

# **OECD Public Governance Reviews: Estonia and Finland**

FOSTERING STRATEGIC CAPACITY  
ACROSS GOVERNMENTS AND DIGITAL SERVICES  
ACROSS BORDERS



## Foreword

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

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

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

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

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

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



Angel Gurría  
OECD Secretary-General

## *Acknowledgements*

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

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

This Review benefited from the wise counsel of the following senior peer reviewers: Part I: Roel Bekker, former Secretary-General for Government Reform, Netherlands; Jocelyne Bourgon, former Secretary to the Cabinet, Canada; Sir John Elvidge, former Head of the Civil Service, Scotland; Part II: Tom Loosemore, Deputy Director at Government Digital Service, United Kingdom; Lars Frelle-Petersen, Director-General at the Danish Agency for Digitisation; Johan Vercruyssen, Director at SMALS, Belgium.

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

The Review team wishes to acknowledge the significant contribution made by its interlocutors in the Estonian and Finnish administrations, in particular Secretary of State Heiki Loot, Strategy Director Margus Sarapuu, Juhani Lemmik and Siim Sikkut in the Government Office of Estonia; State Secretary Olli-Pekka Heinonen, Anna-Maija Karjalainen, Katju Holkeri, Sirpa Kekkonen, Juhani Korhonen, Timo Moilanen, Olli-Pekka Rissanen from the Finnish Prime Minister's Office and Ministry of Finance, and Tuomas Pöysti, the Auditor-General of Finland. The quality of the work was dependant on the contribution of numerous Finnish and Estonian public officials in ministries and agencies, both at the national and local levels. The peer review team had extensive discussions with representatives of trade unions and business associations, as well as with a panel of academic experts in both countries. The OECD expresses its gratitude to all the Estonian and Finnish interlocutors who provided responses to the surveys, for the quality of discussions and for the richness of the information provided during this Review.

This *Public Governance Review of Estonia and Finland* was funded by the Estonian and Finnish Governments, with partial financial assistance for Estonia from the European Social Fund of the European Union.



## Executive summary

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

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

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

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

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

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

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

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



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

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

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

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

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



## Assessment and recommendations

### Overview

#### *A highly innovative joint review leading to joint recommendations*

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

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

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

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

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

### ***A challenging economic environment***

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

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

### ***Developing a shared policy agenda: Just do it***

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

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

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

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

### ***Fostering strategic agility: One Government – One Strategy***

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

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

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

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

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

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

### ***Leveraging the opportunities of digital government***

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

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

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

The most pressing domestic challenges addressed in this Review are:

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

### ***Building seamless services across borders***

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

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

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

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

### *Context*

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

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

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

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

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



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

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

### *Towards a blueprint for reform*

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

1. **One Government – One Strategy:** build on success to sustain integrated strategic decision-making capacity. Good governance requires a government able to frame an ambitious agenda for the country and implement it in a manner that earns public support. Good government implies a government able to bring coherence to government actions and decisions; to set priorities and mobilise human and financial resources to pursue them; and ensure that key stakeholders within and outside government collaborate to propel society forward. This is a precondition for the Centre of Government to fulfil its function effectively, build harmonious and coherent working relationships between political and professional officials, across agencies and governments, and between government and citizens. There are many bright spots generating the kind of results that flexibility and strategic cross-sector coherence drives – for instance, the EU affairs management system in both Estonia and Finland. These institutional arrangements can serve as good practice examples of how to institutionalise more generally cross-sector co-operation that leads to more coherent, integrated outcomes for the government, citizens and businesses.
2. **Break down silos to increase capacity for policy integration.** Enhanced capacity is required to address an increasing number of policy issues whose effective resolution exceeds the capacity of a single organisation working alone, or of a single level of government acting on its own. Since working across multiple boundaries, including national ones, is a defining characteristic of modern governance, government requires capacity to break down barriers to pooling knowledge, resources, know-how and expertise from across the system to achieve broad public sector outcomes that deliver integrated public value. The goal is to

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

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

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

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

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

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

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

### *Strategy setting and implementation processes*

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

- In Finland, as the KOKKA assessment and recommendations noted, the process in which the Government Programme is formulated, in terms of timelines, evidence informing it and parties involved, is not functioning as efficiently as it could. Currently, there is recognition that a Government Programme with 964 strategic priorities<sup>1</sup> for action is neither strategic nor actionable.
- Estonia could benefit from reducing the 55 strategic objectives in its Government Programme to a smaller number of more high-level objectives and linking these to a broad, integrated, vision-based strategic framework that it seeks to achieve by the end of its four-year mandate.

