



PRIME MINISTER'S OFFICE
FINLAND



Management of Government Policies in the 2010s

– Tools for More Effective Strategic Work

Development Project for Monitoring the Government Programme, KOKKA

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Name of publication Management of Government Policies in the 2010s – Tools for More Effective Strategic Work			
Abstract			
<p>The project "Development of procedures for the efficient implementation of the Government Programme" (KOKKA project), launched by the Prime Minister's Office in view of the next Government's term of office, has prepared recommendations for measures that strengthen strategic vision and agility in the Government's work and the information base of decision-making.</p> <p>The formulations of project questions are based on numerous recent studies and development projects that have raised similar development needs: the sensitivity of the economic-social and ecological environments to changes underlines the need to improve the efficiency of the administration's strategic capacities for anticipation and response and the flexibility of resource use.</p> <p>In order to make the coordination between content-related and economic steering more efficient, the report pays special attention to contact points between the steering of spending limits in central government finances and the Government's strategy process. The public sector is justifiably expected to provide input for solving problems and opening new opportunities for development. However, these cannot be funded by increasing government expenditure without endangering the sustainability of public finances. As the potential for raising the overall tax rate is also slight in view of the magnitude of the sustainability gap, new expenditure must be funded by cutting other expenditure. In an external environment susceptible to change and in the current period of instability in European integration, the Government must also be able to reassess its strategy and alter its line of action quickly, whenever necessary.</p> <p>The KOKKA project has prepared recommendations for procedures that the next Government can adopt during its term of office, if it so wishes. The recommendations apply to the following stages in the preparation of government policy and in decision-making:</p> <ul style="list-style-type: none"> • Preparation of the Government Programme, the information base available in the process, the opening of opportunities for resource reallocation, and consolidation of the Programme's strategic outlines; • Drawing up the Government's first decision on spending limits and the Strategy Document, ensuring the allocation of resources to policy priorities; • Annual monitoring and adjustment of the Government's strategy: the economic policy frame, reallocations within the spending limits, and strategic projects in legislation, research and impact assessment; • Implementation of intersectoral policy entities; and • Improving the information base for decision-making. 			
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FOREWORD

The Prime Minister's Office promotes the effective implementation of the Government Programme and develops processes supporting this task. In this context, a project for assessing and developing the process of monitoring the Government Programme (KOKKA) was carried out from 15 March 2010 to 31 March 2011. For the next Government's term of office, the project prepared recommendations for measures that strengthen strategic vision and agility in government work and the information base of decision-making.

The project resulted in the present report, which contains recommendations for procedures to be adopted during the next Government term in order to improve the efficient and strategic implementation of the Government Programme as a whole. In compiling this report, attention has been paid to the numerous studies and development projects that have presented development needs along the same lines. The recommendations are meant to serve political parties and the negotiators for the next Government who, in the end, will decide on their adoption.

Two external assessments have served as a backdrop for discussions within the KOKKA project. In connection with the project, an outside expert was commissioned to draw up an evaluation report on the experiences gained of the process for monitoring the current Government Programme and of the programme management model. This report was based on interviews of leading political decision-makers and public servants. Secondly, a report compiled by an international expert commented on Finland's Government Programme processes and the development ideas generated during the KOKKA project, from an internationally comparative perspective. In addition, this report takes into account the findings of the project "Development of the effectiveness evaluation of policy measures" (by the POVI working group in the Prime Minister's Office).

A project group within the Policy-analysis Unit of the Prime Minister's Office has been responsible for implementing the project and for managing its secretariat. The project group has been assisted by a support and monitoring group, which has processed and commented on the material produced by the project group, has given expert assistance and ideas to the project group, and has formulated a stand with observations on the recommendations prepared by the project group. The support and monitoring group met ten times during its term. Each group member prepared his or her own written, free-form view on one of the issues discussed during the project. These comments by the group members are included in this final report, distinguished by layout, in a place where the context is suitable.

The support and monitoring group for the project comprised the following persons: Chairman: Mika Rossi, State Secretary (Prime Minister's Office); Vice Chairman: Heikki Aaltonen, Permanent State Under-Secretary (Prime Minister's Office); Members: Tiina Astola, Permanent Secretary (Ministry of Justice); Jouni Backman, Executive Advisor (Tieto Corporation); Velipekka Nummikoski, State Secretary (Ministry of Finance); Anssi Paasivirta, Head of Unit (Ministry of Employment and the Economy); Tarja Parviainen, Special Adviser (Ministry of Employment and the Economy); Jukka Pekkarinen, State Under-Secretary (Prime Minister's Office); Maija Perho, Programme Director (Policy Programme for Health Promotion); Tuomas Pöysti, Auditor General (National Audit Office); Suvi-Anne Siimes, General Manager (Pharma Industry Finland); Harri Skog, Permanent Secretary (Ministry of Education and Culture); and Tuomas Sukselainen, Director General (Ministry of Finance). The project group was chaired by Sirpa Kekkonen, Senior Adviser (Prime Minister's Office). The Secretariat comprised Senior Specialists Ruusa Hilakari and Taina Kulmala, with Outi Hiltunen, Administrative Assistant, serving as project secretary. The working group was supported by Director Petri Eerola (Talent Partners Public Consulting), who carried out an external assessment of the current practices between 15 March and 31 December 2010, and by international expert Jocelyne Bourgon, President (Public Governance International), between 1 April and 30 November 2010.

Apart from being discussed by the support and monitoring group, the recommendations arising from the project have been on the agenda in various forums, such as ministerial working groups, meetings of permanent secretaries, meetings of state secretaries, and the cooperation group for programme management. Early in 2011, the group's recommendations were presented to the political parties and presentation of the recommendations has also begun in various ministries.

The final report has been drawn up in the Policy-analysis Unit of the Prime Minister's Office, which bears the sole responsibility for its contents.

Jukka Pekkarinen
State Under-Secretary for Economic Affairs

SUMMARY

Summary of the Development Project for Monitoring the Government Programme (KOKKA) for the next Government term.

Why are changes needed?

Many recent assessments, studies and development projects concerning our central government have identified the same types of development needs: a more robust strategic ability to anticipate events and react to them within the Government, and more flexibility in the use of resources.

The project carried out in the Prime Minister's Office recommends changes to the practices followed in Government formation talks and to the annual processes applied by the Government to decision-making. The recommendations have the goal of enhancing strategic vision, an intersectoral approach, agility and a better information base in government work. At the same time, political value choices are made more visible during the Government term. According to the project, steering of the economy and political contents should be combined better than at present. This requires changes in the Government's planning and decision-making procedures. Abrupt global changes impacting on Finland, developments within the EU, and the consequent need for rapid reaction underscore the Prime Minister's leading role and the importance of support for the prompt management of intersectoral policy clusters.

During the next Government term, it will be inevitable to make decisions for narrowing the sustainability gap of public finances. This means that the next Government must be able to fund its principal objectives by transferring resources from less important functions. The key priorities must already be selected during the Government formation talks; the selections must be grounded in a solid information base and there must be enough time to determine strategic issues. The Government Programme is expected to have a more decisive role in steering the allocation of central government resources. This need is accentuated by the fact that the parliamentary elections were held one month later than usually; this leaves less time than before for preparing the first post-election budget.

The Government Programme requires monitoring, evaluation and, whenever necessary, revision. It would be natural for the Government to convene once a year for a well-prepared evaluation session. This would provide the opportunity to check the progress made in the programme's priority projects and in the associated legislation, to utilise new research and evaluation data, and to guide and redirect further preparation. This type of strategy session for the Government, to be held preferably during the winter season, could also serve as reference for the next negotiations on spending limits and the budget.

Recommendations

Government Programme

- It is ensured better than at present that a reliable, systematic information base is available for the negotiations conducted on the Government Programme; this means that the coalition builder and the negotiators receive a systematically compiled background memorandum.
- Time is reserved for a longer and an efficiently organised negotiation process for Government formation.
- The advance preparation of Government formation talks is made more efficient so that the chairpersons of the parties forming the Government first agree on the economic and fiscal policies of the new Government and then relate the other objectives of the Government Programme to these policies. The structure of the programme is drawn up so that it makes a clear distinction between broad strategic policies and detailed important issues.

- The strategic policies include economic and fiscal policy frames, such as the goal of balancing public finances, the overall level of expenditure, the Government's intersectoral priority themes and their funding level, investment projects, and the decision on what activities are given up so that appropriations can be transferred to new priorities.
- The budget spending limits should include a bigger discretionary reserve that can be used for reallocations in line with the strategy during the Government term.
- Agreement on the principal outlines of the Government Programme and strategic policy entities is reached before decisions are made on the division of responsibilities and portfolios among ministers.

Spending limits for the Government term and the Government Strategy Document

- Preparation of the spending limits for the Government term and drafting of the Strategy Document start immediately once the Government has been appointed. Together these two documents form the Government strategy, which puts the principles outlined in the Government Programme's strategy section into operation.
- The Ministry of Finance supervises the preparation of the strategy's economic section, while the Prime Minister's Office is responsible for the preparation of the rest of the sections, producing content for the strategy in cooperation with other ministries (Ministry of Justice and Ministry of Education and Culture).
- The preparation of both sections is carried out under firm political steering, for instance, in the Cabinet Committee on Economic Policy or through the chairpersons of the political parties represented on the Government.
- In early September, before the Government submits its first combined spending limits and budget proposal to Parliament, the Government will hold a joint strategy and spending limits session. The results of this session are compiled into one strategy document.

The principal contents of the Strategy Document are:

- A summary of the decision on spending limits, including the policies concerning the priority themes and the consequent transfers of appropriations;
- A strategic legislative plan (reflecting the above priorities);
- A strategic research and evaluation plan underpinning the implementation of the Government Programme;
- A plan for Government reports and resolutions;
- Indicators for monitoring the Government Programme.

- The annual strategy session takes place in January–February.

Annual monitoring and adjustment of the Government Programme

- From the second year onwards, the Government organises an annual strategy session, where the implementation of the strategy is assessed from the perspective of both the economy and the contents. Whenever necessary, adjustments are made to policies.
- The strategy session results in a Government policy statement, which updates the economic policy and defines a stand that steers the preparation of spending limits, including the allocation of resources to the prioritised policy entities. Policies are aligned with the EU Stability and Growth Pact and with the national reform programme of the Europe 2020 strategy. The progress made in the Government's strategic legislative plan is checked at the same time and the way forward is charted.
- The Government's strategic research and evaluation plan supports the strategy session by providing fundamental information for the session. If the overall strategy is adjusted, the research and evaluation plan may also be redirected simultaneously.

Policy coordination and horizontal policy entities

- When strategic intersectoral policy entities are organised, various operating models are utilised, one of them being an intersectoral policy programme.
- A crucial factor in selecting the type of organisation is the nature of the political objective of the entity. A broad social reform calls for firm political steering, for instance through a full-time minister in charge of the issue. At the other extreme, the intersectoral implementation of a policy already defined requires preparation by competent public servants.
- In all cases, it must be ensured that the programmatic policy entity has a clear target and focus, the necessary resources and authorisation, and a programme organisation that is clearly distinguished from the standard ministry organisation.
- Progress made in the intersectoral policy entities included in the Government strategy is followed within the Government's annual strategy process. In other respects, the monitoring of the Government Programme is implemented on the electronic platform of the Senaattori service.
- The role of the Permanent Secretaries is strengthened in ensuring the efficient implementation of the Government Programme, coordinating the Government's intersectoral policy entities, and in coordinating the information base for the Government's annual strategy session, including the preparation of strategic legislation.
- Performance management is developed so that it enhances the realisation of the Government's intersectoral targets. Robust corporate steering is applied to ensure that the Government's strategy has an impact on administration at all levels.
- Procedures for strengthening the Government's situational sensitivity will be explored during the coming Government term. Using such procedures, it may be feasible to supplement the annual strategy session process with more extensive situational awareness activities associated with the Government's daily practices.

1 DEVELOPMENT NEEDS AND THEIR TOPICALITY

The project to develop procedures for the efficient implementation of the Government Programme (the KOKKA project), launched by the Prime Minister's Office, has prepared recommendations for procedures that strengthen the following objectives during the next Government term:

Strategic vision =	Political prioritising and synergy in Government work: - Clear intersectoral priorities and the necessary funding - Conscious decisions on issues to be abandoned to make room for new ideas
Agility =	Improved situational awareness, best practices for rapid reaction, effective anticipation of slowly emerging trends for change
Improving the information base =	Ensuring that important policy measures are backed by a competent and sufficient information base, and evaluating the impacts of decisions in retrospect.

The targets for development arise from several studies and recent projects, where similar development needs have been presented. In order to improve the efficiency of coordination between content-related and economic steering, special attention is paid to contact points between the steering of spending limits in central government finances and the Government's strategy process.

The volume of information in the background of political decision-making rises constantly. Local and distant issues are increasingly often intertwined. Citizens and the media are critical of decisions and political activities. Amidst all of this, politicians must be able to respond to issues and situations that are increasingly challenging both timewise and in terms of geography.

It is worth asking: Could the political decision-making process be supported better and with more foresight than at present? Do the present administrative structure and operating practices offer the best possible support for political decision-making?

The current project strives to provide tools for this issue.

Mika Rossi, State Secretary, Prime Minister's Office

Finland's public administration is generally considered to be efficient and reliable. However, improvements have been proposed in both national and international assessments. It has been claimed that meeting the new types of policy challenges posed by the global environment requires competences that are not among the best strengths of our public administration. Our model of public administration is often seen as an example of silo thinking. Various branches of government operate efficiently each in their own pipeline. Decision-making ability could be improved in matters that require simultaneous and parallel measures from more than one branch of administration. Revisions have been considered necessary, above all, in the strategic reassessment of policies and in the horizontal mobility of resource utilisation.

Political decision-making puts democracy into practice. For democracy, it is not at all unimportant how political processes are running. That's the reason for this project.

Velipekka Nummikoski, State Secretary, Ministry of Finance

The KOKKA project concluded that political coordination in the Finnish Government works especially when there is a pressing need. Recent examples include responses to various abrupt crises, such as the swine flu, factory closures, and the financial crisis, for which a stimulus package was put together quickly. Sector-specific efficiency is at a good level, but at

its worst, this leads to partial optimisation at the expense of the overall benefit. Governments have recently adopted new procedures for checking the direction of policies pursued during the Government term. However, a mid-term policy review session arranged once every electoral term is not sufficient to ensure that the Government can rapidly respond to changed situations and can make the necessary readjustments to its policies in line with its strategy.

These assessments, made more important by the susceptibility of the economic, social and ecological environments to changes, underline the need for greater efficiency in the administration's **strategic ability to anticipate and react** and for **more flexibility in resource utilisation**.

