal and the "Citizen's Account" are not yet meeting expectations for user take-up. Part of the reason for this is that most services are links to specific portal websites of line ministries or agencies, which have their own and different ways of operating. This means the added value of passing through the national online portal is often perceived as low. Moreover, there are no services to access personal data or monitor their access by civil servants, as is the case in Estonia.

The aim of this comparison is to underline the importance of shared government infrastructures to create the impression of a harmonised interface to the public sector. The illustration of inconsistent user interfaces is useful to create a business case for progress in critical areas. This concerns, for example, the stimulation of economic growth and investments: registering a company in Estonia can be done entirely online via https://ettevotjaportaal.rik.ee and often takes less than one day. Information provided on the portal is instantly transferred to relevant institutions of the state administration via the national "X-Road", e.g. to the Social Insurance Board and the Tax and Customs Board. Estonia also benefits from progress made at the European level in making national digital identification cards interoperable. The result is that citizens of Belgium, Finland, Lithuania and Portugal can today use their national ID card to establish a company in Estonia via the same online portal and procedure.

Registering a company in Finland remained until recently a paper-based process. Still today, one of the main business registration portals in Finland, www.ytj.fi, asks some segments of future entrepreneurs to download a form and submit it via postal mail. The relatively slow transformation of this fundamental process is partly due to the fact that there is no single business register in Finland, but rather a federated set of information held by different institutions, notably the Finnish Patent and Registration Office and the Finnish Tax Administration.

Despite some differences in their digitisation agendas, both countries recognise the necessity to more effectively use empirical information about success and shortcomings to drive public service transformation.

In Estonia, the Information Society Service Development Department under the Ministry of Economy and Communications is charged with building capacity for purpose-oriented public service transformation. A recent initiative piloted the use of business case approaches in 20 digital services across the state administration. The team was working closely with service owners in individual ministries to benchmark existing services based on the actual needs of users and the administration. Common methodologies for process analysis and service delivery channel management are being applied to redesign those existing services to better serve user needs.

The approach is exemplary in that it does not alter the mandate or financial resources available to the central co-ordinating unit. It rather establishes strong incentives for line ministries to engage in transformation. This is achieved by using mission-related benchmarks to identify shortcomings and by providing targeted assistance for joint process re-engineering at line ministries and service delivery agencies. The role of the Government CIO Office consists in ensuring that transformation efforts in individual service areas contribute to the achievement of the national public service objectives set in Estonia's "Digital Agenda 2020" (see Chapter 6).

In Finland, individual ministries have experience in using sophisticated cost-benefit analyses for digital transformation, e.g. the national police which underwent a strong consolidation of its information systems landscape in recent years. But what is missing is a mechanism whereby business case orientation becomes the standard for all digital service developments. So far the existence of government-wide incentives remains low and leads to low levels of commitment towards cross-government digitisation objectives and public service transformation. This lack of strong incentives is related to the absence of clear strategic objectives for public service transformation. Echoing the findings of Chapter 6, objectives for digital (government) strategies in Finland remain relatively vague and hard to measure or monitor.

Going forward, both countries will need to intensify efforts to harmonise the user experience and overall quality of public services across the state administration. The strategic prioritisation and governance levers discussed in Chapter 6 can be complemented by structured business case approaches in government IT decision making. Government institutions across the OECD increasingly recognise the importance of such empirical and illustrative evidence in communicating the shortcomings of digital services and articulating the costs and benefits of planned projects. Countries like Australia, Canada and the United Kingdom have, in fact, made the use of business cases mandatory for a large share of digital government projects (Box 7.1; see also Box 7.2 on Denmark).

Box 7.1. **Systematic use of business cases in Australia, Canada and the United Kingdom**

Business cases have become mandatory in some leading OECD countries. The specific conditions under which a business case approach is applied and the role of the respective Government CIO Office can differ, based on domestic priorities and decisions:

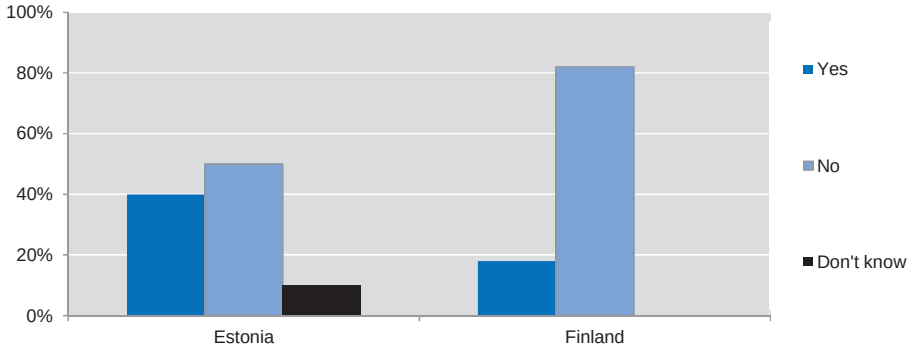
- In Australia, the 2-pass review was established in 2008. Any government project that is "ICT-enabled", i.e. whose outcomes depend on an ICT system, that has a total project cost of more than AUD 30 million and that is considered to be high-risk must present an overarching business case to the Cabinet (first-pass business case). If the first-pass business case is accepted, a more detailed (second-pass) business case must be presented to the Australian Government Information Management Office (AGIMO), which reviews and monitors the project.
- In Canada, approval by the Government CIO Office at the Treasury Board of Canada is required for any government IT project that surpasses a given threshold. Thresholds are different for each ministry but are, in general, within the range of CAN 1-5 million for new projects; they are usually higher for replacement projects.
- In the United Kingdom, the Cabinet Office has the authority to review any digital service development that leads towards direct user interaction (G2C or G2B) and that has a budget of more than GBP 100 000. The threshold is deliberatively low to control the quality of digital services in line with the governance changes described in Box 6.6.
- The UK Cabinet Office further has the authority to review any inwards-facing (G2G) IT system development with a value higher than GBP 5 million. That threshold is, in fact, lower, GBP 1 million, in case a similar service is already provided as a shared service by another government agency. The rationale is to encourage uptake of government shared services.

Sources: Australia: www.finance.gov.au/budget/ict-investment-framework/two-pass-review.html; Canada: www.tbs-sct.gc.ca/emf-cag/business-rentabilisation/bcg-gar/bcg-gar01-eng.asp and www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12075&section=text#appD; United Kingdom: www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent/agile-systems-projects-a-clarification-of-business-case-guidance and www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-32#the-controls-at-a-glance.

Central monitoring capacity for digitisation progress is very important to follow up on individual decisions about government IT projects. To obtain a full map of digital government developments, governments are compiling comprehensive catalogues of public services and information systems. The United Kingdom, for instance, compiled a full catalogue of high-impact transactions across government, the *Transactions Explorer*, and constantly measures performance of these transactions against four key performance indicators: channel take-up rates, cost per transaction, completion rates and user satisfaction. Such a broad view is not yet possible in Estonia or Finland because no

authoritative catalogue of transactional public services exists for use by the Government CIO Office. Not all line ministries and agencies collect such information either for their own purposes: only 40% of Estonian national government institutions do so and less than 20% of Finnish (Figure 7.4).

Figure 7.4. **Existence of a repository of all transactional services in central government institutions**



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

Both governments are aware of this need and are compiling a comprehensive catalogue of government transactional services. In Estonia, a basis for this exists in the form of the RIHA repository of services connected to the information exchange infrastructure X-Road as well as the relatively wide catalogue of online services available via the central government portals for citizens and businesses. In Finland, such a compilation is currently undertaken by the Government CIO Office. Once in place these catalogues will facilitate portfolio management for digital services and support strategic channel management decisions. They will moreover facilitate the involvement of stakeholders in service transformation.

Openness and collaboration as drivers for better service delivery

Business case development is not the sole responsibility of central co-ordinating departments, it requires close interaction with stakeholders and joint ownership to be effective. The OECD Recommendation recognises the critical role of stakeholder involvement for the success of digital government projects, which includes of course collaboration in the definition of solid business cases (Principle 9, Box 5.1).

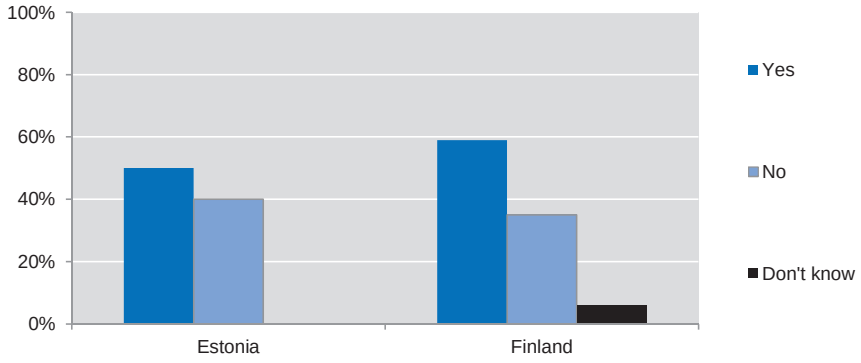
On a general level, Estonia and Finland both have a strong track record of open and inclusive policy making. Estonia, for example, recently experimented with a Citizen's Assembly to "crowdsource" legislative proposals (see Box 3.6). It is one of few countries in the world to systematically allow online voting and it can boast relatively high take-up rates in this area (21-31% of valid votes were cast over the Internet during the last elections for the national parliament, local councils and the European Parliament).[2] A national Public Information Act exists since 2001 and the government is developing the possibility for citizens to request government-held information via the national government services portal.[3]

In Finland, the National Citizenship Participation Act provides the possibility to propose legal initiatives to parliament when 50 000 citizens are in favour (around 0.9% of

the population). Several other online consultation channels are available, including for municipal policy issues. The Ministry of Justice is responsible for democracy promotion and to this end established a central gateway for all online participation and consultation possibilities (http://demokratia.fi). Regarding freedom of (access to) information, Finland is actually one of the first countries to have such legislation in place (since 1951).

Despite these general achievements in terms of Open Government, the application of open and collaborative approaches to digital service development is still relatively infrequent across both countries' administrations. Questions about the satisfaction of users with the services provided are asked in just around half of government institutions in Estonia and Finland (Figure 7.5).

