GOVERNMENTS FOR THE FUTURE

AUSTRIA • FINLAND • SCOTLAND • SWEDEN • UNITED KINGDOM

Main Report
November 2013

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Executive Summary

The project

Governments for the Future (GfF) is a five country project (Austria, Finland, Scotland, Sweden and the United Kingdom) investigating the current and future roles of the centre of government (project details at Annex A). The aim is *improved governance ability at the centre*. However, that definitely does *not* mean that the centre is our only point of reference. Indeed, one of our key findings is that the centre can achieve most things only in carefully thought-through co-operation with others – sometimes as an initiator, but often more as a facilitator.

1. After deliberation, GfF selected *three key themes*:
2. Horizontal policymaking ('joining-up'). This includes, as a very important sub-category, improving the integration of policy strategy-making with budgeting/resource allocation
3. Improving the systematic use of evidence in policymaking
4. Promoting innovation and building learning capacity

In addition to our key themes we identified *three cross-cutting issues* – factors which were widespread in most national administrations and which needed to be taken into the analysis whenever one or more of the themes was under discussion. These were:

- Certain obstacles and constraints – such as traditional, risk-averse organizational cultures, or lack of analytic skills
- The roles of politicians and civil servants at the politics/administration interface
- The tensions between short term and long term perspectives and relationships

Whilst in one sense our three themes are 'perennials' for many governments, there are additional reasons why they are of acute importance at the present time. The fiscal crisis which is affecting all EU countries to greater or lesser degree enhances the need for better and better-informed horizontal policymaking, as well as the need for productive innovations. At the same

time a number of 'wicked issues' are pushing themselves higher on policy agendas (wicked issues can be thought of as the most challenging form of cross-cutting, or horizontal problem). These are multi-dimensional problems that require very broad, inter-connected responses from governments, and where the nature of the problem itself is in dispute.

There has already been much investigation and debate about each of our three themes, and GfF has built on that. The weight of evidence indicates that no single model is at all likely to 'solve' the challenges thrown up by this agenda. Even if government aspirations may be roughly similar, solutions will need to take account of the particular contexts and national or sectoral starting points. Our five countries display a range of constitutional arrangements, party systems, central government structures, civil service cultures, and so on. Thus, what we can offer in this report is more of a map of issues that require attention, not a six-step programme.

In the main body of the report there are more relevant insights than can be listed in this summary. There are also a considerable number of case studies, which cannot be detailed here either. The following subsections therefore select only some of our key points, and reproduce them in a highly abbreviated form.

Horizontal policymaking

Better horizontal co-ordination requires support from both the political and administrative levels. It needs actions aimed at reaping short term 'wins' but also actions to embed the habit of working horizontally as a new cultural norm. A selective approach, focusing on key policy priorities, is often more realistic than an attempt to be comprehensive. Close links with implementation are vital (a strategy without an implementation plan remains no more than a vision). The precise roles played by ministers, civil servants, the legislatures and others will continue to vary from country to country, which means that the optimal processes and machinery will also vary. Some strategies will be aimed at major change but others will focus on the stewardship of existing assets and advantages. Predominately technocratic approaches to strategy-making are unlikely to be very successful – strategies require political backing over time, and the processes for forming them will ideally help foster trust between leading politicians – as well as between politicians and civil servants. Central units and 'think tanks' are important, but they cannot develop strategies all by themselves. Political leaders work under enormous pressures, 24/7, and strategy advisers need to recognize this. Strong strategies may need a 'window of opportunity' and advisers need to be patient and prepared to seize such opportunities when they occur.

Integrating budgeting and performance management is a very important but also very particular form of horizontality which has a long history of its own. The annual budget negotiations may not be the best place to try to have strategy discussions, but there do need to be regular links between strategy-making and budgeting. Histories in several countries show that constructing and maintaining these links takes years rather than weeks – budgeting, accounting, auditing and performance entities and data collection all need to be mutually aligned. This involves many actors, not just the centre of government. High level, programmatic decisions to allocate or re-allocate substantial resources are the most challenging to link with performance information. Such links are less difficult to develop at lower, more operational levels. However, performance management can never be 'automatic' at any level – the data always requires interpretation and discussion, and the performance indicators themselves need to be regularly reviewed and, in some cases, adjusted. This process works best with wide stakeholder participation, which both improves the technical quality of the data and builds the trust that an effective performance management system needs.

More systematic use of evidence

This sounds straightforward, but its history shows it is not. There are reasons by which both the supply of and the demand for high quality evidence may be lacking. Special units and institutes – both inside and outside government – can play important roles, especially if they have time to build trust and credibility. However, such specialist units can seldom achieve lasting change themselves. That requires a deeper cultural shift so that respect for evidence and the skills necessary to acquire it and present it become part of the standard 'package' for civil servants. Studies have shown that the political demand for better evidence can sometimes be weak or spasmodic. Those promoting evidence-based policy making may need persistence. They will also need skill at demonstrating to ministers why it is in their own interests to weigh the best evidence carefully. Until now, in several countries, it seems that demand for high quality evidence is a larger problem than its supply. The task can be facilitated by procedures and rules requiring decision-makers to pay attention to certain kinds of evidence (e.g. mandatory evaluations for certain EU or national programmes, or mandatory Regulatory Impact Analyses in a number of countries – see OECD, 2012). Equally, the flow of high quality evidence to parliaments is obviously a matter of high importance, and GfF notes several examples of initiatives in this area. The role of legislatures in evidence-based policymaking has, perhaps, been somewhat neglected. If members of parliaments can be encouraged to be interested in high-quality evidence they can constitute a crucial pressure on ministers to be similarly oriented.

Innovation and learning

All governments acknowledge the importance of public sector innovation and most have some special units or agencies which are supposed to promote it. The pattern of these varies widely, and may include independent agencies or non-governmental think tanks as well as units in the centre. As with improving the evidence base, there is a lot to be said for having a network of somewhat differently-positioned organizations rather than a single unit that tries to do it all from one location.

Choosing priority areas in which to encourage innovation is not easy. It helps if there is a current situation which most parties acknowledge is 'not working' – thus creating a readiness to look for new solutions. Even so, extended preliminary discussions among stakeholder are often necessary, and in these the presence of trusted leaders who are adept at organizational boundary-spanning is invaluable. The most successful innovations tend to have rapidly understandable goals and logics – even **i**f the accompanying actions may be complex. They also need – and this **is** a strong link with the preceding theme – an evidence base, including systematic evidence of how and why the *status quo* is failing.

As with the first and second themes, the full embedding of innovation needs longer term cultural change as well as specific facilitating units and incentives. The ideal is a situation where most public servants – not just those with specific responsibilities for innovation – are continually looking for improvements. One major obstacle can be the risk-averse culture which exists in many publi**c** sector organizations. Innovations cannot occur without some element of risk.

The role of the centre of government

The role of the centre embraces all our three themes but goes well beyond that to other responsibilities which are not the subject of this report. It is a role that is and has been changing, not least within the EU, where inter-governmental co-ordination and working with the EU institutions have become regular facts of everyday life. Monitoring of employment and growth in connection with the EU 2020 goals, and the so-called 'fiscal six pack' are examples where internationally-formualetd policies may prompt adjustments to national policymaking.

The centres of government are intensely political environments, and because of this predominantly technocratic approaches to our key themes are likely to fail. Instead our themes have to be connected to the powerful political currents flowing through government centres, and tailored to fit the particular circumstances of each government. The balance between longer

term strategies and immediate concerns is a particularly sensitive one that requires constant attention.

The organizational arrangements at the centre to cater for strategy, improving evidence and encouraging innovations will vary, but we suggest a set of diagnostic questions that help to identify gaps, contradictions and weaknesses. The three themes are not seperate but closely inter-related and mutually supporting. The three cross-cutting issues also tend to be inter-connected, and the strength and types of obstacles, and nature of relations between politicians and officials help to define the differences between different countries. Tiemscales are important everywhere – we offer a diagnostic tabulation of how short and long term elements inter-relate.

Conclusions

The conclusions are divided into a) key implications, b) diagnostic questions, which can be asked in any country and c) a few tentative pointers to what kind of actions might be taken.

The implications include the considerable inter-dependence of our three themes, the need for co-ordinated political and administrative action on each of them, and the indispensability of leadership, not simply to launch but equally to sustain relevant initiatives over time. Both short term 'wins' and longer term actions are necessary.

Our suggested diagnostic questions concern national priorities, the existence of relevant capabilities and authority, appropriate external orientation, alignment of entities for performance and financial data collection, the commitment of the centre to networking, responsibilities for ensuring the quality of evidence in policy proposals, possible cultural barriers to innovation , and the scope for learning from previous experience and international comparisons.

The tentative pointers begin with an observation about the need for in-depth, evidenced diagnosis of priority problems before reaching for solutions. Further suggestions concern the need for persistence and some continuity of personnel, identifying the most advantageous levels for integrating finance and performance data, longer term actions to shift organizational and professional cultures, and the pursuit of a facilitative role for the centre, informed by systematic forward scanning.

There are three appendices. Appendix A gives a brief account of the GfF team and how it worked. B acknowledges assistance the team received. C is a substantial appendix, setting out details and links for some of the most significant cases examined by the team. Finally, there is a selected bibliography.

1 Introduction: what is Governments for the future?

Governments for the Future (hereafter GfF) is a project focused on making the central elements of governments work better in the very challenging circumstances of the early 21st century. It looks at national and international experiences and ideas which may help to improve the key processes of core government. The aim could be described as *improved governance ability at the centre*.

GfF was proposed and organized by the Finnish government (Ministry of Finance and Prime Minister's Office) working in partnership with officials representing the central governments of Austria, Scotland, Sweden and the UK. The GfF team has also included representatives from the OECD and the Finnish Innovation Fund (Sitra), and Sitra has provided funding for the project (See Appendix A).

GfF has focused on *three main themes*:

5. *Horizontal policymaking* ('joining up'). This includes, as a very important sub-category, improving the integration of policy strategy-making with budgeting/resource allocation.
6. *Improving the systematic use of evidence in policymaking*
7. *Promoting innovation and building learning capacity*

The first theme is the most important, and we have spent more time on it than on the second and third. These three themes, taken together, help to define *the role of the centre of government* – and its relations with other parts of the public sector, the business sector and civil society. However, it was clear to us from the outset that the role of the centre had to be considered from multiple perspectives – just to take 'the view from the top' would be seriously misleading. We therefore need to look at the centre from 'outside in' as well as from 'inside out' (and the GfF team members, together with the cases presented, reflected these multiple perspectives). At the end of the report we will return to that theme.

In addition to our key themes we identified *three cross-cutting issues* – factors which were pervasive in most national administrations and which needed to be taken into the analysis whenever one or more of the themes was under discussion. These were:

- Certain obstacles and constraints – such as traditional, risk-averse organizational cultures, or lack of analytic skills
- The roles of politicians and civil servants at the politics/administration interface
- The tensions between short term and long term perspectives and relationships

The main body of this report is structured around the three key themes, but these cross-cutting issues will frequently be part of the analysis. Both themes and cross-cutting issues are brought together again in the final sections.

Finally, it is necessary to say a brief word about the concept of the 'centre of government'. This is not a precise technical or legal term, and in common speech it denotes quite different groups of specific organizations in different countries (we say more about this later, but see Alessandro et al, 2013). In this report we use the phrase to mean those executive organs concerned with the highest questions of governmental strategy, policy-making, budgeting and accountability. Typically these would include the offices and departments reporting directly to a Prime Minister or President, a cabinet office or collective secretariat (if there is one), the ministry of finance, the senior levels in the diplomatic service and any central think-tanks or strategy units. In academic work this assemblage has sometimes been called the 'core executive'. We would therefore *not* include line ministries such as those for education, employment or transport, or their executive agencies.

2 The context – why now?

We thus set ourselves an ambitious agenda. Yet at the same time it is a necessary agenda, because if governments are successfully to tackle some of the biggest challenges currently facing them then our three themes will be among the aspects they will need to address. They are anything but 'luxuries' or 'passing fashions'. In the following paragraphs we explain why horizontal policymaking, evidence-based policymaking and innovation and learning are becoming even more important than they have been in the past.

The fiscal crisis. First, all European governments are facing (in different ways, to different degrees) the longer term consequences of the international banking crisis of 2007/8 and the subsequent international economic crisis of 2009-11. Even the governments whose economies survived these crises relatively well have nevertheless faced the need to make cuts in public spending. Other European governments are having to cope with prolonged spending reductions of unprecedented magnitudes. All need to find ways to 'do more with less' in the public sector – not just in the sense of cutting, but in the sense of achieving maximum effectiveness for the least possible resources. This is not just a technical or economic issue. It is an ethical issue too, because each euro saved can be used to benefit citizens in other ways – as improved services for more people or as tax cuts or to pay off debt. All this points to a) the need to eliminate waste and inefficiency and b) the need to innovate in order to raise the productivity of the public sector. Each of our three themes bear directly on these two urgent needs:

- Innovation and learning are key factors both in identifying waste and in raising productivity (see, e.g. Borins, 2008; Dunleavy and Carrera, 2013). They also contribute to public service morale: in these hard times public servants are less likely to lose motivation if they feel that their creativity is recognized and rewarded, and that they have opportunities to improve services and save money themselves. However, this can be a big change - both culturally and sometimes legally – for systems in which the duty of the civil servant has hitherto been simply to follow the correct procedures, rather than to be pro-active.
- Better horizontal co-ordination helps in reducing waste and inefficiency. It also produces services which are easier to access for citizens (no more need to go from one agency or department to another; no more need to give

the same details time after time). Case studies show that better horizontal co-ordination between different public sector organizations also tends to stimulate innovatory ways jointly to tackle problems.

- Better evidence – and better use of evidence – means fewer wasteful and ineffective polices.It also means that when conditions change, and a programme that previously worked reasonably well begins to fail, valid and reliable performance feedback arrives quickly, enabling policymakers to alter the programme before it becomes a major political and administrative problem. Good evidence is a key factor in accountability, and as different aspects of government become more transparent and accountable, both politicians and public managers need robust data to explain and defend their decisions.

Wicked problems. Second, national and international policy agendas are becoming increasingly colonized by so-called 'wicked' problems. These include climate change, ageing populations, social exclusion and organized international crime. These hard-to-define, multi-faceted problems require joined-up, evidence-based analysis and strategically robust solutions. Usually many different government departments and agencies need to work together. International co-ordination is frequently essential. Sometimes they are problems which have been around for a long time, and past efforts by governments have failed to ameliorate them because they did not tackle the various dimensions of the problem 'in the round' (e.g. local pockets of crime and deprivation). At the same time, national governments are widely seen as being less dominant than they were in the immediate post-War years. 'Greater economic inter-dependence, the opening up of societies and the growing importance of international structures and agreements mean that the outside forces impacting society are more complex, multi-sourced and multi-dimensional than ever before'(OECD, 2000, p12). For EU member states the EU institutions themselves are important sources of both pressures and opportunities for greater horizontal co-ordination. For all these reasons, the solutions – even partial solutions – to 'wicked' problems are highly likely to be horizontal and innovative. *Yet our themes themselves are not new.* We should not believe that these aspirations (better horizontal co-ordination, more frequent use of relevant scientific evidence, etc.) are brand new. On the contrary, under one label or another, these are ambitions which many governments have had for many decades. For example, it is easy to identify attempts to introduce more co-ordinated, evidence-based policymaking and budgeting in France, the UK and the USA as long ago as the 1960s and '70s. We can learn from these previous attempts, but must interpret and adapt their lessons so as to make them better fit the current context. The fact that our themes have often been tackled before – but with mixed results – can be interpreted in different ways. Pessimists might say that the

repeated efforts to (for example) improve horizontal co-ordination show that the goal is unattainable. However, we prefer a different interpretation. It is that governments return to these issues again and again precisely because they are so important, and because the gains to be won from even marginal improvements are very considerable. And each time they return they may have new tools with which to address their problems.

In sum, improving the ways in which the centre of government works would be an important endeavor at any time, but it is an especially crucial one at a time when the environment in which government works has become so volaile, just as the resources directly available to government are so constrained.

3 What kinds of answers can be expected?

If we are looking for improved governance at the centre, what kind of answers (or even solutions) can we reasonably expect to find? It is important to ask this meta-question near the beginning, or the whole project may get off on the wrong foot.

What we cannot expect is a simple 'six-step' model that will fit all governments – or even the governments of the five countries that took part in GfF. Such models may be popular in some textbooks but they do not take one very far in dealing with the practical problems faced by specific governments, and in our discussions the idea of a simple, universal model solution was repeatedly rejected. Even if they embody some insights, such models are too abstract to guide concrete actions, and they take little or no account of local contexts. Time and time again during our workshops we noted important differences of context – of constitutions, political systems, civil service cultures, patterns of institutions and so on – aspects which meant that something which had been done in one country would not really work well or readily fit in another. This finding is amply supported by current academic research, in which contextual differences are repeatedly stressed both at national and sectoral levels (e.g. Andrews, 2013; Bouckaert et al, 2010; Pollitt and Bouckaert, 2011; Pollitt, 2013). Back in 2000 the OECD put it succinctly: 'there is not one correct approach to reform' (OECD, 2000, p11). Similarly, models of corporate strategy-making and innovation from the business world need, at the very least, heavy adaptation to fit the circumstances of central government. There is a long history of attempts to apply business models in government – especially in certain countries – and the record is very mixed indeed (e.g. Radnor and Osborne, 2013 – a general analysis of public/private sector differences is given in Pollitt, 2003a)

But while there may be no 'one best way', there is certainly enormous scope for mutual learning between governments - and GfF contributes to this. There may not be a single 'best practice', but there are certainly examples of poor practice that can be avoided, and of good practice that can be thoughtfully adapted to new circumstances. We cite many such cases in this report. There is often a generic similarity to the assumptions underlying different programmes

in different times and places – assumptions about how particular processes will work – and these provide an opportunity for context-sensitive learning (Pawson, 2013, pp88-99).