The shortcomings of the current situation can be described in brief as follows:

- 1. In essence, Government work is still just the sum of its parts, and silo thinking leads to partial optimisation; transfer of resources to shared priorities is nearly impossible.**
 - => Alternative ways are needed for the efficient management of horizontal policy entities.
 - => Political and economic steering must be synchronised.
- 2. The Government carries old baggage it inherited from preceding Governments. New openings are added on top of this.**
 - => At the outset of its term, the Government must decide what is abandoned if room is to be made for new openings.
 - => Outdated activities and practices must be discarded and overlapping issues must be eliminated.
- 3. Governmental decision-making does not rest on a systematic knowledge base.**
 - => When extensive policy measures are prepared, it must be ensured that decision-makers are provided with the best possible projections of the impacts of these measures.
 - => Resources in research and evaluation must be directed at the Government's key strategic priorities.
- 4. The Government's work practices are cumbersome.**
 - => The ministers' 'toolbox' must be made lighter and more flexible.
 - => Fewer ministerial groups that meet throughout the Government term; use of established ministerial groups in policy issues requiring horizontality.
- 5. Many papers are turned out, even though their effectiveness is often questionable and there is little political follow-up.**
 - => Fewer resolutions and strategy papers.
 - => Only wide-ranging strategic issues in the Government Programme are taken to forums encompassing the entire Government.

1.1 The most recent evaluations

A year ago in spring, the OECD published its **Public Governance Review** on Finland (OECD 2010). This review, with a positive basic tone, draws attention to the need for strengthening the Government's ability to anticipate new, complex policy problems and to react to these sufficiently quickly and extensively. A special problem brought up by the review is the insufficient capacity to shift resources from one administrative branch to another as required by changes in policy priorities. According to the review, this inflexibility stems from inadequate links between content-related steering and budget steering in State administration. In practice, this lack of horizontal flexibility is manifested, for instance, as insufficient synchronisation between the Government Strategy Document and the process for determining spending limits in central government finances.

The same types of development needs were identified by **Jocelyne Bourgon**, a Canadian public governance expert, who carried out a consultancy project for the Prime Minister's Office (Bourgon 2010). She emphasises the need to increase flexibility, coherence and innovation in Government work, while not abandoning the strengths associated with its consensus and trust, political stability, and solid, straightforward concept of administration.

Recent domestic evaluations also present the same recommendations that underline horizontal flexibility, the ability to revise the strategy, and stronger links between content-related and financial steering. The survey conducted by **Petri Eerola** for the Prime Minister's Office (Eerola 2010) highlights aspects that strengthen the ability to anticipate, react and reinforce strategic operating models. Eerola interviewed many leading political decision-makers and public servants. The proposals for development raised by them are very similar to each other.

The report published by **Sitra** (Finnish Innovation Fund) on the State's corporate steering and management highlights the role of the Prime Minister and the Prime Minister's Office in setting the goals for the State's corporate strategy and in leading implementation of the strategy (Sitra 2010). Sitra also emphasises cooperation between the Prime Minister's Office and the Ministry of Finance in preparing and monitoring the reallocation of resources needed to execute the Government Programme.

The National Audit Office of Finland conducted a thorough assessment of the policy programme model that had been in use during the terms of two Governments for attaining better horizontal coherence within the Government. According to the National Audit Office, in their present form, policy programmes cannot meet the expectations concerning more efficient political steering, improved preparation across administrative sectors, and better implementation of policy measures. The programmes have lacked a clear strategic core, the relationship between programme activities and parallel reform projects is unclear, and the programmes have fairly limited means of exerting influence. The problems observed concern not so much the practical implementation of the programmes, but the basic prerequisites provided by the present application method and the means of influence granted to the programme management. In the National Audit Office's view, under the current preconditions for implementation, it is not justified to continue the policy programmes. The office recommends that, alongside policy programmes, more efficient working methods should be developed for horizontal preparation.

1.2 Development work in progress

The Government has reacted to the problems raised by outside evaluators. The **foresight reviews** published by various ministries last autumn contain many viewpoints concerning the efficient implementation of the Government Programme and the challenges posed by the intersectoral approach. For instance, the foresight reviews of the Prime Minister's Office and the Ministry of Finance tackle these issues (VM 2010, VNK 2010). In particular, the Prime Minister's Office underlines the Prime Minister's stronger role in leading the Government and in harmonising the Government's policy. Ministries have launched development projects seeking solutions to the present problems. Development of **the State's corporate steering** and more efficient coordination between the Ministry of Finance and the Prime Minister's Office were previously discussed in the working group report published by the Ministry of Finance (VM 2010b).

A working group appointed by the Ministry of Finance to study the **development of the spending limits system** for central government submitted its report in March 2011 (VM 2011). Among other things, the report discusses the transferability of resources within the spending limits and other issues pertaining to the flexibility and coverage of the spending limits system. Another working group appointed by the Ministry of Finance studied how the **steering of municipal finances** could be made more efficient and submitted its report in October 2010 (VM 2010c). Improving the quality of law drafting is coordinated by the Ministry of Justice in the project **Effective legislative drafting**, which is also discussed by an intersectoral working group. Closely associated with these two groups is the working group appointed by the Prime Minister's Office for the development of effectiveness evaluation of policy measures (**POVI**). Improving the efficiency of the Government's work processes has also been discussed in other projects, such as the performance management

project of the Ministry of Finance, the project on the Government financial controller's function, and the working group discussing the merging of the Government's reports on operations.

These development projects, including their reports, have been taken into account by this working group, appointed by the Prime Minister's Office for the evaluation and development of practices for monitoring the Government Programme (**KOKKA project**). One way to meet criticism and pressures for change is to take the development proposals presented in the report for further processing.

Why has it become topical now to enhance the efficiency of the Government's strategic steering capacity?

Both our external environment and our internal economic and social structures are undergoing changes that will severely test the strategic ability of Finland's public administration to respond to challenges during this decade. Owing to these changes, it will be increasingly important to strengthen horizontal decision-making and implementation that cross administrative boundaries and take into account the interdependences existing between the various sectors of society. Ensuring the sustainability of public finances, changes in public expenditure necessitated by changes in the population's age structure, boosting the growth potential of the economy, and efficient decision-making within the Government also at times of crisis underline the Prime Minister's leading role and the coordination of Government policy. Similarly, policy issues arising at EU level require that the Government carry out more focused strategic steering and efficient coordination of economic policy:

- The age structure of the Finnish population is changing rapidly. For the next twenty years, we shall have one of the highest old-age dependency ratios among the EU Member States. This actualises **the sustainability problem of public finances**. Both the Finnish Ministry of Finance and the EU have estimated that general government finances – i.e. central and local governments and the earnings-based pension funds – should together reach a funding surplus corresponding to 4 per cent of the GDP to keep the public debt/GDP ratio at the present level without cost cuts or tax increases; this at the same time as age-related expenses are rising because of the weaker dependency ratio. On the other hand, the Ministry of Finance estimated last autumn that, without new decisions, the structural deficit of general government finances will be around 1 per cent of the GDP at the end of the current electoral term. Thus, according to this estimate, the difference between this figure and the above surplus that would secure sustainability – i.e. the sustainability gap – is of the order of 10 billion euros, or about 5 per cent of the GDP.

It should be emphasised that the estimates concerning the sustainability gap are long-term pressure calculations, not forecasts. In many respects, they are based on uncertain assumptions, where even slight deviations cause major differences in the magnitude of the sustainability gap. In consequence, estimates of the sustainability gap made by various bodies vary over a wide range. The calculation made by the Ministry of Finance seems to fall very much in the middle of the estimation range (Table 1). Despite these differences, the estimates share the conclusion that our public finances have a sustainability problem of considerable dimensions. For Finland, it is particularly alarming that the sustainability problem will come to a head quickly, since the dependency ratio will weaken here a couple of decades earlier than in other EU Member States. The reason is that the post-war baby boom generation exiting working life accounts for an exceptionally large share of the Finnish population.

Table 1 Recent estimates of the sustainability gap by various bodies.

Estimate made by	Estimate of the sustainability gap, % of the GDP
OECD	8.0
Standard & Poors	8.0
IMF	6.0
Bank of Finland	6.0
Finnish Ministry of Finance	5.0
EU Commission	4.3
Research Institute of the Finnish Economy (ETLA)	3.0

Ensuring the sustainability of public finances in Finland calls for a rapid, concrete and credible **policy showing how soon and through which measures the sustainability gap is eliminated**. If the new Government cannot draw up a plan answering these questions and reaching in practice to the end of the decade, and cannot launch the measures required by such a plan, our public finances are threatened by an unsustainable, and before long uncontrollable, debt cycle leading to an impasse in terms of both economic and social policy.

- The demographic change also calls for substantial **transfer of resources within the general government finances**. The public expenditure arising from the provision of pensions and care for older people, whose number will be double the current figure, will increase by over 10 billion euros during the next two decades, i.e. by more or less the same sum as the sustainability gap. Since there is little room to raise the tax rate, the sustainability constraint sets a tight cap for total public expenditure. Thus, the growth in old-age-related public expenditure must largely be met by cutting other public expenditure and by improving the efficiency and effectiveness of the public service system. Our public administration is now expected to have the ability to **retarget** resources horizontally and to **raise productivity**. In order to curb the rise in public expenditure and to broaden the revenue base, **the employment rate** must also be raised at the same time by reducing unemployment, by postponing retirement and by intensifying training.
- The growth in old-age-related expenses is distributed fairly evenly between costs incurred for pensions and costs incurred for care. In Finland, municipalities are responsible for providing public welfare services. Coordination between the central government and local government must work efficiently so that the requirements for retargeting and streamlining the service systems are also transmitted to the level of municipalities. This calls for changes in the financing of municipal economies and in the steering systems within municipalities. The **State-municipality relationship** must be reassessed.
- Apart from controlling the demographic change, this decade will also be challenging in terms of **maintaining economic growth**. The growth dynamics of the Finnish economy is in transition. Rise in productivity in the principal industrial sectors spearheading technical development is increasingly often based on the companies' own innovations, on the effectiveness of their R&D, and on their ability to develop services of a high productivity level around their own industrial core. On the other hand, the electro-technical cluster formed around Nokia is facing difficulties. It is necessary to find new growth potential based on high technology. The future of Finland's traditional, energy-intensive industrial sectors is darkened by rising energy prices. Services will gain a bigger share of the entire production structure, as the configuration of domestic demand is changing and the ageing population needs more, largely personal services. A new growth strategy is needed to keep total productivity and the standard of living rising in these circumstances. A well-

functioning public system for education, research and innovation plays a pivotal role when this strategy is developed.

- The past decade, especially its end, showed that the global environment is unstable and susceptible to disturbances. There are also rapid structural shifts with strong impacts that are hard to anticipate, especially for a highly specialised economy marked by a one-sided production structure, such as Finland. A typical feature of our production structure is the dominant role of a few large companies. It is challenging that large companies seeking growth on the global market move their subcontracting to locations where the markets are growing. It is therefore necessary to be able to fit together long-range strategies for economic and social policies with **rapid response and situational sensitivity**, whenever needed. Monitoring and anticipation of environmental changes must also be made more efficient.
- Our own governance system must be adapted to the requirements of deeper **European integration**. The European integration trend, the EU's growing role as an international player, and ensuring our own influence when solving problems within the EU and in the euro zone call for quick reactions and coordinated preparation within the Government. Thus, the EU dimension also stresses the Government's horizontal decision-making capacity. A primary indication of this is the strengthening of the Prime Minister's role.

2 PRESSURES FOR CHANGE AT GOVERNMENT LEVEL

2.1 Points of departure

The sectoral structure of Finnish public administration has old origins. Its roots date back to the old Swedish administration model based on strong central agencies. During Finland's period of autonomy, the importance of this heritage as the country's internal administrative system relying on public servants increased even further. Once Finland gained independence, short-lived minority governments or internally divided coalition governments tended to strengthen the independence of ministries and the role of their leading public servants. The emergence of strong local self-government and the fact that the municipalities were made responsible for the organisation of public services when the welfare state was built heightened the silo approach in public administration. The central role of labour market organisations in the development and steering of social insurance has had a similar effect.

Majority governments with strong parliamentary backing have become more common in Finland during the past twenty or thirty years. However, this has not necessarily reinforced a strategic approach in the Government's work. During deep crises, such as the recession of the 1990s and the subsequent recovery or the recent financial crisis, majority governments have managed to mobilise a broad consensus behind exceptional policy measures. They have also been able to react to twists in European integration development.

In contrast, during periods of normal development with a slower tempo, majority governments have shown less ability to react to restructuring pressures. In view of their original objectives, many large reform projects have met with even surprisingly much friction.

Three factors have had a central impact on this slow progress of policy projects during the terms of majority governments. The first of these is **the Government Programme**. The policies of majority governments have been strictly defined by the programme agreed. Their political capacity and credibility have been based on adherence to the programme. However, in view of their key role, government programmes themselves have been prepared randomly. They have been put together quickly and their advance preparation has not been systematic.

A feature visible in recent government programmes is that, on the one hand, they set strict targets for programme details while, on the other hand, the goals for major social reforms are defined in vague terms. Strategic issues and details are mixed in the programme.

Nor is the Government's strategic approach strengthened by a second feature rooted in history: **the Government's traditional way of working**. Ministers have much independence in matters falling within their sphere of competence. Our governments have no cabinet ministers with more extensive powers or any other formal inner circle. The informal negotiation group formed by the chairpersons of the coalition parties, most recently "the quartet", has acted on a case-by-case basis as the final mediator for any disputes that have arisen. The Prime Minister's role has also traditionally been that of a mediator and a uniting force behind the Government. The Prime Minister's role has grown stronger in recent years as amendments to the Constitution have narrowed the President's powers. The Prime Minister has also attained the role of Head of State in the coordination of EU policy. However, these amendments have not been reflected in the Prime Minister's role in every respect insofar as the Government's internal work and the preparation of decisions are concerned.

The steering system of central government finances has emerged as the third cause of inflexibility in the Government's policy-making. Especially after the revisions made in 2003, the system of spending limits regulating the total budgetary expenditure has become an efficient way of keeping the State's expenditure in check. On the other hand, the above-mentioned internal game rules applied by majority governments – commitment to the Government Programme and strict territorial boundaries within the Government – have led to a situation where there has been only little reallocation of resources among the expense items assigned to the various ministers. In general, it has been possible to agree on major reallocations only when negotiating on the Government Programme – and even then mostly as concerns the new leeway made available by economic growth. Only little discretionary reserves have been left for reallocation within the spending limits during the electoral term. In this respect, it is also important to take note of the separate negotiation rounds where funds for reallocation have been sought mostly by finding ways to save in the ministries' discretionary expenses. Here the initiative taken by the Ministry of Finance has played a major role. In other respects, reallocations have been restricted by the rigid expenditure structure passed down from history. This rigidity of the expenditure structure does not stem from the practice of spending limits as such. Basically it has been a matter of political terms set within coalition governments, which have prevented reallocations within the spending limits.

