OECD PUBLIC GOVERNANCE REVIEWS
FINLAND

Fostering Strategic Capacity across Governments and Digital Services across Borders

SUMMARY OF KEY FINDINGS

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OECD Public Governance Reviews

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Fostering Strategic Capacity across Governments and Digital Services across Borders

SUMMARY OF KEY FINDINGS

Joint Public Governance Review of Estonia and Finland:

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

Facing challenges together

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

Increasing integration – and opportunities

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

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

Five phases of reform

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

A true innovation lab

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

Whole-of-government Strategy Steering

A challenging environment

Fostering strategic capacity across government is very important for Finland. The country is facing a challenging economic environment given the recent economic deceleration in the Euro area, compounded by the deterioration of economic relations with Russia. While Finland enjoys very high standards of living and stands in the top league of the OECD in terms of well-being, the country is facing economic vulnerability,. After 20 years of outstanding progress in economic performance and its resulting social benefits, Finland has since witnessed a sharp erosion of its competitiveness, with a marked increase in unit labour costs starting in 2007 that is second only to Italy in the Euro area. At the same time, terms of trade have deteriorated.

The desire for change in the functioning of government results from the external shocks that are common to governments across Europe, including Estonia, and the struggle to restore sustainable growth: Since the 2010 OECD Public Governance Review, *Working Together to Sustain Success*, Finland has developed significant reform programmes aimed at enabling its public sector to address key strategic challenges more effectively and efficiently. Some of these reform programmes are being implemented, while others will still require attention after the spring 2015 elections. Finland now feels the urgent need for change and will have to renew its governance model to adapt successfully and keep its role as a leader.

The key role of the centre of government

Strong leadership and effective whole-of-government co-ordination led by the Centre of Government (CoG) will be crucial for the successful implementation of new reforms to improve strategy-steering. Across the OECD, institutional structures corresponding to the Centre of Government vary. Usually, whole-of-government co-ordination functions are carried out by the President's or Prime Minister's Office with other key departments in ministries, notably in the Ministry of Finance, working closely with them.

Centre of Government functions in Finland are shared between the Prime Minister's Office (PMO), parts of the Ministry of Finance and parts of the Ministry of Justice. 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, who is usually a leading figure in a different party in the coalition. The authority of the Ministry of Finance comes both from its powerful steering role with the budget and its senior political leadership role, which is pivotal to the successful functioning of the coalition.

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

Figure 1.   **Centre of Government institutions in Finland**
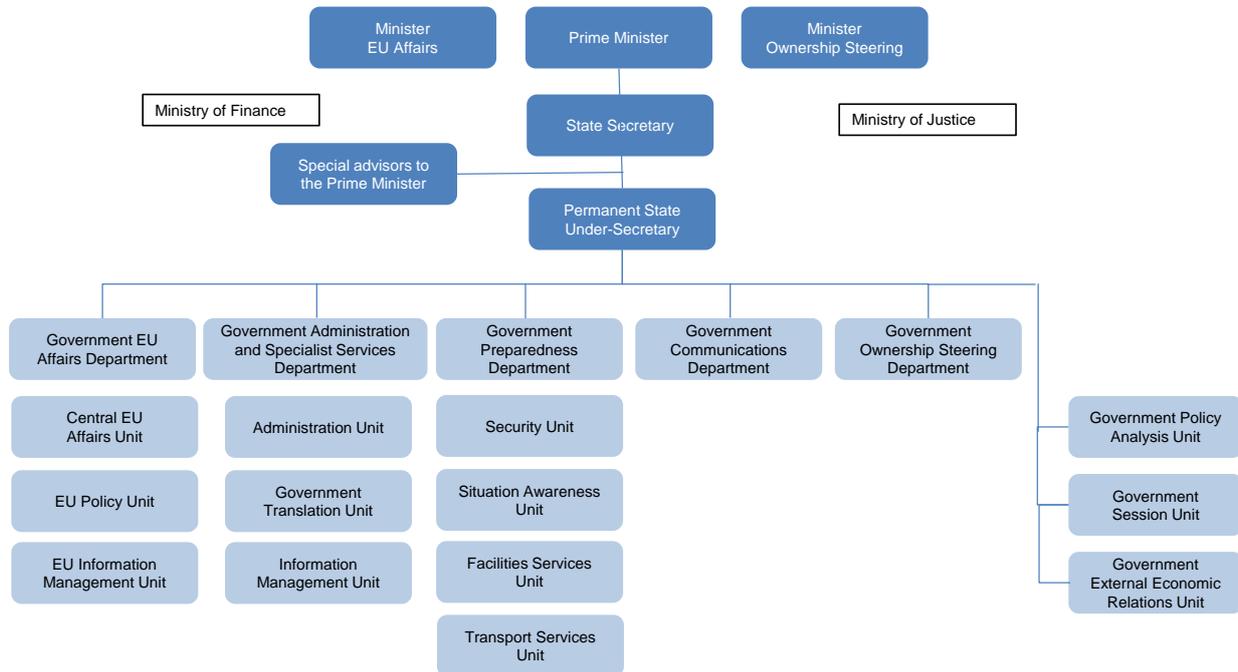
Box 1. **Towards a blueprint for reform**

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

- *One Government – One Strategy: Build on success to sustain integrated strategic decision-making capacity*: The Finnish administration already has many examples where flexibility and strategic cross-sector coherence are producing results – for instance the EU Affairs management system. These institutional arrangements can serve as good-practice examples of how to institutionalize cross-sector co-operation to produce more coherent, integrated outcomes.

- *Bust silos to increase policy integration.* Since working across multiple boundaries, including national boundaries, is a defining characteristic of modern governance, government must break down barriers to pooling knowledge, resources and expertise from across the system to achieve broad public sector outcomes.

- *Set a clear path for reform.* Reforms have to move beyond fine-tuning to clarifying basic principles of governance and decision-making, including the rules governing institutional and resource flexibility. The Government should identify real priorities for reform, stick to these, and build and sustain partnerships and networks to ensure their successful implementation.

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

- *"Just Do It".* This need not imply a radical shift in the Finnish public sector administrative culture. Rather, reforming the rules governing flexibility and the implementation of the Government

Programme can be achieved by setting clear reform objectives with short-, medium- and long-term milestones, focusing on implementation and measuring impact.

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

Strategy-setting and implementation processes

In Finland, coalition governments affect the capacity to set, steer and implement strategy in Finland. In theory, Finland's Government Programme (GP), which is the political statement of priorities of the governing coalition, 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.[1]

Figure 2. **Implementation of the Government Programme in Finland, 2014**
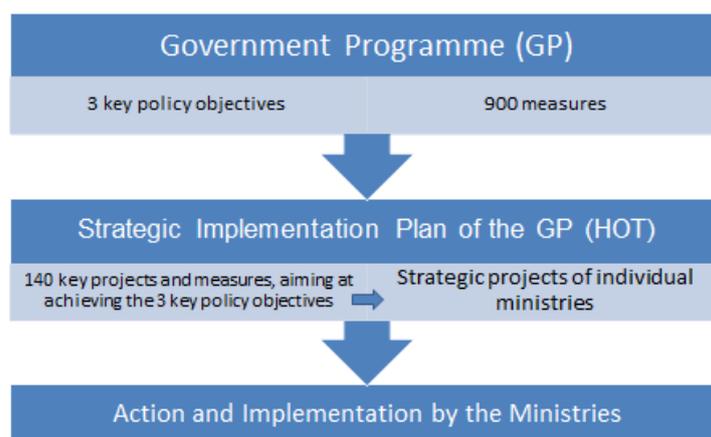
In practice, with four or five parties making up the coalition, this translation process has tended to generate a highly detailed and complicated strategic plan. The increasing complexity of the GP may reflect the difficulty of achieving consensus in a politically more fragmented governing coalition. Implementation is a real challenge given the complexity of the Programme and its many competing priorities. For example, the Government Programme for the 2011-2015 mandate included over 900 action-items 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; and (iii) enhancement of sustainable economic growth, employment and competitiveness. This suggests that the GP ends up

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[1] 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

being more of a political "shopping list", where parties in the coalition government negotiate to fit their priories into the document, rather than a strategic vision statement.