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

Both Estonia and Finland would benefit from institutionalising links between CoG units. In both countries, CoG functions are shared between the Prime Minister's Office/Government Office, and parts of the Ministry of Finance and Ministry of Justice. Creating formal institutional processes to promote and ensure CoG units are working toward the same strategic objectives – especially in the initial setting of strategic programming documents and fiscal frameworks – would be essential for ensuring results for citizens (see Recommendation 2). To the same extent, formal institutional linkages between the Ministry of Justice, the Prime Minister's Office/Government Office and Ministry of Finance should be created to ensure on an ongoing basis that robust value-for-money regulatory impact analyses (RIAs) are conducted *ex ante* on decision making regarding major government strategic initiatives. This process should include binding powers to scrutinise and reject initiatives or send them back for major review – particularly ones that involve major policy and spending implications (see Recommendation 6).

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

The governments of Estonia and Finland could each consider:

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

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

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

The governments of Estonia and Finland could each consider:

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

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

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

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

Both governments could also consider ways to enhance co-ordination between CoG institutions and line ministries and across line ministries when implementing and monitoring the government’s strategic priorities. This need not necessarily result in increased centralisation, but could reflect increased capacity for working together as a “single government”, as in Scotland and Sweden, for example. Individual ministries can take the lead for policy initiatives in their area, but they could also be clearly tasked with horizontal co-ordination in cases where the initiative crosses ministerial boundaries. This is essential for effectively implementing the government’s strategic objectives. The role of the CoG is to act as a facilitator and ensure a whole-of-Cabinet approach by helping ministries realise their strategic goals and by integrating evidence in a vertical and horizontal fashion. Lack of vertical and horizontal co-ordination hinders capacity to build cross-sector synergies and coherence, which contribute to maximising the impact of decisions on results for citizens (see Recommendations 3, 4 and 5).

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

The notion of “One Government – One Strategy” can also be given effect with practical institutional arrangements to sustain inter-ministerial coherence in setting and implementing multi-sector, integrated initiatives to pursue whole-of-government strategic objectives. Each government could consider adapting the institutional decision-making arrangements they have adopted for co-ordinating EU affairs more broadly to design and implement key multi-sector policy initiatives identified in their strategic programming documents. Governments could first consider identifying and allocating horizontal funding to a top priority initiative that could serve as a pilot project (e.g. Finland’s initiative to reform the delivery of healthcare services via municipalities). In so doing, they could consider:

- Mandating an existing Cabinet Committee with the decision-making authority, including spending authority using the dedicated contingency fund or policy reserve (see Recommendation 10) once this has been approved by Cabinet for this purpose, to oversee the implementation of a strategic multi-sector policy initiative, and create a mirror committee of senior civil servants to support it. The leadership for such initiatives can be with the ministry that is most directly concerned with the initiative.
- Conversely, building on Estonia’s experience with dedicated task forces, creating a one-off reference group of ministers for this purpose, supported by a mirror committee of senior officials (see also chapter on enhancing institutional flexibility), and allocating dedicated resources.
- Ensuring that, as part of their mandates, these committees or reference groups report regularly to full Cabinet on progress in implementing the initiative.

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

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

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

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

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

Both governments could consider:

- Pursuing current initiatives to ensure that the national budget-setting process evolves to include performance information, so that the budget is eventually based on programmes and informed by performance.
- Estonia could proceed with modifying its Regulation on Strategic Planning to allow for performance information to guide the budget process to the extent feasible, and foster co-operation and co-ordination.
- Strengthening incentives for sub-national authorities delivering key public services to require performance information and building local capacity to collect performance information on public expenditures and results.
- Ensuring that the Ministry of Finance (in each country) works with relevant line ministries that adopt performance budgeting to document successes and good practice and share this information as widely as possible.
- Using this information to inform spending reviews (see Recommendation 11).