The political framework that adds rigidity to governments' decision-making processes cannot be changed easily. It is still justified to consider whether governments' **decision-making processes** could be developed so that the "strategic window" for political decision-making would be open more often than at present and, thanks to more systematic preparatory work, decision-makers would be better equipped to make use of the opportunities made available for the evaluation of the Government's strategy. Three strategic phases in government decision-making are discussed below from this perspective:

- **Preparation of the Government Programme**; the information base available in the process, the opening of opportunities for resource reallocation, and consolidation of the Programme's strategic outlines;
- Drawing up the Government's first **decision on spending limits and the Strategy Document**, ensuring the alignment of **resource allocations** and policy priorities, and reinforcing the information base for intersectoral projects, strategic legislative projects, sectoral research and for other preparation, monitoring and evaluation of policies;
- **Annual monitoring and adjustment of the Government's strategy** and reallocations carried out during the spending limits process.

THE PRIME MINISTER'S LEADING ROLE

The Prime Minister's role has evolved gradually and has become central. Other countries similar to us have had the same history. The new Constitution recorded what had happened. The amendment currently in abeyance will emphasise the Prime Minister's position even more. Apart from chairing the Government's sessions, the Prime Minister has gained a wide range of tasks and heads the Government accountable for the country's affairs to Parliament.

The Prime Minister leads the Government's activities and is responsible that the preparation and handling of affairs assigned to the Government are compatible. The Prime Minister leads the handling of affairs in Government plenary sessions. The Prime Minister has no right to give commands or to make formal decisions. The Prime Minister's activities focus on political preparation and political leadership. Decisions are made formally by the Government plenary session, chaired by the Prime Minister, and by the various ministries.

Strategic activities across administrative boundaries emphasise the Prime Minister's role. On the agenda are: leading the implementation of the Government Programme; decision-making about EU affairs; economic policy; anticipation of the future; launching of reform projects; etc. The Prime Minister has no longer been able to cope with all of this without preparatory assistance from the Prime Minister's Office. Previously it was enough when matters were prepared and presented by ministries. By chairing the Cabinet evening sessions and Cabinet committees, the Prime Minister was sufficiently informed to be able to follow, and whenever necessary, steer the contents of affairs. Now, especially economic affairs and EU affairs have required that the Prime Minister has designated machinery for preparatory tasks. In recent years, support for the Prime Minister has also been developed for the monitoring of security situations and crisis management.

Despite all these developments, the Prime Minister's personal input is still important to the Finnish political system as the person keeping the Government together, solving conflicts and leading the way. International and European Union affairs alone are enough to underline the Prime Minister's personal input in the present-day communications environment. Political advisers provide the immediate support.

The Prime Minister should be able to concentrate on leading the Government's work as a whole, without having to be responsible for an individual sector down to its details. The Prime Minister should be assigned sectoral tasks only in exceptional cases. The Prime Minister's leading role is assisted if for each issue there is a minister in charge who prepares affairs and sees to their implementation.

The Prime Minister's Office is the Prime Minister's ministry. Proposals have been made at various times for transferring this or that task to the Prime Minister's Office. The underlying idea has been to secure certain authority behind the issue at hand or the office has been seen as an impartial body. The Prime Minister's Office has taken a reserved view of such proposals. When, for example, matters relating to State ownership steering were concentrated in the office, they were not assigned to the Prime Minister but to another minister appointed for this purpose in the Prime Minister's Office.

The Prime Minister's ministry should remain small and agile. It can temporarily house some tasks considered to be important, but the office should concentrate on its core functions, i.e. assisting the Prime Minister in leading the Government. One should not even aim to get all management of collaboration between ministries under the supervision of the Prime Minister or the Prime Minister's Office; instead, ministries should make use of the means available for direct collaboration and mutual coordination among themselves. The Prime Minister should have flexible opportunities to intervene and, conversely, to give more leeway when things are running well.

Issues to tackle emerge at different rhythms. Strategic issues arise from the Government Programme, and effort is made to plan them for each Government term. Crisis situations bring other affairs to a halt and must be seen to without delay. Weekly issues come onto the agenda as soon as ministries complete them and present them for discussion. There are not always practices for the supervision of issues under preparation, such as legislative projects, before joint decision-making.

As the leader of the Government, the Prime Minister is the figurehead for all personnel working in State administration. In motivating the personnel, the Prime Minister has the opportunity to assume a more visible role.

The Prime Minister is in charge 24 hours a day. The Prime Minister must always be provided with the prerequisites and services that help secure his or her work input and coping.

Heikki Aaltonen, Permanent State Under-Secretary, Prime Minister's Office

3 GOVERNMENT PROGRAMME

The Government Programme has increased in importance as the document outlining the policies of multiparty governments since governments nowadays tend to sit for the entire electoral term and the original programme has become a glue that keeps the coalition together. The programme's pivotal role as the formulator of policy for the entire electoral term sets great demands for its contents. However, shortcomings in the programme preparation process make it difficult to meet these demands.

In Finland, political parties do not seek support for government programmes through elections. Before elections, parties do not group into competing coalitions that would seek voters' support for draft government programmes that they have drawn up together. The government coalition is determined by the election result. The parties' election programmes consist of separate programme objectives, which the parties avoid naming as critical issues. The government coalition is formed at the early stage of the tentative talks led by the party holding the greatest number of seats in the new Parliament. Agreement on the Government Programme is only reached during the fast-paced negotiations within the coalition.

The preparation and internal structure of the Government Programme formulated under such conditions are not harmonious in all regards with the pivotal importance of the document. **The time used for negotiating about the Government Programme** has been very short. The period between the elections and the formation of the Government has been about one month, of which only a few days have been used for the actual programme negotiations. The underlying preparatory stage, started when the coalition has become fixed, has been limited to a couple of weeks.

The information base of government programme negotiations has been incoherent. Each party prepares for programme negotiations independently. They use their own and outside experts, foresight reviews drawn up by ministries and other material prepared by public servants, and proposals made by various interest groups in view of the Government Programme. In the programme negotiations, the parties' designated negotiating teams have their own experts. They may also consult stakeholders and other background organisations. Public servants may be consulted case by case as well. In this kind of preparatory process, the compilation of a comprehensive information base and the exploitation of the existing information have not necessarily been very systematic.

There is little time for specifying **strategic policies** in government programme negotiations. Most of the time is spent on debating details raised by the various parties as critical issues. For instance, in the programme of Prime Minister Vanhanen's second Cabinet, the amendments to the tax basis – which had caused tension between the main coalition parties – were defined to a T. With respect to expenditure, an overall increment was made to the technical spending limits approved by the previous Government and based on existing decisions. This increment was dimensioned so high that it could be in harmony with the surplus of public finances set as the target in the Government Programme and with the tax policy agreed in the Programme only if economic growth during the electoral term were considerably faster than had been assumed in the material prepared by public servants as background for the negotiations. The Programme concludes that faster growth will require structural reforms, but these are not defined in any concrete terms. Both the Vanhanen and Kiviniemi Cabinets have followed these spending limits resting on rapid growth. As the rapid growth sought did not materialise, the balance of public finances at the end of the

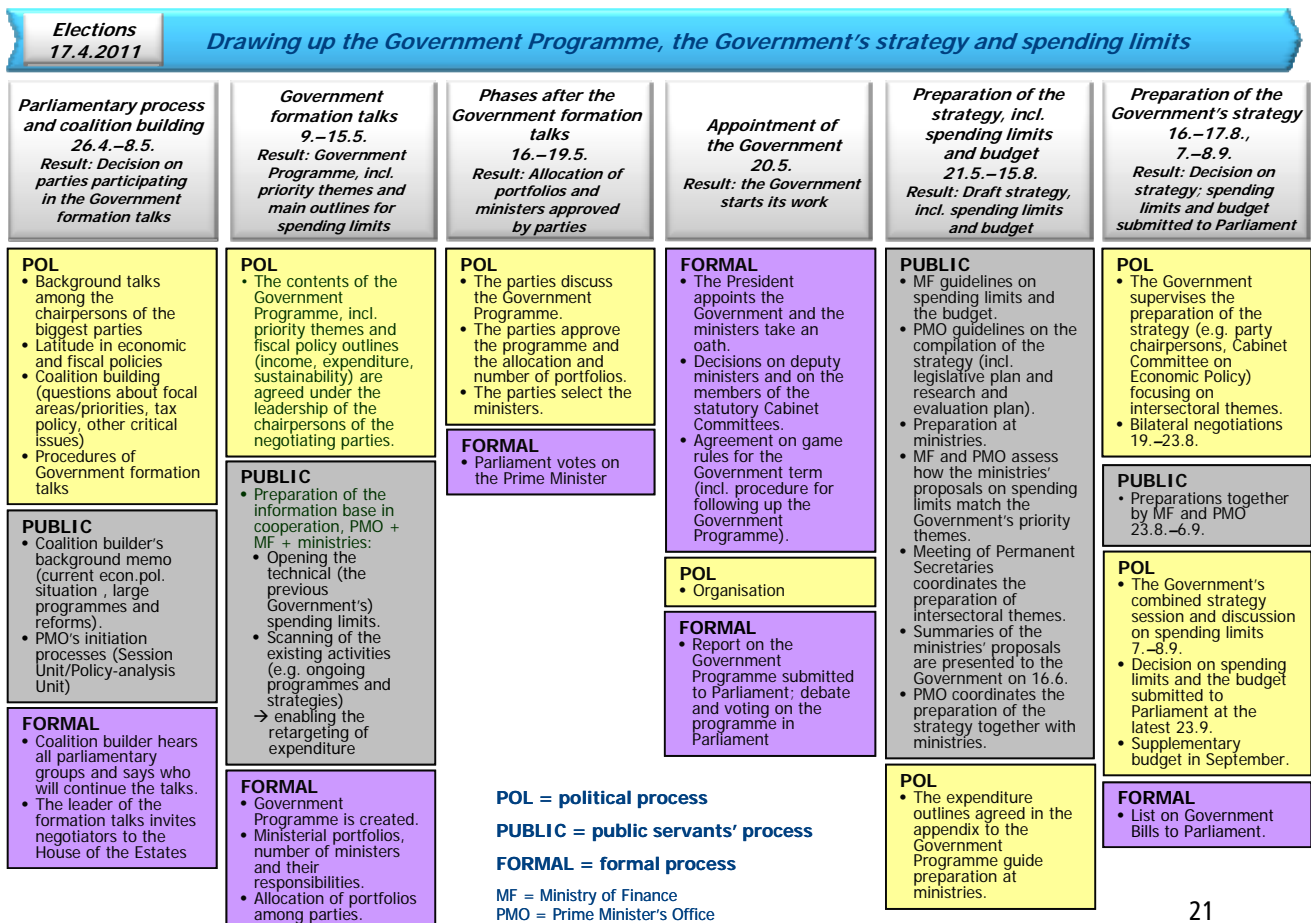
Government term is much more precarious than had originally been pursued in the Government Programme.

The preparation of the Government Programme, the associated acquisition of information and the decisions agreed upon in the actual negotiations are governed by the principle of continuity in each administrative branch. **The retargeting of expenses** made during the programme negotiations remains mainly within the leeway created by the overall increase in spending limits. During the past two electoral terms, effort has been made to promote reform projects across administrative boundaries by means of intersectoral policy programmes. In practice, however, these have had little importance in terms of the reallocation of resources.

Nor have Government Programmes been very effective in the implementation of **structural reforms** of a wider scope. Owing to insufficient advance preparation and unresolved political differences of opinion, reforms have been defined in Government Programmes only in general terms, mainly concentrating on the overall goals set for the reforms and on some individual conditions that have gained particular weight during the negotiations. The concrete reform model is left for further preparation. The differences of opinion that have arisen in this situation and the insufficient funds available within the spending limits have often led to a watered-down result when compared against the original objectives. Thus, insufficient advance preparation and inadequate links with spending limits have blocked the implementation of structural reforms.

In order to rectify the problems in the government programme process, the following actions, for instance, could be considered (see the summary of the whole process, Figure 1).

Figure 1 Process and timetable for preparation of the Government Programme and for launching the Government's work, as outlined in the KOKKA project. (The preliminary timetable is based on assumptions made on 6 April 2011.)



- **It is ensured better than at present that a reliable, systematically compiled information base is available for negotiations about the Government Programme.** The consistency, scope and quality of the information available for the negotiations would be improved if the package prepared by experts were transmitted in an effective and organised way to the negotiators. At present, this information is scattered. The perspective of the ministries' foresight reviews is mainly limited to each ministry's own administrative sector. Last autumn, for the first time, the Prime Minister's Office drew up its own foresight review, where the goal was to fit together aspects presented by the various ministries and to explore any policy problems that had been ignored in them. However, this reprocessing of foresight reviews was still at its preliminary stage.

Background information useful for Government Programme negotiations is also produced elsewhere. The foresight report is the result of a major work input covering the entire Government term. It concentrates on one horizontal problem field deemed to be of central importance for future policy choices. Sectoral research produces information that is useful for policy planning. Later in this report, its utilisation is discussed separately. On the whole, more systematic utilisation of research findings would provide the programme negotiations with backing that is largely untapped at present.

Expert information available from various sources could be channelled more efficiently for Government Programme work in the form of **a background memorandum** provided to the negotiators. For this memorandum, experts would summarise the information available on the topics of central importance to the negotiations. The Prime Minister's Office could serve as the coordinator of this background work, leaning on various sources.

- **Time is reserved for a government negotiation process that is longer and more efficiently organised than at present.** The actual Government Programme negotiations preceding the formation of the Government should be a condensation of the preliminary preparations that were launched efficiently once the Government coalition was outlined. They should combine the various sectors of programme work and should find solutions for the items that remain unresolved after the preliminary preparation.

Efficient launching of the preparatory work would be supported if the coalition builder, i.e. the probable future prime minister, had access to the above background memorandum when the coalition building starts. The coalition builder could make use of the memorandum when drawing up the questions that help select the parties that will participate in the coalition. Thus, the strategic issues of central importance to the Government's policy, and alternative solutions for them, could be presented more uniformly when the first steps of coalition building are taken.

- Once the coalition builder's questions have been answered, the preliminary work would also become more efficient if the chairpersons of the parties forming the coalition took it upon themselves to lead the further preparations with determination. The first thing in the advance preparations led by the chairpersons is to agree on the new Government's **economic and fiscal policies**. This need is crystallised in the goal of achieving a surplus in the general government finances, set in order to ensure the sustainability of public finances. Any changes made in the tax basis and expenses must be harmonised with this goal and with a realistically devised estimate of economic growth. In addition, the fiscal policy should include at least the decisions in principle concerning municipal economies and the pension system and the key administrative reforms. Agreement on the most important public **investment projects** should also be reached during the advance preparations. In order to secure

the long-range development of infrastructure and the reliable cost-benefit analysis of projects, it would be necessary to base the investment plan for the Government term on an objective and reliable, long-term project survey extending, for instance, over two Government terms.

Moreover, broad outlines for the Government's principal **intersectoral policy entities** (priority themes) should be specified during the preparation of the Government Programme. Agreement should also be reached on their organisational models and financial arrangements. The priority themes are sectors or areas where the Government wants to make special investments or decisions. The priority themes are the strategic heads of Government policy. It is particularly important that they are implemented (including a good information base, sufficient funding and high-quality preparation) and that their effectiveness is ensured. The main principles of reforms concerning central, regional and local **administration** would also be a natural topic to be agreed upon during the advance preparations.