There is increased awareness of this situation and its implications for the future of the country. Already in 2011, the PMO-led *Development Project for Monitoring the Government Programme (KOKKA)* noted that the process for formulating the Government Programme was not functioning as efficiently as it could, citing timelines, evidence used and parties involved. The situation has become much worse over the last decade (see Table 1). Currently, there is recognition that a government programme with 964 strategic priorities for action is neither strategic nor actionable. Finland clearly suffers from too many strategies and too many priorities.

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

	2003-07	2007-10	2010-11	2011-14	2014-present
Number of measures	260	587	587+ 27 new	964	964+ 67 new

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

This review has identified that it is critical for Finland to enhance the degree of visioning in the government Strategic documents. These could benefit from reducing the number of strategic objectives and clustering them under a small number of overarching strategic priorities. These strategic objectives should be easily understood by the public and internally within government, and should take into account long-term strategic outcomes that the government intends to pursue over a ten to fifteen-year planning horizon. In short, the Government should seek to enhance the document's strategic-visioning attributes and make sure that it is focused on a smaller set of wider public sector outcomes and targets (see recommendation 1).

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

The translation of the Government Programme into the Strategic Implementation Plan (HOT) is not carried out within a specific legal framework, so it tends to be managed slightly differently over time. In the last translation phase in 2011, after approval of the Government Programme by Parliament, the Prime Minister Office proposed a selection of key measures reflecting Government Programme priorities to be implemented by the government over the course of its term. This proposal became the government's strategic implementation plan – the HOT. Ministries commented on this proposal through an inter-ministerial working group, chaired by the PMO Policy Analysis Unit (PAY). Permanent Secretaries then met to discuss and define the implementation plan for the draft HOT. This preparation process, driven by the civil service, was followed by a political oversight process coordinated by the political advisors to Ministers and the chairs of the political parties in the governing coalition, which led to the draft's submission to the Council of Ministers for final approval.

This political-administrative engagement may, however, be occurring too late in the translation process to engage politicians meaningfully. 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. Finland could therefore consider **developing and implementing steps to reform how the political leadership and the senior civil service work together** in translatng the coalition agreement into the HOT strategy document. These steps could include:

- 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.

- Paying due consideration to policy reserves, including budgeting for contingent liabilities, and multi-sector strategy funding (see Recommendation 10) throughout this process.

Finland would also benefit from institutionalising the coordination between the various parts of the Center of Government (CoG), especially when discussing and endorsing the Government Programme. Important CoG functions are shared between the Prime Minister's Office (PMO) and parts of the Ministry of Finance (MoF) and Ministry of Justice (MoJ). Creating formal institutional processes to promote and ensure that these teams are working toward the same strategic objectives – especially in the initial setting of strategic programming documents and fiscal-frameworks – are essential for ensuring results for citizens (see Recommendation 2). At the same time, formal institutional linkages between the MoJ, the PMO and MoF should be created to ensure that robust value-for-money regulatory impact analyses (RIAs) are conducted *ex ante* on decision-making regarding major government strategic initiatives (see also Recommendation 6).

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

To achieve "One Government – One Strategy", practical institutional arrangements are needed to ensure inter-ministry coherence in pursuing whole-of-government strategic objectives. Horizontal co-ordination and communication are essential for effectively implementing the government's strategic objectives. The CoG acts as a facilitator and is charged with ensuring a whole-of-cabinet approach. It could also play a role in helping ministries realise their strategic goals and in integrating evidence for policy initiatives. Co-ordination challenges are widely recognised in Finland. The current government has devoted efforts to assessing its co-ordination and steering arrangements with the aim of improving the implementation and effectiveness of the Government's strategy. The *OHRA Steering System reform project* was launched in December 2013 by the MoF (in co-operation with the PMO) as part of the Government's KEHU Reform Programme. The aim of the OHRA project is to better co-ordinate and link Government Programme implementation, budgeting and the legislation process. The recommendations of the *OHRA Steering System reform project* launched at the end of 2014 focus on 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.

Figure 3. **Implementing OHRA recommendations: Creating a future strategy steering system in Finland**
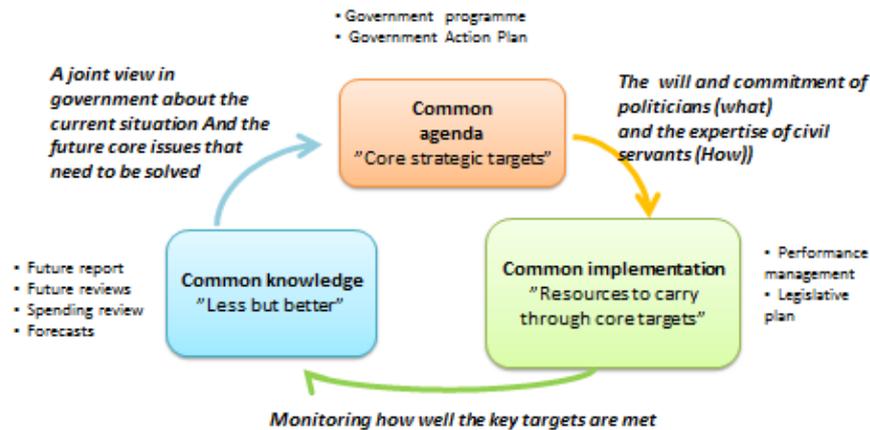
Finland could consider additional ways to enhance cross-ministry co-ordination in strategy-setting and implementation. This need not necessarily result in increased centralisation, but in increased capacity for working together as a "single government", as in Sweden and Scotland. Individual Ministries can take the lead for policy initiatives in their area, and could also be in charge of horizontal co-ordination where an initiative crosses ministerial boundaries (see Recommendations 3, 4 and 5). The Government 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). Using financial resources as incentives to promote co-ordination across ministries has recently shown to be effective, yet remains an under-used tool in OECD countries.

The Government of Finland could also consider applying the institutional decision-making arrangements for co-ordinating EU Affairs more broadly to design and implement key multi-sector policy initiatives identified in their strategic programming documents (see Recommendation 3).

Mobilise budgeting to ensure effective implementation

In 2014, for the first time in Finland, the Strategic Implementation Plan of the Government Programme (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 PMO and the Ministry of Finance (MoF). This proved to be a worthy effort to enhance internal coherence within the government's strategic planning and execution by building links between the government's strategic plan for the implementation of the Government Programme, its fiscal framework and its spending decisions. However, no joint strategy between the two was agreed to sustain these linkages over time.