If our analysis does not provide a catchy six-step model it *does* provide a wealth of experienced insights and analytical findings. These can be drawn together to provide not a mechanical model but something more like a sketch map. This is a map that warns that certain kinds of terrain are tough or even dangerous, while other kinds may permit quite rapid travel. It is a map that shows that some journeys are bound to be lengthy while others can be more swiftly completed. That certain habitats contain creatures that must be reckoned with, and that other environments are quite fragile, so that valuable forms can be damaged or destroyed if they are approached in a headlong rush. Along with the map go some useful tips for travellers – if you are trying to get across this type of terrain you need to carry the following equipment, and to keep a careful look-out for particular things that can go wrong. You may also need a lot of help from the natives, who will usually know more about how things work in their localities than will any visitor.

What we hope to offer, therefore, is an analysis with relevant concepts and information that will permit and assist reformers faced with specific problems in specific countries to design and implement programmes that will fit their own needs and circumstances. This may not sound as dramatic as an ABC model or template, but we suggest that it is more realistic, more adaptable and ultimately more likely to facilitate tangible and sustainable improvements. It is also in line with sentiments expressed in the World Bank's recent review of its strategic approach to public management reform:

> '[T]here has been a shift in emphasis from a sole focus on reform *contents* (what should be done) towards a broader concern that includes reform *context* (where it is to be done) and *process* (how the problem is to be agreed and the solution developed or the reform sequenced). Accordingly, there has been a strong move away from…broad claims about PSM reform contents that should work across a number of different contexts, towards the idea that "what works" in PSM reform is highly context-contingent'(World Bank, 2012, p10).

In what follows we shall indeed be looking at issues of context and process as well as content.

Furthermore, we should not forget that oversimplification and neglect of context have their own costs. Insensitive or unrealistic reforms at the heart of government can lead to confusion and the appearance of incompetence. Their effects can ripple out to reduce the effectiveness, efficiency or morale of

the operational parts of the government machine. The centre of government is always under scrutiny and under pressure. The ministers and civil servants who work in these complex and tough environments have enough problems to deal with without being additionally burdened with reform initiatives which may sound fashionable but which have not been thoroughly thought through in the specific circumstances of that government, and which therefore lack the robustness necessary to survive. As public management reform has become a more and more international activity the danger of 'fashionable failure' seems to have increased. Just asking 'what is the latest thing?' is not a promising approach to improving governance.

It is for these reasons that the suggestions we offer are themselves multiple, complex, nuanced and tentative. If there really were a single, simple answer to the problems of achieving integrated, evidence-based and innovative government it would have been found long ago. So we make no apology for offering a sketch-map rather than a blueprint. In doing so we are simply reflecting the current state of understanding of a remarkably complex – and remarkably important – set of problems. Some suggestions, and signposts and warnings can be offered, but journeys will necessarily still involve a good deal of exploration and local initiative.

METHODS

The methods we have used to build up our sketchmap are described in more detail in Appendix A . Basically we held a series of discussions in four different countries, with each meeting being enriched by presentations from speakers with direct experience of relevant initiatives and programmes in their respective countries. We also looked at a good deal of documentation by the OECD, the Austrian Federal Ministry of Finance, the Finnish Government, the UK Cabinet Office, the UK Institute for Government, the Scottish Government, the Swedish Government Office and a range of other bodies concerned with public management. Further, we conducted a literature search for relevant articles in leading public policy, management and administration journals, and also inspected a number of relevant academic books and reports. Our ideas evolved as we went along, and the presentations combined with intense but informal discussions were crucial to our mutual learning.

4 The countries involved in GfF

As most (but not all) of our examples and evidence come from the GfF participant countries, it may be sensible to give an extremely brief description of relevant features of these countries. These descriptions should help readers to locate the examples within their national institutions, arrangements and traditions. They also exemplify the point made already, to the effect that contexts matter, and what seems 'natural' in one country is not in another.

The five participating countries were Austria, Finland, Scotland, Sweden and the UK. Some immediate, large-scale differences are the following:

- All except the UK are fairly small countries by population, on a world scale. The populations (2012) were (in descending order) UK = 59.7M; Sweden = 9.0M; Austria = 8.4M; Finland = 5.4M; Scotland = 5.2M.
- All are reasonably wealthy, western or central European states, and all are members of the EU (although Scotland is so by virtue of its status as a constituent country of the UK).
- Austria is the only federal country in the group
- Scotland is the only country which, although it has its own parliament and government (since 1999) is not a sovereign, independent state, since it is one of the constituent countries of the UK.
- The constitutional and legal power and reach of central government varies somewhat between the five countries. The UK is probably the most central-ized, at least in the sense that central government has extensive and detailed powers over local authorities and the National Health Service (although this is in England – Scotland now has considerable autonomy in these re-spects). At the other end of the scale, the powers of central government in Austria are limited by the federal constitution. In Sweden, although it is a unitary state, there is a very strong tradition of decentralizing authority and services to the sub-national tiers of government and to agencies. In Finland, also, the municipalities have considerable legal autonomy.
- The more detailed structures and roles of the central executive also vary. Sweden probably has proportionately the smallest – the 'Government Office' which is a collective grouping of ministries – an integrated agency with purely policymaking rather than operational responsibilities. Most of the operational work of central government is carried on by agencies

which employ the vast majority of civil servants and enjoy a high degree of autonomy. They cannot be given direct instructions on cases by the supervising ministries. The UK is very different, with the Prime Minister's Office, the Cabinet Office and the Treasury at the centre, and then a range of powerful line ministries, usually able to exercise quite close control over their agencies. Austria is different again, where the ministries are rather independent, and themselves possess important strategy-making functions. Finland has a 'heavier' central government machine than Sweden, but, somewhat like Austria, operates a system where each ministry has a considerable degree of autonomy. Scotland has recently undertaken an extensive reform of its central machinery, with a move from traditional departments to directorates general, aiming at higher levels of horizontal collaboration.

- The political systems and cultures show significant variation. Finland and Sweden are usually described as 'consensual' political cultures, and are accustomed to stable, multiparty coalition governments and a deliberative style of politics. Both have systems of proportional representation. Finland has a President as well as a Prime Minister – the former retains some powers in respect of foreign policy, and is Commander-in-Chief. Sweden has a constitutional monarch, but with an almost purely ceremonial role. Most executive decisions are made collectively. Austria operates a system of proportional representation. The Chancellor does not have the power which, say, the UK Prime Minister has to direct or even dismiss individual ministers (who may be from different parties). In the 14 years since Scotland acquired its own parliament it has moved from a series of Labour/Liberal Democrat coalition governments to a one party Scottish Nationalist government (since 2007). The Scottish electoral system is an Additional Members system which seeks to secure balanced representation for the different regions. The UK is a classic example of a 'majoritarian' system, with a 'first past the post' voting system which usually yields a one-party government. Since 2011, however, the government has been a coalition between the Conservatives (biggest party) and the Liberal Democrats. The traditional political style is adversarial – one of vigorous conflict between the government and the opposition. Consensus-seeking is less frequent and prominent than in, say, Finland or Sweden.

- Although in many countries changes of government are accompanied by significant turnover in the ranks of the senior civil service (e.g. France; Germany; the USA) among the GfF group of countries this does not happen much (see OECD, 2011a, pp94-95). Most top civil servants remain in post.

These differences will show up again in later sections of this report, because they can influence the optimal approaches to horizontal integration, improving the evidence base of policymaking, public sector innovation, etc.

5 First theme: horizontal policymaking ('joining up')

This first theme refers to the problem of getting the whole of the government – which is often organized mainly in vertical hierarchies – to co-operate and pull in the same direction. We treat this in two subsections. In the first we address the general issue of horizontality and co-ordination. In the second we examine a particular and particularly important manifestation of this general problem – that of ensuring that the allocation of financial and other resources lines up with the government's overall strategic priorities, and is linked to the performance of particular programmes (very much including 'horizontal' programmes that are 'owned' by more than one ministry or department). Both these subsections are therefore concerned with what in the business literature (and increasingly in government contexts too) is usually termed 'strategy'.

Horizontality and co-ordination

Over the years many governments have launched initiatives designed to improve horizontal co-ordination and strengthen strategic steering. The GfF discussions ranged over a number of national cases, and also took account of our literature review of academic journals and books.

In the academic literature there were two broad approaches to the issues of horizontality and strategy-making in core executives. One was an essentially *managerial approach*, looking to use particular tools and procedures to increase instrumental rationality based on the best evidence available. This approach was much concerned with establishing central units and rational, hierarchical procedures to ensure that the best evidence was brought together and placed before the core strategy-makers. It also tended to assume that consensus could usually be achieved, and that quantitative measures of performance were the 'hard currency' against which success or failure could be assessed.

The other approach took a more *political perspective*, and viewed political competition and conflict as essential, unavoidable and necessary elements in strategy-making. Compromise, rather than consensus was the main aim, and

strategies could be most appropriately assessed less in terms of quantitative indicators (though these still had a role) than in terms of the participation of a wide range of stakeholders and the sense of rightness and justice attaching to the resulting programme.

These two approaches need not be regarded as mutually exclusive alternatives. Rather they are basic ways of thinking and assumption-making which can to some extent be combined in actual, practical arrangements. For example, a government may decide to treat a few, selected and priority issues in a focused, managerial way, but approach the rest from a more political perspective. Different mixtures will suit the different political cultures and constitutional and organizational arrangements of different countries or sectors. Thus (for example) a majoritarian, one-party government may be somewhat more inclined to justify its decisions by an appeal to managerial factors, while a strongly consensus-oriented regime may be more concerned to show that different stakeholders have participated in the policy process and that the result is acceptable to a wide range of actors. But these are only broad tendencies – a particular policy in a given country may well diverge from the norm.

Unsurprisingly, our three *cross-cutting issues* are very visible in horizontal policymaking:

- To begin with, the obstacles and constraints are considerable. In the past most government organizations were basically vertical hierarchies. Rules, careers and cultures were developed within these hierarchies and, contrary to some modern commentaries, they had (and still have) a number of significant advantages. Now, however, the embeddedness of these 'silos' often constitutes a real obstacle to better horizontal co-ordination.
- Similarly, the nature of the relationship between politicians and senior civil servants has its own effect. Effective horizontality always requires something from both groups (Pollitt, 2003b). Purely administrative horizontality without a parallel political commitment is unlikely to be very successful, except, perhaps at very local and operational levels. On the other hand politicians will find it much harder to co-operate across ministries if the administrative structures and procedures remain rigidly vertical in nature. Both need to march in step – they need each other.
- Our third cross cutting issue is the temporal dimension. Here it is clear that there needs to be a balance between actions directed towards the short, medium and long terms. Some of the key moves in achieving stronger horizontal integration in policymaking and implementation can only come in the medium and longer terms. For example, there is the joint training and professional socialization of senior civil servants so that they are used to working with each other across ministry or agency boundaries (this is something already extensively achieved in some EU member states but still largely unknown in others). This cannot be accomplished overnight, or even in a few months. On the other hand, an initiative to improve horizontality

needs to have a reasonable prospect of *some* shorter term gains – it is hard to get people to invest time and energy in a process that will not bear any fruit for years ahead, especially if they are working in the always-pressurized centre of government. The obvious conclusion, therefore, is that any plan to improve horizontal integration will need to take account of all three of our cross-cutting issues.

- Staying with our third cross-cutting issue, the temporal dimension is also important in drawing attention to the advantages of achieving some stability among the senior personnel working on strategy issues. Systems where both the politicians *and* the senior civil servants change rapidly will have difficulty maintaining focus on any strategy. In some countries this is partly taken care of by high levels of stability among senior civil servants, but in others rates of job rotation among top level staff have been rising to levels where continuity is at risk.

A number of other points emerged from the literature review and from our extensive discussions and case analyses:

- A selective approach is usually more realistic than a comprehensive approach, especially in the early years of strategy-making. It is sensible to try to pick a small number of key issues (e.g. climate change; demographic change) for special treatment. The centre of government is always under multiple pressures and will seldom have the time, or administrative capacity, to 'join up' everything. Without some prioritization, therefore, attempts to be more 'strategic' may well founder.
- One line of argument is that the selected priority issues should not only cut across party politics, but also be associated with a deeper, underlying (if sometimes emergent) social consensus (e.g. that something needs to be done to protect the environment, or to lessen inequalities in income distribution). However, there are other occasions when issues that can generate social conflict (e.g. immigration) also demand to be treated in an integrated fashion.
- Strategy making needs to be linked to implementation from an early stage – paper plans which have not been tested for operational feasibility are of limited value.
- Some strategies are to do with facilitating major change, but the centre of government may also sometimes need to develop strategies of stewardship – strategies aimed at conserving valuable aspects of current structures, cultures and practices which may be dwindling away.
- Strategy-making needs to find processes which enable participating politicians to build trust in each other. Purely technocratic styles of strategy making will seldom gain much traction in the political world.
- There are divergent views about how far civil servants need to be involved in the initial strategic political bargaining process during and after

elections (such bargaining is more characteristic of coalition than single party governments). Some argue that the civil service needs to be there to inject realism and evidence, right from the start. Others see some advantage in civil servants *not* taking part initially, but coming in quickly afterwards to develop operationalization. One line of argument is that broad government programmes (containing many items) should emerge from political bargaining, but the strategy for addressing a core set of key 'wicked issues' (related to those programmes) should be developed with civil servants engaging in intensive discussions with leading politicians. In the example of the Swedish Commission for the Future the exercise was led by top politicians, with an aim of agreeing priority issues for the long term (see box below).

SWEDEN: THE COMMISSION FOR THE FUTURE

In November 2011, the Swedish Government established The Future Commission with an aim to identify long term challenges for Sweden. The time-frame is aiming 40 years ahead, up until 2050. Its work focused on 1) demographic development, 2) sustainable growth, integration, gender equality 3) democracy and participation and 4) justice and social cohesion. The Future Commission was chaired by the Prime Minister and consisted of the government coalition party leaders, all of whom also held ministerial posts within the Government. Also, there were representatives from business, academia and national union. The commission had a strong political backing, with all the party leaders in the governing coalition present at its eight meetings. The work has consisted of a large number of open meetings over the country, seminars, workshops and a number of sub-reports, mainly from academics. Its final report *Swedish future challenges* (Swedish Government Future Commission, 2013) was published in March 2013.

[For more details, see Appendix C]

- The precise pattern of interaction will be influenced by the type of relationship which prevails between politicians and senior civil servants in the particular country (the second cross-cutting issue again). For example, in some countries political advisers may play quite an active role in strategy-making while in others they will not (OECD, 2011b). In most countries, however, senior civil servants will, on average, remain in post longer than ministers. This means they have a particular role as stewards of those processes which can only unfold over the longer term. Strategic

action becomes extremely difficult in systems where *both* the politicians *and* the senior civil servants are changing their posts rapidly.

- When civil servants engage with politicians in strategic discussions of key priorities they will often need some 'protection' in the form of (e.g.) a set of groundrules and guidelines agreed in advance. Otherwise it can be extremely difficult for even top civil servants to 'speak truth to power' by offering realistic appraisals of the feasibility of the policies proposed. In the past, in some countries, the established culture at the top of government may have been sufficiently strong to provide this protection in an informal way. This is no longer always the case, so more formal agreements may now be necessary. These would spell out the circumstances under which civil servants are entitled to offer critiques of political ideas and proposals, and, more generally, who is accountable for what during these strategic debates .

- Different countries have different cultures and structures which significantly influence what is possible in strategy-making, and how it can be done. There is no one model of structures and procedures that can be made to fit everywhere (e.g. Austria actually changed the constitution in order to be able to introduce performance budgeting – see Annex C). Once more, we observe that relations between top civil servants and ministers vary quite a lot – the 'public service bargains' (PSBs – see Hood and Lodge, 2006) are system-specific.

- The particular tools and procedures used in strategy making will vary from one country to another, and from one government to another. There are many possibilities to choose among (e.g. the Horizontal Policy Programmes used in Finland 2003-11, Public Service Agreements in the UK up to 2011, the Scottish National Performance Framework from 2007, and so on). The best solutions will be system-specific.

- Trust is a key determinant of what is possible – strategy-making is much more difficult in low-trust environments. On the one hand, participation in a strategy-making process should be organized so as deliberately to foster greater trust among participants.On the other hand, trust should not be regarded as the be-all and end-all. Much can still be achieved in circumstances where trust is limited but real. And it is possible to have too much trust (e.g. in financial regulatory institutions before the 2007 global crisis, or in the integrity of some groups of public servants in some countries).

- Central units (Prime Minister's Department, Ministry of Finance etc) are not the only actors in government strategy-making. In some countries independent think-tanks or parliamentary institutions (e.g. national audit offices) can also play particular roles.

- Most political leaders live in a day-to-day world of immense pressure – 24/7 media coverage, international trips , upcoming elections, etc, etc. Strategic processes have to accept this and build round it – they cannot hope to change it. Occasionally civil servants can be unresponsive or even obstruc-

tive. And occasionally ministers may be quite uninterested in the longer term, and wholly focussed on short term tactical advantages. The aim must be to build and sustain a system and a culture in which civil servants appreciate the short term pressures on politicians, yet at the same time have the confidence frequently to draw their attention to longer term, and more strategic issues. It was noted in our discussions that sometimes this would require civil servants to offer strategic options to ministers more than once until, politically, the time was ripe. In Finland, for example, a system of horizontal policy programmes worked for some years and was then discontinued (see boxed summary below). However, discussion continues, and something like this system could be restored at some future occasion.

FINLAND: HORIZONTAL POLICY PROGRAMMES

A Ministerial Group for Reforming Central Government 1999-2003 looked for ways to overcome the problem of 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 coordinating minister and a full-time programme manager. There was a second round of programmes in Government Programme of 2007. In 2011 Government negotiations, however, there was no political interest in setting new programmes. Discussion continues about their possible usefulness in the future, if some difficulties (such as the very limited amount of own resources allocated to the programmes) can be solved.