An important element of the advance preparations is to show that the **funding** of reforms falls within the spending limits defined in accordance with fiscal policy. Since ensuring the sustainability of public finances requires an exceptionally strict cap on spending in the current decade, there will be no leeway from a raised spending level that would be available for the funding of reforms. Funding must be solved by using transfers within the spending limits. It is this need for horizontal retargeting that stresses the importance of advance preparation under the supervision of the chairpersons. Experience has shown that making changes to the expenditure structure within the spending limits is politically difficult once the ministers' portfolios have been allocated. At that stage, the ministers appointed by their parties become the guardians of the expenditure items under their control; maintaining the status quo between them keeps the entire expenditure structure rigid.

Over the years, the spending limits of central government finances have in practice diverged from the original ideas, one of which was to define spending limits for more extensive functions. Recently it has been proposed that, in keeping with the original idea, the structure of the spending limits should be defined not only by administrative branch but also by function.

Public servants have started a two-part **spending review** of general government finances for the next Government Programme negotiations. The goal of this project, carried out in cooperation among the ministries, is to produce basic information for political decisions concerning transfers within the budget. One part of the project consists of studies conducted for each administrative branch and coordinated by the meeting of Permanent Secretaries. Another subproject is carried out in cooperation by the Ministry of Finance and the Prime Minister's Office and coordinated by the Secretariat of the Economic Council. It focuses on the potential of increasing the efficiency and effectiveness of certain central, largely horizontal, policy entities. The results of surveys conducted in individual administrative branches can also be used as help in this work. The purpose is to summarise the material of both projects in a background memorandum made available to Government Programme negotiators.

Efficient advance preparations create the basis for the actual **Government Programme negotiations**. It would be necessary to reserve a longer time for the negotiations than has been customary, for instance one week, so that there would be enough time to specify the programme. The strategic outlines prepared in advance under the supervision of the party chairpersons should be confirmed at the start of the negotiations. The number of ministers, the division of responsibilities and the allocation of portfolios could be agreed thereafter.

Efficient advance preparation also creates prerequisites for a Government Programme document that is clearer in contents than the programmes so far (Figure 2). The programme's main outlines discussed above can be compiled into a concise **strategy section**, where the following is agreed:

- The main line of economic and fiscal policies (the aim for balance, the rule of spending limits and the overall level of expenditure, the level of discretionary reserves, key tax policies)
- Principal investment projects during the Government term
- The most important structural reform projects, their model of implementation, responsibilities for intersectoral issues and funding (estimate of the funding need included in the spending limits and the necessary internal transfers within the budget)
- Principal reforms in public administration
- The number of ministers, their division of responsibilities and the allocation of portfolios.

Figure 2 Recommendations of the KOKKA project concerning the structure of the Government Programme.



Politically important details, agreed upon separately during the programme negotiations and consisting largely of the issues critical to the various political parties, can be assembled to form a section of their own in the programme document. When the contents of the Government Programme are split in two like this, it is easier to articulate, monitor and evaluate the Government's policies.

4 SPENDING LIMITS FOR THE GOVERNMENT TERM AND THE GOVERNMENT'S STRATEGY DOCUMENT

According to the preliminary schedule, the next Government would be appointed on 20 May 2011. Immediately thereafter, the Government must lay down guidelines, based on the Government Programme, for drawing up the **spending limits** for the Government term and the Government's **Strategy Document**. The Government's strategy **translates the policies in the Government Programme's strategy section into operations** in terms of the supply of resources, on the one hand, and the implementation, monitoring and evaluation of content-related objectives, on the other.

The decision on spending limits and the budget proposal for 2012 will be prepared during late spring and summer, and the Government will approve them in early September at the same time. The Ministry of Finance is responsible for preparing the decision on spending limits and the budget, while the Prime Minister's Office is responsible for preparing the other sections of the Strategy Document. Both preparatory tasks take place under firm political steering, for instance, by the Cabinet Committee on Economic Policy or the chairpersons of the coalition parties. In order to ensure the mutual coherence of the decision on spending limits and the specifications made to the contents of the Government Programme, the coordinating ministries must work in close cooperation when the Government Programme is put into action.

The timetable for drawing up the contents of the strategy and the spending limits for the Government term is tight between the formation of the Government and the budget proposal completed in late August. Keeping to this timetable **requires that the strategy section of the Government Programme gives sufficiently precise instructions for the preparation**, as concerns the expenditure structure, the principal transfers therein, the priority projects and their funding, and discretionary reserves. **The Government's Strategy Document collects the main features of the spending limits and the policies specifying the contents of the Government Programme into one document.**

The principal contents of the Strategy Document are:

- A summary of the decision on spending limits, including the policies concerning the priority themes and the consequent transfers of appropriations;
- A strategic legislative plan (reflecting the above priorities);
- A strategic research and evaluation plan underpinning the implementation of the Government Programme;
- A plan for Government reports and resolutions;
- Indicators used for monitoring the Government Programme.

- **Summary of the decision on spending limits**

With respect to coherent implementation of the Government Programme, it is essential that the decision on spending limits, which specifies the allocation of resources, and the Strategy Document, which expounds the implementation of the Government Programme, are prepared on the basis of the Government Programme. This ensures balance between content-related objectives and the resources available. The Strategy Document includes assessments of compatibility between the goals and funding of the priority themes, the main instances where appropriations are reallocated, and a plan for their monitoring and impact assessment.

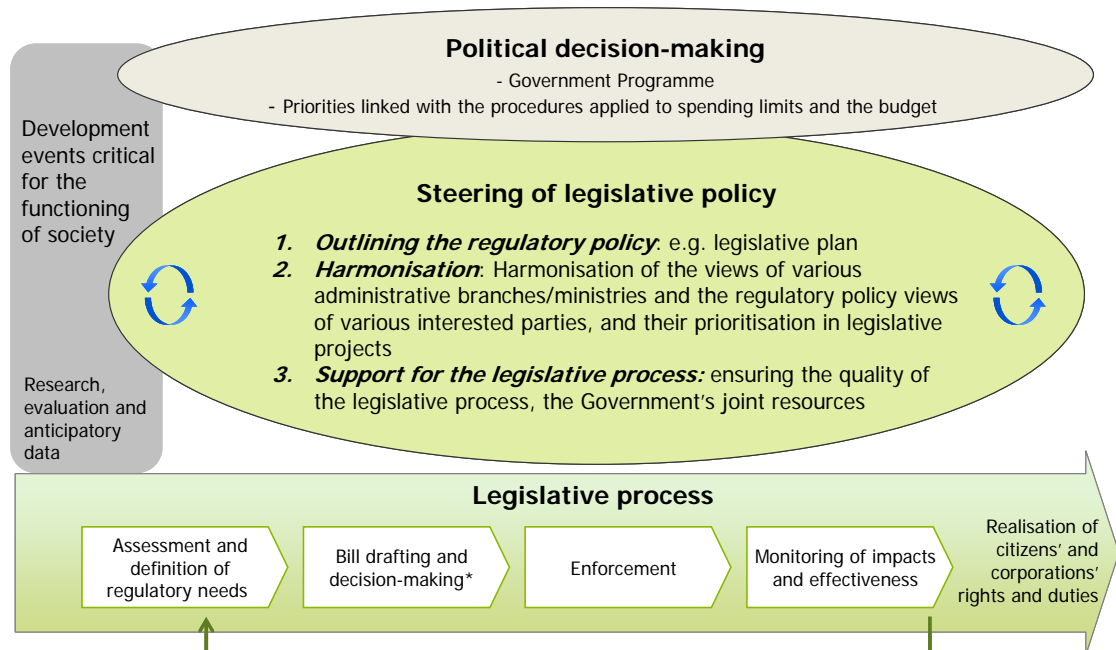
- **Specification of the Government Programme's priority themes and the plan for implementation and monitoring**

During the past two Government terms, intersectoral **policy programmes** were introduced for implementing horizontal reform projects. The general opinion is that this operating model has not met the expectations because the goals set for the programmes and the provision of resources have not been in balance (e.g. Eerola 2010, OECD 2010, VTV 2010). Nor have the goals and political priorities of the programmes been sufficiently clear and focused. There have also been shortcomings in political steering. The conclusion drawn in the KOKKA project is that, instead of one model of the present type, **several different ways of organisation should be adopted** in the implementation of policy entities. The duration of the programmes could also be more flexible, and they could cover either **the entire electoral term or a shorter period of time**. Implementation of intersectoral entities must be decided case by case, in a way to be specified in the Government's strategy. In all alternatives, it must be ensured – better than in the policy programmes so far – that the goals and conditions of the project are explicit enough, that the project has substantial political weight, and sufficient resources are reserved for it in the spending limits. Monitoring of the project at political level must also be arranged, for instance, by placing the project under an existing Cabinet committee and by informing the whole Government regularly of the project's progress. Definition of specific indicators for monitoring is an important element of policy monitoring.

- **Steering of legislative policy and the legislative plan**

Lacking prioritisation of resources for legislative drafting has been seen as one source of friction in the implementation of the Government Programme. This may lead to delays in projects. The quality of bill drafting has also been criticised. During the recently ended electoral term, in conjunction with the Better Regulation Programme, procedures have been developed for improving the quality of legislative drafting and for making the associated political steering more efficient (Figure 3). In the development work, effort has been made to define the scope of legislative policy and its steering.

Figure 3 Steering of legislative policy and the frame of reference for its implementation.



* Includes the parliamentary process for ministries' work
Source: *Towards Better Law Making* project.

POLICY FOR GOOD LEGISLATION

Political decision-making. Legislation is one way of implementing the Government's political goals and precepts that have been recorded, in particular, in the Government Programme but also in other strategy documents. The goals and their implementation depend on financial resources and thereby also on the procedure applied by the Government when laying down the spending limits and the budget.

Since legislation is just one means among others, the Government Programme and other strategy documents should always weigh which is the best and most efficient means for attaining a certain goal. It may also be practical to vary the legislator's approach. Laws should not be drafted with a short time span, and the impacts and effectiveness of legislation must be evaluated with care.

The steering of legislative policy means policy decisions, procedures and arrangements ensuring that political will is transmitted correctly into the actual legislative process and the out-turn is legislation that meets the political goals set.

The outlines of legislative policy can be laid down in a specific legislative plan. It may contain general entries about aims sought in all bill drafting (e.g. reducing the administrative burden of SMEs, combating the grey economy) but also a list of the most important projects that help implement the political goals and call for common commitment.

Bill drafting carried out by ministries also needs to be harmonised. Steering can be used to ensure, in particular, the realisation of intersectoral projects (e.g. resources, timetables, and the clarity, coherence and controllability of the legislative process) and to make arrangements for hearing and consultation procedures both inside and outside the Government.

Moreover, the legislative process needs support structures and arrangements shared by the Government. These can be used, on the one hand, to support good bill drafting and, on the other, to monitor compliance with the common rules.

Legislative process. The various phases of the process followed uniformly within the Government ensure a good legislative outcome. Political decision-making steers the process from informed advance evaluation and preparation to implementation and to the determination of the impacts realised. This is the basic model (ideal model) of actual bill drafting. It is followed in all legislative drafting, but the exact manner in which it is applied in practice should be determined by the character of each individual project.

Tiina Astola, Permanent Secretary, Ministry of Justice

- Steering of legislative policy refers to management procedures and policy decisions affecting the activities of ministries. Their goal is to ensure coherent and uniform implementation of the Government's political precepts through the means of legislation, and a smooth legislative process in keeping with the principles of better regulation.

The steering of legislative policy promotes:

- appropriate use of legislation and other means of steering;
- management of regulation and its social impacts as comprehensive concepts;
- timely linking of legislative drafting with policy decisions concerning public finances;
- prioritisation and targeting of resources in legislative drafting;
- assessment of the principal impacts;
- the quality of legislative drafting;
- the effectiveness of implementation;
- efficient and shared utilisation of knowledge and competence in bill drafting; and
- the uniformity and coherence of the judicial system.

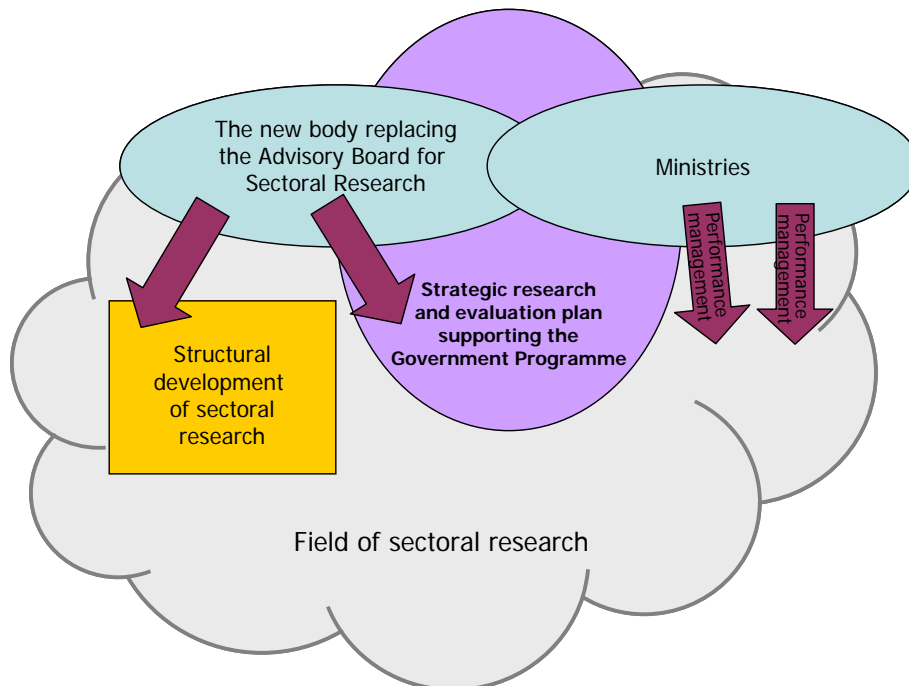
In its future strategy, the Government would have to specify **the legislative plan** required by the implementation of its policy projects. This legislative plan includes a section on legislative policy and a list of strategic projects. The plan forms the framework for the following measures to be taken: reconciling the perspectives of various administrative branches and interest groups; monitoring the quality and progress of the legislative process; and ensuring the Government's joint services

required by the maintenance of quality. In addition, the Government should regularly follow the progress of legislation of strategic importance to its programme. At certain intervals, e.g. at the strategy session presented below, the Government should check the current state and topicality of the projects included in the legislative plan and, whenever necessary, amend the projects included in the plan.