Figure 7.5. **Measuring of user satisfaction in central government institutions**



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

The involvement of users has to start much earlier than during the evaluation phase. The OECD issued general guidance on working with "citizens as partners" over a decade ago (OECD, 2001). Effective involvement starts with the identification of key issues and the collaborative design of services. But 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 carried out under the guidance of the UK Cabinet Office in recent years is ground-breaking as it has resulted in new standards for usability of digital services, e.g. in the form of the public service portal www.gov.uk. To ensure a harmonised public service experience, the Government Digital Service (GDS) has authority to review any digital service against a set of minimum criteria before it can be launched. The GDS also provides assistance to institutions on how to achieve the high standards for quality and user involvement outlined in the *Government Service Design Manual*.[4]

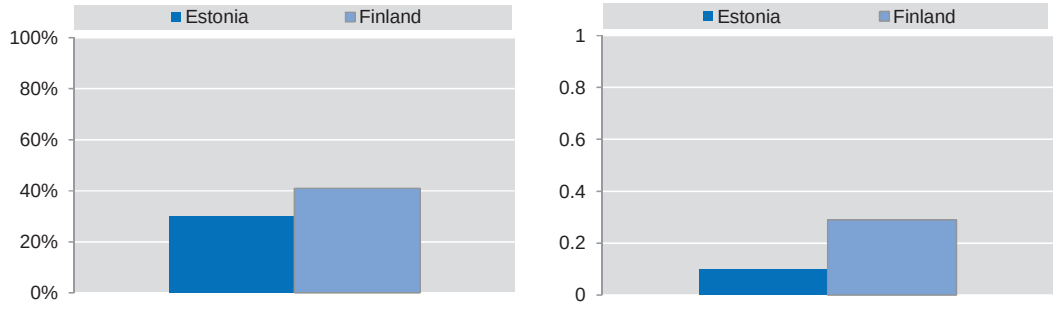
Multi-stakeholder approaches for digital service design do exist in Estonia and Finland. The Finnish Ministry of Justice has, for example, undertaken iterations of user tests and has engaged in close collaboration with civil society to develop the online participation and consultations portal http://demokrati.fi. In Estonia, a strong commitment to continued stakeholder engagement is visible in the area of electronic healthcare service delivery. A successful case in the recent past has been the development and roll-out of electronic prescriptions. Survey data shows that the majority of individuals that have used digital prescriptions are satisfied with the quality of the service. And they are widely

accepted and used within older parts of the population too (2012 data from TNS Emor, 2012).

The example of the Estonian system of electronic healthcare delivery at the same time highlights the difficulty of combining digital service transformation with wider policy objectives. Recognising the success of electronic prescriptions, the Estonian National Audit Office highlights issues related to other eHealth initiatives (Estonian National Audit Office, 2014). One problem seems to be the weak impact of some digital initiatives on overall quality and perception about healthcare. In fact, Estonians' average satisfaction with healthcare in the country is relatively low (45%, compared to 65% in Finland and 71% across the OECD; 2012 data from OECD, 2013a). To address this, healthcare authorities could consider involving non-established and non-organised user groups much stronger in the co-design of public services. In the United Kingdom, the civil society-driven project NHScitizen is trialling different ways to do so.[5]

These findings are in line with the observation that Open Government data is only just emerging as a transformative element for public service delivery in both countries. Only a minority of government institutions in Estonia or Finland currently use Open Government data as a lever to transform public services (Figure 7.6 left panel); and even fewer institutions seem to use such data to obtain insights about the needs of users (Figure 7.6 right panel). Opening up government data has the potential to transform service delivery, government operations and stakeholder involvement. Better access and reuse of publicly held data empowers interested parties to get involved in policy processes and design of public services.

Figure 7.6. **Use of Open Government data in central government institutions to transform public services (left) and to get insights on service users (right)**



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

There is progress towards more proactive approaches of opening up public sector information. In Estonia, the Data Protection Inspectorate is encouraging government institutions to open up greater amounts of data for public access. It started monitoring the public availability of documents and registries.[6] In Finland too, individual ministries and agencies are developing Open Government data plans and are establishing cost-benefit analyses.[7]

Progress on Open Government data requires strong incentives for government departments, especially those that partly depend on profits made from access and reuse of public sector information (see also Ubaldi, 2013). One Estonian government agency, for example, indicated that such revenues constitute 40% of its total budget. Changing the business model requires mechanisms that can compensate for lost revenues by other,

clearly determined benefits. These benefits will not necessarily be realised by the agency opening up its data assets, but can be realised by other stakeholders. It is therefore important to properly account for the benefits of opening up government-held information by considering wider societal and economic benefits, similar to what is being done in Denmark and Spain (Box 7.2).

Box 7.2. **Open Government data: Economic incentives in Denmark and Spain**

In 2002, the Danish government decided to make data in the National Address Data Register available free of charge. At that point, very few European countries made such data freely available. A Danish government evaluation in 2010 concluded that direct financial benefits in the period 2005-09 were around EUR 62 million – the total costs were around EUR 2 million in the entire period (2010 figures). Net direct financial benefits are annually estimated to around EUR 14 million, of which 30% are in the public sector and 70% in the private sector. This study only includes direct benefits from around 1 200 parties receiving address data directly, not the benefits arising in later parts of the distribution chain.

In Spain, http://datos.gob.es encourages the reuse of government data by providing access to government datasets in reusable formats. In 2012, the Spanish government surveyed 150 companies in various sectors that reuse such data. It is estimated that just this sample of companies employs around 4 000 people and generates over EUR 1 billion aggregate annual revenues. Around half of the revenues of these 150 companies can be linked back directly to the reuse of government data.

Effective opening up and reuse of government data also requires new skills sets, both within the administration and outside. Governments are beginning to adapt to those changing skills needs, e.g. by providing dedicated training and awareness raising to civil servants. These developments are part of a larger transition of the skills and capacities sets required by public administrations.

Managing skills and institutional capacities

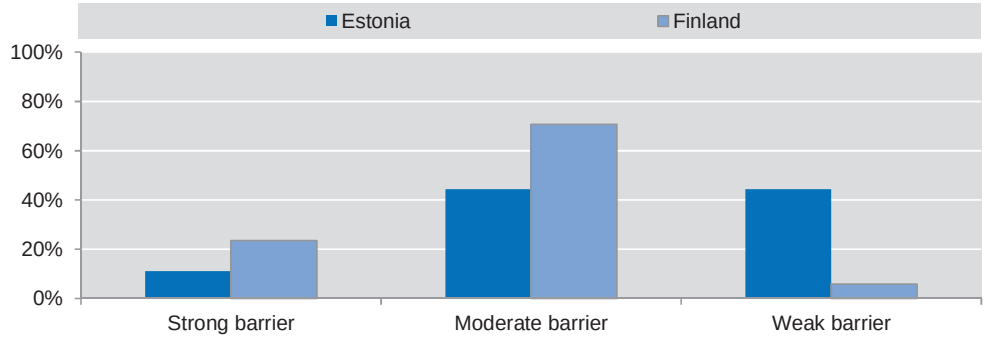
Having the right skills and capacities at hand is pivotal to transform digital strategies into effective implementation. For that reason the OECD Recommendation underlines the importance of "reinforcing […] digital and project management skills, mobilising collaborations and/or partnerships with private and non-governmental sector actors as necessary" (Principle 10, Box 5.1).

The lack of available skills and capacities can be a barrier to successful digitisation. Few government institutions in the two countries see this as a major barrier (Figure 7.7). This may testify to the educational and skills development achievements made in Finland over the past decades, and to the dynamic trends of the technology sector in Estonia (see Chapter 5).

At the same time, central government co-ordination units and interlocutors from line ministries in both countries indicate that capacity shortages do constitute a major challenge, and in particular at sub-national levels of government. In Estonia, labour market developments since the outbreak of the economic crisis have only increased demand for high-skilled workers (Figure 7.8). High demand in the economy, coupled with the context factors that make Estonia's available IT-skilled workforce relatively small, naturally put pressures on the public sector to ensure highly skilled human resources. Moreover, the fragmentation of Estonia's national government seems to

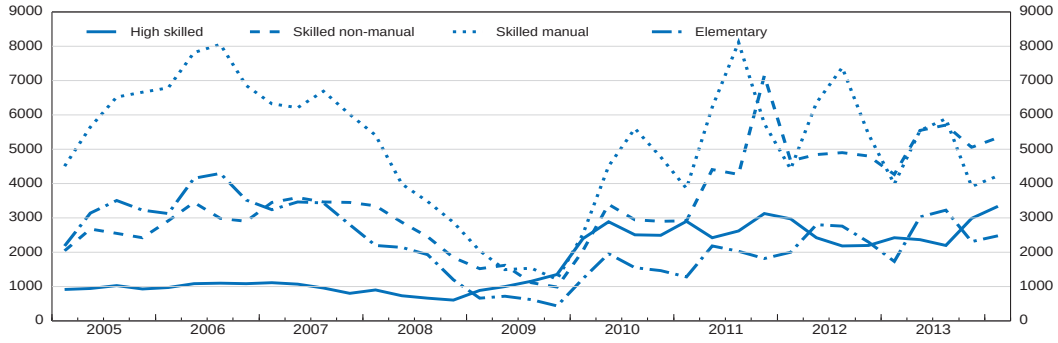
remain relatively high and has an impact on mobility of staff within and between public sector organisations, which has implications in terms of the development of staff capacity (see OECD, 2011).

Figure 7.7. **Perceived importance of capacity shortages in central government institutions**



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

Figure 7.8. **Vacancy by skill requirement over time**



Source: Statistics Estonia, cited in internal OECD working document.

In Finland, context factors are more favourable due to a high penetration of technology industry, research and innovation in the economy. Skills are therefore not in as much of a short supply as they are in Estonia. Nevertheless, there is more of a cultural issue in the way that government IT projects are conceived, designed and implemented. The previous OECD review of Finland found that "e-government arrangements are still mainly producer-driven and output-oriented" (OECD, 2010). These challenges continue to dominate the development, procurement and contracting of ICT solutions and tend to result in digital services or infrastructures that do not achieve the expected outcomes.

A major challenge often mentioned in Finland is the limited suppliers market for government technology. There is a perception within the government administration that only a handful of suppliers are capable of delivering on government tenders to build large-scale IT systems. Finland, in fact, shares this challenge with other OECD countries, facing an oligopoly of suppliers with strong market power, which puts it in a delicate situation to extract the best value for money.