    [For more details, see Appendix C]

Some models of corporate strategy-making stress how important it is to have everyone united behind the chosen strategy. In government this may occasionally be achieved, but in other circumstances, however hard ministers and civil servants try, unanimity is simply unachievable. That is in the nature of politics, which is often competitive and adversarial, as different interests are represented. In those cases what is essential is that a sufficient, and sufficiently stable, coalition can be assembled which will sustain the strategy even in the face of criticism from other quarters.

A final thought here is that genuine horizontality usually needs clear leadership, clear but shared accountability and new incentives. One senior British civil servant put it very sharply:'[S]omething is going to have to happen to make officials and ministers working within departments realize that they are being

judged on the outcome of the overall policy on not just on their individual role or that of their department' (quoted in Kavanagh and Richards, 2001)

The integration of strategy-making and budgeting

For understandable reasons, in many countries, the processes of budgeting and financial planning have developed procedures and networks all of their own. These usually involve some of the most powerful actors in government – ministries of finance, parliamentary accounts committees, national audit offices and so on. They are often strong and difficult to change. Unfortunately, however, it is easy for these processes to become somewhat detached from the formulation and implementation of substantive policy programmes. In other words the steering of major government programmes – and the business of ensuring their effectiveness and efficiency – may not be closely integrated with the making and execution of budgets. To put it more sharply, the allocation of resources to programmes may be only loosely related to the programme priorities set out in government manifestoes, announcements and strategy documents.

A further twist to this problem is that, even when a programme structure has been adopted for the budget, each programme may be exclusively 'owned' by one ministry or agency. In this way a programme structure can actually reinforce vertical 'silo-ism'. However, programmes do not *have* to be like this. They can also be designed so that they are shared horizontally between ministries, e.g. an active labour market policy programme may be shared between ministries of employment, social security and education and training. Such horizontal programmes are, however, still relatively novel, and bring with them attendant issues of accountability and target-setting.

A related, overlapping, though somewhat different issue is what the relationship should be between resource allocation and performance management. This already has a half century of history to it, and is by no means straightforward. The idea that a poorly performing programme should simply be closed and a well-performing programme should be rewarded with more resources is naïve. For several good reasons the relationship is more nuanced than that (Pollitt, 2001). Nevertheless, the idea that there should be *no* relation between performance and budget remains unacceptable.

GfF discussed how it might be possible to bring these two vital streams of government activity closer together. How could political steering of policies and programmes be better integrated with financial planning and resource allocation? Further, what role could performance management systems play in feeding back information about how well programmes were running to the resource allocation and strategy-making processes? A number of key points came out of this discussion:

- Attempting directly to combine the annual budget-setting negotiations between finance ministries and spending departments with strategic

thinking may not be the most rewarding way forward. Budget-setting tends to generate a very particular atmosphere and set of pressures to make deals. It may be more sensible for the strategy-making exercise to *precede* budgetary negotiations and thereby act as a framework and indirect influence on the bilateral budget bargaining which follows. However, if that sequence is followed it is usually necessary for the desired links between the first stage (strategy) and the second (resource allocation/budgeting) to be spelled out fairly clearly. Without a formally specified connection or set of framework rules, the tendency may be for the two exercises to remain semi-detached from each other.

- Bringing strategy-making and budgeting closer together is a process that takes time, and will involve many actors. Experiences in several of the countries represented in GfF shows that very clearly (e.g. in Austria, Finland and the UK).

- There may be some advantage in embedding new budgetary procedures, once agreed upon, in law (as in the Austrian case – see boxed summary later in this section). This sends a signal to all concerned that the new approach is not just some passing managerial fashion.

- Rapid, large scale shifts in resource allocation are more difficult in government than in private sector corporations. Governments usually cannot simply suddenly abandon major programmes in the way that companies can sell off certain subsiduaries or lines of business. Major re-allocations are possible (e.g. the reduction in defence spending in many EU member states) but they usually require careful planning and take a number of years to achieve. Currently certain 'wicked problems' – especially demographic change – hold substantial resource challenges.

- A robust performance management system can both help to build trust and act as a strong learning mechanism for politicians and civil servants alike. Whilst everyone recognises that performance data cannot and should not be used in an automatic, machine-like way (it always needs to be interpreted and discussed) there is much to be gained from ensuring that there is regular feedback on how well existing programmes are doing – especially those which are prominent within a government's overall strategy. The Scottish Early Years Collaboration offers an example of such feedback, and of both vertical and horizontal collaboration between many different actors (see box below).

THE SCOTTISH EARLY YEARS COLLABORATION

A wide range of participating organizations agreed to some tough, quantified targets for reducing infant mortality and increasing the percentage of small children reaching developmental goals. Reaching these required strong leadership (many leaders, not just one) and a rapid start with trying out new ways of delivering services. It also required a strategic approach to articulate close collaboration between central government, different departments of local government, the National Health Service, the police, the fire service and third sector organizations. Many, many local actions are co-ordinated in service of an overall national goal of improving the early years' quality of life for all Scottish children.

    [For more details, see Appendix C]

- A number of experts and commentators doubt whether a single, national system of performance targets and measures, cascading down hierarchically from central top priorities to operational measures in each public service or unit, can be made to work well. A number of national attempts to do something like this had ended in failure, or, at least, partial 'retreat'. Performance management may need to take somewhat different forms in different sectors and activities (e.g. in tertiary healthcare as compared with issuing driving licenses). However, joint targets shared between different organizations contributing to the same policy or programme may be a useful encouragement for horizontal co-ordination.
- There were notable cases where performance management systems had become too heavy and punitive and administratively burdensome (such criticisms had, for example, been voiced in both Finland and the UK). There were others where performance management systems seemed to have had little effect, because they had no incentives or penalties linked to them. Practices vary considerably between countries (OECD, 2007). The art was to find a balance between tight-coupling and loose-coupling that suited the particular sector and time. PM systems evolved over time and what was not possible in year 1 could become possible in year 3 (Pollitt et al, 2010).
- There was evidence from several countries to suggest that performance management systems tended to command greater trust (or, at least, less distrust) if during the design stage they had been throroughly discussed with representatives of the staff to whom they were going to be applied. That, in turn, presupposes that staff have received adequate training in performance management – a requirement that is by no means yet

universally satisfied. The Scottish Early Years Collaboration was a good example of targets and measurement systems being evolved between a number of different stakeholders, over time.

- Performance management systems need some mechanism or process by which they can be constantly improved and renewed. Static systems seem to run out of steam. Systems which are being changed all the time, on the other hand, cause confusion and cynicism. The art is to find a balance that recognises the need for new measures nd new stimulii, but without allowing a very high 'churn rate' of indicators.

- Performance management data need to be collected from the same entities that financial data are collected from. Thus, for example, if performance data is collected by programme but financial data is collected by organization, **and the pattern of** organizations does not exactly match the programme structure, then the horizontal integration of management and financial decisions becomes very difficult. This is particularly likely to occur where successful programmes require the co-operation of more than one ministry or agency. Furthermore, the conformity of performance and financial entities is usually needed at several levels (e.g. programme, organization, activity) (Pollitt, 2001). If a system does not yet provide such conformity there may be a need to focus priority on the interfaces and levels which seem to be the most important for integration.

THE AUSTRIAN BUDGET REFORM

The Austrian Budget Reform combines horizontal policy making with financial and political planning and steering processes and the systematic use of evidence. This comprehensive reform includes, inter alia, a medium term approach, a new budget structure, a stricter focus on outcomes and a new impact assessment.

The whole reform process is an overall administrative reform and initiated other reforms in different areas as IT, personnel, etc. Different elements like lessons learned and long-term engagement of relevant stakeholders supported the process.

The reform established a framework by which tax funds can be used more effectively and efficiently. It promotes transparency regarding the goals to be achieved by the federal administration with its budget funds as well as the activities promoting these goals. It is an ongoing process, with some aspects still not finished and under implementation, which will be evaluated and improved constantly.

[For more details, see Appendix C]

6 Second theme: improving the systematic use of evidence in policymaking

At an early stage we noted that evidence-based policymaking (EBP) had often been proposed as a principle or motif, but seldom demonstrably implemented and embedded. Indeed, certain academic studies indicate that in some quarters optimism is currently in short supply, and that EBP is extremely hard to do (Bogdanor, 2005). Yet in other places EBP is still 'the new thing', and even in those countries (such as the UK) where it has been on the official agenda for a long time, new approaches are being attempted, and a range of organizations – both within government and outside it – are focused on improving the quality of the information that is supplied to policymakers (Rutter, 2012). That is a tribute to the importance of the issue, which is one of the principal foundations of effective policy.

Our discussions surfaced a number of key points. First we will address the issue of the supply of high quality evidence, then the demand for it:

- Organizations or agencies specifically devoted to promoting EBP need both independence and credibility to perform effectively. There are many different forms and degrees of independence and the most appropriate will vary according to the particular national or sectoral context. Credibility has to be earned. It certainly helps if the organization/agency operates with high transparency. Time also helps - trust is built up gradually, as years of visible independence and competence steadily enhance the status of the organization concerned (e.g. in the National Institute of Health and Care Excellence in the UK – see 'What works centres' in Appendix C).

- Promoting EBP can seldom be left to just a single specialized agency. A more robust situation is where there are several such bodies, perhaps one or more inside government and one or more outside. They can then operate as a network, each with its own particular strengths and weaknesses, but collectively existing as a community standing in favour of respect for good quality evidence and argument. In the UK the 'What works?' network is an example of the foundation of such a community (see Box below)

CORE FUNCTIONS OF WHAT WORKS CENTRES (UK)

Each What Works centre will be **independent of Government**, with **a clear and relevant policy focus.**

Each will:

Generate evidence synthesis

1. Undertake systematic assessment of relevant evidence and produce a sound, accurate, clear and actionable synthesis of the global evidence base which:
   i. Assesses and ranks interventions on the basis of effectiveness and cost-effectiveness;
   ii. Shows where the interventions are applicable;
   iii. Shows the relative cost of interventions;
   iv. Shows the strength of evidence on an agreed scale.

Translate the evidence

2. Produce and apply a **common currency** for comparing the effectiveness of interventions.
3. Put the **needs and interests of users** at the heart of its work.

Evidence absorption

4. **Publish and disseminate findings** in a format that can be understood, interpreted and acted upon.

Promote good evidence

5. **Identify research and capability** gaps and work with partners to fill them.
6. **Advise those commissioning and undertaking innovative interventions** and research projects to ensure that their work can be evaluated effectively.

[For more details, see Appendix C]

- Those who produce and possess the most reliable evidence may not have proper access to policymakers – not at the right level or the right time. It is widely believed that evidence is more likely to be influential if it is injected relatively early in the policy formulation process, before stakeholders' positions have hardened and bargains have solidified.
- Even if they have access, those who produce and possess the most reliable evidence may lack the skills necessary to present it clearly and persuasively to top decisionmakers. Creative thinking is sometimes necessary in order to find ways of showing that paying attention to the scientific evidence *can*

be in the interests of the political decisionmakers (e.g. by providing them with a strong future defence when their accountability for a programme was being examined by the legislature or a national audit office).

The above points relate to the supply of evidence. Yet both first-hand experience and a number of studies indicate that 'demand barriers were more significant' (Rutter, 2012, p4; see also Bogdanor, 2005; Mulgan, 2009). Relevant issues here include the following:

- Hard scientific evidence often arrives too late for time-pressed policymakers. Similarly, careful evaluation of a new policy or programme will often not produce final results until after the next election, or after the policy has been changed again, at which point the evaluation results may be dismissed as no longer relevant (even if, often, they still are). This is clearly a manifestation of our third cross-cutting issue: the temporal dimension. It is yet another example of the difficulty in maintaining a balance between short term pressures and certain things which can only be created or discovered in the long term.

- Some issues are, in political or ideological terms, heavily value-laden. Politicians may quite legitimately decide that value concerns over-ride detailed scientific evidence (Mulgan, 2009).

- Advisers need to take into account the political fact that it is usually hard for ministers to alter major policies once they have been announced. This is awkward, because frequently innovatory programmes involve a lot of learning and adaptation during implementation (Pawson, 2013). It this regard it is rational to install a system of medium term reviews of new programmes to promote policy learning, but political sensitivities mean that adaptations need to be carefully presented to both political and public audiences. Much may depend on the state of relations between the civil service and ministers (our second cross-cutting issue). If there is mutual trust civil servants will be able to face ministers with failures as well as successes, and discuss problems and adaptations to meet them in a candid and open way. However, if ministers either distrust or disrespect their senior advisors, the latter will be much less likely to take the risk of 'speaking truth to power'. Problems will be ignored or downplayed, time and resources wasted, and opportunities missed.

- Laws and procedures can help to encourage politicians to pay greater attention to high-quality evidence. For example, new impact assessment requirements in Austria mean that ministers know they may face questions from the parliament, the court of audit, the Chancellery and the Ministry of Finance about the evidence they used in arriving at particular decisions. The Federal Performance Management Office has a specific responsibility to check output and outcome statements from the ministries for quality (see Box below)

FEDERAL PERFORMANCE MANAGEMENT OFFICE (AUSTRIA)

Within the Federal Chancellery a new unit – the Performance Management Office started directly after the budget reform was approved in 2009. It was in direct communication with all ministries regarding the necessary steps for Performance Management.

The Performance Management Office provides quality assurance on performance information and prepares the annual federal performance report, which is based on the ministries' statements on achievement of objectives and presents it to the Parliament. This report is discussed together with the draft budget statement in autumn each year.

Furthermore, the systematic use of evidence will come more into effect by the ex-post evaluations of all regulatory impact assessments within the first five years done by the respective ministries. These evaluations are collected and reported to Parliament each year in the form of the report on internal evaluation by the Performance Management Office

[For more details, see Appendix C]

- Legislatures as well as ministers need high quality, independently-sourced evidence (they are already exposed to endless lobbying by special interest groups, who tend to provide them with evidence from particular points of view). In Finland a special procedure has been created to ensure that the Parliament is given timely, strategic information about longer term issues (see Box below)

FUTURES REPORTS BEFORE PARLIAMENTARY ELECTIONS (FINLAND)

Before parliamentary elections Finnish ministries prepare Futures reports from their administrative fields. The idea is to offer political decision-makers an information base about past developments and existing commitments, as well as the core challenges and options in the future The work is done by civil servants. Ministers are not involved. The reports are available to all the political parties, regardless of whether they are in the Government or in the opposition – they have equal access to this information.

[For more details, see Appendix C]

- The civil service may lack the culture or the skills to appreciate and/or use different types of evidence. Ideally, the civil service will think imaginatively about timely ways to bring good quality evidence into the policy process, and will know where to go to get that evidence. In principle, with the development of the Net, the problem of finding the evidence should have diminished, but, if it doesn't occur to officials to look, or they don't know where to look, or what kind of material to look for, then the fruits of the Net will wither uneaten. This is an example of our first type of cross-cutting issue – an obstacle to EBP which can only be overcome by a mixture of new appointments, appropriate training and suitable incentives.
- Whilst transparency and openness remain the ideals, there will continue to be some occasions on which ministers need to be able to consider highly sensitive evidence in confidence. Premature public disclosure of such evidence may undermine the scope for reasoned debate and result in the elimination of sensible options by 'media frenzy' or populist political rhetoric. The Northern Ireland peace process, for example, would almost certainly not have come to fruition if the early moves had not taken place in carefully-guarded secrecy.

7 Third theme: promoting innovation and building learning capacity

Among the different countries taking part in GfF we find a variety of agencies and units specifically devoted to promoting innovation. Some may be close to the core of governments, others at arm's length from ministries, and some are private sector foundations. Whilst these often do very valuable work, it is clear that simply possessing an innovation unit of some kind is not enough by itself. A lack of innovation cannot be fixed just by creating an innovation unit – institutional design is only one part of what appears to be a complicated equation, involving culture, incentives, leadership and legal frameworks. Both the cases GfF specifically examined and the general scientific literature on public sector innovation (Bekkers et al, 2011; Borins, 2008; Mulgan, 2009) stress the interaction of a considerable number of factors. These include:

- A current situation in which it is widely recognized that the existing policies and ways of doing things are not working. This creates a readiness to at least consider more radical approaches. It can also mean that even partial fulfillment of the goals of the innovation will look relatively successful when seen against the previous record of failure.
- Some existing evidence base – it does not have to be complete, but at least it provides *prima facie* evidence of what is failing, and by how much, in the *status quo.* For example, the UK Behavioural Insights Team has put heavy emphasis on acquiring high quality, often experiment-based information (see Box below).

BEHAVIOURAL INSIGHTS TEAM (UK)

The Behavioural Insights Team was set up in the Cabinet Office in 2010 to draw on ideas from the behavioural sciences in order to inform public policy making in the UK. The team has worked across almost every area of domestic policy, with a particular focus not just on designing more 'behaviourally informed' interventions, but of testing and trialling these new policies so that we can better understand what works.

Behavioural insights are policies that seek to encourage, enable or support individuals to make better decisions for themselves. They draw on a range of academic disciplines that include behavioural economics and social psychology, whose guiding theme is to understand how people actually make decisions. The Behavioural Insights Team (BIT) has a particular emphasis on testing and trialling interventions in real policy settings through the use of randomised controlled trials (RCTs).

[For more details, see Appendix C]

- Some claim to earmarked resources for new solutions (not always essential, but it certainly can help).
- Trusted leadership for the innovatory effort – especially the kind of leadership that is able and willing to cross organizational and sectoral boundaries. Again, leadership by itself is not enough, but innovation without leadership is that much harder. Once more, we encounter our second cross-cutting issue – relations between ministers and the civil service. Sometimes this leadership is easier to achieve not in a broad and general context but in a specific thematic field. Austria implemented an innovation unit for e-government, as explained in the box below.