- **Strategic research and evaluation plan and sectoral research supporting the Government Programme (Figure 4)**

During the latest electoral period, effort was made to revise the sectoral research supporting the Government's priorities under the steering of the Advisory Board for Sectoral Research established in 2007. Both the evaluation of this revision (Harrinvirta 2010) and the policy drafted by the Research and Innovation Council for the years 2011–2015 (TIN 2010) conclude that the revision has not succeeded in meeting its goals although good results have been achieved among the subcommittees of the Advisory Board. According to the policy drafted by the Research and Innovation Council, the Advisory Board for Sectoral Research, which has consisted of representatives of ministries, should be replaced by a new **high-level body** comprised of research data users and representatives of research and innovation organisations. With the help of sufficient funding granted to it, this body would organise the research and evaluation work needed by the Government and would prepare an action plan for the structural development of sectoral research and for targeting its resources, extending up to 2020. The decision on sufficient funding should be made as part of the Government's strategy, spending limits and budget proposal. The new body needs to be supported by a **secretariat**, provided with sufficient resources. A separate decision needs to be made on the location of the secretariat, which depends on many different factors. Insofar as the research and evaluation plan emphasises **strategic research linked with the implementation and monitoring of the Government Programme**, the Prime Minister's Office may be a natural location for the secretariat.

Figure 4 Sectoral research and the strategic research and evaluation plan – a possible organisation model.



Aside from the high-level horizontal steering body, it is necessary to ensure that **research cooperation between ministries** will continue along the same lines as in the subcommittees of the present Advisory Board for Sectoral Research. This purpose could best be served by a research cooperation network, formed by the persons responsible for research in ministries, which can be organised according to the same principles as the previous subcommittees. These networks can serve, together with any project-specific management groups that there might be, as support for the high-level body in implementing the strategic research and evaluation plan linked with the Government Programme. The relationship between the research cooperation network and the Government Foresight Network should be determined at the same time.

For the strategic research and evaluation plan to be able to serve effectively as support for the implementation and monitoring of the new Government's programme, it is essential that the plan's preparation and organisation can start immediately once the Government has been formed. This requires that the composition, duties and resources of the body be specified in sufficient detail in the Government Programme. The same body should also report to the Government regularly on research activities supporting the Government Programme and on progress made in the structural reform. A natural occasion for the reporting would be in conjunction with the strategy session discussed below.

- **Information for monitoring the Government Programme**

Aside from strategic research and evaluation, the Government needs up-to-date, systematic **indicator data** to support the monitoring of its programme, to anticipate changes in the operating environment and to foresee new challenges to the Government's policy. In addition to widely used indicators on economic development, it is necessary to develop systems for obtaining the most up-to-date and systematic data possible on the development of social circumstances and the environment and on security risks. Reporting of the indicator type has been developed in different quarters within the Government. For instance, data have been collected into the Findicator service maintained by Statistics Finland.

To obtain up-to-date information on the Government Programme's progress, it is necessary to continue developing **the electronic monitoring of the Government Programme**, which enables simultaneous and real-time information on the progress of the Government Programme's goals, responsibilities, and on the timetables of issues nearing completion. This information is available for all actors within the Government. Thus, the earlier monitoring of the Government's Strategy Document is transformed directly into real-time monitoring of how the Government Programme's goals are implemented.

MANAGEMENT BY INFORMATION REDUCES MANAGEMENT

Modern management by information has little to do with actual management at all. When working correctly, the tools of management by information produce information not only for the organisation's management but also for the entire organisation. By means of shared, up-to-date information, the organisation operates without conventional top-down monitoring and commands. In other words, there is a shift from automatic data processing to an automatically operating organisation.

Automated operation means that employees can keep abreast of the information that they themselves or others have produced and updated and that is compiled and presented according to the latest requirements. In this way, everyone can react to situations of their own accord without traditional management by supervisors after a time lag. The management can concentrate on strategic management.

For public administration, it is essential that up-to-date information is also visible and available to the general public. The release of public information – also for reprocessing – is in fact a central element of management by information. After all, in a democracy, citizens are the real leaders.

Citizens are also customers; therefore the systems of management by information within public administration approach customer relationship management systems. Unfortunately, especially as concerns the latter, public administration lags badly behind the private sector. Even customer registers do not always exist, let alone any CRM systems.

Information management often means only IT management. However, proper information management should be competence in the classification, analysis and presentation of information contents, not information technology. It's no use talking about the information society if data are only collected for storage in files. Information must be put to use. Wouldn't it already be time to believe genuinely that information is a central production factor and a booster of productivity, also in the public sector.

Jouni Backman, Executive Advisor, Tieto Corporation

5 ANNUAL MONITORING AND ADJUSTMENT OF THE GOVERNMENT PROGRAMME

During Prime Minister Vanhanen's first Cabinet, the Government Programme was evaluated in the mid-term review. The most important decision resulting from this review was the launching of the Project to restructure local government and services (PARAS). In early spring 2009, Vanhanen's second Cabinet assembled at a policy session where the central issue was how to ensure the sustainability of public finances. The experiences gained of these checkpoints have been positive. Ministers think that regularly held strategic assessments are useful (e.g. Eerola 2010).

Procedures for interim evaluations can be developed. The above-mentioned strategy section forming the core of the Government Programme, and the Strategy Document specifying the programme in terms of its contents, implementation and monitoring provide a good basis for this work.

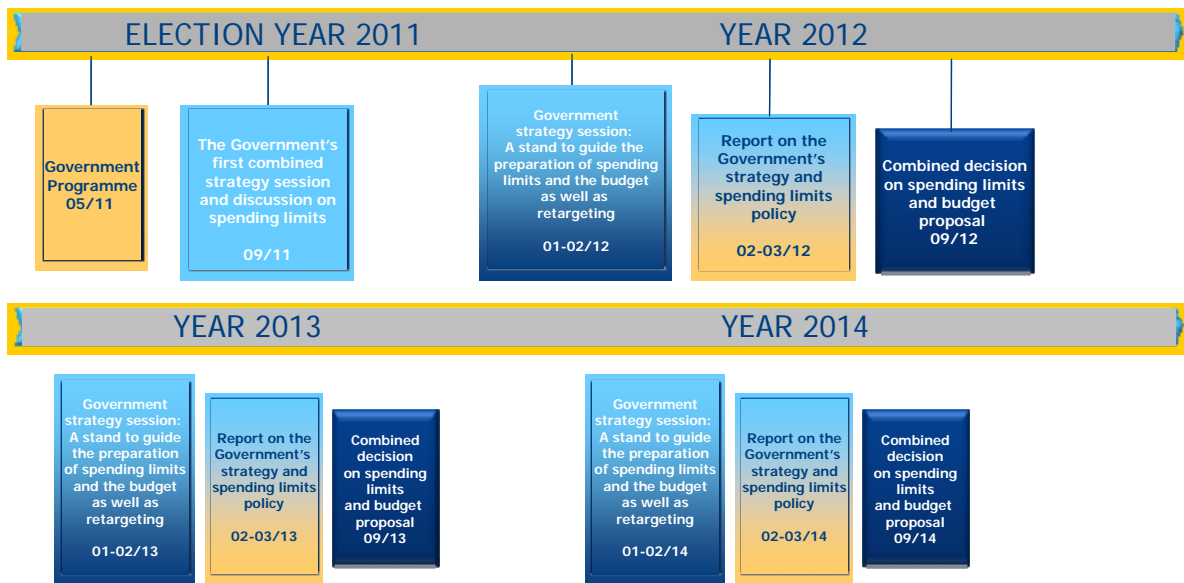
Strategic assessments pertaining to the implementation of the Government Programme should be held more frequently than at present. During the electoral term of 2007–2011, one interim review was arranged in mid-term, but in view of the Government's annual cycle, it came unduly late. For instance, the preparation of spending limits preceding the third budget of the electoral term was already in progress at the time of the review. In general, one checkpoint per Government term is not enough for evaluating the implementation of the Government Programme's goals and for planning and starting corrective actions. It is justified to link the Government's strategy process and spending limits process more closely together for the duration of the entire Government term.

In the future, provision must also be made for situations where the requirements of EU-level economic policy coordination and circumstances in the euro zone need to be given more weight in the Government's strategy. The EU has agreed on a "European semester". Within this scheme, keeping to the same, parallel timetable, Member States are expected annually to prepare adjustments both in their stability programmes aimed at securing the sustainability of public finances and in their structural action programmes (the national reform programmes of the Europe 2020 strategy). The Commission and the Council monitor the preparation of these national programmes and give feedback on them. To ensure compatibility between the Government Programme, any adjustments that may be made to it, and the national policies defined in connection with the EU-level coordination of economic policy, it is justified to create a joint national checkpoint for these processes.

When the strategy is monitored and adjusted, attention is naturally also paid to the following aspects: information on the current status of the ongoing policy projects; assessment of the progress made in legislative work of central importance to these projects; and monitoring of the principal research, expert and indicator data concerning them.

These needs to develop the Government's strategic planning and assessment can be met through the following reforms linked with the Government's annual schedules (cf. Figure 5).

Figure 5 Proposal made in the KOKKA project for the annual rhythm of the Government's strategy work.



- Starting in its second year, the Government arranges **an annual strategy session**. The annual strategic review strengthens continuity in the monitoring and evaluation of the Government Programme and lays a more solid foundation for the planning, implementation and monitoring of measures revising or supplementing the programme.

Various viewpoints must be reconciled in the timing of the strategy session. Because a close link between content planning and resource planning is essential for implementation of the strategy, the annual checkpoint must be timed so that its results can be taken into account in preparing the next spending limits and budget. A change in the timetable for preparing spending limits is currently under consideration. If this change takes place, it will also affect the timing of the strategy session. Owing to the elections in 2011, the spending limits and the budget are prepared at the same time; this may become a standard practice. If realised, this idea for making the preparation and processing of the budget proposal more efficient would mean that **a natural time for the strategy session would be at the turn of January–February**.

Having the checkpoint in winter would involve other benefits as well. The time would also fit into the timetable for the EU coordination of economic policy because the drafting of national programmes and commenting on them within the EU take place in early spring. As far as preparation is concerned, the tight schedule would be justified as it would leave a suitable time slot between the budget proposal, completed in early September, and the next strategy session in winter. This time slot could be used for the necessary background work. Ensuring a consistent information base for preparing the strategy and the budget also speaks in favour of a tight schedule.

The potential merging of preparations for spending limits and for the budget underlines the importance of the strategy session. If the annual spending limits and budget cycle

are not backed up by a comprehensive strategic evaluation, there is the risk that the intense preparation turns into an increasingly mechanical “bottom-up” process overlooking the strategic perspective.

The central outcomes of the strategy session include

- Needs to update and adjust the economic policy line;
- A stand guiding the preparation of spending limits, retargeting of appropriations in the new spending limits;
- A stand outlining preparation of the EU stability and convergence programme and the national reform programme for the Europe 2020 strategy;
- The progress of the principal intersectoral policy themes and the need to revise them;
- Conclusions on the progress and results of the strategic research and evaluation plan and the programme for the structural development of sectoral research, and any adjustments that may be made in the contents of these plans;
- Progress of the strategic legislative plan and its updating.

ANNUAL SCHEDULE FOR THE GOVERNMENT TERM – SETTING THE RHYTHM FOR COHERENT AND FLEXIBLE DECISION-MAKING

The spending limits process has created an economic backbone – the expenditure rule – to guide the Government's activities throughout its term. Strong medium-term and long-term orientation is an important precondition for stable development and for the attainment of social policy goals in an uncertain world. The importance of a long-range approach is accentuated further as ageing of the population will have more concrete impacts on public finances and the European coordination of economic policy will gain momentum.

The cycle at Government level starts with a decision on spending limits, taken after the elections in accordance with the Government Programme. It proceeds through the budget proposal in August–September and continues to the next decision on spending limits in March and further to a new budget proposal in August–September of the following year. The annual cycle has also included supplementary budgets and mid-term policy review sessions. Since the parliamentary elections of 2011 were held one month later than in previous years, the decision on spending limits and the budget proposal will be prepared simultaneously. There are no alternatives to this procedure in 2011. As concerns the setting of the rhythm for coming years, it pays to wait for experiences from the current year and to analyse them carefully, e.g. from the perspectives presented here.

The new procedures introduced by the EU for the coordination of economic policy set new rhythms and frames for the preparation of economic and fiscal policies in all Member States. The European coordination under reform includes a stronger grip on the substance than before. The new European period of supervision, which has also been called the European semester, requires that, from now on, the stability and convergence programmes are submitted to the Commission in April. The national reform programmes, drawn up in accordance with the Europe 2020 strategy and aimed at improving preconditions for growth and employment, are submitted at the same time. Both are prepared through the Cabinet Committee on Economic Policy and are submitted to the Government for decision. In order to avoid overlapping work, they must be formulated into a streamlined package for domestic needs as well.

The decision on spending limits, made in March, and the European programmes harmonised with this in April form a logical and coordinated policy package for the management of public finances and structural policy. This would leave enough preparation time, until late summer, for the next stage – the detailed annual budget. After submitting the budget proposal, the Government would again have the opportunity to concentrate on multilevel and multidimensional preparatory work covering a longer term.

How could strategic analysis be added and adapted to this cycle? Is a separate annual strategy session needed, or could the content material used for preparing the spending limits and the budget be augmented? In particular, it has been said that agility and flexibility are needed. I believe that, if there is a real need, flexibility and agility will be found. Would the most essential and most effective aspects in view of the goals be the following: ensuring a coherent long-range approach; issuing a carefully prepared policy for tax and expenditure structures at the turn of Government term; and concentrating on the implementation of the Government Programme in the interim years?

New process stages should be avoided; rather, the present ones should be reinforced. Over-emphasised agility may be manifested as inconsistency and hesitation. What is considered important should be prepared carefully and should be done. We must be able to distinguish between chance occurrences, cycles and direction. Some leeway should be left consciously for both surprises and preparations in progress. For their crucial parts, the strategy and the decisions on resources should be located in the same process. Established procedures exist for decisions on resources, and new elements should be linked to these. The years 2011–2015 will involve great challenges affecting fiscal policy and thereby social policy. The fundamental policy decisions must be made in the Government Programme. The consistent implementation of policies is a task where the division of responsibilities must be clear. If something has been found to work well, it should not be made more obscure.

Tuomas Sukselainen, Director General, Ministry of Finance

- **Outlining the economic policy**

The strategy session held before the preparation of the spending limits and the related preparation of the budget is a suitable **checkpoint for an evaluation concerning the implementation of the Government's economic policy as a whole and any needs for revising this policy**. This evaluation provides the opportunity to monitor the progress of structural reforms that are recorded in the Government Programme, for instance, for raising the employment rate or improving productivity, to assess the impacts of these reforms and, whenever necessary, to start new measures.

A central economic policy aspect is related to assessing the relevance and likely attainment of **the surplus target** for public finances, derived from the sustainability problem of public finances. The sustainability problem of public finances concerns the entire sector of general government finances – central and local governments and social security funds. However, the conclusions for economic policy mainly concern central government finances and measures through which the Government can indirectly influence the situation of municipalities or social insurance systems. In particular, the obligations imposed on municipalities, any amendments made to these, and the central government transfers to municipalities make up an essential element of this review. The basic public services programme constitutes the starting point for such a comprehensive review of local government finances.