Theses *ex ante* discussions between the MoF and the PMO on linking budget to strategy should be formalised. Moreover, any performance information should inform strategy-setting for the HOT, and inform financial resource allocation against the initiatives to be pursued under the HOT (see Recommendation 4). Initial steps are being explored in Finland to adopt some form of performance-informed budgeting. These steps could be pursued, broadened and deepened, with successes and good practices in measuring spending performance against strategic policy outcomes shared as widely as possible across ministries. The goal should be to build understanding and confidence in the system. Better performance-assessment frameworks seek to assess 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 labour force, or a reduction in GHG emissions?), as well as against programmatic *outputs* (e.g. is the government's infrastructure spending programme meeting its job-creation targets?).

Performance information not only allows governments to demonstrate money well spent, but enables governments to generate vital value-for-money information that it can use to conduct strategic spending reviews, themselves an effective tool on which to base resource-reallocation decisions (see also Recommendation 10). The Finnish Government should therefore pursue steps to better co-ordinate budgeting with strategy-setting, using performance information to ensure effective implementation (see Recommendation 4).

Enhance collaboration across the senior civil service

The current Government is seeking to strengthen the role of the collective Permanent Secretaries as a forum for whole-of-government coordination. Under the leadership of the State Secretary to the Prime Minister, the Government has taken steps to develop this community as the civil service's key strategic management and leadership group. Significant investment has been made in training and coaching this group and in building a whole-of-government team spirit within this community.

One way of encouraging collaboration across government is to include in senior civil servants' annual performance evaluation, particularly the top ranks, a measurement of their performance against both the Government's strategic shared objectives and ministry-based policy objectives, in addition to being assessed against their core job competencies, as is currently the case. Given that complex policy challenges are increasingly multi-sectored – and cross ministry boundaries – evaluating top-rank civil servants against the achievement of strategic policy outcomes can encourage senior civil servants to collaborate more effectively across ministry boundaries, to achieve multi-sector policy outcomes more effectively. This requires some capacity for management in the senior civil service in the Centre of Government. Knowing that part of their annual performance assessment evaluates cross-ministry co-ordination is a powerful incentive for senior civil servants to collaborate (see Recommendation 5).

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

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

- Clustering the priorities of the government programme around a small number of integrated whole-of-government objectives, aligning ministries' objectives around these, and ensuring they are informed by strategic foresight work and long-term strategic outcomes;

- Offering a range of evidence, including impacts with regards to long term strategic outcomes, feeds into Coalition negotiations;

- Ensuring an independent check of the Coalition Agreement before it is finalised – possibly by an independent authoritative body.

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

- Making it mandatory – as a condition for Cabinet endorsing the draft Government Programme – that the route to Cabinet's decision reflects a co-ordinated approach across government institutions, and takes into account budgetary and policy-performance information;

- Strengthening strategic policy- and value-for-money assessment capacity within the CoG institutions to limit gaps to policy implementation (see also Recommendation 6).

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

- Mandating an existing Cabinet Committee with the decision-making authority, including spending authority using the dedicated Contingency Fund or Policy Reserve (see recommendation 10), to oversee the implementation of a strategic multi-sector policy initiative;

- Ensuring that these committees or reference groups report regularly to full Cabinet on progress in implementing the initiative.

(**Recommendation 4**): **Mobilise Budgeting to support co-ordinated strategy-setting and implementation.** Finland should consider pursuing current initiatives to ensure that the national budget-setting process evolves to include performance information, so that the budget is based on programmes and informed by performance.

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

Whole-of-government evidence-based policy-making

Processes and institutional arrangements are central to promoting the systematic 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).

While Finland has a significant knowledge and evidence base, the country is still facing challenges in relation to operationalising evidence in the decision-making process.

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

Finland tends to use softer methods to support regulatory quality such as RIA guidelines for law drafters in ministries and inter-ministerial networks or working groups on regulatory policy.

Finland could consider strengthening institutional arrangements and capacity to ensure regulatory impact assessments (RIAs) are conducted on new legislative proposals. This would help promote a culture of evidence-based decision making, reflecting the *2012 OECD Council Recommendation on Regulatory Policy and Governance* which, *inter alia*, recommends that member States 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.

This review recommends ensuring a well-functioning institutional set up to evidence-based decision-making by means of guaranteeing quality RIAs. The review suggests *inter alia* that Finland could ensure central oversight on the quality of RIAs for major regulations by creating a dedicated body to scrutinise impact assessments, and also create a traffic-light system between the Ministry of Justice, the PMO and the Ministry of Finance to ensure that major strategic initiatives being submitted to Cabinet for approval are subject to a robust *ex ante* impact assessment (See Recommendation 6).

Ensure strategic foresight is informing the development of the government strategies

The Government of Finland has been a pioneer in carrying out foresight activity, with both the horizontal foresight report and the Ministries' Futures Reviews coordinated by the Prime Minister's Office. Finland has gone even further in the run-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. While these are positive first steps to produce valuable insights, there is recognition that the process needs to be better coordinated and more closely aligned with strategy-setting. The review proposes to further link these two activities as well as include a wider engagement of stakeholders in Ministries' Futures Reviews. This would improve the impact of this long-term strategic analysis on the content of the Government Programme (see Recommendation 8).

Developing capacity to apply and integrate evidence into decision-making

Independent data analysis and research informing whole-of-government decision-making is key to evidence-based decision-making. Finland has comprehensive population and business registries, creating a powerful base for data analytics and public-policy evaluation in the public sector. The government also has a strong tradition of partnering with a tight network of think-tanks and research institutions to develop policy advice. Nevertheless, Finland could improve institutional mechanisms to integrate various knowledge sources into ministries' decision-making processes. A major issue will be to harmonise the way information is produced, shared and used across government. Moreover, the role of open data should not be overlooked, as it can be used both inside and outside government.

Finland's reforms to the state research institutes and funding model are still on-going, 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 making better use of th knowledge from the various state funded institutes in the policy-making process. Shifting research capacity inside government and closer to decision-makers within Ministries could help improve the use of such knowledge in policy making.

Examples of initiatives include merging state research institutes to create more horizontal and cross-cutting research; establishing a strategic research funding instrument as a result of funds acquired through the mergers as well as additional funds allocated; and creating relationships with universities, including merging research institutes with teams at the University of Helsinki.It will be important to monitor whether the reform will effectively support knowledge-based decision-making more effectively in ministries.

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

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

- Ensuring central oversight on the quality of RIAs for major regulations.

- Building capacity in oversight units for conducting regulatory quality control by allocating more resources, both in terms of financial resources and analytical staff;

- Mandating a traffic-light system between the PMO, MoJ and MoF, chaired by the PMO, so that they work closely together on an on-going basis to ensure that any major strategic initiative being submitted to Cabinet for approval has been the subject of a robust ex-ante, value-for-money test;

- Ensuring assessments of regulations adequately take into account the impact on small and medium-sized enterprises (SMEs).

(Recommendation 8): **Towards more joined up and inclusive foresight activities in Finland**. The Finnish Government could consider:

- Better joining up both major foresight activities,

- Eensuring the horizontal foresight report is linked and informs Ministries' Futures Reviews and that in turn the Ministries' Futures Reviews are informing politicians' and civil servants' decision-making in the Government Programme and HOT processes.

- Ensuring timelines of the foresight activities are shifted in order to have results to inform the various processes and work streams;

- Ensuring the government horizontal foresight report cross-cutting topic is one that will prove useful for ministries' Futures Reviews, and that both communities are joined in coordinating both efforts.