#### *Enhance collaboration across the senior civil service*

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



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

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

Both governments could consider adding to the annual performance evaluation framework for the top ranks of the civil service indicators measuring top civil servants’ performance against the achievement of their ministry’s policy objectives and their ministry’s contribution to government-wide strategic objectives, in addition to assessing their performance against the core competencies of the position they occupy.

***Whole-of-government evidence-based policy making***

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

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

Both countries could consider strengthening institutional arrangements and capacity to ensure RIAs are conducted on new legislative proposals, thus promoting a culture of evidence-based decision making. This reflects the 2012 OECD *Recommendation of the Council on Regulatory Policy and Governance* which, *inter alia*, recommends that member countries commit at the highest political level to an explicit whole-of-government policy for regulatory quality. The policy should have clear objectives and frameworks for implementation to ensure that, if regulation is used, the economic, social and environmental benefits justify the costs, the distributional effects are considered and the net benefits are maximised.

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

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

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

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

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

Both governments could consider:

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

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

- Having an independent institution assess the efficient and effective implementation of the new RIA system two years after adoption. This would be an important step in ensuring that institutional and legal changes adopted to improve the use of impact assessment are fully implemented and are functioning efficiently. In addition, a review of the current system will also be important in order to assess whether the requirement for a preliminary impact assessment to be reflected in the legislative intent is functioning well, or if the use of exceptions to the preparation of a legislative intent is allowing for new laws with significant impacts to be passed without the required in-depth RIA. If results indicate this to be the case, the government of Estonia could consider limiting the use of exceptions to only necessary and urgent legislation while ensuring an *ex post* preliminary impact assessment within a year of adopting the legislation.



*Ensure strategic foresight is informing the development of the government strategies*

Estonia and Finland are at different stages in building and embedding strategic foresight information into decision making. Finland is an established leader in the field with many years of bold forward-looking experience. Estonia could learn from Finland in relation to setting up foresight activity, particularly in the Centre of Government. One of the challenges Estonia faced in previous foresight efforts was that responsibility for foresight activity was set up outside the Centre of Government, and even outside the machinery of government. OECD experience demonstrates that foresight efforts are more effectively integrated in whole-of-government decision making when they are tightly linked to the Centre of Government and the Prime Minister’s Office/Government Office, including its horizon-scanning activity (see Recommendation 7).

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

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

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

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

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

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

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

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

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

#### *Developing capacity to apply and integrate the evidence into decision making*

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

### Recommendation 9: Invest in capacity to transform information into knowledge

The government of Estonia currently manages a series of well-functioning interoperable registries of information. The government could consider further investments to build stronger analytical capacity so that this information can be transformed into targeted policy-relevant knowledge on which to base decisions. This analytical and research capacity could be located within or outside government and could be funded by, yet remain independent from, the government. The following steps could be considered:

- The government of Estonia could look toward co-operating more closely with research institutes outside the government – including with non-governmental think tanks and Estonian academic research institutions – as a complement to internal analytical capacity.
- Estonia could equally consider investing a little more in building capacity to carry out applied policy analysis and content-specific policy studies to inform government decision making. A first step could entail mapping what and where data and capacity for analysis currently exists within ministries, including in other bodies such as the National Audit Office, Statistics Estonia and external research bodies. This initial activity could also put in motion a larger debate across government on why such information and analytical capacity is needed.
- Similar to the ongoing Finnish research institute reform, Estonia could consider building analytical capacity within ministries, as small analytical units, if results from the mapping exercise indicate that sufficient data and information already exists there.
- Through the opening up of data, the government of Estonia could tap into external communities to expand its available analytical capacity and gather new policy insights (see also Part II, Recommendation 10 to Estonia on sourcing policy-relevant intelligence).

### *Fostering structural and resource flexibility in the public sector*

#### *Enhance flexibility in resource allocation processes*

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

### Recommendation 10: Create contingency funds and policy reserves

The governments of Estonia and Finland could each consider:

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

### Recommendation 11: Ensure greater use of strategic and spending reviews

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

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

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

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

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

- Update parliament and citizens on the state of the national economy and the state budget.
- Identify those areas where spending is achieving its targets as defined in the government strategy and those areas where it is not.
- Identify financial resources that could potentially be reallocated toward higher or emerging strategic priorities.
- This exercise could be overseen by Cabinet. On the recommendation of the Ministry of Finance, the Prime Minister's Office/Government Office and the relevant line ministers, proposals to reallocate resources to address a priority, either by using the policy reserve, contingency fund or by shifting resources from one ministry to the other, could be considered (see Recommendation 2, 3 and 10). This, of course, requires *ex ante* lead-time discussion between affected ministries at the official and ministerial level.