E-GOVERNMENT IN AUSTRIA AND HOW TO USE IT FOR CITIZENS AND ADMINISTRATION

The success of eGovernment in Austria was driven by the adoption of a comprehensive legal framework, well established cooperation and coordination as well as a well-defined eGovernment strategy and action plan. The Platform Digital Austria is the centre point for coordination and strategy of eGovernment. Austria concentrates its efforts on an open, scalable infrastructure that could be expanded and would be secure and sustainable in the long-term. The actual implementation of individual projects was carried out by various working groups that were made up of experts chosen from across the country from the Federal Government, different provinces and municipalities as well as those from various business sectors, according to their area of interest and expertise. One of the main goals of eGovernment is to make all public authorities available electronically from local communities on up to federal levels. Some of Austria's successful examples are the Transparency Data Base, which gives information to state aids, FinanzOnline – the virtual tax office – or the business Service Portal, which serves as a single entry point for businesses to the administration.

[For more details, see Appendix C]

- A willingness and openness to discussion. This may seem obvious, but in several of our cases extended and intensive discussions were necessary to get different organizations and/or groups of staff 'on board' for the new approach. Innovations are hardly ever just 'Eureka!' moments – they do not 'pop out' in a finished form, but more often evolve and grow as more actors join the discussion. Public service cultures which discourage open discussion are a significant obstacle to both innovation and learning. They can be changed, but only by concerted effort over the medium and long terms (the third cross-cutting issue).
- The innovation has understandable core goals and logic. It may involve complicated actions but these need to be understandable within some broader framework, with which rank-and-file staff can identify. Ideally local activities can be linked through right up to national goals.
- Wide promotion of the understanding that innovation is not something peculiar to special innovation units, or some technical elite, but is an on-going possibility for most of the public service. Without this understanding there may be a tendency for many public servants to assume that innovation is always someone else's business.

- Also, the creation and promulgation of an understanding that risk and failure are integral parts of innovation. If all innovations could be guaranteed to succeed, they would not be genuine innovations. This is a tricky type of understanding to create and maintain, not least because the political or media focus on failures and can easily 'scare' civil servants away from taking risks, and turn them into conservative, rule-following bureaucrats. Traditional systems of accountability – still dominant in many places – focus overwhelmingly on errors. The latter condition is one major obstacle to innovation (first cross-cutting issue).

- Identifiable organizational support for and legitimation of public sector innovation. This is likely to be stronger of it comes from a network of organizations rather than just a lone innovation unit. GfF was, in itself, the result of a linkage of this kind . The Finnish Innovation Fund, Sitra, co-operated with the Ministry of Finance and the Prime Minister's Office to launch this study. Another example would be The Swedish National Council for Innovation and Quality in the Public Sector (see Box below).

NATIONAL COUNCIL FOR INNOVATION AND QUALITY IN THE PUBLIC SECTOR (SWEDEN)

In 2010, the Swedish Government formulated a new goal for its policy on public administration and governance. The goal is *an innovative and cooperative central state administration that is just and effective, has well developed quality, service and accessability and thereby contributes to the development of Sweden and to effective work within the EU*. To support the implementation of the specific aspects of innovation and cooperation, the Government established a National Council for Innovation and Quality in the Public Sector (hereafter Innovation Council) to be active from August 2011 until June 2013. The mandate of the Innovation Council was broad, spanning from analyzing how government agencies perform their development work, to give operative support to specific cooperative agency development projects and propose measures to promote innovation and change in the public sector. The final report "Thinking new to be useful" (National Council on Innovation and Quality in the Public Sector, 2013) was presented in June 2013. The report which concluded the work of the Innovation Council contains a number of proposals to agencies and the Government.

[For more details, see Appendix C]

- Innovation can also take the form of novel means of securing resources for public services. The UK example of Social Impact Bonds (see Box below) is one case. Investors are encouraged to fund contract bids by charities and third sector organizations to run public services

SOCIAL IMPACT BONDS

Faced with increasing demand for services and decreasing resources to meet that demand, governments at all levels are looking for innovative and cost effective ways of addressing complex social problems. Social impact bonds, pioneered in the UK and increasingly being replicated around the world, are a promising new approach to improving outcomes in some of the most complex areas, while generating significant savings. They involve encouraging investors to fund a public service provider who, in turn, is contracted to provide a specified public service, and who will be paid by the public sector if defined objectives are achieved.

[For more details, see Appendix C]

8 Bringing the themes together: the role of the centre of government

The role of the centre of government is not a separate theme but an amalgam of the three previous themes. However, it is worth considering in its own right because it not merely integrates the previous themes – it also goes beyond them. The centre of government is not only about creating a strategic direction, using the best evidence to shape robust policies and promoting innovation and learning. Whilst these are tremendously important activities, the centre of government also has to symbolize the stability, caring and law-abiding nature of democratic government. It has to fight short term fires and deal with unlooked-for scandals. It has to safeguard fiscal prudence. It has to conduct delicate diplomatic relations. And so on. Furthermore, in many European states the role of the centre of government has been changing, at least in degree. Although still a crucial source of hierarchical authority – especially in times of crisis – in many areas it plays an increasingly important part as a source of strategic vision, giver of directions, facilitator and guarantor of the accountability and probity of the many other public bodies. It has also usually become the key link with EU institutions, especially the EU Commission and Council of Ministers. For example, meetings of EU prime ministers/heads of state have now become rather frequent.

One implication of this is that a purely or predominantly technocratic approach to our first three themes is almost bound to fail. One cannot just devise formal technical structures, tools and mechanisms for strategy-making and expect them to survive by themselves at the heart of politics and power (even if we knew for sure what such structures, etc., should look like). Structures and mechanisms will be needed, and can make a difference, but they will need to be of a kind that can connect to the powerful currents flowing through the centres of governments. They will need to be tailored to fit the particular characteristics of that particular centre of government at that particular time. They will need to have features which can be shown to *help* leading politicians and top officials, not just to be yet another item on their very long agendas.

For instance, the role of the centre of government is necessarily different in a highly centralized system like the UK or New Zealand than in a relatively decentralized system such as Germany or Sweden. Similarly, take the problem of achieving a more horizontally co-ordinated strategy. That will take on a different appearance according to whether on has a relatively small central government office – as in Sweden – or a range of comparatively large ministries, as in France or the UK.

Whilst structural/design approaches are unlikely to succeed by themselves, that does not mean that organizational structures are irrelevant. Positioning some elements with explicit responsibility for strategy and steering within the centre of government both symbolizes intent, and gives strategic issues a 'voice' in the innermost councils. In the 1970s the UK Central Policy Review Staff (CPRS) had some real influence, and gave new direction to some key policies, before it eventually fell victim to a new political regime which was unsympathetic to most forms of central planning and analysis (Blackstone and Plowden, 1988). But such central units need both leaders and allies. The leader(s) must create – and continually adjust – a fine balance between work which takes a longer, strategic perspective and work which is of immediate usefulness to politicians and top officials. The leaders should also seek allies from other elements within government and the wider public sector which have an interest in innovatory and strategic thinking. The fine detail of formal and informal processes can be important here – CPRS had a right of access to the Prime Minister and a right to put its own papers before cabinet. These were unusual freedoms which caused other parts of government to take notice of it, but which could also easily be overused.

The question of what new structures or processes may be needed at the centre of a particular government can best be answered on the basis of a systematic diagnosis of the *status quo*. Questions need to be asked on the basis of GfF's key themes. Who currently has the responsibility for ensuring horizontal co-ordination across policy fields, and how is that responsibility discharged? When and how are substantive policymaking and budgeting fitted together? Who checks the quality of evidence in major policy proposals coming to the centre for collective? Where are there voices that will systematically encourage innovation and back the development of promising new ideas (and what kind of protection do they have to perform their possibly controversial role)? How are the answers to these questions related to each other, in terms of structure and process (e.g. are those responsible for horizontal policymaking well connected to those who have an interest in high quality evidence?)? If such a diagnosis reveals gaps, contradictions, or just weaknesses, then how can existing organizational forms at the centre be modified to strengthen the requisite function (s)? It is obvious that the answers to these questions will vary from one country to another. In one there will already be a clear responsibility for promoting innovation while in another this will not yet have been defined. The important thing is that, from

time to time, an individual or team with the necessary status and authority is tasked to ask these questions – to stand back and look at the functioning of the centre of government in these respects as a whole.

Our key themes are heavily inter-related. It would be mistaken to treat them as mutually independent topics or policy initiatives. For example, greater horizontal co-ordination and greater use of high quality evidence are likely to be mutually supporting. Better evidence points to the need for 'joined-up' solutions and joining up itself will probably increase the realization that compatible evidence is needed from different service 'silos'. Not only do the themes interact one with another dynamically, they are also influenced by our three cross-cutting issues:

- Obstacles and constraints – such as traditional, risk-averse organizational cultures, or lack of analytic skills
- The roles of politicians and civil servants at the politics/administration interface
- The tensions between short term and long term perspectives and relation-ships

Thus, for example, the respective roles and aspirations of politicians and civil servants at the politics administration interface will be different in a country like the UK, where the civil service is expected to be impartial and quite separate from party politics, than from, say, France, where each minister has his or her *cabinet* of ambitious officials, many of whom may go on to be politicians themselves. In France political and administrative careers are often intertwined; in the UK they are usually seperate. By definition reforms in country X have to start from the *status quo* in minister/civil service relations, even if there is a wish subsequently to change them. Or again, in Germany the constitutional division of powers between the federal, state and local levels strongly constrains any federal politician or civil servant who might wish to make sweeping changes across the whole public sector. In the UK that kind of constraint or obstacle is far smaller – for example Mrs Thatcher was able to abolish a number of major local governments, in a manner that would be unthinkable (and constitutionally forbidden) in Germany or a number of other continental states.

The third cross-cutting theme is particularly important. To some extent our key themes are intrinsically long term – strategy, resource allocation, acquiring and applying good evidence, fostering innovation. None of these things can be achieved overnight, and all of them have effects which spread out over years to come. Yet one of the things we derived from our discussions was an understanding that it is that much harder to embed these themes in the centres of governments unless there are also some shorter term 'wins'. Very busy people at the centres of governments usually need to see some tangible shorter term rewards for changing their behaviours and investing time in new practices. Therefore those who are

advocating such new practices need to craft their proposals in such a way that politicians and top officials can see long *and* short term benefits from reform. There is an art to presenting things in this way: reformers need to be – or to find – advocates who understand daily life at the centre well enough to make connections with concrete issues of the moment. To illustrate this point it is useful to consider the timescales involved in implementing some of the bullet-point insights which were listed above under the main themes. Table 1 shows a selection of these points, and for each one it indicates a timescale for implementation, plus an example of possible shorter- and longer-term gains.

TABLE 1: SOME TYPICAL TIMESCALES FOR IMPLEMENTING ACTIONS AND REALIZING GAINS

THEME	ACTION	TIME TO IMPLEMENT	EXAMPLE OF SHORT/ MEDIUM TERM GAIN	EXAMPLE OF LONGER TERM GAIN
Horizontal policymaking	Identify priority issues.	Quite short term – just select the issues and announce them. However, if there is no operational implementation to follow up then the effect will be negative.	To demonstrate to the public that action is being considered on issues of public concern. Or, to bring a hitherto under-discussed, but vital, issue to the forefront of public attention.	Likely to stimulate evidence collection and horizontal thinking on major long term social issues, e.g. an ageing population; international organized crime
Integration of financial planning and political steering	Establish a strategic framework that then informs budget-making	Medium term	Existence of a politically-led strategic framework begins to make a space in the budget process for something beyond short-term incremental bargaining between ministries.	Can be used to encourage more evidence-based political discussions on priority issues. May help embed the idea that political promises need to be linked with commitments of resource.
Improving the systematic use of evidence in policymaking	Build networks of mutual support between different organizations with an interest in EBP	Medium term	A network will be stronger and more versatile than any single member organization can be on its own. A network is less likely to fade or disappear when the party (ies) in government change.	An active network may eventually lead to wider cultural change across government
Promoting innovation and learning	Identify the existing evidence base relevant to an innovation, and communicate it to all potential stakeholders	Medium term (the evidence may be scattered and of different types – collating and clarifying it may take time and expertise)	Begins to 'ground' debate about a new idea, and to engage potential stakeholders in a dialogue	May lead to a network that will stimulate further innovation, and work on vital operational details. The centre of government may well be in a position to facilitate such network formation.
Role of the centre of government	Create new strategy unit	Short-to-medium term	Symbolic assertion of the importance of strategic thinking	If the unit can do good work, and become embedded, may slowly lead to cultural change in central policymaking

Definitions: Short term: 1-6 months, Medium term: 6 months - 3 years, Long term: more than 3 years

It should be obvious that the possible gains described in the two right hand columns of Table 1 are not by any means automatic – they are conditional upon intelligent and sustained implementation. One lesson from many of the cases examined by GfF is that such implementation itself needs to be adaptive and flexible. The process of setting up a new unit, or process, is itself a learning experience, in which first ideas are likely to be modified. All this calls for leadership and discussion, yet also a willingness sometimes to move quickly to act (prolonged discussion with no visible effect on action eventually undermines the motivation for stakeholders to engage).

In sum, our investigation shows that the centre of government is called upon to play many parts – and often has difficulty performing them all simultaneously and well. In relation to our three key themes, one might say that the centre can exert its considerable influence and authority in at least four main ways.

- First, it can compose and transmit a vision of the attainable future and the direction of travel necessary to realize that vision. For some themes the main actors may be principally within government (e.g. integrating budgeting and strategy-making) whilst for others the actors will include a far wider cast (innovation, or the creation and use of better evidence for policymaking). Both composing and transmitting such a vision necessarily involves other actors, beyond the centre of government itself.

- Second, it can take specific actions to allow and encourage others (both in the public sector and beyond) to adopt that vision and take that direction. These might include removing procedural barriers or resource constraints which inhibit co-operation or innovation, providing specific incentives (financial or other) and creating new organizations or networks to enhance momentum. The centre also needs to be seen to 'walk the walk' as well as 'talk the talk'.

- Third, the centre can and sometimes should manage selected policy initiatives themselves. This does not mean 'hands-on' management (for which the centre will rarely have the time or capacity), but rather the creation of a performance management framework which ensures that progress - and failure - is tracked and recorded and discussed with those responsible elsewhere in the public sector (and sometimes beyond). The centre can help design the framework and play an active role in the discussions and learning that takes place within that framework.

- Fourth, the centre can ensure that new initiatives are and remain appropriately accountable to parliaments and citizens. Again, exactly how this is done may vary considerably from a more 'internal' initiative, to one oriented more to external service provision, but in either case the centre acts as the final guarantor (within the executive) for the whole system of public governance.

9   Conclusions

This final section is deliberately entitled 'Conclusions' and not 'Recommendations'. That is because what we offer here are:

- A set of key implications that flow from our work, and which need to be considered by those who wish to improve horizontal integration and strategy-making, strengthen the evidence base of policymaking, and promote innovation and learning
- A set of diagnostic questions which can be used in specific country contexts to focus on priority issues that will need to be addressed
- A few tentative pointers to some foundational steps that will often (but not always) prove useful

When we began GfF we were still sometimes thinking in terms of arriving at a conventional set of action recommendations. After our investigations and discussions we think this would be both premature and oversimplified. The plain fact is that the circumstances of each country are so different that, even if there are common aspirations, each is starting from its own place. Any recommendations that would fit them all would almost certainly be pitched at a very high and abstract level of generalization, and would therefore be of limited value in terms of shaping practical choices and actions. What we can do, however, is offer a series of observations that can be used to help formulate, frame and sort the more focused, practical recommendations which each country needs to develop for itself. These should be read in conjunction with the many substantive points in sections 6, 7 and 8 (which are obviously too numerous to be repeated here).

Key implications

- All three themes – horizontality, better evidence and more successful innovation – are becoming even more important than they used to be. None are straightforward –there have been attempts before, many of which have not been particularly successful. Yet each is a theme to which government feel obliged to return, over and again, even if labels change.

- All three can only be progressed if there is co-ordinated action on both the political and the administrative level
- None of them can be decisively improved without leadership (both political and administrative) or without collaboration between a number of different actors/stakeholders.
- None of these forms of improvement can just be ordered 'from the top', although the centre of government *can* play a variety of crucial facilitating roles, and can act to remove barriers and constraints which inhibit other parts of the public sector.
- Some things can and should be achieved in the short term ('early wins' are highly desirable) but to achieve and embed real progress is usually a medium and long term effort, so a degree of continuity is essential.

Some diagnostic questions

For convenience, although the divisions are not 100% watertight, we divide these diagnostics into: a) questions to ask about the status quo in one's own government, b) 'how to do' questions, c) questions about barriers to progress and d) questions about arrangements for learning. First, then, questions about the current situation/starting point:

- What are the priority issues in your country that most need better horizontal co-ordination and collaboration between different public sector agencies?
- Are there units or teams with a responsibility for 'forward scanning', identifying 'rising issues', and bringing them to the attention of policymakers?
- Which individuals or units currently have prime responsibility for supporting strategy-making?
- Do these individuals and/or units have the capability and authority effectively to undertake their responsibilities?
- Do they consult and collaborate widely across the public sector, the business sector and civil society, or are they primarily inwardly-focused?
- How far are performance and financial data routinely brought together in the key documents on which policy and budgetary decisions are taken – both at highly aggregated levels (sectors) and at the levels of individual programmes and policies? If these streams of different types of evidence are not well integrated, what steps can be taken to bring them closer together?
- Who has the responsibility to check the quality of evidence used in major policy proposals as they come forward for political decision?

Next, 'how to' questions:
- How far are performance data collected from the same entities as financial data? Where there are mis-matches, how can they be remedied?
- Which are the organizations or centres which already possess the best

quality evidence on priority policy issues (whether they are in the public sector or outside it)? How can the centre of government encourage them to network and co-operate?

Questions about barriers to progress:
- What are the main cultural and procedural barriers to public sector innovation in those sectors/areas where it appears to be most needed? How easy or difficult is it for operational managers and professionals to try out new ideas (what do they themselves say about this)? What happens to them if they innovate – to the best of their abilities – but the innovation does not work out?
- What (if any) are the factors lowering trust between politicians and senior civil servants, and inhibiting frank – and protected – dialogues about strategic options?