Fostering structural and resource flexibility in the public sector

"Strategic agility" 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 make decisions on how best to shift and re-allocate human, financial and institutional resources quickly to address them. Strategic

agility evokes the need for nimbleness in engaging national, sub-national and civil-society stakeholders to ensure that the government is on the right track in identifying these strategic issues properly and the options to address them effectively. Structural and resource flexibility contributes to strategic agility.

Enhance flexibility in resource-allocation processes

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

In *Finland*, this process of re-prioritisation and re-assignment of resources is rigid and less frequent. Finland's Government Programme lists the government's important strategic priorities that it will pursue over its mandate and presents the implementation process it intends to follow. However, the priorities in the Government Programme tend not to lead to resource-reallocation across ministries or government agencies. To the contrary, the reprioritisation of resources tends to occur *within* ministries or a single policy sector and even this does not occur frequently.

To sustain capacity to fund multi-sector, integrated strategies that cross ministry boundaries, the Government of Finland could consider building *contingency funding* into their annual and multi-year financial frameworks (see Recommendation 10).

Finland has not traditionally used spending or strategic reviews systematically – either with respect to entitlement or discretionary programme spending – nor does it have any meaningful experience with performance-based budgeting. Using spending reviews can help to identify possible savings that could then be used to support high-priority strategic initiatives (See Recommendation 11). These recommendations are consistent with the 2014 *OECD Principles of Budgetary Governance* and can help enhance flexibility in financial-resource allocation in Finland.

Part of the agility governments have in re-allocating resources to meet emerging priorities also includes strategically useful information and a forum in which to use this information to make decisions. Mid-year budget review/updates could be used in Finland to improve strategic resource re-allocation (see Recommendation 12).

Enhancing institutional flexibility

As the Finnish Constitution defines the organisation of the Government; this significantly limits the powers of the Government to re-organise 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. All of these represent barriers to institutional flexibility.

Finland is aware of the need to improve institutional flexibility to heighten agility and co-ordination capacity when addressing complex policy challenges. 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. 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 to strategic decision-making. While the practice of inter-ministry working groups exists (there are currently seventeen), it is neither resourced nor formally mandated. A good practice is the approach to managing EU matters, as mentioned above (see recommendation 4).

Over the medium term, as part of a strategy to ensure that in the Government is not prevented from changing its own configuration, the Finnish 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 re-assign, re-cast, eliminate or enhance ministry mandates, or to shift institutional resources around the system.

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

Indeed, cases in which human resources are re-assigned – temporarily or otherwise – across ministries to help implement a new or emerging priority are very rare in Finland. While the CoG can commission people 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. Re-assigning people from other ministries to work on a new strategic priority simply never occurs. Only when a vacancy appears in a ministry can an employee in another ministry 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, were fundamentally-ineffective empty shells) – 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. It appears that the Finnish administration has yet to solve the issue.

The Government is starting to pursue common, government-wide standards in managing its workforce. 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.

The Finnish Government should continue to pursue the implementation of whole-of-government Human Resource Management standards (see Recommendation 14).

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

(**Recommendation 10**): **Create Contingency Funds and Policy Reserves.** The Government of Finland could consider, for multi-sector strategies or programmes identified in the government strategic programming documents (e.g. Finland's Youth Unemployment Strategy), **identifying in the state Budget dedicated funding.** To plan for **unforeseen/unanticipated contingencies**, the Finnish Government should identify an **annual "Policy Reserve"** contingency fund for strategic multi-sector policy initiatives. These funds could be mobilized as a result of spending reviews or strategic reviews (see below).

(**Recommendation 11**): **Ensure greater use of strategic and spending Reviews.** Finland 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.

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

(**Recommendation 13**): The Government should work to **break down legal barriers to inter-institutional flexibility.** A good starting point for this process will likely be to consider the options of the KEHU Parliamentary Committee report released at the end of 2014.

(**Recommendation 14**): **Pursue the implementation of whole-of-government Human Resource Management standards.** The Government of Finland could consider broadening and deepening their initiatives to implement common standards for strategic Human Resources Management as a means to facilitate inter-ministry mobility and enhance equity of 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. The government should also consider including a mobility clause in career paths, so as to ensure that senior leadership is rooted in multidisciplinary policy experience. This could also be done by creating a single common internal market for staff inside the government, to facilitate staff mobility across agencies and across government.

# Digital Government and Cross-Border Digital Services

A historical leader in search of new inspiration

Finland has traditionally been a leading country in the areas of digital industry, society and government. International comparisons underline the great achievements of policies to stimulate innovation over the past decades:

- Uptake of high-speed mobile Internet is among the highest in OECD countries, in statistical terms it is used by over 100% of the population. Recent growth is driven by mobile technologies such as 3G and 4G.[2]

- 100% of enterprises over 10 people have fast-speed Internet connections. Even the smallest enterprises, which are typically less connected in many OECD countries, show an uptake rate of over 95% (OECD, 2013a).

- Solid policy frameworks and support mechanisms are in place to foster growth and innovation in the domestic technology sectors (see country profiles in OECD, 2012a). This has helped to build up an ICT sector that contributes around 6% to the national value-added.

At the same time, the Finnish ICT sector's resilience is being put to the test since the start of the economic crisis, particularly with the difficulties encountered by Nokia. While ICTs had traditionally been a major contributor to domestic growth, contributing over 10% of GDP, the economic crisis brought the Nokia-led eco system to a halt. According to the latest available data from 2012, the ICT industry's contribution to domestic value-added fell to below 6%, on par with Estonia (Figure 4).

Figure 4. **Value added of information industries, 2000 and 2012**

Percentage of total domestic value added
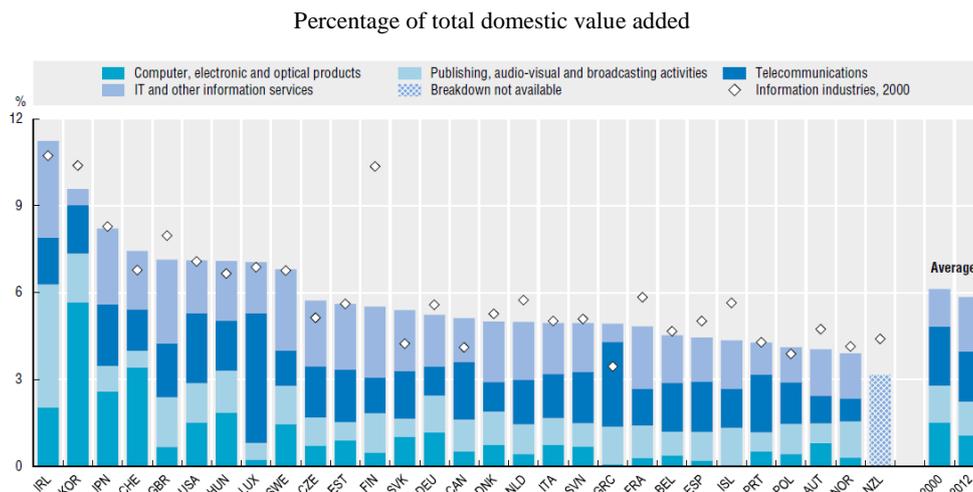
Source: OECD, 2014, Measuring the Digital Economy.

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[2] See OECD Broadband Portal, last accessed 20/10/2014.