### *Enhancing institutional flexibility*

Both governments are aware that they need to improve institutional flexibility to increase their agility and co-ordination capacity when addressing complex policy challenges. Indeed, the Finnish KEHU initiative established a parliamentary committee focusing, *inter alia*, on identifying legislative and institutional barriers to inter-ministry mobility. Many of the barriers stem from either constitutional or legal constraints. However, the main point is to address the issues of siloed administrations, gaps in strategic leadership and the lack of flexible resources to help strengthen the government's

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

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

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

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

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

Both governments are pursuing common, government-wide standards in managing their workforce, whether through Estonia's new Civil Service Act or through Finland's shared services centre. This is a trend to be encouraged, as it facilitates equitable treatment for work of equal value across ministries and agencies, and enhances mobility along with equitable treatment with respect to training and remuneration.

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

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

## Digital government and cross-border services

### *Context*

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

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

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

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

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



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

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

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

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

#### *Coherent digital government strategies to address national policy priorities*

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

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

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

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

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

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

#### *Recognition of domestic shortcomings*

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

### **Recommendation 2: Build “early warning” mechanisms for strategic digital government challenges in Estonia**

Estonia’s government should build on its experience of screening shortcomings in public service delivery to develop strategic “early warning” capacity when digital public services are not sufficiently supporting national policy priorities. The aim should be to develop a methodology, tools and regular practice to identify areas where digital government initiatives, despite recognisable success at the micro level, are not contributing strongly enough towards achieving desired policy outcomes. Digital healthcare initiatives are, for example, relatively successful in Estonia, see the wide take-up and high user satisfaction with electronic prescriptions, but their impact on people’s overall satisfaction with healthcare service delivery in the country remains limited and the impact on actual health outcomes is also unknown.



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

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

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

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

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

### *More effective leadership and governance mechanisms*

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

understanding of the importance of technology enablers and is largely shaped by informal and interpersonal networks, e.g. between the Strategic ICT Advisor in the Government Office and the Government Chief Information Officer (CIO) in the Ministry of Economic Affairs and Communications; or between the government CIO and line ministries' and agencies' CIOs. While these interpersonal networks have been able to work effectively and compensate for relatively autonomous decision making in line ministries, there is a risk that informal mechanisms lose their effectiveness when the system is placed under stress or when people change jobs. Further budgetary constraints might, for example, reduce the willingness or capacity of individual institutions to co-ordinate in the implementation of digital government projects.

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

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

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

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

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

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

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

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

#### *Involvement of municipal authorities*

Regional and municipal authorities are a necessary partner for the development of effective national strategies and their effective implementation. In Estonia, existing governance mechanisms have had limited success in making municipalities fully commit to national digital government strategies. This is partly due to heterogeneous availability of resources at local levels of government. It also is a matter of capacity and activeness by the central administration to engage with local governments in ways that would generate widespread commitment to the Digital Strategy 2020. The Estonian Association of Local Councils has, for example, been involved in digital government strategy setting in the past but never to the degree that would make it a shaping force of either national or municipal digital government developments.

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

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

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

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

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

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

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

### ***How to ensure effective implementation of digital government priorities?***

#### ***Harmonised use of business case methodologies as strategic tools***

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

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

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

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

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

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

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

### *Independent institutions and their role in strengthening the business case use*

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

#### **Recommendation 9: Explore options to leverage external audit and expertise**

The National Audit Offices in both Estonia and Finland have shown interest and capacity to assess digital government projects in the recent past. Typically involved in *ex post* evaluations of the implementation of a given project, there is room to increase their impact on *ex ante* assessments, e.g. the design and business case of digital government projects considered to be of national priority or to bear particularly high risks. This additional check should not come at the expense of higher complexity of processes or reduced agility of digital government but should rather aim at establishing a setting for mutual learning on digital government performance.