Certain conditions should be set for corrective actions pertaining to the sustainability of public finances. In Finland, the sustainability problem caused by the demographic change is so great that it is justified to spread the corrective actions across more than one electoral term so that the measures taken to strengthen public finances do not pose an excessive risk to economic development. The fact that the assessments made on the magnitude of the sustainability problem are uncertain and depend on many conflicting factors that are hard to predict also speaks in favour of a gradual adaptation strategy. Major changes may take place in the assessment of the sustainability gap, and these can be taken into account in the checkpoint. On the other hand, gradual adaptation involves the risk that if the sustainability problem proves to be worse than expected, the consequent weakening of public finances will lead economic policy to an impasse that can no longer be solved without adaptation measures shaking the structures of public finances and the entire economy.

These risks pulling in different directions can be taken into account by making the initial adaptation strategy asymmetrical. In that case, the only adjustments made to the timetable for restoring the sustainability of public finances would be additional measures strengthening the structural balance. Should structural balance of public finances prove to have a more positive trend than anticipated, the timetable for narrowing the sustainability gap would be accelerated and the surplus target would be stepped up correspondingly.

When evaluating the Government's economic policy, it is also appropriate to **review the overall economic situation**, such as foreign trade, trends in employment, prices and costs, and competitiveness. In other words, the agenda for the strategy session also includes stabilisation measures required by general economic cycles. The rule on spending limits covering the entire electoral term forms the core of the current regulations on economic policy. This point of departure clarifies decision-making at the strategy session and ensures the credibility of the restrictions posed by the spending limits. With respect to government expenditure, the means available for cyclical regulation are restricted to the automatic regulation of expenses sensitive to economic cycles outside the spending limits, while the expenses subject to the spending limits, mainly investment expenses, can be retimed within the period covered by the spending limits. Thus, the primary means available for counter-cyclical policy is basically the timing of changes made to the tax basis. Such prioritisation of the means used for counter-cyclical policy is justified, not only for the credibility of spending limits but also from the perspective that additions made to public expenditure tend to become permanent features that with time increase the volume of general government finances and the tax burden.

The point of departure for the annual strategic review should be the evaluation of transfers within the spending limits, not the overall level of expenditure. It has been claimed that the system of spending limits places too many restrictions on the instruments available for counter-cyclical policy. However, the system enabled relatively wide stimulus measures, for instance, during the recession following the financial crisis in 2009. But it is still justified to ask whether it should be possible to abandon the spending limits if total demand shrinks exceptionally rapidly. However, any provisions for exceptional procedures should be included in the actual rules on spending limits. These should specify what procedures – e.g. consulting an outside expert body appointed in advance – are used for determining the existence of an exceptional situation, what special measures can be taken, and how these should be cancelled once the situation has been normalised. To keep the rules governing economic policy clear, it is well founded to agree on the use of a special course of action when such exceptional procedures are considered, and to keep this separate from the issues discussed during regular strategy sessions.

- **More flexibility needed with the spending limits**

Realisation of the Government's strategic priority themes requires support from the determination of spending limits. When the Government Programme is drawn up, decisions are made both on the level of spending limits and on the principal transfers of resources within the spending limits during the electoral term. In order to maintain the internal latitude essential for the subsequent adjustment of the strategy, it is necessary to ensure that the budgetary spending limits have larger discretionary reserves for annual reallocations than at present. The use of the discretionary reserves could be determined at the strategy session guiding the preparation of the spending limits. It should additionally be considered whether the administrative branches could be required, in their own preparatory processes, to leave a certain percentage of their spending limits for allocation at the strategy session. Unless the Government makes other decisions with respect to these reserves, they are left for each ministry to use.

One way to increase the possibilities for the retargeting of expenditure within the spending limits is to apply a regular **spending review** when making preparations for the Government's strategy session. Such a review is currently being drafted as a one-off item to support the negotiations on the Government Programme. Making this procedure a standing feature could help eliminate the "dead weight" characteristic of public administration. This arises when a spending programme is adopted once and then tends to continue of itself even when its original *raison d'être* has vanished. Positive experiences have been gained of spending reviews conducted regularly, for instance, in Canada, where the target is to cut the spending of administrative branches by five per cent.

To succeed, major retargeting requires strong political support both in the Government Programme negotiations and during the Government term. In the programme negotiations structured as described above, retargeting is facilitated by the fact that the decisions on retargeting are made before the allocation of the ministers' portfolios. No similar power vacuum exists at the strategy sessions held during the Government term. The group formed by the chairpersons of the coalition parties should have the political power to "walk over" individual ministers if so required by the funding of the central priorities. However, this means a change in political culture, and attainment of this in a multiparty Government is not easy.

Revision of the spending limits procedure could also promote retargeting. In his recent report, *Finanssipolitiikan instituutiot* (VNK 18/2010), Timo Viherkenttä presents a model from the 1990s for analysis. At that time, spending limits were not allocated separately for each administrative branch as they are now; instead, there were elements specific to each operational sector. This would give better opportunities for a genuine debate on prioritisation within the Government.

- **Strategic legislation, research and evaluation**

The annual strategy session is also a natural forum for monitoring and guiding the progress of legislative drafting of central importance to the Government Programme. In this context, the Government can also make an overall assessment of the impacts of its policies and can review the needs for adjustments raised by changes in the operating environment. The findings of the Government's strategic research and evaluation programme, and other expert information of importance to the Government's policy, can be utilised comprehensively and systematically at the same time. As part of the Government's overall strategy, reports are prepared concerning the progress made in legislation and research pivotal to the Government Programme and in the evaluation of the effectiveness of policy actions. The reporting to the Government, coordinated by the Prime Minister's Office, is prepared by separate high-level bodies responsible for the steering of these activities; these bodies can indicate needs for revision and retargeting.

- **The Cabinet Committee on Economic Policy to steer preparations for the strategy session**

Good groundwork is a prerequisite for a successful strategy session. In principle, this groundwork could take place under the supervision of "the quartet" or a similar core group consisting of the chairpersons of the coalition parties. However, this informal body has not had an institutional status in the advance preparation of decisions. Moreover, such a task could interfere with the other established role played by the chairpersons' conclave as a mediator of disputes within the Government. Nor does the group have any machinery of its own for preparing issues.

In practice, the Cabinet Committee on Economic Policy would constitute a more workable alternative for the political steering of preparatory tasks. This statutory Cabinet

Committee plays a pivotal role in the steering of central government finances. The issues discussed by the Cabinet Committee are prepared according to established procedures. The advance processing of issues for the annual strategy session would pose requirements of a new type for the Cabinet Committee's preparatory work, which has traditionally been dominated by the handling of individual projects. The agenda of the strategy session also includes items, e.g. within the sphere of legislative drafting, where the Cabinet Committee's standard composition is not sufficient. Close cooperation between the Prime Minister and the Minister of Finance, supported by preparatory work conducted jointly by the experts of both ministers, is also essential for a successful strategy session.

As the chair of the Cabinet Committee, the Prime Minister has a key role when strategic policy issues are discussed. This requires that the Prime Minister can closely follow the preparations for the strategy session. There are several factors underlining the Prime Minister's role in the coordination of economic policy and in the harmonisation of strategic choices. The foremost of these are: ensuring the sustainability of public finances; adjustments needed in the public expenditure structure because of the population's changing age structure; strengthening the prerequisites for economic growth; and the needs for strategic steering rising from the EU level.

Whenever necessary, the meetings of Permanent Secretaries or State Secretaries can also participate in the preparation of wide-ranging administrative and legislative issues or policy assessments to be discussed at the strategy session.

- **Parliament's contribution**

The economic policy line approved by the strategy session as the starting point for the spending limits and budget cycle, including the principal retargeting decisions, as well as the assessment made by the session on the realisation of the Government Programme, can also be presented to *Parliament* during its spring session. At the same time, Parliament should be reserved the opportunity to discuss the Government's policies. An appropriate procedure might be that the decisions made by the strategy session are presented to Parliament following the same procedure as is currently used for the report concerning the decision on spending limits. A more detailed report that would not only focus on spending limits but would also shed light on the main lines of the next budget proposal could also make it possible to build a more evenly distributed legislation schedule for Parliament.

6 POLICY COORDINATION, HORIZONTALITY AND AGILITY IN PRACTICE

6.1 The Government's strategy process in practice

Immediately after the Government Programme has been endorsed, the Prime Minister's Office starts its work **to concretise the goals recorded in the Government Programme and to allocate the related responsibilities**. The Prime Minister's Office translates the Government Programme into concretely monitored actions. In the case of priority themes, responsibilities for these actions are agreed at Government level in conjunction with the Government formation talks or at the Government's first strategy session. The division of responsibilities for the monitoring of the Government Programme's various items is agreed at the Permanent Secretaries' meeting. It is also specified which ministers are responsible for the coordination of goals affecting more than one administrative sector. This corresponds to the practice determined by Prime Minister Vanhanen's second Cabinet in its policy session.

A well-defined division of responsibilities makes the monitoring of the Government Programme more efficient. The realisation of the Government Programme can also be monitored easily on an electronic platform. The electronic system will be developed further during the coming electoral term. With the help of electronic monitoring, the entries recorded into the Government Programme can steer operations firmly from the start of the electoral term onwards, as information on the bodies responsible for the attainment of the programme goals, the principal participants, and on the progress of actions is simultaneously available to all. Information on the funding of actions (budget item or other funding) can also be linked to the monitoring of the Government Programme. This information connects responsibilities and actions directly between the Government Programme and the funding included in the spending limits.

The information included in **electronic monitoring** of topics such as the forums and times of political deliberation and the progress of legislative projects, enables more efficient monitoring of the programme and improves the planning of coordinated actions. Monitoring is also supplemented with indicator data on the development of events associated with the target of actions, as well as links to surveys and studies pertaining to the topic. To facilitate monitoring, it may be necessary to use colour codes (traffic lights) that give an overall picture of the progress of preparation and its current stage. This information base can be utilised as background information for the Government's strategy session and as an element in the planning of the Government's and ministries' work (Figure 6).

Figure 6 Table for monitoring the Government Programme in the Senaattori service.

Entry in the Gov. Prog.	Responsibilities and the main participants	Implementation/ progress, e.g. an assessment of the submission of a government proposal	Funding (budget item or other funding)	Political decision-making (time and forums) (cabinet evening session, government formation talks, ministerial working group)	Indicators	Comments (e.g. projects, programmes, interfaces with research, etc.)	Stage	Monitoring by type of affair - Government proposal - Legislative plan, - Government proposal - Government report - Resolution
The Gov. Prog. steers operations from the start of the electoral term.	Responsibilities and the main participants are defined once the Government is constituted. It is clear to everyone who caught the ball and where preparations are made; can be recorded by department/ unit/ person.	Annual updating of information flexibly, according to the situation and as agreed.	Links responsibilities and actions directly between the Gov. Prog. and resources.	Enables process monitoring and systematic wholes, supplements information on the list of Government proposals and helps to eliminate overlapping processes.	Indicator data on the development of a related event, changes in funding etc. Link to a database, Findicator or a similar source. Defined at least for priority themes.	E.g. associated projects, links to research, various comments etc.	Colour to indicate how close to completion the issue is (traffic lights).	

The system can be implemented using the present technology in the Government's joint Senaattori service, which is available to all ministries and the Finnish Parliament (see Figure 6). The technical platform allows all users to see the same data at the same time. All users can rework and update data, which can also be sorted, for instance, according to the ministry or the preparatory stage. This may reduce the ministries' need to have their own overlapping monitoring and reporting systems. When everyone sees the same data simultaneously, there is less overlapping work.

VISION FOR THE GOVERNMENT'S PLANNING AND REPORTING 2011–2015

Planning within the Government creates a common view of the essential actions needed for steering the nation to a prosperous future. Planning within the Government translates the Government's common view of the future into concrete and coherent action models and projects in administration and its cooperation networks. Planning based on information brings the voice of future generations to today's debate and decision-making. The perspective of intergenerational impacts is an essential element of the Government's planning. The Government's planning views the Government and the State administration under its supervision and the entire sphere of public administration, the economy and social policy as one whole; the governance of this whole across sectoral and organisational boundaries is called policy and corporate steering. The Government's planning is corporate planning where the economy and activities are examined together. Legislative policy and the planning of bill drafting give Parliament the opportunity for well-scheduled legislative work and provide clear priorities for those involved in bill drafting.

The treadmill of planning is stopped. The Government needs to concentrate on plans that are important for the common Finland strategy of public administration, plans that at the same time constitute the Government's strategy. The Government's strategy includes the spending limits of general government finances – wider in scope than the current spending limits of central government finances – Finland's stability and convergence programme required by the European Union, the Government's legislative plan outlining the Government's legislative policy and projects, and the basic public services programme governing the relationship between the State and municipalities and the development and funding of basic services that municipalities are responsible for implementing. Most sectoral plans brought to the Government are abandoned. Government resolutions regain their position as robust decision-making instruments outlining the Government's strategy within the sectors of more than one ministry. Resolutions are issued sparingly and only when the Government has a weighty joint policy to present. The setting of performance targets in the justifications of the budget proposal is used actively to give concrete expression to the Government's strategy. The Government's strategic planning is bold and tangible: targets are set using appraisable criteria and indicators. The indicators and appraisable criteria are manifestations of genuine political choices, i.e. what is really sought. Corporate steering and ownership steering for the State corporation are assigned to a designated minister, the "Cabinet minister" at the Prime Minister's Office, who supports the Prime Minister closely.

The Government's reporting supports the Government's strategic and political steering and the operational corporate steering of State administration and public administration in essential issues. An up-to-date information system is developed and adopted for reporting on the basis of Findicator and the Netra portals. Through this system, various users get different views from the common data storages. Strategic reports are interpreted and discussed at situational awareness sessions held by the Government and its Cabinet Committees and, on separate occasions, the Permanent Secretaries.

The Government's reporting brings a vivid addition to Finnish democracy and parliamentary debate. From the Government's reporting system, parliamentary committees can easily get good information reviews on matters of interest to Parliament. The revised and combined report on the Government's operations and financial statements is a concise package that interests both the general public and Parliament. In this report, the Government describes how its strategy has been implemented, how its policies have succeeded or failed, and how the information revealed by various indicators about the current state of the nation and public finances can be interpreted. The State's consolidated financial statements are part of the report. Parliament receives an account of the State corporation's ownership policy and its results in the ownership steering report encompassing all of the State corporation's associated companies, public utilities and funds.

Tuomas Pöysti, Auditor General, National Audit Office

6.2 Responsibilities for strategic intersectoral policy entities

The alternative ways of organising intersectoral policy entities should be considered carefully when decisions are made about the Government Programme and intersectoral priorities. In this organisation, it is justified to use more **different forms** than at present, depending on

the contents and the need for coordination. The concept of policy programmes, used during the past two electoral terms, is one alternative. Depending on the factual contents, the intersectoral approach can also be strengthened with other arrangements either at political level or at public service level. The principles of intersectoral coordination and the roles of various actors should in fact be defined as part of the Government's strategic operating principles – if necessary, on a case-by-case basis.