Finally, questions about learning:
- What have been the main initiatives bearing on horizontality, better evidence and innovation in your country in the past? What can be learned from these – both in terms of what worked well and what appeared to fail?
- Given that, in some countries at least, the demand for better evidence seems rather weak, what can be done to encourage legislatures, ministers and senior civil servants to demand and use more quality information?
- What can be learned from experiences in other countries (starting with Appendix C), and how must those actions be adapted to fit the particular politico-administrative context of your country?

Tentative pointers

- Diagnosis comes before prescription. The priority issues for a particular country need to be identified and discussed in depth before a strategy is formed. The discussions should include a range of stakeholders, although there may well need to be at least one more confidential stage of political bargaining. Attention should be paid not only to needs and demands in society and the business sector but also to existing assets that can be applied, including particular centres of expertise, successful policy technologies and positive cultural aspects.
- This diagnostic process needs to be informed by the highest quality evidence available. Participants should not be content with only the 'presenting face' of key problems (as displayed daily in the mass media or general political debates). As in medicine, there is a need to get underneath surface symptoms so as to identify deeper causes. During this process perceptions of the nature of the problem itself may begin to shift (this is a common characteristic of 'wicked problems').

- Strategy formation is not a one-shot process. It will not always go well. Political and other circumstances will not always be favourable to agreeing a firm strategy that can be translated into operational programmes and actions. However, the organizational capability for strategy formulation should be given some stability, so that it is in place and undertaking background preparations, so that it can be revived and used again as soon as circumstances are more propitious.

- The very idea of a strategy implies some continuity over time, at least as far as the major directions are concerned. Continuity is extremely hard to achieve if there is no continuity of personnel. The civil service can be one important part of this, although the increasing tendency (in some countries) for the rapid rotation of individuals through top civil service positions does not help.

- Financial resources are allocated and sub-allocated at many different levels, from major budget headings to spending priorities within a local office. Close integration of such allocations with measured performance may be less difficult at some levels and in some sectors than others. There may be advantage in trying to advance integration selectively, in sectors and at levels where the need for it is most obvious, rather than beginning with a comprehensive, top-down attempt.

- One way – not the only one – of linking resource allocation to strategy is the creation of joint budgets and joint goals, shared by more than one ministry/agency.

- Evidence-based policymaking will never become firmly embedded until it is part of the culture of the policymaking and policy-advising community. So, in addition to specific initiatives to improve the flow of evidence in the short term (which are themselves very important), there also need to be longer term measures to make respect for high quality evidence part of the core professionalization of senior civil servants.

- Similarly, innovation cannot become widespread until it is part of the normal public sector culture. Specialized units can be a good start, but in the medium and longer terms they need to be backed up by training, incentives and professional socialization for many civil servants, not just those inpolicymaking roles. In all this leadership is one very important factor - leaders need to be seen not just to support successful innovations, *post hoc*, but to protect those who innovate - with careful plans and good intentions - but who do not succeed. Risk free innovation is a contradiction in terms.

- The centre's role in innovation is primarily facilitative. The centre should endeavour to have an overview of policy sectors and an informed view of those where innovation is most needed/least frequent. Importantly, the centre has a unique ability to bring other stakeholders – within and beyond

the public sector – together. Central teams and units should therefore focus on scanning and facilitation.

- Horizontal co-ordination, the better use of high quality evidence and more widespread innovation and learning are all mutually supporting. Initiatives on one of these themes can often be crafted so as to benefit the others as well. Reformers - both inside and outside government - should think about these issues in an integrated, interconnected way.

APPENDIX A:

Governments for the future: Aims and methods of working

GfF was proposed and organized by the Finnish government (Ministry of Finance and Prime Minister's Office) working in partnership with officials representing the central governments of Austria, Scotland, Sweden and the UK. The GfF team has also included representatives from the OECD, the UK Institute for Government and the Finnish Innovation Fund (Sitra). In addition there was an independent academic advisor (Professor Pollitt). Sitra has provided funding for the project, and played an active role in the debates.

In alphabetical order the main members of the team were as follows:

Sir John Elvidge	(Retired head of the Scottish civil service)
Lesley Fraser	(Scottish Government)
Gabriele Herbeck	(Austrian Finance Ministry)
Katju Holkeri	(Finnish Ministry of Finance)
Sari Hosionaho	(Sitra, The Finnish Innovation Fund)
Stéphane Jacobzone	(OECD)
Sirpa Kekkonen	(Finnish Prime Minister's Office)
Taina Kulmala	(Finnish Prime Minister's Office)
Liz McKeown	(UK Cabinet Office)
Christopher Pollitt	(Independent academic adviser)
Markus Siltanen	(Finnish Ministry of Finance)
Peter Thomas	(UK Institute for Government)
Oskar Thorslund	(Swedish Social Ministry)
Caroline Varley	(OECD)

The GfF team held a series of discussions in Edinburgh, Helsinki, London (twice) and Vienna. Each meeting was enriched by presentations from speakers with direct experience of relevant initiatives and programmes in their respective countries. A large quantity of documentation was also examined – from the OECD, the Austrian Ministry of Finance, the UK Cabinet Office, the UK Institute for Government, the Scottish Government, the Swedish Government Office and a range of other bodies concerned with public management. Further, an academic literature search was commissioned for relevant articles in leading public policy, management and administration journals (see details in next subsection). A considerable number of relevant academic books and official reports were also scrutinised.

Our ideas evolved as we went along, and the presentations, combined with intense but informal discussions, were crucial to our mutual learning. The significance of certain contextual factors and influences – such as the legal framework, the pattern of institutions and the political climate – became steadily clearer as we worked through the details of the cases presented to us. Even more important, we began to realize how important was the spirit of innovation and improvement which exists in so many parts of our public services, and the patience and hard work that is necessary to achieve success.

Literature search

GfF carried out a literature search across leading scientific journals, looking for articles that dealt with the key themes identified at the beginning of this report. We limited our review to academic journals, largely to the exclusion of books and official documentation (although in a separate exercise the GfF academic adviser reviewed a substantial number of relevant recent books). To select the journals, we relied on the Thompson Reuters Impact Factor for the field of public administration, ranking journals according to their articles' impact on other academic productions. From this list, we excluded the journals with a too explicit philosophical or sociological focus, and retained just the nine journals making the core of the discipline: Journal of Public Administration Research and Theory, Public Administration, Public Management Review, Public Administration Review, International Review of Administrative Sciences, Governance, Journal of Comparative Policy Analysis, Journal of Public Policy, and Political Studies.

From these nine journals, we then recorded all the articles published between January 2000 and August 2012, excluding book reviews, symposia conclusions and other non-article publications. This selection delivered a total of 3935 articles. By inspection we reduced these, first to 353 apparently relevant, and finally to 94 for which we collected abstracts and read more closely.

APPENDIX B:
Acknowledgements

Many public servants policy advisers and researchers in each of the five countries helped the GfF project in a variety of ways. Most obviously, we are indebted to all those who came to present a cases and respond to questions from the team. They are too numerous to list them all.

We also thank Dr Steve Troupin of the Public Management Institute at Katholieke Universiteit Leuven for undertaking most of the literature search, and doing it quickly, and at a time when he was busy with other important projects.

APPENDIX C:
Cases

During the course of the GfF participants were fortunate enough to receive many presentations and descriptions of interesting and relevant cases. For reasons of space we cannot detail them all here, and we have therefore selected only the more prominent ones for summary in this Appendix. We list them in alphabetical order, by country.

AUSTRIA

THE BUDGET REFORM AND THE INTRODUCTION OF PERFORMANCE MANAGEMENT IN AUSTRIA

Overview

The Austrian Budget Reform combines horizontal policy making with financial and political planning and steering processes and the systematic use of evidence. The success factors of this comprehensive reform include different elements like lessons learnt and long-term engagement of relevant stakeholders. The reform promotes transparency regarding the goals to be achieved by the federal administration with its budget funds as well as the activities promoting these goals. It is an ongoing process, with some aspects still not finished and under implementation, which will be evaluated and improved constantly. The whole reform process is an overall administrative reform and initiated other reforms in different areas as IT, personnel, etc. The reform established a framework by which tax funds can be used more effectively and efficiently.

Pilot projects to foster performance based budgeting and flexibility were already started as early as 2000 with so called "flexible agencies". These agencies remained part of the line ministry, but received lump-sum annual appropriations, could forward some funds from one year to the other and had more flexibility in personnel questions. Performance indicators monitored the achievements of performance contracts between ministries and these flexible agencies. With the experience gained in these less than 20 flexible agencies during the early 2000s, the Ministry of Finance started a complete relaunch of the Austrian budgetary system. Furthermore, international best practice

examples were considered by reviews done internally by public servants and externally by international organizations such as the OECD.

To bring all relevant stakeholders on board and to render the reform process irreversible, a **broad political consensus** was sought and a **two-step process** was envisaged: In fall 2004 an informal parliamentary budget reform committee was established to integrate all political parties represented in parliament. This platform enabled a broad discussion, where all different stakeholders could utter their concerns and visions. The reform process was made irreversible by a constitutional amendment.

In 2007 the parliament approved unanimously the **first step** of the reform project, which came into force in 2009: This first stage introduced a medium-term expenditure framework (MTEF) for the federal budget on a four years rolling basis. The MTEF stipulates binding expenditure ceilings, both fixed and variable: While about three quarters of the expenditures are limited in nominal terms, about one quarter of them varies along defined parameters to have a counter-cyclical and thus stabilizing effect on the economy. A strategy report accompanies the MTEF with explanations on the general policy objectives. Furthermore as a part of the reform, it was made possible to carry over funds from one year to the other under certain circumstances. This improves budgetary implementation and creates incentives for a prudent use of funds.

The **second step** of the reform was approved in 2009 and came into effect in 2013: A major element was the introduction of a new streamlined budget structure – instead of more than 1000 appropriations in the old system, the new structure is composed of five headings with about 30 budget chapters and three to four global budgets each, all together about 70 budget lines endorsed by parliament. This streamlined new structure brings more flexibility for all ministries[1], but is contrasted with a stricter focus on outcomes including gender impact: Up to five objectives have to be explained and achieved on budget chapter and global budget level (see picture 1). Furthermore, accrual budgeting and accounting was added to the traditional cash approach to enhance the perspective and to provide additional information to steer the budget. The already existing cost accounting system was also integrated into the new accounting system, which makes it the missing link between financial and performance accounting. As an additional part of the 2nd stage of the budget reform, the medium-term approach towards budgeting was extended to a 30-years perspective through a long-term budgetary projection report, which will be issued every three years.

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[1] The word "ministries" is used here for all ministries and the supreme institutions as the Parliament, the Federal Chancellery or the High Courts.

Picture 1
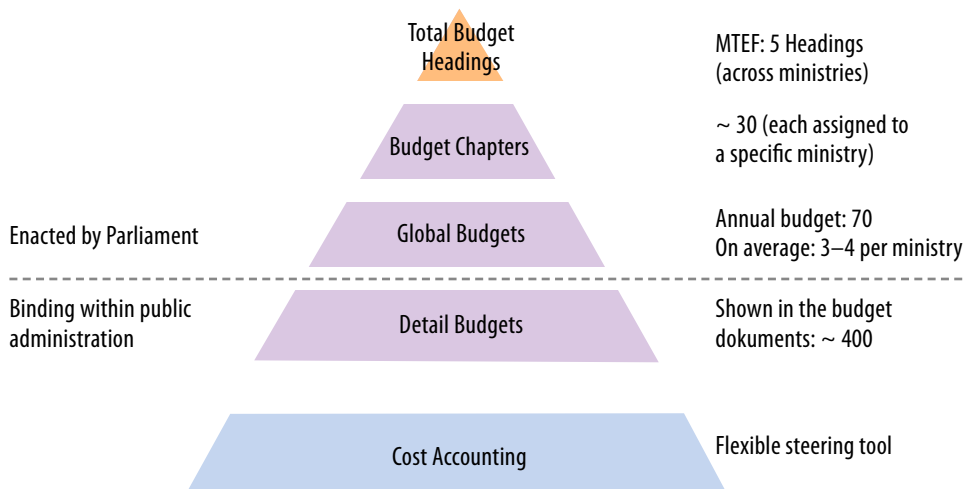
As already mentioned, the process reached out for all relevant **stakeholders** to get as many institutions as possible on board: Thanks to an agreement between the Federal Chancellery and the Ministry of Finance the way for the reform was freed. Besides from parliament and the political parties, which were members of the budget reform committee, the Federal Court of Audit was an important stakeholder and supporter of the budget reform process. Stakeholders as the public were given information about the reform and the opportunity to give feedback to create a positive attitude towards the reform process. Civil servants were also taken on board by giving them ownership of the reform through the use of their knowledge and experience as civil servants.

While all ministries were tasked with the implementation of the budget reform from a "user" perspective, the **preparation work** focused on three units that had to guide and support the process and develop the necessary framework on a more detailed basis according to the Federal Budgeting Act: The Performance Management Office in the Federal Chancellery, the Ministry of Finance and the Parliamentary Budget Office:

Within the Federal Chancellery a new unit – the **Performance Management Office** started directly after the reform was approved in 2009. It was in direct communication with all ministries regarding the necessary steps for Performance Management. Additionally, the legal framework for Performance Budgeting was developed. In the Ministry of Finance a **task force** was established to

develop the concepts and the legal framework, to support cooperation and coordination with other administrative units and finally to implement the reform. The Parliament created the **Parliamentary Budget Office** to support the National Council in budgetary questions.

The following pages will focus on different aspects of the outlined budgetary reform: How is horizontal policy making undertaken in the Austrian context? How are financial planning and political steering linked to each other? How is evidence used in the process systematically? How is innovation supported by and learning capacity built up during the reform?

Horizontal policy making

Horizontal policy making is supported by units like the Performance Management Office. These units provide coordination during the process of defining outcomes and outputs and are tasked with preparing different reports to parliament and analyze different aspects of performance management and budgeting. Together with the Ministry of Finance and the Court of Audit these units improve coordination of overarching horizontal policy areas.

One of the key targets of the budget reform in Austria was to link outcomes and performance to the actual budgets. Several instruments are used to fulfill this task. With the new budget law the budgeting process was split into two parts: In spring of each year, the **medium term expenditure framework** (MTEF) lays down the political goals of the next four years including binding expenditure ceilings. On the basis of the MTEF, the annual budget statement is prepared in autumn. The **strategy report** accompanying the MTEF contains challenges, outcome objectives, current and planned measures and reforms, key expenditure areas, deviations from the past and necessary steering and correction measures.

The performance information is discussed and enacted by parliament and made public in the strategy report and the **annual budget statement**. The annual budget statement includes the mission statements plus up to five outcome objectives: For each budget chapter, the mission statement is explained and the corresponding outcome objectives are defined. At least one of these outcome objectives has to integrate gender equality. Further on, for each global budget up to five primary activities have to be described. Again, these primary activities have to include gender activities. The Federal Court of Audit might add remarks taken out of published reports on the primary activities shown in the budget statement and the respective line ministry can comment on these remarks. The respective ministry has to explain if targets and activities are changed compared to the last year´s statement. All these remarks and comments are shown in the annual budget statement.

To ensure a high quality of performance information, the Performance Management Office provides quality assurance during the preparation of the

budget documents. This quality assurance ensures that performance information is relevant, consistent, comprehensible, contextualized, comparable, and verifiable.

On the level of the detail budgets the objectives and activities – including one gender target – are shown in the explanatory budget documents. These non-binding objectives are explained in more detail and outcomes and targets are defined as indicators. On the next level, performance contracts make sure that the administrative objectives and activities are fulfilled. Non-compliance with planned targets will now be made visible and will therefore be discussed in public. For a short illustration of the above mentioned process, see picture 2.

Picture 2
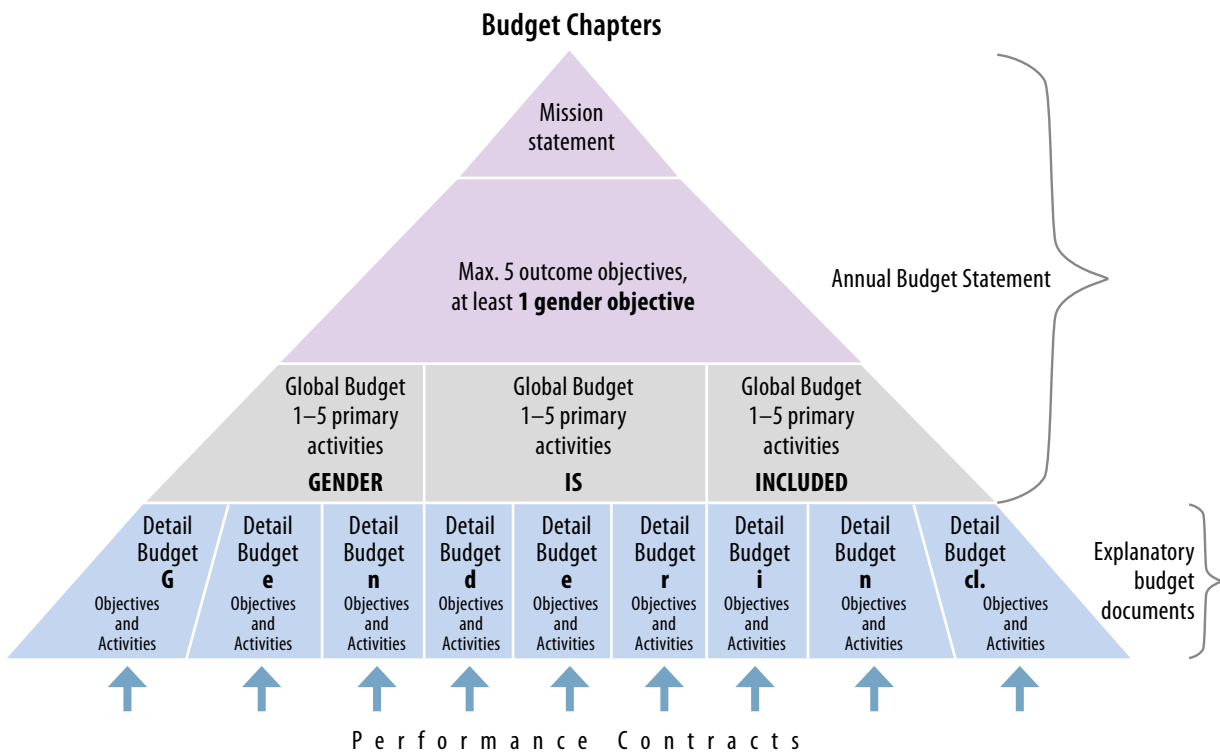
The Performance Management Office prepares the **annual federal performance report** which is based on the ministries' statements on achievement of objectives and presents it to the Parliament. This report is discussed together with the draft budget statement in autumn each year.