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

### *Administrative data as a vector for public service transformation*

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

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



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

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

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

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

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

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

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

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

#### *Investing in skills and building capacity for digital government*

Estonia and Finland need to ensure the availability of sufficient and adequate skills to implement strategic digital government objectives. Many OECD countries have growing needs for cross-cutting skills in order to be able to steer high-risk digital government projects, to align and co-ordinate them with parallel developments in the administration, to harness the potential of emerging technologies and service transformation approaches for better public services. This has led countries to respond in various ways, e.g. by creating young professionals programmes (Australia's Public Service), by offering public sector fellowships to technology leaders from business and civil society (United States' White House), by reviewing the IT skills and capacities framework for the entire public sector (United Kingdom's National Audit Office).

Estonia has the challenge of a relatively low supply of skilled human resources due to the small size of the country. Existing challenges at the national level are exacerbated at local levels of government. Approaches for ensuring the public sector has a sufficiently large set of available skills need therefore invariably consider the sharing of resources within the administration and beyond.

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



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

The Estonian government should consider:

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

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

The Finnish government should consider:

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

*Evidence-based, user-driven and agile implementation methods*

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

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

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

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

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

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

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

### *Learning from past experiences*

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

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

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

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

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

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

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

The Finnish government should consider:

- Assessing the current performance of the national service portal [www.suomi.fi](http://www.suomi.fi) and the “Citizen’s Account”. Compared to leading OECD countries, the national service portal is underutilised: the number of actual services that can be fully completed online is relatively low, and as a result uptake does not match the potential this channel has for public service delivery. A comparison to Estonia can also help to identify value-added services that empower citizens, e.g. access to information about personal data held and used by the public administration.
- Drawing lessons from the low uptake of the national electronic ID and the relatively low number of government services that support this method of authentication. Similar to Estonia, Finland also has a high penetration of third-party digital authentication providers from the private sector (mobile operators, banks). But unlike in Estonia, the Finnish digital ID has not been able to persuade users or the public administration of its added value. Any redesign of digital identification provided by the public sector should openly address the factors that have influenced low uptake of the current service. Moreover, any redesign should maintain compatibility for use across national borders, i.e. provide identification for bilateral projects with Estonia as well as for multilateral EU-wide pilot projects.

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

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

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

*Identification of priority areas*

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

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

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

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

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

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

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

Further areas have not been touched upon in detail during the Review but hold potential for exchanges, e.g. education. Both countries should remain committed to maintaining fundamental technology enablers interoperable across borders as they engage in domestic revisions. This concerns primarily digital signatures, electronic identification and standards for data exchange. But it also means keeping cross-border interoperability in mind during domestic initiatives for the redesign of public services or information systems.

*Shared governance, co-ordination and support mechanisms*

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

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

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

- Developing common project templates for monitoring, reporting and implementing cross-border services. These templates should include essential information on the purpose and expected benefits, target groups and beneficiaries, costs and resources implications, risk factors, potential and actual challenges to be addressed, important context factors such as political pressures and complementarity with EU or other regional initiatives. Project templates should from the very start outline the interactions and synergies expected with related projects, notably with interoperability pilots undertaken at the EU level. In some instances bilateral projects have the potential to scale to other countries in the region, which should be openly stated in the project management template.

**Recommendation 19: Establish shared governance mechanisms  
for cross-border services and data exchange (cont.)**

- Designating individual “service managers” (or “service owners”) in their country and liaising with service managers in the partnering country. The establishment of domestic service managers (see Recommendations 14 and 15) should also apply to cross-border exchanges, i.e. the idea should be upheld that each of the selected services and data exchange has a dedicated contact point in Estonia and in Finland.
- Drawing general lessons from project-specific experiences. Acting as a hub for cross-border services monitoring, the Government CIO Offices will be in a position to inform policy makers and the public on overall progress in cross-border services. In doing so they will also become an important provider of feedback to current and future multilateral initiatives, e.g. EU-led interoperability initiatives.
- Assisting the potential transformation and scaling of pilot projects towards fully operational services. Launching a fully operational service requires a lot more resources than piloting a service in order to address all the legal, organisational, financial and political implications. Documentation and monitoring through commonly agreed project templates will facilitate the tasks of government CIOs who should build capacity to accompany this process as a hub for knowledge and experiences. The government CIO Office should be a contact point for institutions that need to determine the benefits and costs related to transforming a pilot into a fully operational service.
- Establishing joint infrastructure management and development governance mechanisms. The proposed Nordic Digital Institute presents an opportunity to scale experiences made in Estonia and Finland to further services areas and countries. Joint development and management of infrastructures such as interoperability layers, digital signatures or electronic identities can lay foundations for future expansion of cross-border services.