The issue is not only one of limited capacities on the side of suppliers, but it also reflects capacity gaps in the public administration. Procurement of government IT

systems and digital services in Finland still largely takes place in conventional ways, i.e. writing specifications for excessively large projects. Several interlocutors mentioned that individual institutions have limited capacities to design specifications from a technology-neutral point of view, but rather tend to orient tenders along existing products or vendors. Moreover, projects tend to become relatively large in terms of budget and implementation timelines; see the aforementioned APOTTI project with its seven-year timeline. Such "mega" projects discriminate against the involvement of small and medium-sized enterprises and other companies that have less experience with government tenders. And they run very high risks of resulting in outdated services at launch, as well as budget and time overruns (Budzier and Flyvbjerg, 2012).

To reform the capacities of public administrations countries experiment with ways to engage outside technology leaders for the transformation of government services. Estonia and Finland have experience in this area as their current government CIOs are both former private sector executives. Most line ministries and delivery agencies lack the possibility to source in outside expertise without recurring to standard consulting and contracting services. More fluid approaches are being trialled in different OECD countries, e.g. in the United States where the "Presidential Innovation Fellowship" is in its third year and has been able to establish a recognised track record of successful public service transformation across policy domains.[8]

Both countries are well aware that skills and capacities development will remain a long-term challenge. They are focusing on equipping the wider population with the right skills to actively drive digital service transformation in the years to come. (See, for example, programming and coding courses in curricula, e.g. in primary and secondary school education; for Finland, see SITRA, 2014; for Estonia, see https://www.mkm.ee/en/objectives-activities/information-society/it-skills-and-knowledgeMinistry of Economic Affairs and Communications, n.d.*b*).

Finally, partnerships with the National Audit Office are not advanced in either of the two countries. While the National Audit Offices in Estonia and Finland have displayed capacity to pick up issues in the area of digital government and assess performance, the breadth and depth of studies could further contribute to ensuring value for money and helping to build stronger business cases in the future. For example, the UK National Audit Office gradually built the necessary capacities to monitor digital government performance and drive change through reporting to parliament and the wider public. Technology performance audits are now a cornerstone of the National Audit Office's mandate and expertise, which underlines the strong commitment across all areas of the public sector to utilise technology as a lever to achieve national priority objectives.[9]

Assessment

Implementation is the transmission belt between strategies and governance set-ups on the one hand and the actual impacts achieved through digital government projects on the other. Overall, there is need in both countries to develop harmonised methods for implementing IT projects in a focused, coherent, open and results-oriented manner. The quality range of government services and information systems is very large in both cases, which means that service users are missing a citizen-driven experience when interacting with the public sector. Estonia has been somewhat more rigorous than Finland in moving towards the development of business cases, linked to the establishment of the government CIO position. Nevertheless, both countries share the need to create a more compelling set

of incentives for collaborative digital service development which would complement changes made to strategic steering and governance discussed in Chapter 6.

Effective and efficient IT projects implementation

Lack of effective implementation not only translates into a lower quality user experience it also leads to tangible impacts on overall government performance. Estonia's government has largely been able to stay away from excessively large government IT projects and thereby has 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. Finland, on the other hand, has displayed a tendency to engage in vendor- or technology-driven projects that become so large they increase the risk of budget and time overruns and reduce government's ability to react swiftly to changes in laws, new user requirements or tighter government budgets. Finland is, of course, not alone in this case: the challenge of designing projects in more agile ways is a challenge shared by many OECD countries, including some of the largest and most advanced.

The taxation area provides an illustration of the policy-relevant impacts that different qualities of IT project implementation have in the long run. Tax administrations are generally forerunners in public sector digitisation. This is no different in Estonia or Finland, 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 (OECD, 2013b). The majority of pre-filled tax forms are accepted "as is" by the declaring person, which testifies to the high quality of information exchanges involving both tax administrations.

At the same time, there are distinct differences between Estonia and Finland that illustrate different levels of effectiveness and efficiency in the implementation of IT projects. In 2011, only one-third of personal income tax filings in Finland were done electronically, compared to 94% in Estonia (OECD, 2013b: 238). The situation seems similar for corporate tax filings where 32% of Finnish enterprises used digital channels in 2011, compared to 98% of firms in Estonia where digital channel use is mandatory (OECD, 2013b: 239).[10] The reasons for lower take-up in Finland include lower ease of access to tax filings, a preference of the administration to use paper forms (see below) and missing incentives for users to complete transactions online.

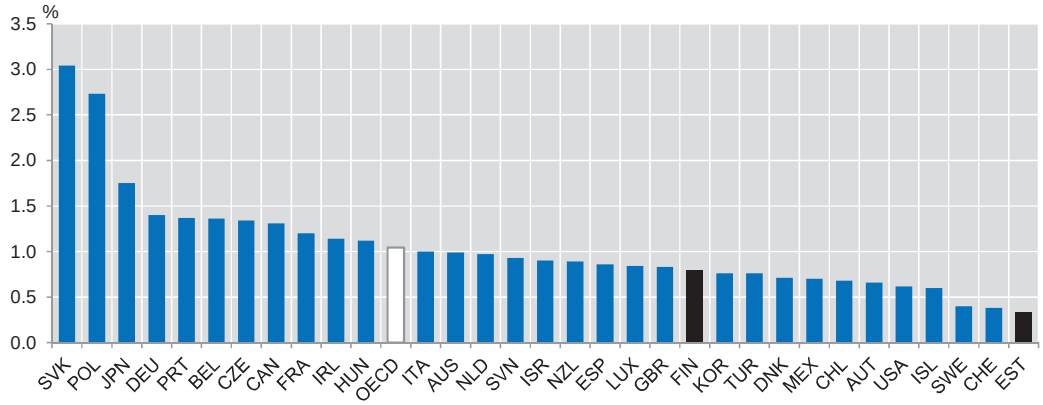
This lower take-up is not only a concern *per se*, it is also a reason why the costs of collecting taxes are around two times higher in Finland than they are in Estonia, which is exceptionally efficient compared to all OECD standards (Figure 7.9). The Finnish Tax Administration is required by law to print all personal income tax forms and send them to individuals. It is estimated that this generates around 100 million A4 pages printed and sent each year, and related costs of around EUR 20 million. This points to large potential of process re-engineering to improve services while also reducing the costs of their delivery.

Adopting user-driven approaches to public service transformation

Tackling some of the inefficiencies that result from implementation shortcomings requires a change in organisational cultures towards genuinely user-driven approaches to service transformation. Individual initiatives point in the right direction, e.g. ambitions of the Estonian government to convert transactions such as the filing of tax returns into a

transaction that in the majority of cases requires no user interaction at all. The idea is that the administration should be able to gather all the necessary information in automated background processes to present users a correct tax calculation which is then considered as tacitly approved if the user does not object. Similar attempts to simplifying taxation interactions are underway in Finland, but encounter challenges such as the legal requirements mentioned earlier.

Figure 7.9. **Cost of tax collection ratios (administrative costs/net revenue collection), 2011**



Source: OECD (2013a).

While current pilot projects are promising, there is still a need in both countries to generalise the use of involvement opportunities for digital service design and development. The involvement of stakeholders, promotion of agile and iterative development processes and the use of Open Government data as drivers of transformation are limited to individual projects and are not yet the common rule in both administrations.

The "business case" as a strategic tool for improved decision making and implementation

The business case approach has proven to be effective in leading OECD countries as a means to ensure maximum benefits realisation, coherent investments, transparency and good management of government IT projects. Estonia and Finland have taken steps to adapt some of the good practices and tailor them to their national contexts.

In many instances, a strong mandate or coercive governance levers will not be sufficient to generalise the adoption of business cases and agile implementation methods. This can be instrumental to initiate transformative change, but in the long run genuine incentives will have to be put in place to encourage collaboration between individual departments. This is important both in Estonia and Finland, where the fragmentation of the state administration and high autonomy of individual organisations impose limits to the feasibility and meaningfulness of "strong" governance levers. What is showing first results in Estonia instead, is the use of empirical evidence to accurately assess shortcomings in the user experience and purpose-orientation of existing services and the joint development of business cases to argue in favour of radical process re-engineering.

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 constantly monitor the portfolio of public services

at a sufficiently abstract level, i.e. using key performance indicators. They cannot, however, oversee detailed developments in each individual service area. It is therefore becoming a good practice to nominate dedicated "owners" or managers for any given service or information system who monitor detailed criteria of service quality and report to the Government CIO Office. This practice has been put in place in the United Kingdom, along with skills development programmes in order to harmonise the job profiles of service managers across the public sector.[11]

Improving capacities to maximise benefits realisation of emerging technologies

Better impact monitoring is, in fact, becoming critical as the benefits of digitisation are often yielded outside the organisations that bear the highest share of costs of a service transformation. The opening up of government-held data and its potential impacts on society and the economy are a good example. Impact monitoring and business case methodologies will have to be developed that provide a comprehensive calculation of the various costs, benefits and beneficiaries. Or that illustrate more general benefits for society or individuals, even if these benefits cannot immediately be expressed in quantitative evidence. Otherwise, implementation of projects will hamper on the resistance of institutions to give up existing benefits such as revenue streams from the provision of public sector information.

In both countries, leadership and steering capacities are needed at Government CIO Offices in order to promote the adoption of common skills development and impact monitoring frameworks for emerging technology trends. This includes guidance on how to realise benefits from Open Government data, social media and future technologies that change the expectations of citizens for government openness and responsiveness.

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. It is important so 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 because 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 from Estonia to other, primarily EU, countries. In Finland, availability of human resources is less of an issue compared to the capacity to adopt more effective approaches for managing and implementing digital government projects. Especially in the area of IT procurement, Finnish institutions and civil servants display a tendency to "think big", i.e. design project specifications that lead to large budgets and long timelines, and thereby increase the risk of project failures. A common challenge to both countries is the fact that capacity issues are exacerbated at local levels of government.

Other OECD countries have similar challenges. General availability of skilled human resources, capacity to adapt to emerging trends and requirements, and the particular challenges at local levels of government are a common thread. OECD governments have responded in various ways, e.g. by creating recruitment programmes aimed at recent graduates (Australia's "ICT Cadetship Programme"),[12] by partnering with civil society and business to bring in technology leaders to the public sector who work on specific, time-limited projects (Code for America in the United States) or by reviewing the entire IT skills and capacities framework for the public sector as done by the United Kingdom's National Audit Office.[13]

The last example points to the potential role non-executive state institutions can take in shaping digital government capacities. The National Audit Offices in Estonia and Finland have conducted individual performance assessments of digital government projects. These are noteworthy attempts to increase the expertise and capacity of the two institutions and can evolve into a constructive partnership between them and government, for example the way that the United Kingdom's National Audit Office has established itself as a valuable provider of assessments and guidance on "ICT and systems analysis".[14] New modes of co-operation can be trialled but should not lead to rigid procedures. Rather, the aim should be to engage in mutual learning about the added value national audit offices can provide to digital government skills development.