One of the important horizontal policy issues, which was addressed within the budget reform, was gender: **Gender budgeting** is now enshrined in the Austrian federal constitution. Gender budgeting as a horizontal topic covering all ministries and all policy areas is now fully integrated into the whole performance and budget process and has to be addressed on all levels of performance management. In this regard, the Austrian budget reform is considered international best practice. Other policy areas such as climate change or development aid still lack this horizontal comprehensive approach.

The integration of other levels of government into one comprehensive system is not scheduled yet. These issues and challenges will be tackled in the constant evaluation of the reform, in these areas innovative approaches are still desired.
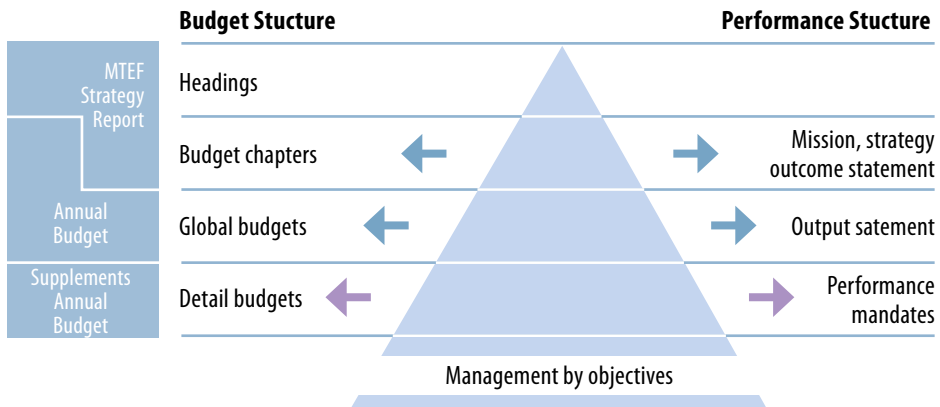
Financial planning, performance management and political steering

One of the improvements concerning financial planning and political steering was the increased budget authority of the National Council: As the focus of the budget documents moved away from pure input appropriation towards outcomes, the deliberations within the National Council also focused on politics rather than only on funds and numbers.

Line ministries also gained a higher degree of flexibility. The line ministers now have greater latitude in the use of resources, but at the same time they do also have the responsibility for achieving results. With the MTEF a political agreement is achieved on an aggregate (headings) level and within these binding limits, the line ministries are free to allocate resources to fulfill their performance objectives within the annual budget statements. There is also more room for manoeuver for line ministries to choose their respective targets. Nevertheless, if there is further need for resources for a ministry, this ministry has to coordinate with other ministries under the same heading as the limits of each heading are binding. Even though there is no direct link between the political governance and the budget, there is now more political pressure to achieve the proposed targets. The results and impacts of the resources spent become transparent in the annual federal performance reports. Furthermore, the differentiation between fixed and variable spending limits within the medium-term expenditure framework lets some variables be determined by objective and measureable indicators. This clear link to some variables connects financial planning and political/economic steering directly and thereby helps automatic stabilizers to work. Picture 3 gives an overview of the described links between the budget structure on the left side and the performance structure on the right side.

Picture 3

Link between performance budgeting and RIA

Budget Stucture		Performance Stucture
Headings		
Budget chapters	← →	Mission, strategy outcome statement
Global budgets	← →	Output satement
Detail budgets	← →	Performance mandates

MTEF Strategy Report

Annual Budget

Supplements Annual Budget

Management by objectives

Another important innovation to link planning and steering is the **regulatory impact assessment** (RIA): According to this new and improved legislation, starting in 2013 all new laws and regulations (including major projects) have to define outcomes and outputs and do an assessments of the following policy areas (impact dimensions): financial impacts; impacts on the overall economy; impacts on enterprises; environmental impacts; impacts on consumer protection policy; impacts on administrative costs for citizens and enterprises; social impacts; impacts on children and young people; impacts on the equality of women and men. To have a general comprehensive and consistent approach in all ministries, a standardized IT tool was developed to help to undertake this regulatory impact assessment. At the moment, two coordination units – one within the Ministry of Finance and the Performance Management Office at the Federal Chancellery – are dealing with all new regulations to improve and develop a good system and help to assure a high level of quality. Nevertheless, line ministries who are responsible for their impact dimensions assist the coordination units and develop instruments to support the RIA in their special fields of knowledge. In this regard, the performance information used has to be relevant, consistent, comprehensible, contextualized, comparable and verifiable. All these criteria are evaluated and supervised by the Federal Chancellery.

Systematic use of evidence

Already before the budget reform, the preparation and drafting of laws included relevant stakeholders in the appraisal process: The feedback of line ministries, interest groups, provinces or the Court of Audit was analyzed by the preparing ministry and the draft might be adjusted accordingly. This system has been enhanced. The RIA delivers more comprehensive and comparable information into this appraisal process. Evidence is already used when the impact assessment is conducted and data has to be used to fill in all relevant dimensions of the impact assessment. Furthermore, the systematic use of evidence will come more into effect by the ex-post evaluations of all regulatory impact assessments within the first five years. These evaluations are collected and reported to Parliament each year in the form of the **report on internal evaluation** by the Performance Management Office

As already mentioned above, the annual budget statements have to include information about why different performance targets have been changed or not achieved. Furthermore, with the **annual federal performance report**, which will be discussed together with the annual budget in the National Council), evidence from performance reporting will be published and discussed by members of parliament. This will enhance and foster an even more systematic use of evidence. All ministries also do have to submit statements on achievements of their respective objectives to the Performance Management Office by May 31 of the following year. The information gained from ministries will then be used to draw up the annual federal performance report.

One of the points which can already be said after several months of using performance information is that there is still some room for improvements: Coordination between ministries on some horizontal issues is still lacking as policy coherence and consistency are not yet guaranteed.

Innovation and building learning capacity

During the development of the budget reforms in Austria, there was little need for external advisors: Lots of trainings as well as the development of the whole reform was mainly done by public servants. Peer coaching was used to train trainers first and then to extend training courses to all relevant persons. Almost no external consultants were used in the process, which also improved the ownership of the reform by the administration itself. Through this approach, capacity was built up within the administration and it was also easier for ministries to deal with the new performance responsibilities. New IT tools were developed for the whole budget process, where necessary. As most of these tools were developed within the Ministry of Finance´s federal IT agency these tools were tailor-made for the use of all levels of the budget reform.

It is important to note, that training, guidance and support as well as the monitoring and development of tools did not stop when the budget reform entered into force in 2013. Public administration needs to adapt to this new way of steering, but the tools also have to adapt to the specifics of the public administration. This is especially evident in the field of regulatory impact assessment, where the trainings and workshops have continued well into 2013 and there is continuous, systematic exchange between the Performance Management Office and the ministries.

As soon as the first ex-post evaluations of the regulatory impact assessment have to be conducted, this process will have to lead to more innovation and learning within the administration. New and better indicators and new ways of getting the necessary information will have to be developed. This internal evaluation process together with the external view on it via reporting requirements to the public will help to improve the new budgetary system also in the future.

EGovernment in Austria and how to use it for citizens and administration

The development and implementation of electronic public services is one of the priorities of the Austrian government. Austria had an early start in 1998 and worked its way upwards to the top 2006 as the European champion in EU comparison starting from the 13th place in 2002. The success of eGovernment in Austria was driven by the adoption of a comprehensive legal framework, well established cooperation and coordination as well as a well-defined eGovernment strategy and action plan.

Legal framework
Austria was one of the first member states of the EU to adopt comprehensive legal regulations in the area of eGovernment. The eGovernment Act is the core of Austrian laws on eGovernment and serves as the legal basis for eGovernment instruments. Issued in 2012, the ICT consolidation act enables the federal government to define standard products in the field of Information and Communication Technology.

Cooperation and Coordination
The Platform Digital Austria has been implemented in 2005 and has become the centre point for coordination and strategy of eGovernment in Austria. As citizens have contacts to all levels of government and seamless interaction with all levels must be provided, this inter-administrative platform includes the federal government, the provinces, the municipalities, the local authorities and businesses. The Platform plays a key role in the achievement of benchmark successes, consults the Austrian Federal Government on ICT issues, and develops strategic initiatives. All eGovernment projects,

strategies and guidelines are able to be collectively planned, coordinated and implemented. In this framework the Federal Chancellery and the Ministry of Finance play coordinating roles. The Chancellery is responsible for the overall coordination of eGovernment whereas the Ministry of Finance develops and implements tailor-made IT applications. In addition a platform for collaboration between administrative, economic and scientific domains has been established to increase a coordinated, research oriented ICT policy.

EGovernment Strategy
Austria did concentrate efforts on an open, scalable infrastructure that could be expanded and would be secure and sustainable in the long-term. The Austrian eGovernment strategy is based on principles like:

- Citizen-orientation: Online services need to be easy to find and available.
- Convenience: Online procedures should make life simpler and more convenient.
- Trust and security: Data protection is a right and citizens have to be able to trust electronic public authorities. This has led to a steady increase in the use of eGovernment services.
- Transparency: All those affected are involved in the development process.
- Accessibility: Services must be accessible to everyone without discrimination.
- Cooperation and Interoperability: eGovernment functions best when all levels of government work seamlessly together. Therefore Austria consolidated eGovernment structures and decided on common and clear goals.
- Sustainability and Openness: In order to keep up with the latest technology eGovernment in Austria has a modular structure which allows new components to be integrated immediately into the system.

The actual implementation of individual projects was carried out by various working groups that were made up of experts chosen from across the country from the Federal Government, different provinces and municipalities as well as those from various business sectors, according to their area of interest and expertise.

Solutions for citizens, businesses and public authorities
For citizens and businesses, the step-by-step implementation of eGovernment makes every-day life much easier. The wide variety of services, such as applying for educational grants online, visiting the Tax and Revenue Office in the Internet, applying for a criminal record certificate or child care grants saves a lot of time and stress, and eliminates unnecessary formalities for the general population. Citizens can decide for themselves whether or not and to what extent they want to carry out procedures with public authorities online.

As always, the option to show up in person at the public authority office is open to everyone.

EGovernment brings about a large increase in efficiency for the government, just as it does for citizens and businesses. One of the main goals of eGovernment is to make all public authorities available electronically from local communities on up to federal levels. In particular, communication should be carried out online.

Example Transparency data base: This comprehensive instrument will improve the Austrian state aid system and will reduce administrative expenses up to 600 Mio. € per year. Besides this, citizens can get an overview of service offers, personally obtained subsidies and transfer payments. In a further stage of extension, online application regarding subsidies and transfer payments will offer additional service.

Example ICT-Security Portal: This portal, an offspring of the National ICT-Security-Strategy provides Information for different target groups from children to ICT-experts. The portal is probably an unique initiative in Europe, because its content is provided by 30 different governmental- and non-governmental-organizations and centralizes all relevant information.

Example Digital Help Portal: This portal is conceived as the central link between public authorities and citizens. The fundamental idea was to create an user-friendly internet portal following the life-events concept in order to find the desired topic from the start page. Some documents can only be downloaded, but more and more entire procedures are able to be carried out electronically without changes in the type of media.

Example FinanzOnline: FinanzOnline is a virtual tax office. All applications can be transmitted via FinanzOnline to the tax offices. In addition, an anonymous calculation for the most important kind of taxes is available. Basic personal data can be changed anytime by the users themselves. Furthermore, there is the possibility to query the tax account online. Notifications can also be served electronically upon request. While it takes two to three weeks for a notification to reach the applicant the conventional way, users of the virtual tax office usually receive their notification after three days. All businesses and 2/3 of all concerned citizens use FinanzOnline. Besides this, FinanzOnline works as an authentication provider for different eGovernment services. More and more services are available for Citizens using the award winning FinanzOnline via single sign on.

Example Business Service Portal: The Business Service Portal serves as a single entry point for businesses to the administration. It offers high quality tailor made information on setting up and running a business in Austria and transaction services. Businesses can use this transaction and information portal to find up-to-date information that is relevant to them, submit data to meet their information obligations and use online procedures to interact with the authorities on all matters important to them using just one user identifier. The

organization of the topics, the search function and the alphabetically sorted directory of forms ensure that the desired information can be found quickly. So for example young entrepreneurs can find the necessary information and applications in the Starting Up section. Every Minister is obligated to assist within his/her area of responsibility with the development and running *of* the business service portal by providing information and support for procedures.

Example IT services for federal personnel management: Uniform business processes and IT-procedures for the personnel management are implemented within the Austrian Federal administration. The whole process – selection, admission, employment and retirement – is fully featured in the system. A combination of information-, documentation-, administrative- and employee self-services helps easing the administrative burden, offers better service and saves public money.

Example Electronic File System: The Electronic File System has been rolled out in the federal government and is also being introduced step by step in provincial governments. It enables seamless communication between public authorities and other governmental or private sector service points. The electronic file system substantially reduces the amount of time since documents no longer need to be sent back and forth between public authorities. Processes are standardised and can run parallel to one another. Enquiries can be carried out directly from a desk and the process workflow is completely transparent. You can find out at any time of day how far the file has been processed.

Further steps

Although eGovernment is successful in Austria there is need to continuously keep up-to-date and there is still much work left to be done as citizens and businesses are asking for further improvements and ICT is developing very fast. EGovernment is a living system that constantly grows, learns and improves itself and should be viewed on a European-wide and global scale.

FINLAND

MINISTRIES' FUTURES REVIEWS AS AN ATTEMPT TO BUILD BRIDGES BETWEEN GOVERNMENT CYCLES

Background

In Finland the preparation process of the Government **P**rogramme after the parliamentary elections is the place where different kinds of information and data coming from different sources **are** interpreted and joined into political statements and goals. The preparatory process has a very short core time when after the elections the parties forming the Government meet for negotiations in the political process for a few days to draft the Government Programme.

How the ministries could support this process in the best possible way, but without mixing the roles or blurring the interface between politicians and civil servants? This was a question posed during a central government reform project in the beginning of the 21st century.

The tool – Future reviews of ministries to the political parties

The role of the ministries is to prepare and offer political decision-makers an information base about past developments and existing commitments as well as the core challenges and options in the future. It was felt that this needed to be done in a more organi**z**ed way. Allowing for instance all the political parties, regardless of whether they were in the Government or in the opposition, equal access to this information

It was decided in 2001 that all ministries would prepare "A Futures Review" of the central themes on their administrative fields, the challenges and the options as well as costs (price tags). This review would be available about a half year before the elections.

In operation from 2002

The first Future reviews were prepared in 2002 for the parliamentary elections of 2003. The process has been repeated twice after that for the elections of 2007 and 2011. Currently preparations for the reviews for the 2015 elections are already underway.

The process is coordinated from the Prime Minister's Office (PMO), on whose website the reviews are also all published for the general public once they are ready. The Prime Minister's Office also sends the reviews to the political parties. The PMO plays a role in providing the ministries background material before the preparatory process. The PMO has a Government Foresight Network that delivers a joint assessment of the future operating environment that the ministries can use when drafting their own reviews.

In the ministries the main drafting responsibility is in the hands of expert and leading civil servants and the preparation process stays completely out of any political decision-making process. Meaning that the minister(s) do not take part in this project nor do they approve the review in any process. The key role in the process belongs to a civil servant – the permanent secretary of the ministry.

Current situation – strengths and weaknesses

The Futures reviews have developed since they were made for the first time in 2002 and the process is much more thorough and better in many ministries than it was in the first round. However there are still big differences between the ministries' processes.

These differences can be seen for instance in the openness of the process. Some ministries have opened the process for the general public and stakeholders through online discussions and giving a possibility to comment on the draft versions. In other cases it has been a closed process until the end.

Some reviews include options and different scenarios which has been the original idea. Some unfortunately still offer too direct wordings meant for the Government Programme instead of concentrating on the challenges and options. The idea of the reviews has not been that the civil servants would write the Government Programme texts and therefore the ministries are encouraged not to include direct suggestions, but rather to take up challenges and mark the questions that the Government needs to answer as well as giving options and price tags to different options. Only very few ministries have however included any form of price tags into their reviews.

One challenge has also been that, since Finland is tackling the problem of a siloed central government, the reviews coming separately from the twelve different administrative fields are perhaps weakest on the horizontal aspects. Addressing this is, however, to walk on a tight rope, as a joint review of all the ministries might come too close to a draft Government Programme.

The Futures Reviews were launched to support the evidence-base of the Government Programme as well as generate more openness to the preparatory process. They have brought also much added value to the works of the ministries. The preparatory process is an important place for discussion and the review material has proven to be most useful also during the years that follow.

GOVERNMENT HORIZONTAL POLICY PROGRAMMES – A GOVERNANCE INNOVATION

Background

A Ministerial Group for reforming Central Government 1999-2003 looked for ways to overcome the problem of lack of horizontality in the Government. The problem was seen not only in the overlapping of the functions of different ministries but rather as a risk of issues of horizontal nature falling "between chairs". In other words, it was understood that in more and more issues an effective policy solution needs coordinated inputs from various actors.