*Value propositions aligned with national and supra-national priorities*

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



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

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

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

#### *Systematic user and stakeholder involvement*

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

would certainly add more weight if proposals for cross-border services were also backed by demands from the ultimate users and beneficiaries. This includes involvement of citizens, migrants, businesses, associations, but also civil servants, practitioners and other stakeholders.

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

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

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

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

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

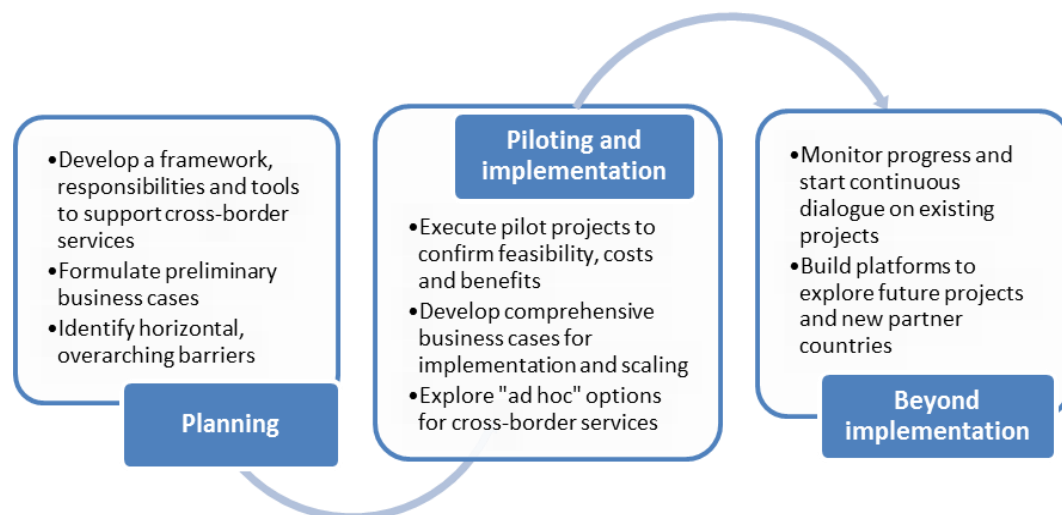
The Prime Ministers of the two countries signed a Memorandum of Understanding (electronically across the border) on bilateral IT co-operation in 2013. Estonia has a legal and regulatory framework and information systems that are ready to create seamless data exchanges across national borders, e.g. by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



The two countries had engaged in some pilot testing before this Review, e.g. on transfer of taxation information. This Review identifies further service areas and services with high potential (see Recommendation 18). Going forward, a roadmap for the two countries involves a three-phased approach:

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

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



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

- develop a business case methodology
- identify dedicated service managers for business cases/pilot projects
- identify and develop preliminary business cases for individual services/data exchanges
- identify horizontal barriers or impediments to piloting cross-border services
- develop a template for documenting and monitoring project progress
- design and pilot prototypes of cross-border services or data exchange

- turn preliminary “business cases” into complete business cases
- establish cross-border governance mechanisms
- develop a communications plan for the cross-border service agenda
- establish platforms for continued dialogue and outreach.

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

### Note

1. Referring to the Finnish Government Programme, 2013.

### *Bibliography*

OECD (2015), *OECD Economic Surveys: Estonia 2015*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/eco\\_surveys-est-2015-en](http://dx.doi.org/10.1787/eco_surveys-est-2015-en).

OECD (2014), *OECD Economic Surveys: Finland 2014*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/eco\\_surveys-fin-2014-en](http://dx.doi.org/10.1787/eco_surveys-fin-2014-en).

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

OECD (2010), *Finland: Working Together to Sustain Success*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264086081-en>.

Van Zanden, J. et al. (eds.) (2014), *How Was Life?: Global Well-Being Since 1820*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264214262-en>.

*Wall Street Journal* (2011), “Nokia CEO Stephen Elop’s ‘Burning Platform’ memo”, Tech Europe, 9 February, available at: <http://blogs.wsj.com/tech-europe/2011/02/09/full-text-nokia-ceo-stephen-elops-burning-platform-memo>.