Notes

1. The six online services users were asked to evaluate were: ordering an electronic voter card, using their eesti.ee email address, providing information to an authority, receiving information or notifications from an authority, applying for refunds or reimbursements of fees paid, providing their mobile phone number.
2. See www.vvk.ee/voting-methods-in-estonia/engindex/statistics.
3. See www.eesti.ee/eng/services/citizen/riik_ja_kodanik/kiri_kodanikult.
4. See www.gov.uk/service-manual/digital-by-default.
5. See www.nhscitizen.org.uk.
6. See www.aki.ee/et/juurdepaasupiirangute-seire-kokkuvote (last accessed 20 October 2014).
7. See www.lvm.fi/c/document_library/get_file?folderId=2497123&name=DLFE-19419.pdf&title=Julkaisuja%2010-2013 (last accessed 20 October 2014).
8. See www.whitehouse.gov/innovationfellows.
9. See www.nao.org.uk/search/type/report/sector/ict-and-systems-analysis.
10. Updated numbers for 2013 are only available for Finland: 45% for individuals and 90% for businesses. See www.vero.fi/download/EN_Vuosikertomus_2013/%7BF0998E2C-55DD-4F03-8BBB-78FD01A6C229%7D/9568 (page 25).
11. See www.gov.uk/service-manual/the-team/learning-and-development/service-manager-induction.
12. http://australia.gov.au/topics/ict-cadetship-program.
13. www.nao.org.uk/report/nao-review-a-snapshot-of-the-governments-ict-profession-in-2011.
14. www.nao.org.uk/search/type/report/sector/ict-and-systems-analysis.

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Chapter 8:

Formulating solid business cases for cross-border public service delivery

Estonia and Finland have developed close partnerships and co-operation on information and communication technology policies. The two governments now share the ambition to take this co-operation further and expand the availability of interoperable digital public services, data exchanges and infrastructures across the border. This chapter identifies customer-facing transactions as well as background exchanges in four high-impact policy areas: taxation, healthcare, social affairs and private sector development. It discusses how political intentions can be converted into tangible implementation, including the establishment of shared governance, co-ordination and management mechanisms. The roadmap proposed in this chapter aims to support exploring, piloting and implementing digital cross-border services and data exchanges.

Prioritisation and governance

Cross-border service delivery has been on the agenda of Estonia and Finland for some time, albeit not necessarily between the two countries explicitly. Both countries are involved in multilateral EU projects. Moreover, there are also bilateral experiences, e.g. Finland and Sweden which regularly exchange population residence registration data to avoid errors and fraud in the declaration of personal income taxes. Exchanges also take place between Estonia and Finland, notably in the area of law enforcement, where bilateral and EU-level exchanges are generally far advanced (see Box 8.1).

Box 8.1. **The state of bilateral ICT co-operation between Estonia and Finland**

Estonia and Finland have engaged in ICT policy development and exchanges for years, both bilaterally as well as related to the EU agenda. In 2013, a joint digital government development agenda emerged, with the aim to explore and launch joint digital services. Prime Ministers Jyrki Katainen of Finland and Andrus Ansip of Estonia concluded on 10 December 2013 a governmental Memorandum of Understanding (MoU) on co-operation in the field of information and communications technology. It was digitally signed and is known to be the first digitally signed international agreement between governments. This signalled the first step undertaken that year, namely to make both countries' eIDs and electronic signatures mutually usable.

Under the MoU, the concrete co-operation areas are defined as follows:

- Estonia's X-Road's source code will be implemented for practical use in Finland as a national data exchange layer.
- Estonia and Finland will co-operate in the development of future versions of the X-Road platform and the Finnish national data exchange layer.
- Cross-border co-operation will be advanced in multiple fields of digital society, economy and government (via exchange of information or experts, joint initiatives and events, etc.).
- The two countries will share information that is relevant to achieving the aforementioned objectives.

Practical collaboration so far has focused on the first area. Estonia has shared the X-Road solution with Finland, which has worked to develop its own national data exchange infrastructure based on this. This infrastructure is expected to be up and running in spring 2015.

In addition, Estonia and Finland have started talks on how to co-operate on the development of future versions of X-Road. The proposal is to launch a joint consortium, tentatively called the Nordic Digital Institute. The institute would be responsible for the development of X-Road as well as other core digital government infrastructure components. The foundation would put together development roadmaps, organise procurements, manage development and R&D projects, etc. As a consortium, it will be open for other partners (especially other national governments) to join. The initial plan is to launch the consortium in 2015.

Under the MoU, the Government CIO Offices of both countries are designated as the leading agencies in charge of practical aspects and steering of co-operation.

Source: Information obtained during interviews.

These exchanges contribute to a major objective of the European eGovernment Action Plan 2011-2015 and other key policy documents, which all include support for the development of interoperable services across the European Union. They are also fully supported by the OECD Recommendation, which highlights the importance of

international co-operation "to better serve citizens and businesses across borders, and maximise the benefits that can emerge from early knowledge sharing and co-ordination of digital strategies internationally" (Principle 8, Box 5.1).

Bilateral service delivery opportunities between the two countries recently increased in priority, especially since the two Prime Ministers signed the Memorandum of Understanding (see Box 8.1). In Estonia, this strong political commitment translated into specific policy objectives under the national Digital Agenda 2020:

- number of Nordic (or other) countries with which Estonia has jointly developed basic infrastructure components: from currently zero to three in 2020
- number of countries with which Estonia has developed cross-border public services based on the Estonian basic infrastructure (e.g. X-Road or eID): from currently zero to seven in 2020.

The interest is reciprocal in general terms, although different Finnish government institutions are somewhat more reserved in pursuing bilateral (or international) digital objectives, despite already existing practices between Finland and Sweden (see Box 8.2). The three Finnish digital strategies mentioned in Chapter 6 (Public Sector ICT Strategy, "21 paths to a frictionless Finland", Structural Policy Programme of the Government) refer to cross-border services implicitly and without specific or measureable goals.

Box 8.2. **Finland-Sweden piloting of interoperable electronic prescriptions: epSOS**

During 2011 and 2014, Finland participated in the European Patients Smart Open Services pilot project (epSOS). The main objective was to explore the potential and feasibility of interoperability (organisational, legal, semantic and technical) between Finnish digital healthcare services (Kanta) and the equivalent digital healthcare services in other European countries. In Finland, the National Institute for Health and Wellbeing (THL) was responsible for the co-ordination of the project, and the Social Insurance Institution (Kela) was responsible for technical implementation.

In one particular instance of the epSOS project, Finland and Sweden developed a pilot service for interoperable electronic prescriptions between three pharmacies in the Finnish Torne Valley and five pharmacies in Sweden (three in the Torne Valley, one in Stockholm, one in Malmö). Around 10 000 Finnish users of the digital healthcare portal "My Kanta" gave their consent, indicating great overall interest. The number of actual dispensations of medication in Swedish pharmacies was relatively small but it proved the conceptual and technical feasibility of interoperable electronic prescriptions across national borders.

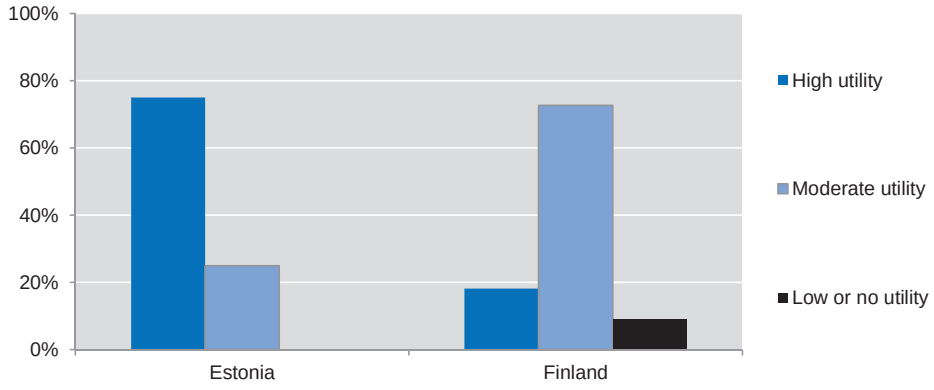
The pilot could have been extended to other European countries participating in epSOS. Connectivity with selected countries was successfully tested: Croatia, Denmark, Greece, Italy and Spain. Estonia participated in the pilot project through using the patient summary service. Challenges of the pilot concerned mainly semantic specifications, i.e. the data formats and data descriptions used to store and access information in the various national information systems, and point to important future work in this area.

Sources: epSOS (2014), http://epsos.eu/fileadmin/content/pdf/deliverables/epSOS_letter_to_contributors_1July2014_01.pdf; information provided by the Finnish Social Insurance Institution (Kela).

Different degrees of commitment to developing common services and information exchanges processes are also visible in the responses to the OECD survey. The general "can do" attitude on both sides is attested by the fact that virtually all Estonian and Finnish institutions perceive cross-border interoperability frameworks of either high or

moderate utility (Figure 8.1). It is also clear that Estonian institutions see greater utility overall, which is likely due to the fact that many more Estonian individuals live and work in Finland than the other way around. The higher degree of preparedness also plays a role: the architecture and interoperability of Estonia's information systems makes it relatively easy to interconnect with these systems through standardised interfaces.

Figure 8.1. **Perceived utility of a cross-border interoperability framework by central government institutions**



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

To overcome some of the difficulties, piloting of selected services is likely to an effective way to kick-start co-operation between different entities on both sides. Piloting, and even more so eventual scaling, of cross-border services will require common governance structures and formalised decision-making mechanisms. The respective Government CIO Offices are key actors and have to co-ordinate with service managers and IT directors in line ministries. Interoperability plans have to involve the Estonian RIA, which is the organisation maintaining the X-Road infrastructure. On the Finnish side, the shared services centre Valtori should be involved given that its mission is to develop shared services and infrastructures, which has evident potential for synergies with cross-border service and information exchange projects.