While this concerns mainly the private sector, this also has had positive spillovers for the Finnish public sector, as the state administration has traditionally been able to exploit synergies with the technology sector. Online interaction rates of individuals with the public administration stand at around 70%, which is well above OECD or EU average. Intensive use of technology and high levels of technology sophistication are visible across the entire public sector, e.g. in law enforcement, national security or education.

Strong adoption of advanced technologies in individual government organisations is linked to the strong historic contributions of ICTs to domestic wealth, innovation and employment. However, government adoption and use of technology was often done in silos with relatively little coordination and too little focus on the contribution to wider policy outcomes. Lack of coordination among different institutions and partners means that technology has not been sufficiently used to serve overarching government priorities. The division of competencies with high levels of autonomy for municipalities in healthcare or education has led to a duplication of efforts, services and systems that are often not interoperable. The paradoxical result is to limit the public sector's agility.

The gaps in coordination in the development of the digital government in Finland are illustrated by the fact that the first "whole-of-public sector" ICT strategy was only launched in 2012. A government-wide strategy existed before, but concerned just the central government. Further parallel strategies were developed and provide alternative, but not necessarily coordinated visions of the use of information technology for public sector reform: Public Sector ICT Strategy (2012), 21 paths to a frictionless Finland (2013), Government decision on implementing the Structural Policy Programme (2013). While all those strategies are an important attempt to clearly articulate the benefits of whole-of-government digitisation for government reforms, these might be, as is often the case in Finland, a few too many strategies. Multiple strategies and leaders can create confusion about the broad directions individual institutions should follow.

Going forward, some remaining and some new challenges will need to be addressed to ensure the effectiveness of digital government. This review issues a set of country-specific recommendations that are linked to the overarching principles of the *OECD Recommendation on Digital Government Strategies*.[3] Searching for a second wind of its historical model, the priorities for Finland are to resolve some of its underlying digital governance challenges, both at national and at sub-national level, in order to ensure sustainable progress. The unique features of this cross country review with Estonia can help as the Estonian model provides more than one very stimulating feature. Finland also faces the challenges of a relatively decentralized country. 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.

## How can digital government strategies support wider public sector reform?

Coherent digital government strategies to address national policy priorities

Finland has been a leader and early adopter of technology in individual domains. The challenge now is to coordinate 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*

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[3] www.oecd.org/gov/public-innovation/recommendation-on-digital-government-strategies.htm.

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 (Figure 5).

Figure 5.   **Perceived relevance of national digital government strategy**
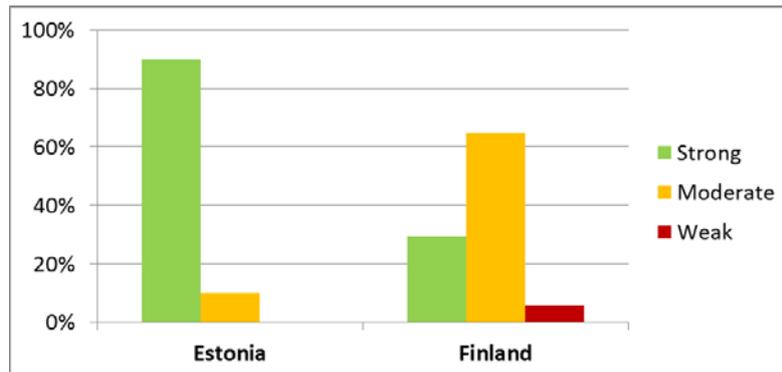
Notes: Indication by national government institutions of perceived relevance of the national digital government strategy to digital public service delivery in their institution.

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

Finland needs to develop a government-wide IT architecture to exchange 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. Central coordination of government IT projects has little "bite" to impose common standards for data exchange.

The challenge, therefore, is to coordinate 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.

Recognition of domestic shortcomings: Finland wake up!

Public sector institutions are starting to recognise the wider challenges to effective policy-making and service delivery posed by a fragmented and uncoordinated information infrastructure. Individual reports by the national audit office 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. Multiple legacy systems and diverse standards for data exchange severely slow down implementation of legislative changes. In some areas it can take years between ratification of a law and its first application.

A strong, political "wake-up call" needs to create public recognition of the fact that Finland's 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, e.g. to halt the relative deterioration of Finnish schoolchildren's performance since 2003 (cf. OECD, 2014a). Such a wake-up call should come from national leaders, in a country where public sector institutions pay strong attention to the directions of their political and institutional leaders (Figure 6).

Figure 6. **Importance of leadership**
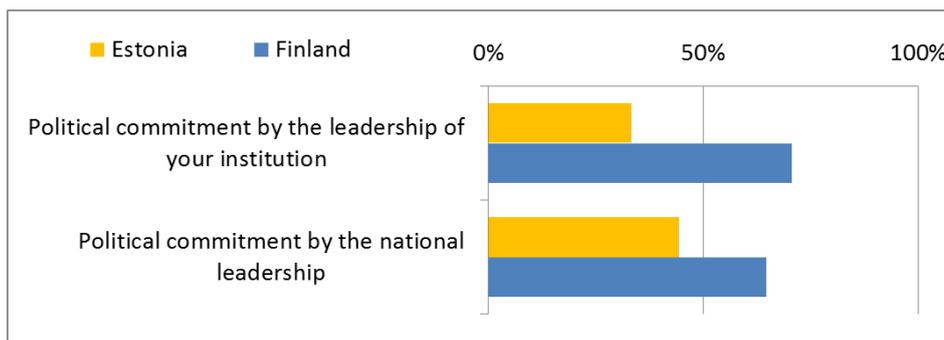
Notes: Share of national government institutions that indicated the selected driver has a strong impact on public service digitisation in their institution.

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

More effective leadership and governance mechanisms

Several formal mechanisms and institutions exist to coordinate digital government implementation across the national government and with local government administrations. Standing committees and review mechanisms were established as early as the 1990s; a Government CIO office at the Ministry of Finance and an inter-ministerial coordination committee were created in the 2000s.

However, it is unclear 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. 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. In addition, the National Audit Office takes a close eye on digital government developments. Formal coordination mechanisms have largely lost their "bite" over time which creates a gap between strategic ambitions and the governance mechanisms available to implement those ambitions.

Involvement of municipal authorities

The Finnish 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 coordinated and has led to duplication of efforts and information systems that are not interoperable. This means that many services today create unnecessary burdens on the side of 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, following up on the example of Denmark in the 2000s.

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

(Recommendation 1): 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;

- establishing a roadmap with measurable and policy-relevant goals and indicators;

- focusing on general technology enablers rather than specific solutions;

- assigning clear leadership and institutional responsibilities.

(Recommendation 3): Finland's government would benefit from a public "wake-up call", meaning a strong, maybe even emotional, assessment of the status quo of the fragmented digital administration and the risks of not taking immediate action. 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.

(Recommendation 5): Finland should **match strategic digital government ambitions with effective governance modes, institutional mandates and incentives**. This should include reviewing the coordination mandates of the Government CIO office as well as of cross-government coordination institutions TIETOKEKO and JUHTA; and establishing a system of incentives that would encourage individual institutions to coordinate and commit to overarching policy objectives for digitization.

(Recommendation 7): Finland should **harness ongoing municipal reforms to build a shared long-term digital agenda**. Better coordination of national and local digital government can be achieved by developing a purpose for digital government that would be shared across national and local government authorities; and Adapting the scope and mandate of the current IT coordination mechanism between central government and municipal authorities, JUHTA.

How to ensure effective implementation of digital government priorities?