Experiences of **intersectoral policy programmes** have been gathered from two Government terms. In their present form, policy programmes have been considered too weak for the coordination of horizontal entities, and it is necessary and feasible to develop them to make them much more effective. Thus, in the future, policy programmes with different variations can provide a suitable tool for carrying out genuinely intersectoral undertakings and for involving actors outside State administration or for influencing society and its actors by means of programmes.

It is possible to strengthen the organisational and operational forms of intersectoral policy entities, and according to recent evaluations, this should be done in various ways. A prerequisite for a successful policy programme, as for any other intersectoral policy entity, is that it has a sufficiently **clear goal**, on which there is political consensus. A policy programme is not the right tool for solving difficult individual political disputes. A policy programme enables activities across sectoral boundaries and the raising and identification of new questions, themes and tasks. When determining the principal goals of a policy programme or a corresponding tool, it should be noted that issues that are either all-embracing or, alternatively, restricted to one sector are not suitable themes in view of implementing policy entities raised as objects for special organisation. Instead, the focus should be clearly defined, by nature horizontal and, whenever necessary, quick to implement.

To ensure effective implementation of policy programmes and corresponding forms and to avoid overlapping between various programmes, it must be determined what projects and measures are already pending or ongoing with respect to the themes selected. In fact, decisions on the more detailed contents of policy programmes should be postponed until the Government has been appointed. These decisions could be made, for instance, in conjunction with the Government's strategy. However, the programmes should be given a formal status and basis, at the latest, in the Strategy Document that expands on the Government Programme. It is necessary to increase the flexibility of the policy programme concept, and the programmes should not be bound directly, for instance, to the entire Government term. Instead, they should support the Government's needs to respond to changing circumstances quickly and efficiently. It should therefore be possible to start policy programmes flexibly during the electoral term as well. In addition, the option of having a programme span across electoral terms should also be considered.

Central factors for ensuring the success of intersectoral policy include successful **focusing and the funding of a programme entity**. In the future, the focus and targets of intersectoral entities and the need for resources must be taken into account better when funds are targeted. One possibility is that funds for intersectoral policy entities are reserved from **the discretionary reserves for the Government term**; this would also enable the starting of new programmes during the Government term. It may also be required that programmes retarget their funding and use funds more efficiently.

The present policy programmes have had the problem that it has been difficult to find resources for projects across sectors when the programmes' own budgets have been small. The retargeting of resources across sectors, needed by policy programmes and similar tools, should be decided at Government level if the unanimously held view is that implementing the policy programme's goals and allocating resources for this are important. It would be best to discuss the political coordination of policy programmes within the existing cooperation bodies at ministerial level, without appointing separate ministerial groups for this purpose.

With regard to the outcomes of policy programmes, it should be considered how administrative branches can be encouraged to horizontal working better than at present and how monitoring the outcomes of projects can be developed to support the attainment of horizontal objectives. The linking of the targets of policy programmes to **the performance targets of ministries and agencies**, and the realisation of the targets in performance agreements is essential, and the implementation of this should be monitored better in the future.

Various models can be used in **the organisation of intersectoral policy entities** (cf. Figure 7). In selecting the organisation model, **it is decisive what expectations are placed on the nature of the policy entity and what its political aim is**. The aim and the nature of activities determine, on the one hand, how the management and coordination of preparatory work by political decision-makers and experts should be arranged and, on the other hand, how much resources the policy entity needs and how much authority the implementing organisation needs. The situation is different depending on whether the objective is:

- An extensive reform or the solution of an important social problem;
- The promotion of a certain social objective and the strengthening of a trend; or
- Concrete implementation of existing policies (e.g. those defined in the Government Programme).

Figure 7 Alternative models for organising an intersectoral policy entity.

POLITICAL AIM AND NATURE OF ACTIVITIES	Model	Management of political preparation	Management of preparation by experts	Need for formal authority
Extensive reform or solution of a problem. E.g. complete overhaul of health care.	1. PROGRAMME MINISTER MODEL = Model for firm political steering.	Minister (with other responsibilities or a full-time programme minister without other responsibilities) + a designated ministerial group.	Programme minister's state secretary + an expert as a project manager.	Not necessarily, but perhaps for, e.g. budget proposals and for the presentation of legislative amendments.
Promotion – changing director or strengthening a trend. E.g. promoting enterprise.	2. AGITATOR MODEL = Policy programme for the whole Government term, emphasising the role of a programme leader or a "figurehead minister". 3. CONTRACT MODEL = Policy programme shorter than the Government term, e.g. 2 years.	A "figurehead" minister with other responsibilities + an existing ministerial group or Cabinet Committee.	Expert – programme director.	No
Implementation of existing policies. E.g. programme on natural resources, forest programme.	3. ACTION PLAN	Minister who has appropriations and authority alongside other responsibilities + an existing ministerial group or Cabinet Committee.	Expert – programme director.	Needed

The preparation and implementation of a broad **social reform** require a strong political approach. This can be strengthened so that the policy entity is unequivocally in one minister's hands and that person's primary duty. It can also be considered whether a full-time programme minister should be appointed to the Government for the policy entity in question. In the same vein, the programme minister's state secretary could lead the preparation of the programme by public servants; this would also emphasise the political nature of steering. The state secretary could be assisted by a project manager from the

public service. The issues pertaining to the management of such a reform package, e.g. the need for formal authority and funding, are different depending on whether the reform must be prepared on “an empty table” or not. The achievement of concrete results probably requires authority for the presentation of budget proposals and legislative amendments. This type of operating model can be called **the programme minister model**. Examples of the object of such organisation could include a comprehensive overhaul of health care, measures required by an extensive reform of production structure, etc. The programme minister could present solutions and funding decisions falling within the mandates of more than one ministry as packages by using the presentation permit procedure. The current regulations would enable such a procedure.

A programme package aimed at **promoting a certain general objective** resembles the present policy programmes in character. The current model for organising a policy programme can well be used for organising such a package; it can also be reinforced, for instance, by clear focusing and funding. A policy programme can be set for the whole Government term or it can be shorter. When the policy programme extends over the entire Government term, the programme director's personality gains more weight. It is important how the director is able to mobilise actors from various sectors behind a common objective, to act as the figurehead for the cause, and to “propagate” and justify the importance of the matter, for instance, in publicity. This operating model for a policy programme lasting for the whole Government term can perhaps best be termed as **“the agitator model”**. A good example of a theme for a model of this type could be promotion of enterprise. In the agitator model, formal authority, for instance over major appropriations, is probably not an absolute prerequisite for success.

A policy programme model shorter than the Government term is characterised by its **contract nature**. The contract model is likely to require rapid measures; for this purpose, it is crucial that the programme has access to the necessary authorisations for resources and implementation. The strategic forest programme, carried out during the past electoral term, can be characterised as a programme of the contract nature. In some situations, there may be the wish to take a significant step forward in some drawn-out and slowly progressing matter, such as the reconciliation of work and family or the narrowing of health differences. In this model, too, the public servants managing the contract play a key role. Nevertheless, it would be good if the contract programme also had a “figurehead minister” who bears the political responsibility for the progress of the matter alongside his or her own portfolio.

The contract model is similar to the idea of **an action plan**. It would pertain to a policy theme where, for instance, the Government Programme or earlier resolutions or similar documents already contain policy decisions considered to be sufficient. The actions implement these policy decisions in practice. For this, appropriations must also be available.

The above is a simplified description of **alternative operating models**. A policy theme can also be implemented by combining the features of the models. The essential question in selecting the means is what results the programme activities are expected to yield. For example, the policy theme of labour migration can be specified so that the goal is to prepare the ground for long-term development or, alternatively, to make rapid decisions concerning the matter. On the other hand, a new policy theme, such as a policy on natural resources, may be designed more for bringing the existing operations together, when it can basically be characterised as an action plan. Or if the idea is to launch completely new types of measures, the programme borders on the contract type. The programme entity must be formulated so that it meets the expectations set.

When the intersectoral policy entities referred to in this section arise from the Government Programme, it must be ensured in every case that they have:

- o a clear definition of the goal and a focus;
- o sufficient resources determined according to their character;
- o management of appropriate weight; and
- o a distinct programme organisation of their own that distinguishes them from conventional ministry administration.

One way of organising intersectoral policy entities that should not be forgotten is the traditional **committee model**. The committee may have a distinctly political composition, such as a parliamentary committee, or it may be more expert-oriented. In any case, the committee needs a secretariat representing different viewpoints to assist in preparations. Another possibility is a composition of topics for which it is necessary to organise a body comprised of top-level experts, a kind of “committee of wise men”. This may be appropriate for a theme where, for example, the formulation of questions is complex and multidimensional and where the need for innovation is emphasised.

6.3 Organisation of policy programmes or similar undertakings

The status of the leaders of intersectoral policy entities, such as the programme directors, is essential in terms of the preconditions for completing the programme. On the basis of their own experience, the programme directors of the present policy programmes consider that a politically appointed intersectoral state secretary, serving as the programme director, could be one workable solution. A composition where the state secretary serving as the programme director bears the responsibility for the intersectoral whole and where the minister responsible for the policy programme has the programme package in his or her ministerial portfolio would consolidate the status of policy programmes and would clarify the mandate to participate in preparations pivotal to the programme.

Appointment of the minister to be responsible for a policy programme might have a more creative approach than at present; then a direct sectoral link would not always be necessary. The titles of the ministers responsible for programmes could be modelled after the current practice (Minister of Gender Equality Affairs, Minister of Ownership Steering, etc.). The necessary expert resources from the ministries and from other relevant bodies should be placed immediately under the programme management more firmly than now, in order to enable preparation and steering of the programme. One option would be to apply the virtual ministry model tested in the Netherlands.

The question of the programme’s organisational location is not insignificant with regard to the completion of the policy programme and the corresponding policy entity. The location of the current policy programmes in sectoral ministries reduces their horizontality but increases the depth of substance. On the other hand, the location at a ministry as close to the steering minister as possible is an advantage worth adhering to. At the ministry level, however, in some cases it may be thought that the policy programme poses a threat to the ministry’s resources and needs. If the future programmes are directed by state secretaries, the Prime Minister’s Office could also serve as an administratively natural location. In this case, too, the activities of the policy programme could still be located physically in the ministry of the minister designated as the one responsible for the programme. Human resources for the policy programme can also be arranged so that personnel is gathered from various ministries and they work part-time for the policy programme or the like and part-time for their sectoral ministry. They would then have the right and the duty to invest in the programme, which would not rely so much on the daily commitment of ministries.

COORDINATION OF INTERSECTORAL POLICY

Siloed governance is a fact that prevents the implementation of many good, jointly stated goals and intentions. Issues do not drag out because of ill will but because of the lack of a sufficiently firm common agenda, inadequate prioritisation and, naturally, the guarding of territories associated with scanty resources.

Social awareness and identification of the main social and economic problems are certainly at a high level in all ministries. There is a wish to solve problems by launching programmes and projects from the perspective of the administrative branch involved. This gives rise to a group of partly overlapping programmes whose "ownership" in the shared areas is not clear and that can in the worst of cases engender jealousy.

The unravelling of the above problem starts with distinct priorities in the Government Programme, the financial and human resources reserved for solving them, and a clear division of responsibilities. Who is the minister in charge, what is the ministerial group in charge, and what is the preparatory process. It can be a policy programme, a working group led by a state secretary or some other procedure suited to the purpose. Participants in the Government formation talks should know what preparations have been planned or have already been made with respect to the programme priorities.

Throughout its term, the Government must have a clear picture of what intersectoral programmes or projects are still to be started in addition to those decided in the Government Programme or in the subsequent policy session. The Permanent Secretaries are a good preselection jury that can regularly – for instance, twice a year – go through their ministries' central and extensive programme and project plans, coordinate them and eliminate unnecessary overlapping.

Maija Perho, Programme Director, Policy Programme for Health Promotion

6.4 Policy coordination at political level and public servants' level

In terms of political coordination at Government-wide level, **the formal procedures** for the Government's joint decision-making, i.e. the procedures for sessions, are defined in legislation and have their own standard practices. Government evening sessions and informal Government meetings are in use when there is the need for political reconciliation before formal decision-making. The most controversial and most conflicting political issues are nowadays coordinated among the chairpersons of the coalition parties without formal procedures and presentations. As part of the KOKKA project, the question has been raised whether the meetings of the chairpersons of the coalition parties, known during the past electoral term as the quartet procedure, should be applied more systematically and more openly.

The Government has a number of forums for the handling of intersectoral issues, such as the statutory Cabinet committees and the established ministerial groups. However, it has come up during the KOKKA project that there are pressures to reduce the number of regularly convened cooperation groups at ministerial level for reasons such as timetable problems. This raises the question of **the state secretaries'** role and closer cooperation in fitting issues together. To strengthen intersectoral cooperation, it is also necessary to strengthen cooperation and coordination forms at **public servants'** level, the key body being **the community of Permanent Secretaries**.

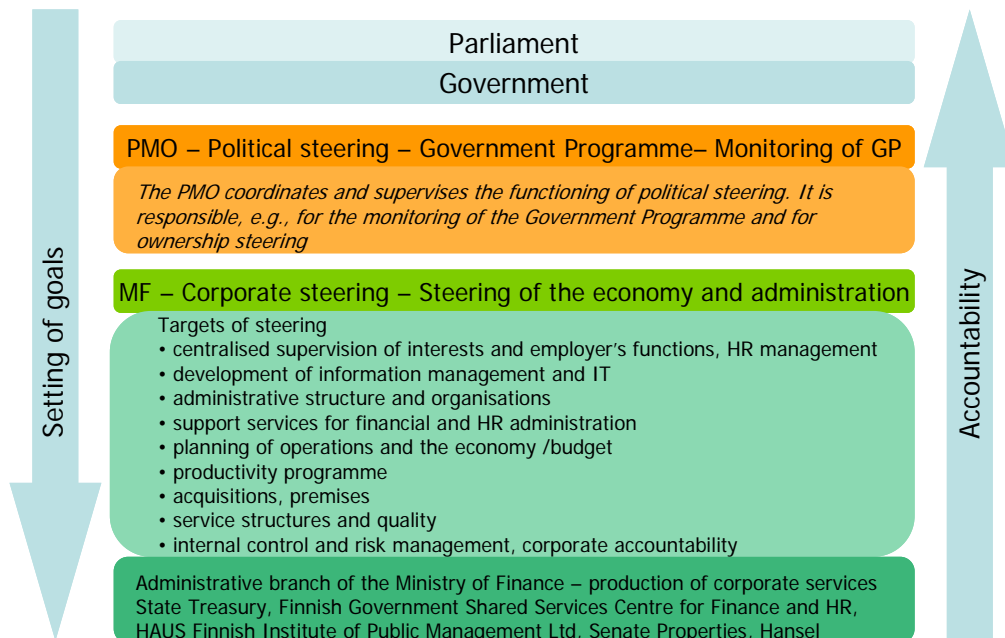
The coordination capacity of the Permanent Secretaries' community can be used more efficiently than at present. This requires increasing the intensity of cooperation, for instance by increasing the frequency of the Permanent Secretaries' regular meetings (now monthly, in the future perhaps weekly), or by arranging more regular meetings among theme-based groups of Permanent Secretaries. Moreover, the question of chairing the community of Permanent Secretaries has come up for discussion; one alternative proposed is to have a circulating chair.