Cross-border service developments have to reserve a dedicated role for users, civil society and independent institutions. Involvement of users can start at the phase of identification of services. This can be expected to lead to more relevant services and higher take-up rates, which will in turn justify investments in the longer term. Collaboration with specific interest groups, e.g. business lobbies, and non-organised groups of potential users will help identify actual needs, discard irrelevant services and design usable services. Rendering the decision-making process for cross-border services more iterative and inclusive increases the probability of successful pilot projects and follow-on scaling towards "live" services.

The gradual expansion of cross-border service delivery pilots will also raise the question about the role for independent audits and performance assessments, giving space to interventions by the respective National Audit Offices. There is thus space for effective co-operation between the offices in Estonia and Finland to monitor performance and give guidance on future directions.

At present, the only available audits of cross-national services are those from the European Court of Auditors, which has reviewed digital government projects in EU

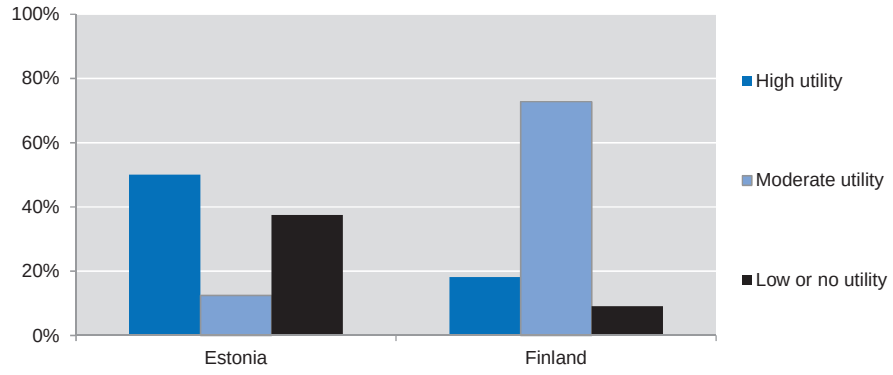
member countries and has issued recommendations regarding the compatibility of projects with the provisions of the European Interoperability Framework (ECA, 2011). Overall, however, this could represent a new area for the respective national audit offices in the two countries, but a very important and possibly ground-breaking one if the offices manage to adapt their current tools to the emerging requirements of cross-border service delivery.

Cross-border business case development and implementation

Capacity issues are pivotal not only in a domestic context but also for cross-border service design and implementation. While the domestic use of business cases is advancing in both countries (see Chapter 7), the same cannot currently be said for bilateral pilot projects: only one national government institution in the OECD survey indicated it used business cases for cross-border services (Q71). It is, however, absolutely critical to have business cases in order to keep investments focused and to ensure continued backing of political leaders and the wider public.

Most government institutions in Finland (90%) confirm that a common business case methodology will have at least moderate utility (Figure 8.2). In Estonia, more institutions perceive this as having high utility. But there are also around 40% of institutions that indicate seeing little or no need for cross-border business case methodologies, which might result from a perception that benefits of real-time digital information exchanges are evident and require no further clarifications. The use of business cases would be beneficial to ensure long-term commitment and allocation of resources by participating institutions.

Figure 8.2. **Perceived utility of a cross-border business case methodology in central government institutions**

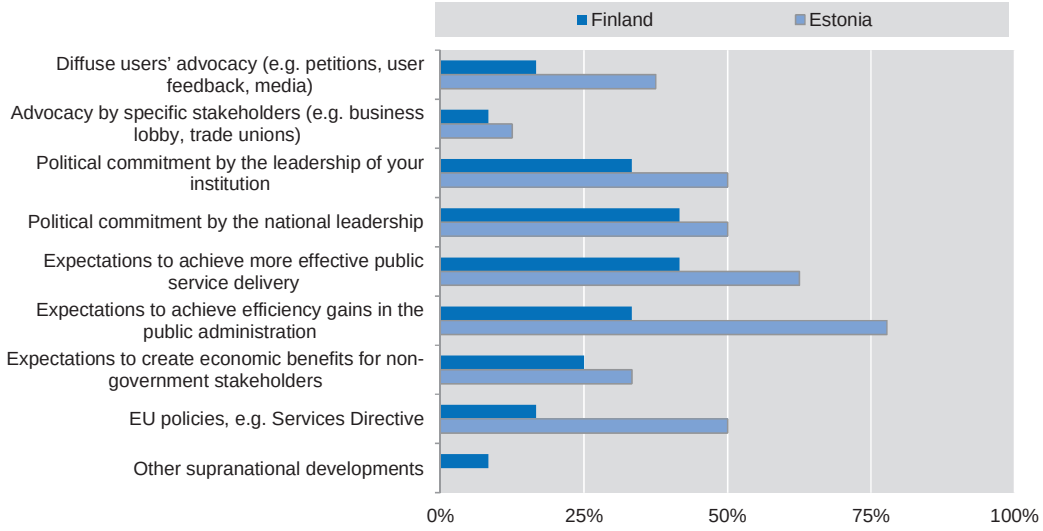


Source: OECD (2014), OECD Survey of Estonia and Finland.

The need to clearly identify the added value and articulate benefits also springs from the fact that expectations of benefits are not equal on both sides of the border. Responses to the OECD survey show that more than half of Estonian institutions consider the anticipation of efficiency gains and more effective services to be a strong driver for cross-border piloting of services (Figure 8.3). Finnish institutions are also driven by these expectations, as well as by the commitment of their leadership. But the fact that in each case less than half of responding institutions consider these factors to be a strong driver

illustrates that the precise articulation of costs and benefits is likely to have an impact on the acceptance of cross-border service plans going forward.

Figure 8.3. **Drivers of cross-border digital public services in central government institutions**



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

Selected impact areas for cross-border service delivery

Co-operation on joint services between Estonia and Finland does not start from zero. Advances already exist to identify common value propositions for cross-border information exchanges and small pilot projects have been undertaken in areas such as taxation, social security or education. This includes pilot implementations of the X-Road interoperability layer in purely domestic settings in Finland, e.g. in selected municipalities' healthcare institutions.

In that context, this OECD Review provided an occasion to develop a more detailed understanding on some of the needs and expectations for cross-border delivery as they are currently perceived by institutions in Estonia and Finland. Table 8.1 lists high-impact areas that were identified and discussed with national officials, experts and stakeholders. These areas are not exclusive but are intended to provide initial ideas to more intense immediate and near-term co-operation.

Taxation

In the area of taxation, co-operation is ongoing between Estonia and Finland. The main point should be to lift a paper obligation on the Finnish side which demands companies to declare that they are exempt from taxes in Finland because they are up to date on their tax payments. This today represents a significant burden for Estonian companies operating in Finland.

Moreover, there is mutual interest to automate the exchange of population register data in order to provide better services to around 60 000 Estonians working in Finland and around 2 000 Finns working in Estonia. Data exchanges today largely take place through transfers of batch data files, i.e. with significant time lag.

Table 8.1. **Selected piloting areas for cross-border services and information exchanges across Estonia and Finland**

Policy domain/service	Main benefits and beneficiaries	Estonian entry point	Finnish entry point
Taxation	Automated exchanges of population register data to avoid errors, duplication and fraud. Automated exchanges of information used to calculate income tax base and issue tax statement (for individuals and enterprises). Regular exchanges of tax files to ensure consistency and detect tax fraud, particularly from Estonia to Finland as those are available earlier.	Tax and Customs Board; Ministry of the Interior	Tax Administration
Healthcare/electronic prescriptions	Interoperability of electronic prescriptions to enable collection of medicine in either country.	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 emergencies or accidents.	eHealth Foundation	KELA; Ministry of Social Affairs and Health
Social affairs/exchange of information on social contributions paid	Automated exchange of information contained on the European A1 form to improve case handling, reduce incidents of duplicate payments of social contributions, avoid future paybacks or payments recovery.	Social Insurance Fund	ETK; Ministry of Social Affairs and Health
Social affairs/checking residence of social assistance applicants	Exchange of population register data, notably residence declaration, to determine eligibility for social assistance in Finland.	Ministry of the Interior	Ministry of Social Affairs and Health; Helsinki municipality
Social affairs/exchange of information on unemployment entitlements and benefits received	Automated exchange of information contained on the European U1, U2 and U3 forms to improve case handling, reduce the 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/business register data	Automated exchange of basic business register data to 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	Automated exchange of transport, construction and catering licenses to facilitate cross-border business operations and development.	Ministry of Economic Affairs and Communications	Ministry of Employment and the Economy

Interconnecting tax information systems serves both countries to reduce the probability of errors and fraud in the declaration of imposable revenues and to limit the scope for the grey informal economy. A better, more up-to-date basis of information will have trickle-down effects to the rest of the national administration because taxation data are used as an input in many processes, e.g. in social security institutions that require information about revenues-based unemployment contributions paid by individuals.

The timeline for piloting automated exchange of population data is relatively immediate as institutions in both countries have confirmed their readiness in this area. This co-operation can then provide the building block for further cross-border services involving the two tax administrations.

Healthcare

In the area of healthcare, electronic prescriptions and exchange of critical health information after accidents or emergencies benefit from high levels of common interest and feasibility.

Electronic prescriptions are far advanced in Estonia; since they are mandatory by law they represent 98% of all prescriptions. They are also relatively advanced in Finland, where they account for 60-70% of all prescriptions. The fact that some Finnish municipalities have recently launched common electronic prescriptions with bordering Swedish municipalities supports the notion of this service being a "low-hanging fruit" for cross-border interoperability.

A basic question to clarify is whether piloting of data exchanges should be done on the basis of the EU epSOS interoperability platform or the Estonian X-Road. Once this is clarified, interlocutors from Estonia and Finland agree that pilot operations could be started in 2015. The opposition from pharmacists and pharmaceutical companies represents a risk factor. This is due to price differences for medication between Estonia and Finland. This might, however, be compensated by savings on the side of insurance companies. Involvement of the different stakeholder groups will help anticipate some of the risks and tackle them early on.

Legal provisions will also have to be clarified, e.g. around the rights of Finnish pharmacists to see the diagnosis of patients and change medication in consultation with the patient. Neither is allowed in Estonia. Clarification of the legal rights and obligations of pharmacists *vis-à-vis* electronic prescriptions issued in the neighbouring country will be important to ensure wide acceptance and implementation.