### *Effective and efficient IT projects implementation*

Effective implementation is key to a high-quality user experience and to tangible impacts on overall government performance. Finland has displayed a tendency to engage in vendor-driven or technology-driven projects that become so large they increase the risk of budget and time overruns and reduce government 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. In 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, 2013d). The majority of pre-filled tax forms are accepted "as is" by the declaring person, which testifies to the high quality of tax related information exchanges.

Finland differs from Estonia in terms of the take-up of online tax filings. In 2013 only 45% of personal income tax filings were done electronically, compared to over 90% in Estonia. 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. The lower take-up rates for online tax filings are one of the explaining factors why Finland has a cost of tax collection rates that is around twice as high as that of Estonia (Figure 7).

Figure 7. **Cost of collection ratios (administrative costs/net revenue collection), 2011**
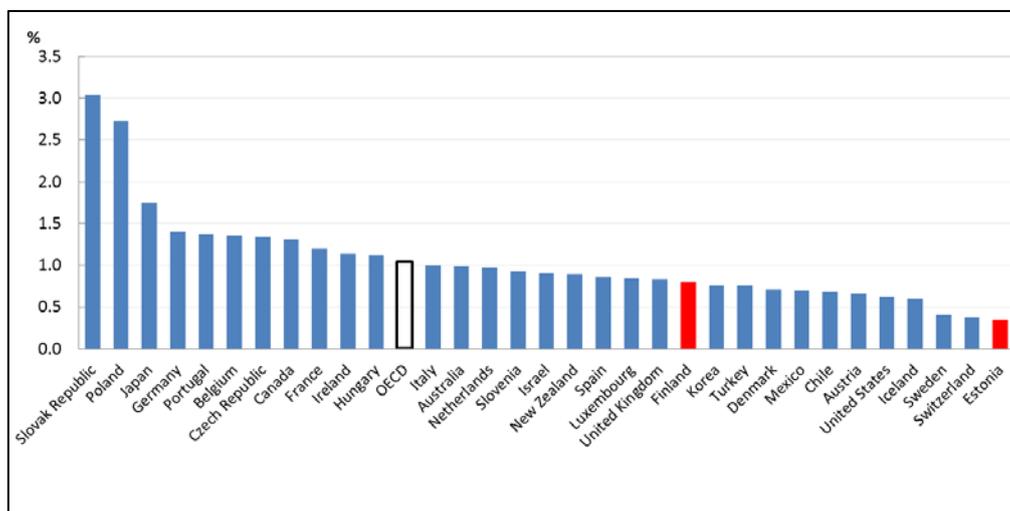
*Source*: OECD, Government at a Glance, 2013

Harmonised use of the business case as a strategic tool

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

A certain business case "culture" is visible in Finland. Most government institutions consider that better service delivery and reduced costs are the primary components to build a business case for IT project decisions. Individual ministries use cost-benefits analyses for digital transformation, e.g. the national police which underwent a strong consolidation of its information systems landscape in recent years. But the existence of government-wide incentives remains low and leads to low levels of commitment towards cross-government digitisation objectives and public service transformation. There is thus 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. The OECD survey shows that just around 40% of national government institutions indicate they use business cases for decisions on IT projects (Figure 8).

Figure 8.   **Use of business cases for government IT projects**
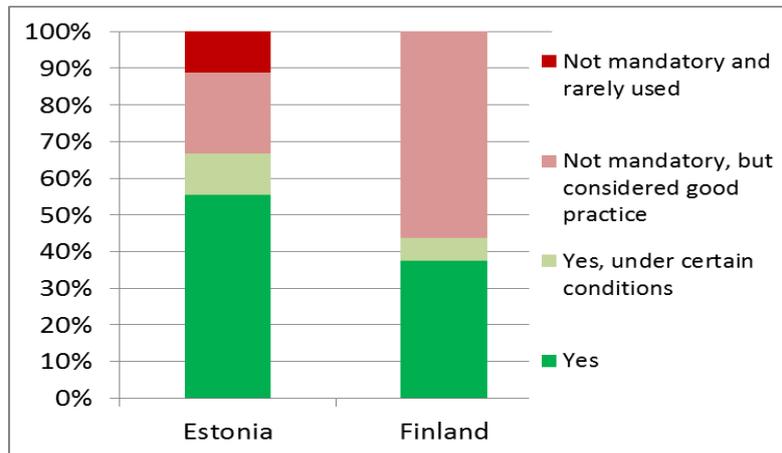
Source: OECD Survey of Estonia and Finland (2014).

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

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

Leading OECD countries acknowledge the importance of iterative and inclusive approaches to the design and delivery of public services. Resources are being dedicated to involve users early on in service design processes and identify solutions through crowd-sourced approaches. There is general recognition for the importance of open and collaborative approaches to digital service development, more than half of central government institutions measure user satisfaction in a systematic way (Figure 9).

The involvement of users has to actually start much earlier than during the evaluation phase. Effective involvement starts with the identification of key issues and the collaborative design of services. The translation of these practices into digital service transformation is only just emerging: few countries have been able to systematically overhaul the way digital services are conceived and implemented.

Figure 9.   **Measuring of user satisfaction in central government institutions**
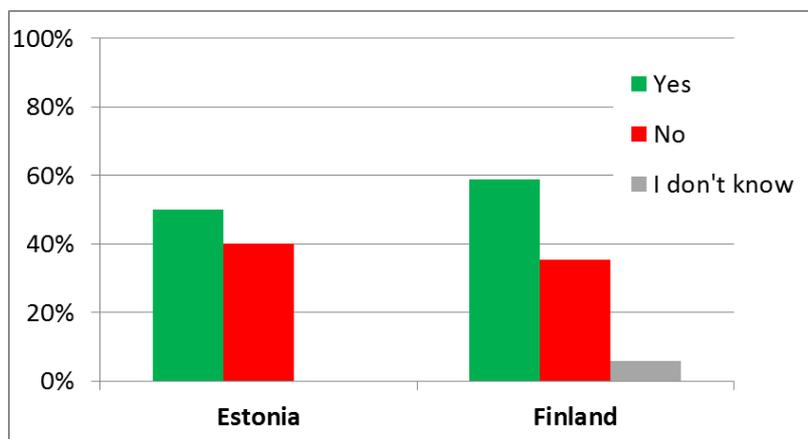
Source: OECD Survey of Estonia and Finland, 2014.

The groundbreaking work done under the guidance of the UK Government Digital Service (GDS) has resulted in new standards for usability of digital services. Opening up government data is showing great potential to transform service delivery, government operations and stakeholder involvement. This is emerging as a transformative element for public service delivery, although not yet across the board (Figure 10 left); and few institutions seem to use such data to obtain insights about users' needs (Figure 10 right).