A choice was made: better coordination would not be searched for through organizational "box games" but more ambitiously by changing working methods of the central administration. A number of initiatives were launched known together as "Programme Management reform". In addition to the establishment of a Government strategic document to supplement the Government Programme and move to indicator-based monitoring and policy analysis a new concept of Government's horizontal policy programmes was introduced.

Cornerstones of the introduction of Horizontal Policy programmes were:
- No legislative changes
- Limited number of policy programmes: to mark the most important policy priorities
- Group of ministers for each programme
- Full time programme leaders
- Coordinating role of PMO
- Annual strategy session of the Government
- Indicators to assess progress

Horizontal Policy Programmes were first implemented in the Government term 2003–2007.
The Government Programme identified four programme areas. The idea had been that the programme areas would demonstrate the top priorities of the Government. In practice text on these was added at the end of the Government Prorgamme, in other words policy programmes came on top of the ordinary text. There was fair amount of enthusiasm with the new ways of organizing Government functions to promote horizontal policy objectives, but very limited amount of own resources were dedicated to the programmes. They were also left without any formal decision making powers. As programmes appeared, no old functions were given up. This led to overlapping mandates.

It proved to be very important for the success that programme leaders were full time, thus giving face to the policy areas in question. One programme leader described his role as a leader without formal power as "Management by asking": the new function contained the idea that a high level official "outside"

the traditional administrative structures was free to put wicked and delicate issues on the agenda.

There was a second round of policy programmen during the Government term 2007–2011.
Fighting for resources proved difficult. Also to a fairly large extent the "traditional" administration and the regular structures in the Ministries turned their back to the programmes. The system was evaluated in 2005 and the main findings were as follows:

- Managerially important steps have been taken to strengthen horizontal co-ordination
- Working methods and attitudeshad become more cooperative
- Political culture is more difficult to change than managerial culture
- In Minister's everyday life, policy programmes do not play an important role

The second time the system was undersystematic scrutiny when the National Audit Office made a Report in 2010. The conclusion in the report was that in their present form, there is no use to continue with the concept. On the other hand the self evaluations of the Programmes and PMO indicated that Programmes have been able to raise issues the ordinary system wouldn't and that important reforms had been launched to promote the Programmes' objectives

The end or a new beginning?
In 2011 Government negotiations there was no political interest in setting new Programmes. In stead other coordination tools were attempted:

- More horizontal Strategic Implementation Plan of the Government Programme
- Role of the collective of permanent secretaries
- Other communities of interest
- Other responses: central government reform project aiming to a more unified center of the Government"

There are views that the Policy Programmes were given up too easily. The best achievements of the Programmes were seen as being able to have open connection with the third sector and the society more widely than the traditional administration. Also better use of evidence in policy making was well promoted through the Programmes.

SCOTLAND

EARLY YEARS COLLABORATIVE

Scottish context

Scotland, as one of the four countries that makes up the United Kingdom, has a population of approximately 5.1millions with around 58,000 births per year. While doing better than the UK average in neonatal mortality there is a lot of room for improvement in comparison with the Scandinavian countries. Overall the country struggles with social inequality, pockets of deprivation, poverty and health inequalities all contributing to Scotland having the highest mortality rate in Western Europe among the working age population, and this has been the case since the late 1970s.[2]

The literature describes well how the early years' experience can make a significant difference to life chances. Shonkoff[3] describes how exposure to risk factors (such as poverty, neglect, abuse, drug and alcohol misuse, domestic violence etc.) in early life gives children a 90–100% chance of developmental delays. We also know that this can impact physiologically on conditions such as heart disease in adulthood.

In Scotland the country is organized into 32 local Community Planning Partnerships (CPPs), made up of local authorities (which includes education, social work, housing), health boards, police and fire services and third sector organizations and other relevant bodies. CPPs already make a coordinated commitment to the Scottish Government via their Single Outcome Agreements which set out how each CPP will contribute to the Scottish Government's national outcomes through specific local priorities and outcomes.

[2]   1. Whyte B. Scottish mortality in a European context, 1950-2000. An analysis of comparative mortality trends. Scot PHO 2007.
http://www.scotpho.org.uk/downloads/scotphoreports/scotpho061107_scotmort_rep.pdf

[3]   http://developingchild.harvard.edu/ accessed 19 July 2013

Scottish Improvement Framework

Scotland has developed a 3-Step improvement framework for public services [4] This Framework has been developed to help unlock and channel the collective knowledge and energy of our people towards a common goal of real and lasting improvement across our public services. The Framework is designed to prompt self-assessment and debate. It is about getting started and 'doing': creating conditions for and implementing the improvements that will make a difference.

Within this context senior leaders and others have been engaging with CPP leadership across the country to build the will for change in the context of early years.

Building will in this way has been happening for many years. Many studies, Government reports and Scottish Government policy has set out the need for change and attempted to structure an approach for children and families.

The Getting it right for every child (GIRFEC[5]) approach ensures that anyone providing that support puts the child or young person – and their family – at the centre. This approach and many others have provided a wonderful panorama of evidence to support the need to change service delivery for children and families. What has been missing until now is a method to implement these ideas reliably for every child every time. The Early Years Collaborative was established to unite the country with one improvement method to do just that.

Breakthrough Series Collaborative[6]

The Breakthrough Series Collaborative improvement approach has been used in Scotland for a number of years in other contexts. Great success has been seen in the Scottish Patient Safety Programme (SPSP), developed in partnership with the Institute for Healthcare Improvement (IHI) This methodology, combined with the philosophy of "All Teach, All Learn," led to impressive results in several large health care systems in the US, Canada, and Europe, and has now been adopted and locally improved by many organizations beyond the IHI.

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[4]   The 3 step improvement framework for Scotland's public services
       accessed 19 July 2013
[5]   Getting it right for every child http://www.scotland.gov.uk/Resource/0042/00423979.pdf
       accessed 19 July 2013
[6]   *The Breakthrough Series: IHI's Collaborative Model for Achieving Breakthrough Improvement.*
       IHI Innovation Series white paper. Boston: Institute for Healthcare Improvement; 2003.
       (Available on www.IHI.org)

In Scotland the SPSP has made major inroads towards achieving an aim to reduce hospital mortality by 20%, pockets of the work has seen elimination of life threatening infections in intensive care units that were previously considered to be a side effect of the care required for very sick people.

This Collaborative approach has been adopted for the EYC, formally launched in January 2013 with the first Learning Session.

Early Years Collaborative

The Collaborative has been established with four key workstreams:
- -9 months to 1 year
- 1 year to 30 months
- 30 months to primary school
- Leadership

With an ambition to make Scotland the best place in the world to grow up in by improving outcomes, and reducing inequalities, for all babies, children, mothers, fathers and families across Scotland to ensure that all children have the best start in life and are ready to succeed,

This ambition is underpinned by 3 stretching aims:
- To ensure that women experience positive pregnancies which result in the birth of more healthy babies as evidenced by a reduction of 15% in the rates of stillbirths (from 4.9 per 1,000 births in 2010 to 4.3 per 1,000 births in 2015) and infant mortality (from 3.7 per 1,000 live births in 2010 to 3.1 per 1,000 live births in 2015)
- To ensure that 85% of all children within each Community Planning Partnership have reached all of the expected developmental milestones at the time of the child's 27–30 month child health review, by end-2016
- To ensure that 90% of all children within each Community Planning Partnership have reached all of the expected developmental milestones at the time the child starts primary school, by end-2017

The achievement of these aims is such that this work across all work streams is touching those children that were being born at start of the collaborative. Deliberately tight and a big ask of teams, but unequivocally setting out the requirement to start the work immediately.

Structure and approach

Following the first learning session where teams were introduced to the methodological approach and taught the Model for Improvement[7] (the model that underpins the Collaborative) they have returned to their local working environment and started to undertake small scale tests of change to services for children and families that they know need to be improved. Adopting an asset based community development approach, teams have engaged with families and others to build on the great community assets that exist and are seeking to implement these systems reliably across their locality.

One example of reliably delivering healthy start vitamins to pregnant women shows great intent in Scottish Government policy to enable vulnerable women to receive vitamin supplements at a critical time in foetal development, undermined by organisational bureaucracy to deliver them. Local teams have wiped out that bureaucracy, created and tested their way into delivering a new service to the extent that this was so successful they completely ran out of vitamins – so now have another aspect of the service to improve!

Leading the change

Leading in this environment, under immense economic pressure, giving staff permission to go freely and test new ways of doing things takes leadership courage. Each one of our leaders in each agency across Scotland has committed to working in this new way for the benefit of children.

There is still a lot of work to do, building capacity and capability in the application of improvement science across the breadth of the workforce which require a new set of skills to add to their professional portfolios. Growing our improvement faculty in this way from practitioners who truly understand the need for change and usually already have the answers will be the critical success factor for this work.

Having leaders prepared to let them do this, to provide the infrastructure to support them and to unblock any obstacles that get in their way when they struggle will be critical.

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[7]   Model for Improvement http://www.ihi.org/knowledge/Pages/HowtoImprove/ScienceofImprovementHowtoImprove.aspx

Next steps

It is very early in this process for us in this collaborative. Themes are emerging from the grass root work that are uniting teams across organizational boundaries to more willingly share and learn from each other. Giving them space and opportunity to do just that is the leadership role of the Scottish Government.

The third learning session of the Early Years Collaborative is planned for October 2013.

To keep up to date with our journey you can follow us on Twitter @EYCollaborative #bestplacetogrowup

SWEDEN

THE COMMISSION FOR THE FUTURE

Background

In November 2011, the Swedish Government established The Future Commission with an aim to identify long term challenges for Sweden. The time-frame was aiming 40 years ahead in time, until 2050. The work was set up through a government decision and its work was performed with the Government offices serving as a "host organization". Thus the typical Swedish device of an expert commission was not used.

The Future Commission was chaired by the Prime Minister and consisted of the government coalition party leaders, all of whom also held ministerial posts within the Government. Also, there were representatives from business, academia and national union. The commission has had a strong political backing, with all party leaders present at its eight meetings. The work has, inter alia, consisted of a large number of open meetings over the country, seminars, workshops and a number of sub-reports, mainly from academics. The work was supported by a secretariat.

Its work focused on 1) demographic development, 2) sustainable growth, integration, gender equality 3) democracy and participation and 4) justice and social cohesion. The report focused on analyzing ongoing processes of change within the Swedish society and defining future challenges. It did not propose actions and measures. The aim of the work was to promote a broader debate in society which in itself would strengthen the basis for good decision-making. It was stated in the report that: "The report does not aim to give the answers on how to meet the different challenges. How they should be met is an important, but separate question, and the basis for being able to find the right ways to meet the challenges is that the analysis comes first. This may sound self-evident, but the political debate is too often marked by expectations for proposals and measures without a preceding analysis".

The work of the Commission for the Future was set up through a government decision using the preparatory processes supplied by the Government Offices, but the actual work was undertaken with very little involvement from ministries or government agencies. Thus, the Commission and its secretariat were organized without expertise from the Government Offices or national agencies. Also,

consultants were not used. This may give an impression that the work on one hand was close to internal agenda-setting within the political parties. It can also be seen as a way to ensure that the political thinking about future challenges was not constrained by stake-holders and inertia in the administration. On the other hand, academia, business and organizations were closely involved and the process was characterized by a very open approach to the rest of society, bringing in views from schools and municipalities. What the report said about the importance of a proper analysis before proposing measures and undertaking actions can also be seen as a way to "make room" for long-term thinking without demands for proposals and actions.

It should be noted that the way of working gave the party leaders an arena to come together and discuss future challenges together with academics and representatives from other parts of society. There is no obvious (or "established") other way, within the working ways of the Government, the Government Offices, Government Agencies or the system for public inquiries (or "commissioning process") for a number of minsters to be involved in an ongoing analytical process.

The final report *Swedish future challenges* (Swedisg Government Future Comission, 2013) was published in March 2013.

THE NATIONAL COUNCIL FOR INNOVATION AND QUALITY IN THE PUBLIC SECTOR

Background

The Government Offices in Sweden consists of 11 ministries, a Prime Minister´s Office and an Office for Administrative Affairs. The GO employs about 4500 staff. It is one integrated agency with the task to support the Government in its decision making. The principle behind its formation as a single agency in 1997 was that a government that decides collectively should be supported by one integrated organization.

Horizontal coordination is mainly carried out through the negotiations between ministries ("gemensam beredning") that precedes all Government decisions – as a consequence of the collective decision making by Government. Vertical coordination is a specific challenge in the Swedish "dualistic system" (Government – Agencies). The governance model is under continuous development. More strategic governance through larger degree of delegation of responsibilities to the Agencies is the general trend.

Next to the core ministries there are about 370 agencies with a total staff of approximately 240 000. Each agency is led by a Director-General or a Board. The Director-General is appointed for a limited term of 6 years with a possibility of a 3 year prolongation.

The administrative model in Sweden is based on free standing (or "arm-lenghts" or semi-autonomous) agencies with a considerable amount of autonomy in relation to the government and ministries. Decisions concerning the internal functioning of agencies have been delegated in order to achieve greater possibilities for efficiency in the state sector.

Thus, within the Swedish administrative model the general rule is that each agency is responsible for the totality of its mission. Organizationally, this means that all agencies provide their own management processes, core processes and administrative support processes. As a consequence, the development of quality in services has been carried out in-house at the majority of the agencies in Sweden, often in co-operation between agencies.

In 2010, the Swedish Government formulated a new goal for its policy on public administration and governance. The goal is *an innovative and cooperative central state administration that is just and effective, has well developed quality, service and accessability and thereby contribute to the development of Sweden and an effective work within the EU*. To support the implementation of the specific aspects of innovation and cooperation, the Government established a National Council for Innovation and Quality in the Public sector (hereafter Innovation Council) to be active August 2011 until June 2013.

Mandate and work

The mandate of the Innovation Council was broad, spanning from analyzing how government agencies perform their development work, to give operative support to specific cooperative agency development projects and propose measures to promote innovation and change in the public sector. The Innovation Council was composed of five members holding senior posts in government agencies, business and municipality and its work was supported by a secretariat of four staff. The work was performed within the framework of the system for public inquiries.

The system for public inquiries, which OECD in a report refers to as the "commission process" is used to work out policy issues and recommendations, to elaborate policy ideas and to put forward proposals for legislation. (The government usually appoints about 100 commissions per year and there are about 200 ongoing commissions at any given time. In most cases the report from the commission is sent on a referral to related agencies and stakeholders. The views expressed to the government in the referral process serves as an important basis for the government proposals and they are explicitly referred to in bills on legislation to Parliament.)

The work of the Innovation Council focussed on developing core processes (not support services). Thus, e-governance is not dealt with. Further, the report does not contain proposals for legislation.

Content of the report

The final report, *Thinking new to be useful* (National Council on Innovation and Quality in the Public Sector, 2013) was presented in June 2013. The report which concluded the work of the Innovation council contains a number of proposals to agencies and the Government.

The report describes that the aim of their proposals is to achieve increased focus on needs, value creation and systems; greater scope for public administration to try new services and methods for achieving the aim of policy; an infrastructure for managing ideas and knowledge; improved capacity of public administration to carry out innovation and change processes; and new instruments that promote long-term investments in social issues that are difficult to solve.

The report also states that it aims to encourage an ongoing dialogue in municipalities, county councils and government agencies among the people who are involved in developing public administration in their everyday work.

The Innovation Council states that there is a need for a number of "perspective shifts" within the public sector. The first shift in perspective concerns how the public sector view the needs that people and businesses have in their dealings with the public sector and how these needs can best be met within the framework of legislation.

To that end, the Innovation Council proposes that public services be developed based on a new model that builds on life events and knowledge of the various needs that people have at different stages of life and that businesses have at various stages of operations.

The second shift in perspective identified by the Innovation Council concerns how the public sector view governance and how public administration creates value for people, businesses and society as a whole. Drawing from a discussion that hierarchical and more authoritative governance mechanisms are being replaced by horizontal, network-like and more egalitarian mechanisms and that the results emerge through interaction between people in and outside Government agencies in complex systems, the Innovation Council concludes that these systems – rather than the individual agencies or bodies – must be given greater attention.

To that end, the Innovation Council proposes that the capacity to understand and manage this complexity be strengthened, by using the systems approach, for example in the Government Offices. The Council further propose that public control systems be developed on the basis of a system approach so that they focus more on real impact on society and less on details and the performance of individual organizations on the basis of what they refer to as "an outdated accountability model".

The Innovation Council notes that one important aspect of innovation and renewal efforts is the opportunity for agencies to launch concrete pilot projects

so that they can test new ideas on a limited scale and learn from them. To that end, the Innovation Council proposes that the pilot statutes instrument be used more systematically to test new solutions by setting up pilot projects.

Further, the Innovation Council proposes that capabilities and experience in terms of innovation and change work be taken into account when drawing up candidate profiles for the recruitment of heads of Government agencies.

The Council also proposes that a development and competence centre for public services including an infrastructure for ideas and knowledge management in public administration should be set up in cooperation between the agencies. The centre should be a permanent development environment where a critical mass of various skills would be present, with the aim of building knowledge of people's and businesses' needs in terms of public services, based on a holistic perspective, i.e. based on various life events.

Further work

The Government is currently underway to analyze the proposals, collect views from related actors and drawing up plans for implementation.

UNITED KINGDOM

WHAT WORKS: IMPROVING THE USE AND APPLICATION OF EVIDENCE

Summary

Using evidence to inform policy and decision making is a crucial part of good government. In its continued efforts to improve policy making the UK Government has developed its 'What Works' approach, establishing an independent network of six What Works Centres covering £200bn of public spending. These centres will summarise and share evidence of what works (and what doesn't) with local decision makers in an accessible way. A Government appointed What Works National Adviser is responsible for supporting the What Works Network and is leading efforts across Government to improve the generation and application of high quality evidence to improve decision making.