Exchange of health-related information after an accident or other emergency situation represents another relatively feasible use case for the immediate future. Interoperability standards for critical health information have been established by the EU epSOS pilot project and could be applied for cross-border exchanges between Estonia and Finland. Interlocutors agreed that although this specific use case was not of high priority, it nevertheless constituted a relatively "low-hanging fruit" due to the level of preparedness on both sides.

Finally, the interoperability of Electronic Health Records (EHRs) was brought up. There is great potential because EHRs are fast advancing in both Estonia and Finland. A number of domestic issues need to be addressed first, e.g. relatively low take-up numbers despite a fully operational infrastructure, before this can become part of a solid business case for cross-border services.

Social affairs

In the area of social affairs, three cross-border services hold immediate potential to increase public sector efficiency, improve service levels and tackle sources of potential errors and fraud in allocation of social benefits. If they are well-designed, some of these information exchanges can dramatically increase the agility of the public sector and can also contribute to tackling parts of the informal economy. These include:

- Regular exchanges of standardised European A1 social security forms ("Statement of applicable legislation" to prove payment of social contributions). Each month huge amounts of paper forms have to be sent by Estonia's Social Insurance Fund to Finland. In 2013 this totalled 9 000 forms. These forms are then scanned and stored electronically by the Finnish Centre for Pensions (ETK), which is the national contact point for European A1 forms and international exchanges.

The discontinuity of information flows, from digital to physical back to digital, is both inefficient and prone to errors. This paper-based treatment is at the origin of evident inefficiencies in handling social security entitlements and payments for people that work or reside in another country. In fact, the Finnish Centre for Pensions indicates that decisions about social security entitlements that involve interactions with foreign authorities take an average of four months (Finnish Centre for Pensions, 2014). Automated exchanges could help reduce that time, at least when it comes to case handling involving Estonian citizens or residents. On the side of Estonia, there is readiness and willingness to automate this process and make it entirely digital to save costs and time in the handling of cases. Different technological options exist, ranging from batch exchanges of digital files to real-time background exchanges via interfaces between the information systems used on the Finnish and Estonian sides.

No timeline for piloting this user case can be established right now. The concerned actors, the ETK in Finland and Social Insurance Fund in Estonia, have yet to meet and agree on implementation steps. A challenge in this respect is that Finland is engaging in a profound pension system reform, which binds a lot of the ETK's resources. At the same time, the reform process could be used as a welcome opportunity to rethink and re-engineer some of the more inefficient processes, notably the paper- and resources-intensive processing of A1 forms as it is practiced today.

- Verification of eligibility for social assistance in Finland. Applicants are only eligible if their main residence is in Finland. Additional information about potential salaries and assets of applicants is sometimes required to take the final decisions and can therefore be part of information requested from other countries' authorities.

  Finnish requests to get information on residence, salaries or assets from Estonian authorities are today done on an *ad hoc* basis, i.e. in case of suspicion. Municipal authorities in Finland are responsible for deciding eligibility and disbursing the assistance. In practice that means the most important counterpart in Finland, besides the Ministry of Social Affairs and Health, is the municipality of Helsinki, where the quasi-totality of social assistance applications by Estonian citizens takes place. On the Estonian side, the interlocutor for population register enquiries is the Ministry of Interior, which grants access to certified institutions via X-Road. Further information sources, e.g. on personal income and assets, could also be queried via X-Road, which has the potential to reduce the time to take decisions and to avoid correcting potential errors at a later stage.

- Exchange of information on unemployment entitlements and benefits using the standardised European forms U1, U2 and U3. Cross-checks between different countries' institutions are a common practice to avoid parallel payments of unemployment benefits and to ensure entitlements are allocated correctly. Today, the Estonian Unemployment Insurance Fund sends around 120 monthly requests for information about employment histories of Estonians working in Finland to the Social Insurance Institution of Finland (KELA). All requests are currently transferred as paper prints, i.e. they require multiple processing steps between digital and physical formats and take a long time to complete. KELA actually offers automated digital information exchanges to other parts in the Finnish

administration, but the institution has not yet offered similar interfaces for data exchanges with its Estonian counterparts.

One reason for relatively little mutual engagement so far is perceived uncertainty about the benefits on the Finnish side of piloting automated data exchanges. No benchmarks are available about the processing times for Estonian forms at KELA and the potential reduction of that time if processes were automated. The numbers of potential errors or even fraud are currently perceived as being negligible on the Finnish side. The aim of the Estonian authorities on the other hand is to avoid any errors or fraud from happening at all. This difference in perceptions of the same problem means that more information about the benefits of cross-border co-operation is needed to persuade actors on both sides. Empirical evidence will help to justify allocation of resources to this cross-border data exchange.

Another complicating factor on the Finnish side is that KELA's resources are tight due to an ongoing social welfare and healthcare services reform. KELA is also under the direct purview of parliament, which means that the national government's means to create strong incentives for this institution to engage in bilateral pilot projects are limited.

Business development and business sector services

The area of business development and business sector services holds great potential for smoother information exchanges between authorities in Estonia and Finland. The number of businesses operating in both countries is high – around two-thirds of all companies registered in Estonia are estimated to have business in or with Finland. Trade relations are well developed: Finland is Estonia's second most important export partner and most important import partner (Statistics Estonia, 2014). Estonia does not have the same significance in terms of trade flows for Finland. At the same time, 10-15% of Estonian companies are estimated to be branches of Finnish companies. Implementation of "once only" principles for information provision in the areas of registration and licensing could significantly reduce administrative burdens for these businesses. This is particularly true given that a high number of cross-border information provisions by businesses require paper forms, i.e. placing unnecessary burdens on businesses, especially smaller ones.

There is mutual recognition of the feasibility and utility of automating information exchanges for basic business register data via the X-Road infrastructure. The ambition is to increase transparency, reduce administrative costs on both sides and reduce administrative burdens for businesses. Some ground for this type of co-operation is laid by the exchange of information about trade bans for Finnish companies, which Estonia receives and processes automatically. Finnish citizens (as well as citizens from three other EU countries) can already use their national ID card to register a company in Estonia.

Interlocutors agree that the ambition should be to fully automate information exchanges between business registers on both sides (i.e. between the Centre of Registers and Information Systems in Estonia and the Finnish Patent and Registration Office). This would facilitate access to information about potential business partners, e.g. representation rights or annual reporting information. It would also allow companies to provide information "once only", i.e. allow, for example, the Estonian authorities to retrieve information from the Finnish business register for a Finnish company that wants to open operations. Parts of this process are already implemented in the European

Business Register, but they involve payment of fees which could be avoided through bilateral agreements to share data.

The main business case element is to render it easier for companies to engage in cross-border operations and thereby drive wider policy objectives of the European single market. The main benefits to be expected are the reduction of administrative burdens and a mutual reinforcement of the attractiveness of Estonia and Finland as investment locations. However, no surveying of actual business has been done yet, which means the services envisaged so far are based on observation of data and trends. It is important to involve representatives of different parts of the business community to more clearly identify the actual needs for harmonisation of procedures across the border.

Some of the challenges that will be encountered during the pilot phase regard the clarification of legal constraints. The perimeter for data exchanges from the national registers is circumscribed by law and there is uncertainty whether automated data exchanges with Estonia are possible under current legislation in Finland. In the meantime, pilots can be implemented relatively fast because of the readiness of the technical infrastructures. Reiterating the need for iterative approaches to service development, representatives of the actual user groups have to be involved from the beginning in iterative pilot design and testing.

Strong potential exists also for automated exchange of licensing information. Each country requires specific licensing information for selected areas of business activity. In Estonia, a central business license register is held by the Ministry of Economic Affairs and Communications. In Finland, however, the authority over individual licenses lies with different line ministries and in many instances actually with local authorities. Therefore, interlocutors in both countries agree that a comprehensive mapping of exchange opportunities is not feasible at this stage. Instead, piloting of automated information for registration of selected licenses – transport, construction and catering – is considered to be the best way to identify the actual needs of the business community and more clearly define the costs and benefits that would be incurred by scaling a project. Iterative involvement of the main stakeholders, i.e. ministries and municipalities, along with main beneficiaries, i.e. various business groups, will help to keep the pilot projects focused and purpose-oriented.

Other areas

The areas of education and local government services were evoked in responses to the OECD survey. They have not been analysed in detail as part of this Review but they point to the wide range of policy domains that could benefit from more intense cross-border co-operation.

- Education. The EduCloud project has the ambition to transform existing learning environments by purpose-oriented technology use for content development, learning collaboration and greater involvement of students, parents, teachers and administrators in the design of learning environments. The EduCloud is piloted in Finland and uses the X-Road infrastructure for real-time data exchanges. Other, administrative services were also mentioned as holding potential, e.g. information exchange about school attendance of Estonian children in Finland to ensure compliance with Estonian laws, exchange of educational records between institutions.

- Local government services. Interesting co-operation suggestions were raised by local authority representatives, e.g. the possibility of having mutual recognition of public transport titles between Tallinn and Helsinki and its metropolitan area. There is also interest to find synergies between pilot projects that tackle similar challenges, e.g. in the area of elderly care, where both Tallinn and Helsinki are experimenting with the use of technologies to increase the autonomy of elderly people living at home.

Assessment and roadmap

Estonia and Finland collaboratively identified a number of services and information systems that are considered both feasible and valuable enough for cross-border delivery and exchanges. This includes customer-facing transactions as well as background exchanges from the policy areas of taxation, healthcare, social affairs and business-oriented services. The development of additional cross-border services is on the table for the longer term – e.g. in the areas of education or social care at municipal levels – but they are likely to remain secondary in priority until more information has been collected from piloted or "live" cross-border services.

At a first glance, incentives seem to be stronger for Estonian authorities to engage in the development of cross-border services and interoperability of information systems in the two countries. 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. But considering some of the major challenges Finland faces in reforming digital government and governance (discussed in Chapters 6 and 7), it seems that domestic reform processes would benefit from a simultaneous pursuit of national and bilateral interoperability objectives, which would have positive domestic spill over effects. Finnish national priorities such as tackling the informal economy, increasing government agility or developing the "real-time" economy depend on the success of leveraging information resources in ways that make the right information available to the right people at the right time.

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. The timelines and risks related to integrating services bilaterally are considerably shorter/lower than in the context of the EU. In turn, the likeliness that pilot projects scale and become fully operational is considerably higher. Provided that business cases and pilot projects are well documented – including potential shortcomings in the service design and how they were addressed – the results of bilateral co-ordination efforts will provide very important inputs to the design and implementation of multilateral projects.