Figure 10. **Use of open government data in central government institutions to transform public services (left) and to get insights on service users (right)**
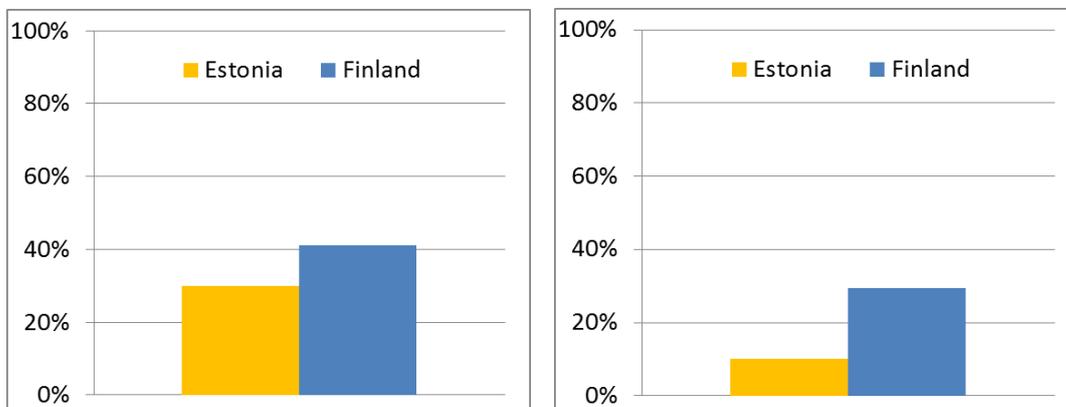
Source: OECD Survey of Estonia and Finland, 2014.

Improving skills and capacities for digital government

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

Finland's contextual factors are favourable, due to a high penetration of technology industry, research and innovation in the economy. Skills are therefore not in short supply

as they are in other OECD countries, including Estonia. Instead, there is need to develop 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 significantly increase project risks. 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.

Finland is not alone in facing the challenge of adapting its skills and capacities base. It can therefore look to different practices in OECD countries for solutions, by creating young professionals programmes (Australia's Public Service), by offering public sector fellowships to technology leaders from business and civil society (United States' White House), by reviewing the IT skills and capacities framework for the entire public sector (United Kingdom's National Audit Office).

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

(**Recommendation 8**): Finland should **promote a harmonised and selective business case approach for major IT investments across government**. The government should aim at achieving greater coordination between investments by developing a common business case methodology under the leadership of the central government coordination unit, i.e. the respective Government CIO offices; by ensuring that the methodology and templates for the creation of cross-government business cases can effectively support strategic steering; by defining rules of procedure as to when business cases are required; by considering international experiences and adapting them to national requirements.

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

(**Recommendation 11**): Finland should **pursue interoperability of government information systems as a strategic enabler of government agility and transparency**. This means expanding existing practices and experiences in using administrative data to build mission-critical (re)action capacities; issuing and enforcing common standards for data exchange within government; and providing individual people and organisations the tools to see the information held about them by the administration and to monitor access and use of data.

(**Recommendation 13**): Finland should **develop an IT skills framework that supports the reform needs of government IT** by establishing a framework of the cross-cutting skills needed now and in the future to regain strategic control of government IT developments; reviewing the set of practices and interactions with private sector IT suppliers; pooling of important skills across government.

(**Recommendation 15**): Finland should **tackle the tendency to "think big" when it comes to the design of IT projects and digital services** by lowering the threshold for central reviews for digital government projects and strengthening the corrective measures attached to it; publishing benchmarks and key performance indicators for public services; compiling a catalogue of all front-facing public services in order to facilitate benchmarking and comprehensive quality checks on public services; designating a "service manager" or "system owner" for each public service.

(**Recommendation 17**): Finland could **draw more systematic lessons from past digital government experiences**, notably by assessing the current performance of the national service portal www.suomi.fi and the "Citizen's Account"; evaluating the low uptake of the national electronic ID and the relatively low number of government services that support this method of authentication; identifying key issues as the new government shared services centre VALTORI is expanding its footprint and operations.

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

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

The bilateral cooperation agenda is supported by international developments. Interoperability initiatives across Estonia and Finland are in line with EU ambitions to create a single market and a single administrative space. Both countries are also involved in European pilot projects like epSOS or ESSII. The *OECD Recommendation on Digital Government Strategies* clearly states the importance of international cooperation to exploit synergies and to deliver better results to digital government beneficiaries.

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 cooperating with Finland seem higher at the outset because of the higher number of Estonians active in Finland. Estonia's legal and regulatory framework and information systems are certainly more ready to create seamless data exchanges across national borders, largely because they can take advantage of the X-road interoperability layer. At the same time there is also recognition in Finland that progress made on cross-border service delivery will feed back on the domestic administration, making selected processes more agile, more efficient and more responsive to user needs. This review therefore issues a set of policy recommendations and a roadmap that are designed to support domestic, bilateral and wider European objectives, e.g. when it comes to removing obstacles to the free movement of people or to completing the Single Market.

Identification of priority areas

In the course of this review, Estonia and Finland collaboratively identified specific services and government-to-government data exchanges that benefit from mutual interest and readiness to explore cross-border cooperation. Pilot projects can start relatively soon in selected areas of the following sectors: taxation, healthcare, social affairs and business-oriented services (Table 2). 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 too. 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.

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.

Table 2. **Selected piloting areas for cross-border services and data exchange a**

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

Moving from political intentions to implementation

Moving from political intentions towards implementation now requires committing actual resources to the cross-border agenda. At a first glance, incentives and interest seem to be higher in Estonia than in Finland to engage in the development of cross-border services and interoperability of information systems in the two countries (Figure 11). This has to do with the greater importance of Finland for Estonia as a destination and source of migration, commuters and business relations than the other way around. Considering the challenges Finland faces in reforming digital government and governance, domestic reform processes would benefit from positive spill-over effects of cross-border cooperation. Improved access and use of information resources can facilitate tackling the informal economy, increasing government agility or developing the "real-time" economy.

Figure 11. **Perceived utility of a cross-border interoperability framework by central government institutions**
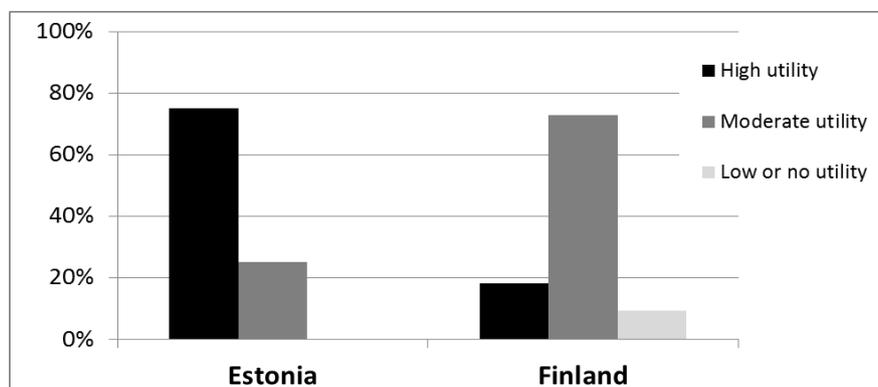
Source: OECD Survey of Estonia and Finland, 2014.

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

Shared governance, coordination and support mechanisms

Day-to-day working relations between cooperation partners will drive a large part of the cross-border services agenda. While many of these relations will be informal, there is a need to formalise some of the bilateral processes in order to make sustainable progress. Documentation of projects is important to maintain transparency about decisions regarding the continuation or not of pilot. Effective means to document how cases were identified, business cases developed, implementation pursued and decisions taken are essential for pilots to become operational. They are also important for cases that do not become operational – as lessons to other cross-border projects. The aim is to create project management templates and 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.

This requires some pioneering work ahead. 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 play an important role for the development of a business case culture in bilateral projects. Other joint governance mechanisms can be expanded to cover further institutions as well as more countries. The "Nordic Digital Institute" is one such proposal on the table. Its ambition is to carry out joint infrastructure projects between countries in the wider Nordic region, focused on basic infrastructure enablers: interoperability layers such as X-road, electronic identities, digital signatures.