What Works: an introduction

The UK Government is committed to using high quality evidence to underpin decision making. In July 2011 a commitment was made to investigate the creation of a 'NICE for social policy' in the Open Public Services White Paper[8], reiterated in the Department for Business, Innovation and Skills Innovation and Research Strategy[9] and a key action in the policy section of the Civil Service Reform Plan[10].

Along with the Economic and Social Research Council (ESRC), the predecessor of the Big Lottery Fund, Nesta and a wide range of partners in the public services, policy and academic arenas the Cabinet Office worked to identify sectors of pressing social need and major public spending,

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[8] Cabinet Office (2011) Open Public Services White Paper, available online: http://files.openpublicservices.cabinetoffice.gov.uk/OpenPublicServices-WhitePaper.pdf

[9] Department for Business, Innovation and Skills (2011) Innovation and Research Strategy, December 2011, available online: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32450/11-1387-innovation-and-research-strategy-for-growth.pdf

[10] Cabinet Office (2012) Civil Service Reform Plan, June 2012,available online: http://resources.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

where an evidence base exists but there is limited authoritative synthesis and communication of this evidence base[11].

In a number of areas the demand has been clear that synthesised, well presented and disseminated evidence would be useful for:

- Local commissioners in informing their decisions on how best to spend public money;
- Public services providers in establishing how best to deliver public services and how to improve their service; and,
- Policy makers in coming to an informed view of what is and is not cost-effective in public services.

In different sectors the needs are slightly different. In crime reduction, for example, a key audience will be the new Police and Crime Commissioners, as well as Chief Constables and police officers. In respect of local economic growth, information on what works will support Local Enterprise Partnerships, Cities, local authorities and neighbourhoods.

This called not for one centre of excellence spanning all these varied areas of social policy but for separate, independent, outward-facing organizations that are able to engage with their customer base and evidence communities and tailor their approach and communications to their needs.

This resulted in establishing the world's first network of What Works network of evidence centres covering a diverse range of social policy areas. Together these centres cover over £200 billion of public spending and will provide robust and high quality synthesis of the research evidence on the effectiveness of interventions in each field.

In the development of the new What Works centres, a number of successful models have been drawn upon, such as the Washington State Institute for Public Policy[12]. However this is the first time a national government has sought so visibly to put evidence at the heart of decision making.

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[11] Nesta have produced a paper presenting the need for evidence: www.nesta.org.uk/making_evidence_useful

[12] Washington State Institute for Public Policy, see www.wsipp.wa.gov

The What Works centres

The What Works Network is made up of six evidence centres covering health and social care, education attainment, ageing better, local growth, crime reduction and effective early intervention. They are hosted in the institutions listed below:

What Works thematic coverage	Institutional host
Health and social care	National Institute for Health and Care Excellence (NICE)
Improving education outcomes for school-aged children	Sutton Trust/Educational Endowment Foundation
Tackling crime	College of Policing
Effective early intervention	Early Intervention Foundation
Fostering local economic growth	Consortia delivering function consisting of London School of Economics, Centres for Cities and Arup.
Promoting active and independent ageing	Big Lottery Fund (due to be created 2014)

What Works National Adviser

Although the What Works centres are independent it is important that their research outputs are utilised by Government. To assist with this a senior civil servant has been appointed as National Advisor to engage with ministers and other stakeholder groups and to promote high standards across the What Works network. They sit within the Cabinet Office and report to the Minister for Government Policy and the Chief Secretary to the Treasury.

The National Advisor has two core functions: promoting high quality research and leading a strong independent What Works network; and providing an advisory role to ministers. The linkage between the two roles will ensure that the National Advisor is able to advocate to Government for better use and generation of evidence and ensure a thriving network of independent, rigorous and evidence-led What Works centres. The National Adviser chairs the What Works Council, a body which comprises funders and What Works Centres who have the strategic oversight for improving the application and generation of high quality evidence across Government.

The role of the What Works centres

Based on the lessons from other successful initiatives, we have identified a small number of core functions that all What Works centres will undertake, to rigorous standards. Some centres will have a broader remit but each will at a minimum generate evidence synthesis, translate the evidence, facilitate evidence absorption and promote good evidence. Centres core functions are detailed in the box below.

Core functions of What Works centres

Each What Works centre will be **independent of Government**, with **a clear and relevant policy focus.**

Each will:

Generate evidence synthesis

1. Undertake **systematic assessment** of relevant evidence and produce a sound, accurate, **clear and actionable synthesis** of the global evidence base which:
   i. Assesses and ranks interventions on the basis of effectiveness and cost-effectiveness;
   ii. Shows where the interventions are applicable;
   iii. Shows the relative cost of interventions;
   iv. Shows the strength of evidence on an agreed scale.

Translate the evidence

2. Produce and apply a **common currency** for comparing the effectiveness of interventions.

3. Put the **needs and interests of users** at the heart of its work.

Evidence absorption

4. **Publish and disseminate findings** in a format that can be understood, interpreted and acted upon.

Promote good evidence

5. **Identify research and capability** gaps and work with partners to fill them.
6. **Advise those commissioning and undertaking innovative interventions** and research projects to ensure that their work can be evaluated effectively.

Further information

Dr David Halpern is the What Works National Adviser. David is currently Director of the Cabinet Office Behavioural Insights Team where he has been leading efforts to use behavioural insights to improve public service delivery across government, as well as providing support on the wellbeing agenda. David takes up the position of National Adviser immediately and will execute his duties alongside his other commitments.

Ross Neilson is the Head of the What Works Secretariat and supports the National Adviser in leading efforts to improve the use of evidence across Government.

Email: whatworks@cabinet-office.gsi.gov.uk.

For more information go to: http://gov.uk/what-works-network

Follow What Works on Twitter: @WhatWorksUK

Behavioural Insights Team

The Behavioural Insights Team was set up in 2010 to draw on ideas from the behavioural sciences in order to inform public policy making in the UK. The team has worked across almost every area of domestic policy, with a particular focus not just on designing more 'behaviourally informed' interventions, but of testing and trialling these new policies so that we can better understand what works.

In June 2013, the Behavioural Insights Team published its latest report. The focus was on charitable giving.

The UK is already a generous country. It is home to some of the world's greatest philanthropists, to 150,000 charities, and a public that donated £11.7 billion to charitable causes in 2011 alone.

To help support charitable causes, and to make it simpler for those who wish to give to charity, the Behavioural Insights Team (BIT) in the Cabinet Office has reviewed what behavioural science literature suggests 'works' in relation to increasing charitable giving, and tested these insights with randomised controlled trials.

What are behavioural insights?

Behavioural insights are policies that seek to encourage, enable or support individuals to make better decisions for themselves. They draw on a range of academic disciplines that include behavioural economics and social psychology, whose guiding theme is to understand how people actually make decisions. The Behavioural Insights Team (BIT) draws upon this rich and growing body of academic research, and has a particular emphasis on testing and trialling interventions in real policy settings through the use of randomised controlled trials (RCTs). These RCTs, examples of which are contained within this article, show how effective a new intervention is relative to what would have happened if it had not been introduced. For this reason there is a strong link between the methodology of BIT – based on an understanding of which interventions are most effective – and the Government's 'What Works' agenda, which will establish new organizations to determine which interventions are most effective in a diverse range of policy areas.

These trials show how relatively simple changes to the way that charitable schemes are set up can have substantial effects on levels of donations.

There are four simple lessons that BIT has drawn from the behavioural literature.

Lesson 1: Make it Easy

The first lesson is if you want someone to do something, make it easy for them. This is perhaps the most important, and often overlooked, lesson from the behavioural sciences. Simplifying letters from Her Majesty's Revenue and Customs (HMRC) or Jobcentre Plus processes helps encourage tax debtors to pay sooner and job seekers to find worker earlier than they might otherwise do.

Making charitable giving more simple might involve simplifying the donation process; prompting someone to give to charity by asking them at the right moment; or automatically enrolling new senior members of staff onto a payroll giving scheme (while, of course, giving them the clear option to decline).

One of the trials conducted by BIT sought to make it easier for people to avoid their charitable donations being eroded by inflation. It automatically enrolled payroll givers onto a scheme which increased their future payments by three percent. When givers were enrolled in this way, the numbers of donors deciding

to increase their future payments in line with inflation rose from 6 to 49 percent: a huge increase, which helps ensure that donations are not eroded over time.
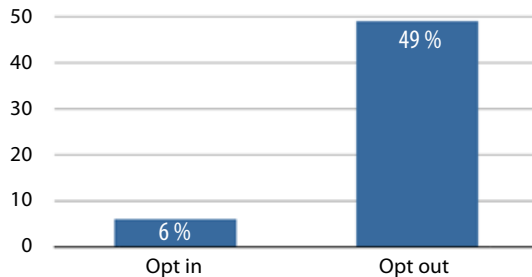

Lesson 2: Attract Attention

The second lesson is to attract attention. Behavioural literature is full of examples of how you can elicit behavioural change by attracting attention: rewarding desired behaviour through well-structured incentives, or encouraging reciprocity with small gifts.

BIT has drawn on this extensive literature in a number of its charitable giving trials. One of the most promising was a trial conducted with Deutsche Bank, which encouraged bankers to donate a day of their salaries to a good cause. In this trial, the previous year's methodology – sending a generic email from the CEO alongside posters advertising the scheme – was tested against a number of small but significant new ways of attracting an individual's attention.

The personalised emails and small gifts (such as sweets) given as individuals entered work proved tremendously effective in enhancing charitable donations from bankers: donation rates were more than doubled. Importantly, these effects seem to be additive. When people were given both sweets and a personalised email, rates increased further, to more than three times those in a control group. In total, this trial raised £500,000.
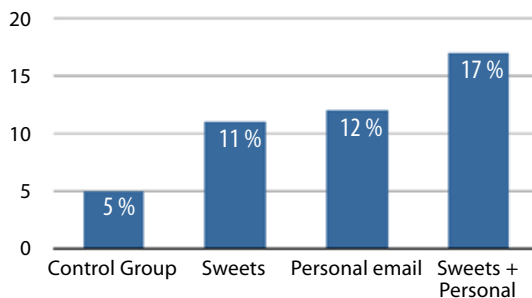
Lesson 3: Focus on the Social

Lesson three is to focus on the social. We are all influenced by the actions of those around us. Policy makers can use this knowledge to help encourage desired behaviours. BIT knows from working with HMRC on tax returns that if you tell people that the majority of people in their local area have already paid their tax, this increases the response rate among those who have failed to do so.

This knowledge can be brought to bear to help charities increase their donation rates. People are much more likely to donate if they see others already doing so. When donation rates are revealed to others (as they are on many charity web platforms), donation rates quickly conform to a group norm, which means that a visible, high donation at the beginning of a campaign can have a big impact.

BIT ran a trial with HMRC to see whether there might be a similar impact if employees sought to encourage their fellow workers to give to charity. This attempted to test the impact of peer effects: the social influence of those around you (in this case, colleagues). Colleagues who already currently donate sent e-cards to their fellow workers explaining why they donated and encouraging their colleagues to do the same.

The first group received only the messages from their colleagues. The second group received identical messages alongside a picture of the person asking for the donation. The results were striking: including the picture of the existing donor increased the number of people signing up from 2.9 percent to 6.4 percent, more than doubling sign-up rates.
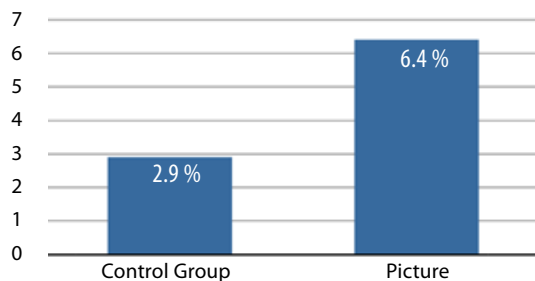
Lesson 4: Timing Matters

The fourth simple lesson is that 'timing matters'. This can be seen across all areas of public policy. For example, individuals find it easier to engage in new habits immediately after they have moved house; people are more likely to pay a fine if prompted before a bailiff is due to come around; and they are more likely to consider saving for their retirement if they are asked to 'save more tomorrow', rather than to start straight away. The right timing can really help to increase charitable donations, too. For example, people are more likely to make a donation in December than January.

Drawing on these insights BIT ran a trial with the Co-operative Legal Services and Remember a Charity (a group of charities who work together to encourage more people to consider leaving a charitable gift in their will) to see whether charitable giving through wills could be increased.

The trial showed that simply prompting people at the right moment – when they were in the process of drawing up the will itself – was an effective way of doubling the number of legacy donors. Combining this insight with a 'focus on the social' was more effective still. Telling them that 'many of our customers like to leave money to charity in their will' and asking 'are there any causes you're passionate about?' actually trebled rates.
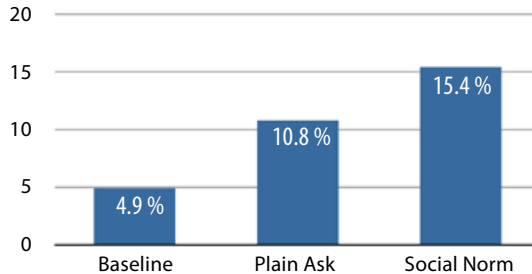
The results from these trials show how small changes can help charities and givers to support good causes.

SOCIAL IMPACT BONDS

Social impact bonds: an introduction

Social impact bonds (SIBs) are a new mechanism, pioneered in the UK and increasingly being replicated around the world, that aim to improve the effectiveness of public services while reducing long-term costs to the state. The first SIB was launched in Peterborough in the UK in 2010 and aims to reduce re-offending by short sentence prisoners.

A Social impact bond is one way of financing a Payment by Results (PBR) scheme. Under a PBR scheme a commissioner (e.g. a government department) agrees to pay a service provider (e.g. a social enterprise) if it can achieve a certain outcome. This means, however, that the service provider must fund its services upfront and some potential providers, particularly social enterprises and charities, don't have the capital to do this. A SIB allows investors to fund the provision of the service on the basis that they will receive the outcome payments if the service delivers the outcomes in the PBR agreement.

SIBs enable government to improve outcomes for citizens and provide better value for taxpayers, by:
- **Increasing innovation in public service delivery** – by shifting the focus of commissioning towards the achievement of outcomes rather than pre-scribed services and enabling providers to innovate and adjust their approach as programmes progress;
- **Improving performance and reducing costs** – by focusing providers on achieving outcomes and only paying for interventions that succeed
- **Increasing and accelerating learning about what works** – by embedding rigorous ongoing evaluation of programme impacts into programme delivery
- **Attracting external investment to fund early intervention** in order to make savings in the medium term
- **Diversifying the provider base** - by attracting external investment to fund the up-front costs of delivering services, SIBs enable social enterprises and charities to deliver PbR contracts where they otherwise would be unable to absorb the financial risk of delivery.

UK Government support for SIBs

SIBs offer real potential for innovation and generating savings but they are still a relatively new approach and can be complex to set up. The UK Government provides support to commissioners developing SIBs through the Centre for Social Impact Bonds and the Social Outcomes Fund, both launched in Nov 2012.

The Centre for Social Impact Bonds is a small multi-disciplinary team of civil servants and external experts which aims to support the development of more and better SIBs, to contribute to the growth of the social investment market and to generate public sector savings. It achieves this in four ways:

1. **Increasing awareness and understanding of SIBs** – for example through reports, events and online resources such as the SIB Knowledge Box
2. **Reducing transaction and set-up costs** by developing standard tools – for example the SIB legal template contracts
3. **Helping SIB developers to estimate cross-cutting benefits** - for example by making data publicly available about the costs to government of providing specific public services (due to be published in Autumn 2013)
4. **Supporting individual SIB developers** by providing hands-on strategic advice and analytical support

The £20m Social Outcomes Fund (SOF) provides a 'top-up' contribution to SIB projects where no single commissioner can justify making all of the outcomes payments out of their savings alone, but where the wider savings across government mean that a SIB is value for money. The SOF is also collecting evidence on the social impact and cross-cutting government savings generated by SIBs it supports. To date, the SOF has agreed to provide to**p**-up outcome payments to two SIBs focusing on the adoption of hard-to-place children and young people in care.

SIBs in the UK and internationally

The UK has led the world in developing the SIB model and has the most developed market for SIBs, with 13 currently in operation and a further two due to launch imminently. These SIBs operate across a wide variety of policy areas including youth unemployment, homelessness, children in state care, re-offending, and adoption. There is also growing interest in SIBs around the world. SIBs have recently been launched in both the US and Australia and are being explored in Canada, Israel, Germany, and South Korea. The US is also increasing support available for SIBs, with President Obama recent budget proposal including a $300m fund modeled on the Social Outcomes Fund, and the Harvard Kennedy Business School SIB Lab providing resources and dedicated technical support to SIB developers.

London Homelessness Social Impact Bond

The London Homelessness Social Impact Bond, commissioned by Greater London Authority (GLA) with funding provided by the Department for Communities and Local Government and technical support from Social Finance, began operations in November 2012 and will run for three years. The GLA has commissioned charities St Mungo's and Thames Reach to deliver frontline services to a cohort of 830 entrenched rough sleepers in London. The services will initially be paid for by social investment, with government only paying on the delivery of specific outcomes, including: a reduction in the numbers of rough sleepers; moving people into settled accommodation; reducing A&E admissions; and getting people into employment.

Manchester Children in Care SIB

The Manchester Children in Care SIB, commissioned by Manchester City Council (MCC), aims to divert at least 95 children from local authority residential care to more stable, family based placements and improve their lives. Under the SIB, providers are using a Multi-Dimensional Treatment Foster Care – Adolescents programme to help children aged 11-14 with behavioural and emotional issues to move from residential care to foster families. The up-front costs of the programme will be funded by social investors, with outcome payments made by MCC based on the number of children diverted from residential care as well as additional outcomes such as school attendance, better behaviour and wider wellbeing. The Social Outcomes Fund has committed to contribute up to 9% of the outcomes payments.

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