Moving from political intentions to implementation

In any case, all areas need to move from political messages and declarations towards actual implementation. High-level commitments by political leaders have been made. But resources are tight in individual ministries and agencies. Domestic IT reforms are taking up a lot of space in Finland, which restricts the willingness or capacity of some institutions to engage in bilateral initiatives. It is therefore crucial to jointly agree on

business cases and clearly articulate the benefits and costs of cross-border pilots and their potential scaling. Those business cases have to be explicit about the expected domestic knock-on effects of more integrated cross-border services and information flows, e.g. how they can support domestic reform plans. This is how business cases can help decision makers on both sides dedicate resources to cross-border initiatives.

The ambitions in Estonia and Finland to develop common business cases must be matched with reflections on how to monitor and assess implementation progress. Internal monitoring and reviews done by the relevant authorities are a starting point. But other actors that have proven capable of assessing domestic digital government performance can be mobilised for cross-border assessments. This includes the respective National Audit Offices, which can – if they collaborate – add great value to the identification, validation and monitoring of cross-border business cases. There is little related precedence to build on internationally, which means the two audit offices will have to explore the best ways of working together in the interest of domestic and common bilateral priorities.

Establish joint mechanisms to govern cross-border services

The scarcity of international precedents is also a factor to consider when establishing joint organisational set-ups and governance mechanisms for cross-border IT projects. Attempts to formalise the existing informal working relations between Estonia and Finland will have to integrate governance lessons learnt both domestically (i.e. during this and preceding OECD reviews) and at the EU level (see European Commission, 2014).

Some formalisation of current bilateral exchange processes is important so that progress of cross-border projects is sufficiently documented. Transparency about decisions regarding the continuation or not of pilot projects is important to inform stakeholders as well as to inform other cross-border projects. Without effective means to document how cases were identified, business cases developed, implementation pursued and decisions taken, there is a high risk that pilot projects that do not become fully operational will have had no impact at all – not even in the sense of providing lessons to other cross-border projects.

The respective Government CIO Offices seem to be 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 thus play an important role for the development of a business case culture in bilateral projects. This, of course, requires close interaction with key partners such as individual service managers and pilot users, but also the wider public.

Joint governance mechanisms can be expanded to cover further institutions as well as more countries. The “Nordic Digital Institute” is a joint proposal with the ambition 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.

User-driven prioritisation and choices

Stakeholder involvement is indeed a critical component for successful design and implementation of any digital service, domestic or cross-border. The attempts to involve users in the identification of valuable services for delivery across Estonia and Finland have been relatively reserved so far. 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 probably a very good 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.

Addressing overarching challenges and benefitting from EU experiences

Some general challenges will emerge as cross-border service projects advance. In many instances they are not unlike the challenges encountered in EU-wide projects, albeit with important differences (EU challenges as discussed in European Commission, 2014).

Interoperability of digital identification and digital signatures are a major bottleneck for projects across the EU – the STORK and STORK2.0 pilot projects have achieved significant progress but are still far from becoming fully operational and scaled because of organisational, technical, legal and cultural issues. The current Estonian and Finnish digital national IDs are, in turn, fully interoperable so the challenge now is just to ensure mutual support by cross-border services. In fact, some Estonian digital services already support the Finnish digital national ID card, e.g. registration of a company. It will be important to uphold interoperability as each of the existing national digital ID schemes is undergoing revisions.

Lack of preparedness of infrastructures, legislation and stakeholders for cross-border exchanges is commonly mentioned as a barrier in the context of EU initiatives. These issues have certainly come up in the Estonia-Finland co-operation context too. Infrastructure readiness to exchange information is more advanced in Estonia due to the strong penetration and use of X-Road across the public administration. The fact that advancing interoperability is a major objective of the Finnish government is likely to facilitate the use of common standards and interfaces. Harmonisation of legislation and stakeholder interests can pose a somewhat bigger challenge, especially in instances where personal data will be accessed and exchanged. In many areas, e.g. taxation co-operation, legislation is already compatible with international information exchanges. In others, e.g. electronic prescriptions, adjustments are likely to be necessary. Similarly, stakeholder involvement has not been a primary driver of cross-border service development so far. It is important to engage key partners to ensure early identification of potential risk factors for the implementation.

The need to adapt existing and sometimes create new governance mechanisms is a hurdle to more effective EU-wide services development. Co-operation in pilot projects takes place to define standards, protocols and policies. But sustainable governance mechanisms established for multilateral pilot projects have yet to emerge, both at EU level as well as globally. This is also a critical factor for further Estonia-Finland co-operation. There is a need for common organisational and governance set-ups to ensure the use of common standards for project design, implementation, monitoring and documentation. This will involve finding ways for co-operation without necessarily being able to refer to existing practices as there are only few international experiences of

developing cross-border governance mechanisms in the area of digital government services.

Setting a roadmap for cross-border services development between Estonia and Finland

The most effective way to fast-track digital cross-border services development is to set up a roadmap for immediate progress. The aim is to ensure that digital workflows and data exchanges follow people, since in many areas they currently stop at the border.

The two countries had engaged in some pilot testing before this Review, e.g. on transfer of taxation information. This Review identified further service areas and services, as outlined above. Going forward, a roadmap for the two countries can be set following a three-phased approach. The three phases are somewhat sequential although they require feedback loops.

PHASE 1: Planning for cross-border service delivery

- Main objective: To develop a framework of main objectives, responsibilities and tools that can ensure sustainable progress in the finalisation and implementation of the cross-border service delivery agenda. This includes formulation of "preliminary business cases" to identify suitable opportunities for piloting; development of common project documentation and assistance in order to create hubs for knowledge and experience sharing across administrations; designation of service managers (or "service owners") at the level of individual services.

  Another important objective is to identify horizontal barriers. In Finland, for example, a legal change seems necessary to share any personal data with the Estonian administration. This and other potential impediments to cross-border services in either country can take time to address.

- Leading role: The lead role in this phase should be taken by the Government CIO Offices in both countries. They have the necessary mandate to develop methodologies for IT projects and investment business cases, adopt common project and documentation templates. These tools, along with leadership by the respective offices, will play a critical role in supporting individual departments in planning and preparation for cross-border services.

- Stakeholders' engagement: Substantive support from two groups of actors will be necessary during this phase and must be planned for:

  – Involving the Centre of Government (CoG) institutions in both countries is important to secure political support when interacting with individual service delivery institutions. Service delivery institutions need to understand that there is both a need and political support behind the development of business cases for cross-border service delivery and data exchange. Involvement of CoG institutions is also important to align business cases with overarching policy priorities.

  – Involving responsible persons and offices in the selected areas for cross-border piloting is key to success. The to-be-designated service managers are the main interlocutors between the two countries as well as the main interlocutors for the national CIO offices that accompany the process. A fluid interaction between these actors during the planning phase is important

to build preliminary business cases based on accurate information about benefits, beneficiaries and costs of cross-border services.

- Indicative timeline: Most action items in this phase can be completed in less than two months, e.g. the creation of business case and documentation templates, the development of preliminary business cases, the identification of cross-cutting barriers. Existing co-operation between Estonia and Finland, progress made during this Review and the recommendations of this Review, provide sufficient inputs to attain the objectives relatively quickly – provided there is commitment and engagement in both Estonia and Finland.

PHASE 2: Piloting and implementation:

- Main objective: To execute pilot projects selected from the preliminary business cases established earlier. Building prototypes and starting pilot use will be critical to refine the appraisal about feasibility, costs and benefits included in the preliminary business cases. The additional information obtained during this phase will help to develop a more comprehensive business case, validate it and use it to create fully operational services and data exchanges.

  This phase also provides an opportunity for experimentation, e.g. by exploring feasible options for cross-border services or data exchange that have not gone through a business case-based selection. New ideas and prototypes can emerge during interactions with users and user groups. If technically feasible, with minimal resources such ideas can be piloted "*ad hoc*". Simultaneous development of at least a preliminary business case is nevertheless desirable to ensure a sustainable implementation.

- Leading role: The lead in this phase is shared between the government CIOs and the dedicated service managers in each selected service area. The role of the government CIOs is to accompany the project implementation, facilitate exchanges and workflows between implied actors, monitor progress and report progress to political leaders. Service managers are responsible for co-ordinating domestic activities with their counterparts in the other country. They act as central domestic nodes for all necessary interactions in the development of pilots and their implementation.
- Stakeholders' engagement: Prototypes and pilots need to go through iterative feedback processes with relevant user groups. The specific groups depend on the service area in question, but certainly include process users in the domestic administrations as well as final users and beneficiaries that interact with a service.
- Indicative timeline: Development of prototypes and piloting of actual services are iterative processes and their duration will vary between different service areas. There will also be feedback loops to actions in the previous phase, e.g. when methodologies for the business case or cross-border project documentation are adapted to reflect experiences made during their practical application. The overall ambition should, however, be to make substantial progress on piloting a large part of the services identified in this Review over the course of 2015, as well as to conduct a smaller number of experimentations around cross-border services and data exchange, e.g. in the form of user-driven prototype development.

PHASE 3: Beyond implementation:

- Main objective: As pilot projects advance and potentially become operational, it is important to continuously monitor progress and identify next steps. Progress in the implementation of the cross-border agenda should nurture a continuous exchange and sharing of feedback on the experiences made in individual projects and service areas. This should contribute to the creation of information and knowledge platforms that sustain continuous exchange, e.g. conferences for policy practitioners and stakeholders, networks that can identify and promote opportunities for scaling of experiences to other service delivery areas, co-operation with further countries.
- Leading role: This phase is mostly a political and communications exercise, it will therefore require a leading role by the Centre of Government in both countries.
- Stakeholders' engagement: Support will come from the Government CIO Offices, notably through evidence of benefits aggregated from individual projects and illustration of the factors that made the benefits realisation possible.
- Indicative timeline: Turning cross-border services fully operational and automated requires a number of steps that are unlikely to be completed within a single year. Successful piloting and implementation during 2015 will help to start expanding some of the governance mechanisms established during phases 1 and 2. It does, however, require attainment of a harmonised level of effectiveness, regularity and recognition of those governance mechanisms on both sides of the border.

Interactions with existing interoperability and cross-border projects at the EU or other regional levels are important across all phases. Cross-border projects between Estonia and Finland have to be well-documented so that findings from these exchanges feed back into related EU agendas.

Table 8.2 lists individual actions required to make progress throughout the phases of this roadmap. The list is numbered for clarity, but this is not strictly a sequence of actions since many actions will have to run in parallel.