Value propositions aligned with national and supra-national priorities

Cross-border service delivery and more seamless exchanges of information between administrations serves commuters, migrants, businesses and the administration itself by reducing administrative burdens and improving accessibility and usability of public services. Bilateral cooperation has the potential to serve wider national policy priorities in each country as well as wider EU priorities too. It is important to consider the detailed linkages early on in order to make sure that bilateral exchanges explore all possible synergies with national and international agendas.

While most government institutions in Estonia believe there is high utility from using cross-border business cases, this is less the case in Finland. It is important for both sides to understand that benefits of real-time digital information exchanges are not evident to every involved institution. The use of common and solid business cases will be beneficial to ensure long-term commitment and allocation of resources by participating institutions.

Figure 12. **Perceived utility of a cross-border business case methodology in central government institutions**
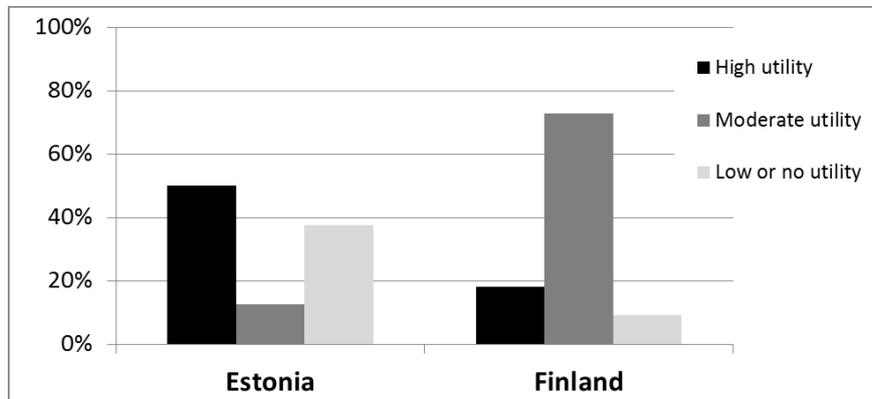
There is thus clearly a need to identify the added value and articulate benefits of cross-border services to get buy-in from individual institutions. More than half of Estonian institutions expect efficiency gains and more effective services from digital cross-border services (Figure 13). In Finland, these factors are drivers too, but not as strong as they are in Estonia. This underlines the importance of well articulating costs and benefits.

Figure 13. **Drivers of cross-border digital public services in central government institutions**
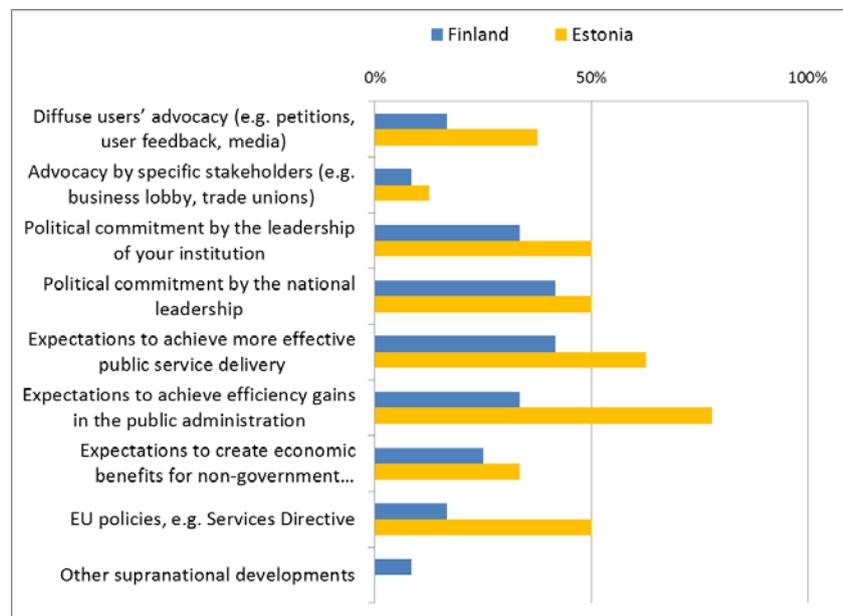
Systematic user and stakeholder involvement

Stakeholder involvement is a critical component for successful design and implementation of any digital service, domestic or cross-border. The 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 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. Akin to the agile methods of domestic public service transformation, more iterative approaches could help validate use cases, business cases and prototypes. It certainly adds more weight if proposals for cross-border services are also backed by demands from the ultimate users and beneficiaries.

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

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

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

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

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

Towards a roadmap for the development of cross border digital services

The roadmap for the development of cross-border services should include a phased approach with three phases presented in Figure 14. The roadmap includes a list of key actions. Many of these actions will have to run in parallel and the full detail of the actions is provided in the review:

- Develop a business case methodology

- Identify dedicated service managers for business cases / pilot projects

- Identify and develop preliminary business cases for individual services/data exchanges

- Identify horizontal barriers or impediments to piloting cross-border services

- Develop a template for documenting and monitoring project progress

- Design and pilot prototypes of cross-border services or data exchange

- Turn preliminary "business cases" into complete business cases

- Establish cross-border governance mechanisms

- Develop a communications plan for the cross-border service agenda

- Establish platforms for continued dialogue and outreach

Figure 14. **Three phases for the cross-border service development roadmap**
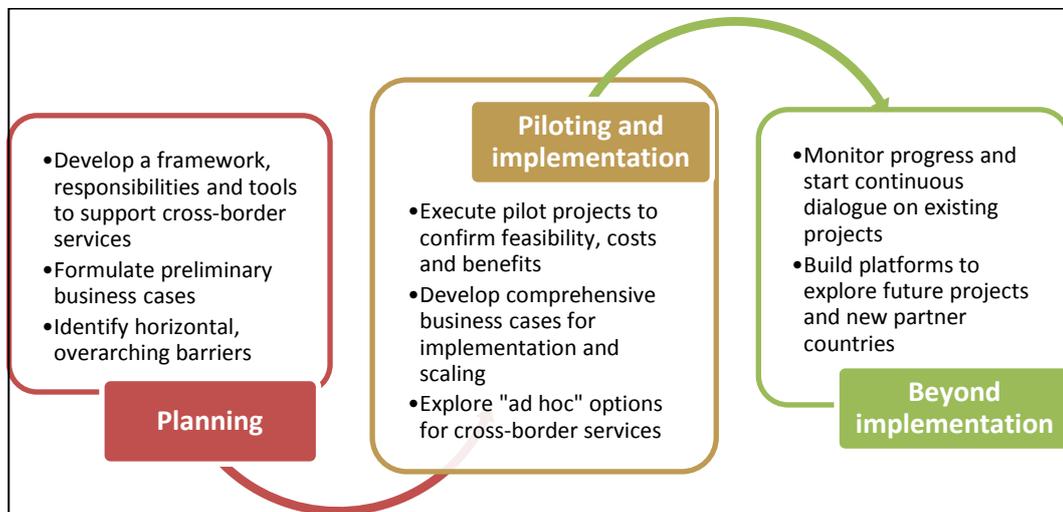
In the process of implementation, it will be important to address risk factors. This includes countering the lack of buy-in from involved stakeholders, resolving conflicts between different agendas, maintaining political support and ensuring the commitment of sufficient resources. Sustainable progress of the roadmap requires careful planning, continuous support and consistency with other cross-border agendas.