The Permanent Secretaries' role in concretising the Government's strategy could be strengthened in conjunction with the monitoring of the Government Programme described above. In addition, the Permanent Secretaries have an important role when agreeing on who are **responsible for the preparation of intersectoral issues** and when compiling the information base. Furthermore, when the strategy derived from the Government Programme is prepared and coordinated by experts, the Permanent Secretaries are suited to organising this work and linking it with other activities within the organisation. They could also prepare the timetable for the strategic agenda of the Government term.

Coordination of preparations for the Government's annual strategy session would be a natural shared task for the Permanent Secretaries, in cooperation with the Prime Minister's Office and the Ministry of Finance. This also includes coordinating work encompassing the strategic legislation projects included in the legislative plan and evaluation of the effectiveness of policy measures. It is evident that the work of the Permanent Secretaries' community cannot be strengthened without reinforcing the resources and organisation of its preparatory capacity and secretariat.

Policy coordination also includes **the State's corporate steering**. According to a recent working group report published by the Ministry of Finance, this refers to steering and management procedures and common principles – at Government level or encompassing all ministries, agencies and institutes – that look to promote the management of entities, the intersectoral approach, the attainment of the outcomes sought, and productivity and cost-effectiveness when making administrative decisions and when implementing the decisions. In consequence, the Prime Minister's Office and the Ministry of Finance are the principal bodies for the State's corporate steering. The tasks of the Prime Minister's Office include coordinating the functioning of political steering, assuring the efficient implementation of Government policy, and monitoring the Government Programme. The Ministry of Finance is responsible for the State's corporate steering with respect to the economy and administration. The meeting of Permanent Secretaries plays an important role in the harmonisation of corporate steering.

Figure 8 Corporate steering at present.



Source: Ministry of Finance.

The Public Governance Review on Finland conducted by the OECD draws attention not only to the separation of the Government's strategic and financial steering but also to **the separation of performance management from strategic planning**. Although public administration has paid much attention to strategic planning, lack of intersectoral cooperation in the formulation and application of strategic priorities hinders joint commitment to it. In addition to output data, data on effectiveness are also collected from agencies, institutes and ministries in connection with performance management, but the intended use of these data remains unclear. Performance management does not connect agencies' operational goals closely enough with goals for social effectiveness that steer the entire governance system. According to the OECD country review, in the worst of cases, shortcomings in performance management and siloed governance lead to partial optimisation of output at the expense of overall benefits.

Lack of contact points between the Government Programme process, the budget process and performance management is a drawback that:

- has created a gap between the setting of strategic policy objectives and their implementation, limits the ability to focus resources on areas that are the most important for the Government, and leads to a situation in which appropriations remain where they have originally been allocated despite shifts in priorities;
- prevents efficient implementation of the goals and reforms recorded in the Government Programme, and the best possible effectiveness is not reached.

The situation within sight in the public finances requires not only strong policy coordination but also improvement of the administration's ability to make changes and implement reforms. Management procedures – above all, performance management – must be developed so that they become more flexible and support the intersectoral approach. The foundation for a shared vision is created with the Government Programme and by recording the Government's leading values. The key factor in the attainment of the shared vision is **to support the change all the way to successful implementation**. This requires a more seamless and continuous connection between strategy, budget and performance management processes, as well as stronger corporate steering. In order to achieve the best possible overall effectiveness for society, well-functioning corporate steering and management must, to an increasing extent, give up viewpoints that are only limited to a specific administrative branch or level.

Efficient transformation of the Government's strategy into practical implementation requires that

- Strategic steering of public administration, monitoring of the Government Programme, the budget process and performance management are linked together into a lighter, unbroken and constant process that transmits the shared vision to the whole field of administration;
- Performance management will be more strategic, more intersectoral, will support the efficient implementation of the Government Programme and the Government's strategy, and will be a systematic element of the entity formed by steering systems.

In the best case, the Government Programme also provides clear operating guidelines to serve as the basis for the strategic development measures that are related to administration, structures and steering during the Government term and are needed for strengthening the strategic approach, horizontality and agility.

6.5 Anticipatory ability, situational sensitivity and agility

In today's society, circumstances change ever more rapidly. Global phenomena, economic mechanisms and the networked world cause difficult situations for decision-makers when they need to respond quickly to rapidly changing and surprising conditions.

At least once a year, the Government's annual strategy process will provide the opportunity, on the basis of thoroughly prepared situational information, to concentrate on any needs that there might be to retarget or revise the Government Programme. Moreover, there is the need to reinforce situational sensitivity in other respects, too: on the one hand, provision must be made for events that emerge **quickly** (situational awareness); on the other hand, it must be possible to identify and assess **long-term change factors** (trends, weak signals, alternative development paths) with regard both to Finland and to the international operating environment.

Anticipation in the medium and long time perspective refers to analyses and assessments of coming events, made on the basis of existing information. Its goal is to sketch major development trends in the future, to identify weak signals and to locate risks and opportunities. In contrast, **situational awareness** deals with topical information, i.e. information about existing phenomena (statistics, databases, the media, etc.) and its time span is extends from the past to the present.

The Government's knowledge about the future has been based not only on assessments, scenarios and studies conducted in Finland, in international organisations and abroad but also on the results of anticipatory activities carried out by the ministries and on the Government's foresight reports. Anticipation improves the preparedness to make provisions for future developments and new phenomena and to influence them. Anticipation is made more important by the instability of the international operating environment, which calls for increasing agility if Finland is to make use of opportunities and to prevent threats. The need for anticipation is accentuated, for instance, in EU policy. The development of various policy sectors in other EU Member States and in EU institutions must be followed to ensure timely and efficient decision-making in Finland.

Finland already has certain fairly established forms for the preparation and processing of anticipatory information. Once in an electoral term, the Government draws up a foresight report to Parliament. The Government Foresight Network, comprised of representatives from all ministries, is set up for each Government term, and when the Government changes, the ministries prepare their own foresight reviews. The ministries' strategy work consist of long-range development projections. Compared to some other countries, the "sniffing out" and evaluation of weak signals is still rather undeveloped in Finland; it is therefore a future development target.

NEW KIND OF ANTICIPATION AND SITUATIONAL SENSITIVITY NEEDED IN GOVERNMENT WORK

What should be anticipated now that the growth dynamics of the Finnish economy is undergoing transition?

As anticipation material, it is no good compiling a voluminous information package that is only prone to add to the information overload. What is needed is carefully considered, easily available and readily understandable material to enhance situational awareness. Changes in the global economic environment must be assessed in real time, and the same is true when assessing trends in the competitiveness of the Finnish economy and changes in production structure. Apart from these, the trigger points of social development must also be evaluated. Anticipation can create preconditions for the completion of structural reforms; so far this has been impeded by inadequate advance preparation and sectoral silo thinking. Open network preparation is a prerequisite for successful anticipation.

Situational sensitivity and agility through a new concept

It is an absolute fact that the global operating environment will not stay unchanged for four years, and implementation of a hastily compiled four-year Government Programme with blinkers on and in the straitjacket of frozen spending limits are remnants of a bygone world. We must abandon sectoral silo thinking and the principle of continuity in each administrative branch. What we need instead is agile, horizontal decision-making across administrative boundaries that takes into account the interdependences existing between various sectors of

society. We also need a new growth and development strategy that is evaluated constantly. The current situation is checked at the Government's annual strategy session (at the turn of January–February) and the decisions required by rapid response are made. Whenever necessary, if a radical change takes place in the operating environment, the Government is convened immediately to a situational awareness session. The multidimensional new policy programme machine is developed into a dynamic tool for horizontal preparation, which is also given power over resources. The discretionary appropriations reserved in the spending limits create prerequisites for rapid reaction.

Anssi Paasivirta, Head of Unit, Ministry of Employment and the Economy

The working group discussing the development potential of **foresight report work** proposed in 2007, for instance, that the handling of the central future issues as dialogue between Parliament and the Government is a practice that is worth continuing and consolidating. The Government Report is a suitable procedure for this. The foresight report should focus on a wide-ranging future core issue or set of issues that touches many sectors and administrative branches in society. The foresight report would present the Government's long-term vision of the phenomenon under review, extending at least over one electoral term, and would introduce the strategies and principal measures needed for attaining the goals set. The Government should submit a foresight report to Parliament at the latest in the autumn of the Government's second year. Then the report can serve the targeting of policy when the Government has more or less reached mid-term.

The Government Foresight Network has served as a cooperation forum for anticipation work among the ministries. The network has drafted a description of the common operating environment for the ministries' foresight reviews. The work done by the Government Foresight Network has been considered useful for the ministries and it has been recommended that this service be continued. Aside from research and assessment, anticipation is a central function serving planning, decision-making and management. The network's role coordinating the ministries' foresight work should be strengthened. One observation made is that more resources than at present should be allocated for preparing the description of the operating environment, irrespective of whether the network bears the main or partial responsibility for the work.

The ministries' foresight reviews have been drawn up separately for each sector. In the future, it would pay to improve their mutual compatibility and horizontal approach, for instance, by utilising guidelines and joint preparation.

Identification and analysis of general, long-term development factors in the Finnish operating environment, and recognition of silent signals, known as **horizon scanning**, is a task that should be done in cooperation with other bodies engaged in national foresight work. It is important to ensure that the information is up-to-date. When working in wide-range cooperation, the expertise of various bodies can be harnessed and national and international data materials can be used efficiently. This creates the basis for innovative formulation of policy.

An up-to-date, **shared picture of the situation** is an element of the Government's situational awareness required for rapid reaction. At present, the emphasis of the Government's situational awareness is on security, but the need for more extensive topical information has been raised to the fore. Some sectors have access to topical information that is updated regularly, but the use of such sector-specific topical information is easily limited within a small circle.

At present, comprehensive situational data are produced and collected for the entire Government only from the perspective of security, not, for instance, on the competitiveness of the production structure or on social trends. Admittedly, in situational reviews concerning security issues, the perspective is often wider than one strictly limited to security. The present situational awareness work has the problem that the possibilities for analysing

competently collected information material are limited, the utilisation of the material is also restricted, and there are no regular and proven procedures or forums for its handling and conclusions.

The fairly recently developed, and constantly developing, situational awareness activities within the Government have provided sound experiences and a good basis for the future development and expansion of corresponding activities serving other viewpoints. Both analysed information compiled by the authorities and analysed public information should be merged when drawing up a picture of the situation. The Government's resources for processing the information produced should be developed. The members of the Government must have simultaneous access to the same picture of the situation. The merging of information and the sharing of information on the security situation are among the tasks of the Prime Minister's Office when it assists the Prime Minister in the overall leading of the Government and when it makes general arrangements for the Government's work in all situations.

The need to develop procedures for providing the Government with topical information from a wider perspective than at present should be examined more closely during the next Government term. Among the matters to be studied are the questions whether the Government would need a separate procedure for a situational awareness session, apart from the annual strategy session, and whether such a procedure should be linked, for instance, to the regular weekly sessions or whether it should be applied case by case, when a situation calling for special attention has been noted.

As a whole, it is important that situational sensitivity in the Government's work is closely linked with the Government's strategy. The information transmitted by situational awareness must be analysed in relation to the strategy. The agility of activities must also be strategic. Situational sensitivity is an element of the strategic ability to react and prioritise.

CONCLUDING OBSERVATIONS

Demographic change, problems in the development of economic structures, the unpredictability of the external environment, and European integration trends set great demands for the next Government's strategic decision-making ability. The public sector is justifiably expected to provide input for solving problems and opening new development opportunities. However, there is no latitude for this without endangering the sustainability of public finances. As the potential for raising the overall tax rate is also slim in view of the magnitude of the sustainability gap, new expenditure must be funded by cutting other expenditure. In an external environment susceptible to change and in the current period of instability in European integration, the Government must also be able to reassess its strategy and alter its line of action quickly, whenever necessary.

How well these challenges are met depends fundamentally on the Government's political mandate and leadership, but decision-making processes and the formation and preparation of the Government's agenda also play a role. One of the goals of the KOKKA project of the Prime Minister's Office has been to locate strategic checkpoints where it would be possible to discuss the Government Programme, its implementation and the need for new openings, and the funding of extensive, intersectoral projects as well as retargeting of expenses. The principal "strategic windows" that have arisen in this context are the structure of the Government Programme and its drafting process, and the annual checkpoint for the Government Programme, or the strategy session, which is prepared under the supervision of the Cabinet Committee on Economic Policy or the chairpersons of the coalition parties.

In view of retargeting within the sustainability limits of public finances and the funding of intersectoral projects, it is essential to forge a close link between the content-related goals in the Government Programme and the steering system of public finances. As such, the spending limits procedure of central government finances is fully open for transfers within the limits. Political will and steering are needed so that this possibility is really utilised. Decisions must be prepared carefully, reconciling their economic conditions and content-related goals. The Government Programme is expected to present a distinct, credible framework for restoring the sustainability of public finances. This will form the surplus target of public finances, which must be aligned with the grounds for revenue and expenditure in central government finances and in the whole sphere of public finances, including the spending limits. The implementation of the fiscal policy frame thus created, developments in the economic environment, and the need for new measures are annually evaluated in the Government's strategy session.

For the central administrative reforms, the strategy section of the Government Programme must also include the structural reforms carried out in taxation and in the social security system, the transfers of appropriations, and the funding plan for wide-scale intersectoral projects and infrastructure investments. For ensuring the horizontal latitude required by retargeting, the strategy section of the Government Programme should be decided before the allocation of ministerial portfolios.

At the annual strategy session, held preferably during the winter months, the Government would update the picture of economic and social developments, assess the implementation of the Government Programme, and outline the preparations for the next year's spending limits and budget, recording any shifts in emphasis contained therein. To improve the potential for retargeting, the spending limits should have a larger discretionary reserve than now. Continuation of the existing expenditure programmes and improvement of their efficiency and effectiveness should also be evaluated more systematically than at present, utilising a regularly conducted spending review.

The drafting of the Government's strategy, and its implementation, assessment and revision, also require the support of efficient legislative drafting and systematic research and evaluation work. On the basis of separate, synthesising preparation by experts, the annual strategy session also needs to discuss the status, results and development needs of these supplementary processes.

Consistent implementation of the Government's strategy requires seamless cooperation between the Prime Minister and the Minister of Finance. The Prime Minister's Office and the Ministry of Finance must coordinate the drafting of the Strategy Document and the decision on spending limits for the strategy session so that the Government Programme's priorities can be realised within the spending limits. In the foreseeable future, this will mean considerable changes in the expenditure structure. As concerns the preparation of such strategic issues in public finances, the Cabinet Committee on Economic Policy would be the most natural body to be responsible for their political steering.

Since we are faced with a major need to reallocate resources, it is of primary importance that the tools available to the Government for intersectoral work are developed. If policy priorities are to be realised, more advanced practices for intersectoral preparation will also be needed in addition to the policy programmes used during the past two electoral terms.

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