The implementation of this timeline will need to address a number of risk factors to maintain sufficient interest and buy-in throughout the process. For this purpose, it will be important to involve the Centre of Government, to ensure top-level political backing, among other objectives. It will also be useful to use communications tools to underline the benefits – expected and actual – to the institutions in question or to its main stakeholders and to develop a clear and solid business case.

This project will gain from being clearly articulated with wider European projects, so that bilateral co-operation initiatives can be seen as "labs" that provide insight to cross-border developments at a wider scale. Articulation of benefits for the international agenda can help garner further political support. Planning effective communications tools, especially the use of illustrative "game changers", should help ensure engagement and continued support of key groups of actors. It will be important to underline the potential improvements to the quality of services delivered to specific user groups and to collect and process user feedback. Finally, legal issues will also need to be addressed, involving the Centre of Government to achieve buy-in and political support for legislative changes.

Table 8.2. **Actions of the roadmap for the development of cross-border services**

Action 1: Develop a business case methodology		
Development of a standard template to identify and develop the business case for any cross-border service or data exchange. The methodology will include a template for the development of preliminary business cases, with the aim of supporting the selection of pilot projects. Preliminary business cases should estimate the potential benefits and costs and identify the beneficiaries of the cross-border service or data exchange. To this end, development of the business case should be based on, but not limited to: – data provided by the public authorities (including border authorities) on citizens, businesses and other organisations that are potential service users (this can help identify missed beneficiaries of cross-border services) – data on information systems as they are run on an individual country basis – data on current transaction costs and unrealised benefits (for the service users and for the administration) – data on service users' preferences and needs (to guide prioritisation) – data on necessary changes in the existing legal and regulatory regimes in the countries (e.g. cost and time) – information about complementarity or demarcation lines with EU and other regional cross-border service and infrastructure development initiatives – international provisions or precedents that support the project, e.g. existing provision for bilateral information exchanges at the international level, such as tax information exchanges. This methodological work should outline how preliminary business cases should eventually be converted into complete business cases (Phase 2). Starting this reflection early on will facilitate channelling the progress of pilot projects towards full implementation; it will also facilitate the integration of evidence gathered about the intended and unintended results into the complete business cases. The business case methodology should be developed so that complete business cases can enable decision making about whether a pilot should turn fully operational. This decision needs to be supported by realistic planning of time and resources. The template for the complete business case will therefore need to integrate second-order impacts and requirements that might not have been foreseeable prior to the piloting.		
Start phase	**Lead**	**Involved**
1 (Planning)	Government CIO Offices	Service managers

Action 2: Identify dedicated service managers for business cases/pilot projects		
For each identified service and in each country, one single point of contact should be established who is a senior service development and delivery lead in the service area. The service manager acts as main interlocutor for: *i)* his/her counterpart in the other country; *ii)* the government CIO; *iii)* further stakeholders involved later on during the project. Service managers can in a first instance be assigned to the pre-selection of services made during the review. The list of services and assigned managers can be gradually expanded.		
Start phase	**Lead**	**Involved**
1 (Planning)	Government CIO Office	Centre of Government

Action 3: Identify and develop preliminary business cases for individual services/data exchanges		
Preliminary business cases should be developed in the individual service areas identified in this Review. Additional services can be explored for their feasibility, but should nevertheless be subject to a business case analysis at some point in the process. The preliminary business cases should include all the information and data mentioned in Action 1 above. Selection of services for piloting can then be done based on criteria such as: – The main problem statement as it is viewed by Estonia and Finland. The problem statement should include the view of the directly involved institutions (i.e. the line ministry or agency). It should also reflect the view from the national Centre of Government in order to spot linkages between a selected service area and national policy priorities. – Estimates about users and beneficiaries. – Estimates on reduced costs and potential benefits. – Information about feasibility from existing trials between Estonia and Finland. The involved actors should also identify key data and information missing to make a complete (and strong) business case later on. This should inform research and data collection during the pilot phase.		
Start phase	**Lead**	**Involved**
1 (Planning)	Government CIO Offices and service managers	

Table 8.2. **Actions of the roadmap for the development of cross-border services** (*cont.*)

Action 4: Identify horizontal barriers or impediments to piloting cross-border services		
Specific barriers might hinder progress during piloting, e.g. provisions that limit data that can be exchanged between authorities in Estonia and Finland. In some areas, data might need to be masked, de-identified or replaced by sample data before prototypes can be executed. It is important to identify these barriers early on and start making provisions to address them.		
Start phase	**Lead**	**Involved**
1 (Planning)	Government CIO Offices and service managers	

Action 5: Develop a template for documenting and monitoring project progress		
The accompanying function of Government CIO Offices should be supported by a project management template to document and monitor each step of individual projects' progress. The templates for project documentation will facilitate reporting of progress to political leaders or other actors; they will also help to secure engagement and support. The project documentation template should enable: – Setting a common terminology for the selected service across the two countries. – Agreeing on data and processes to be used for monitoring the projects' implementation. – Explicit descriptions of challenges encountered and how they were dealt with. – Identification of the required legal and regulatory changes to start a pilot and to turn a pilot into a fully operational project. For example, provisions that restrict certain data to be shared across national jurisdictions. – Description of the steps taken to transition from planning to piloting to operational launch and scaling. If those transitions did not take place, include an explanation of why not. – Documenting stakeholder consultations and their results. This mainly applies to front-facing services.		
Start phase	**Lead**	**Involved**
1 (Planning)	Government CIOs	Service managers, stakeholders

Action 6: Design and pilot prototypes of cross-border services or data exchange		
A pilot service or data exchange should be designed and developed under leadership of the respective service managers in institutions that are owners of the service or information system in question. Pilot services and data exchange should mainly be selected based on the preliminary business cases established during Phase 1. Testing of the prototypes and their piloting will provide critical information to refine information about feasibility, benefits and costs. This information will enable gradual development of the complete business case. Experimentation can also take place, e.g. by exploring feasible options for cross-border services or data exchange that have not gone through a business case-based selection. This opens up the possibilities for new ideas and prototypes emerging from interactions with a larger set of stakeholders. Successful experimentation should trigger development of a preliminary business case in order to ensure sustainable implementation. The Government CIO Office should provide guidance based on overarching project templates, experiences and provisions. The project management template should be filled with information that allows third parties to monitor progress of the pilot and understand the success (as well as potential failure) factors. Piloting should prove the feasibility and best approach for setting up cross-border service or data exchange, as well as generate information to confirm or refine the estimates on costs and benefits. It should also clarify the expectations and needs of stakeholders, either through direct involvement in piloting or through other ways of user testing.		
Start phase	**Lead**	**Involved**
2 (Piloting and implementation)	Service managers	Government CIO Office, stakeholders

Action 7: Turn preliminary "business cases" into complete business cases		
In line with the description of the business methodology above, a complete business case should be established in order to take transparent decisions about making a pilot project fully operational. This will require additional information such as: – more precise calculations of the costs and benefits, based on experiences from the pilot testing – a clearer identification of beneficiaries and the actual and perceived benefits they will incur – a clear map of legal and regulatory challenges for making the pilot project fully operational – second-order and unintended effects that become visible during pilot testing, stakeholder consultations or other processes.		
Start phase	**Lead**	**Involved**
2 (Piloting and implementation)	Government CIOs and service managers	Stakeholders

Table 8.2. **Actions of the roadmap for the development of cross-border services** (*cont.*)

Action 8: Establish cross-border governance mechanisms		
A formal mechanism, e.g. a joint cross-border committee, should be established that brings together the main actors, i.e. government CIOs, service managers and possibly the Centres of Government, to jointly review and validate business cases, to monitor progress in piloting and implementation. The Government CIO Offices should apply the various project management and documentation tools to present and communicate on progress of individual services or data exchanges. A more informal mechanism should also be launched to exchange experiences between service managers in different parts of government. This should include those involved in pilots, but also those that are not currently involved in any pilot. The aim is to share experiences about progress made, success factors and difficulties encountered, benefits realised, costs incurred. The two mechanisms can interact in the sense that service managers that have experienced the development of cross-border services can become involved in the validation, review and monitoring of cross-border service development in other areas.		
Start phase	**Lead**	**Involved**
2 (Piloting and implementation)	Government CIO Offices, service managers	Stakeholders, other institutions

Action 9: Develop a communications plan for the cross-border service agenda		
When turning a pilot into a fully operational cross-border service it will be important to foresee communications on the progress, results and challenges of individual projects. Devising a communications plan relatively early will help mitigate some of the associated risks (see below). The Government CIO Office should take the lead, in close collaboration with individual service managers and communications departments from relevant line ministries. There are three main target groups for which communications need to be planned (although further groups might require planned information and communications too): – communications with people and organisations involved in prototyping, testing, piloting and implementing are important to sustain motivation and build ownership – communications with political leaders are important to sustain political support, e.g. to ensure the cross-border agenda is pursued beyond any change in government – communications with the wider public are important to be transparent about public action, direction of public funds and exchange of data across national borders. An effective vehicle for communications with different target groups could be to identify "game changers", i.e. powerful illustrations of high impact on a specific group of beneficiaries: – an area with particularly high benefits for people, citizens, commuters – an area with particularly high benefits for the business community – an area with particularly high benefits for the functioning of the state administration and which has implications on public finances or public sector capacity to tackle major issues (e.g. spurring economic development, fighting fraud and corruption, enhancing quality of healthcare). Centre of Government institutions are an important partner for "testing" and validating the relevance of selected messages and information.		
Start phase	**Lead**	**Involved**
2 (Piloting and implementation)	Service managers, Government CIO Offices	Centre of Government, communications departments from relevant line ministries

Action 10: Establish platforms for continued dialogue and outreach		
Full implementation of a cross-border service can become the starting point for continuous dialogue between policy practitioners about the experiences made in individual projects and about opportunities for transposing and scaling the experience. Regular conferences, online communities, research programmes or institutes can be set up dedicated to promoting the wider cross-border service and data exchange agenda. These platforms are also important to link bilateral experiences with experiences in other contexts, notably at the EU level. As a largely political and communications action the lead here should be taken by the domestic Centres of Government. Support should be provided by the community of involved parties throughout the phases: Government CIO Offices, service managers, stakeholder and policy communities.		
Start phase	**Lead**	**Involved**
3 (Beyond implementation)	Centre of Government	Government CIO Offices, service managers, wider policy and research communities.

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