

THE CENTER OF GOVERNMENT IN FINLAND –

how to prepare better (for) the future

Report commissioned by the Finnish Innovation Fund

Sitra

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FOREWORD

The Centre of Government (CoG) is arguably among the critical institution of the Executive branch in the governance architecture of democratic states. Despite its “centre stage”¹ it is not well known to the public at large. Surprisingly, it also attracts only limited attention of public policy practitioners and academia. How come? Isn't it here where elected political power meets the government machinery; where visions or ideologies of societies and economies are advanced; and where strategic responses to the multi-dimensional challenges of public policies are formulated before submitted to Parliament? True, but the granularities of the constitutional, institutional and functional arrangements of governments render the relevance, reach and impact of the CoG much more complex. Political context, leadership and the personalities involved add their weight to the strengths or weaknesses of the CoG.

The Centre of the Government in Finland shares many of these features. At the same time, it has benefited from the reformist attitude and track record of Finnish policy makers and civil service to push the boundaries of public governance. Taking a closer look at the Finnish CoG is therefore a formidable exercise of analytical curiosity. It is also a case study of the potential and complexity of modernization and innovation of government at times when transparency, accountability and integrity in public life are challenged by citizens everywhere. The current Prime Minister's decision on March 8, 2019 for the entire cabinet to resign, might well provoke greater interest in this institution.

I would like to thank the Finnish Innovation Fund Sitra under the leadership of Mikko Kosonen for giving me the opportunity to contribute through this report on the CoG to the project of Updating Democracy. Introducing an international perspective to the analysis and developing options for improvement will hopefully enrich public debate and facilitate decisions on what would work best for Finland's CoG when a new government will be sworn in.

In preparing the report it has been a privilege to team up with Jouni Backman, senior advisor at Sitra, whose long-standing experience as Member of Parliament and Minister in Finland has benefited the analysis greatly. I would also like to thank the Finnish officials from all levels of government for their generosity to share with me their insights (and time!) into the government machinery. The responsibility for the findings and recommendations of this report rests, of course, entirely mine.

Rolf ALTER

¹ “Centre Stage” is the title of the first publication of the OECD Network of Centers of Government on the practices of the CoG in OECD countries.

EXECUTIVE SUMMARY

The Center of Government (CoG) is arguably one of the critical institutions of the Executive branch within the governance architecture of democratic states. Political visions and strategies are transposed into public policies and prepared for implementation by the administration subject to endorsement by Parliament. The quality of the CoG is a decisive factor for the performance of Government and ultimately for trust and well-being of citizens.

As in many other countries, the CoG in Finland is entrusted with the Prime Minister. Being traditionally the party leader of the largest parliamentary group, the Prime Minister heads the government of Finland and is accountable for the Government Program. Significant reforms in recent years have made the Finnish CoG one of the leading institutions of its kind in international comparisons.

Yet, the government of Finland, as those around the world, must respond to permanently changing and complex challenges, whether at the international level or due to economic, social and political changes at home. Are they prepared? As the Center of Government is in the frontline – or “centre stage”- reviewing its capacities and organizational structures should be among the priority areas of a risk management strategy of every government.

The Finnish Innovation Fund SITRa has commissioned this report on the Finnish Center of Government as part of a wider project on Updating Democracy. The end of the current parliamentary period, and before a new government will take over after the elections, seems to be a very opportune timing for a closer look at the CoG.

The report based on interviews with political and administrative leaders in Helsinki and a comparison with international practices and experiences comes to a straightforward conclusion: The CoG isn't broken, but some fixing would provide tangible benefits.

Options for change are developed along three lines,

Streamlining the Prime Minister's office (PM)

Upgrading the capacities of the PMO,

Reinforcing the Functional CoG between the PM and the Minister of Finance.

The recommended measures in the three areas could help the CoG to focus on its core responsibilities, strengthen the delivery of the Government Program and deepen the mobilization of the experience and knowledge of the government machinery, for the benefit of its overall performance and the trust of Finnish citizens in government. The report also comments on the role of the Group of Party Leaders which includes currently the three heads of the parties of the coalition government (the TRIO) and recommends an alternative platform of the parliamentary leadership of the coalition parties.

The Centre of Government of Finland – How to Prepare Better (for) the Future?

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If it ain't broken, you still might better fix it

For a country well known in the OECD and beyond for its appetite and courage of innovating, upgrading and finetuning public governance, the perspective of parliamentary elections and a new government in the summer 2019 offers an opportune moment to take stock of the progress of governance reforms since 2014/5, when a significant upgrading of the strategic dimension of government was introduced, and to explore options for future changes of the government machinery. SITRa, the Finnish Innovation Fund, has launched in 2018 several projects in this regard, among them a closer look at the Center of Government of Finland².

The decision of Prime Minister Sipilä on March 8, 2019, for the government to resign, illustrates the weight of the CoG. It might also raise the attention of analysts and policy makers to verify whether the political and administrative machinery, including the CoG, are fit for purpose. Timing, justification and the personal reasoning of the PM are relevant in this context: The resignation was submitted just 10 days before the end of the parliamentary term. In its justification Sipilä referred to the healthcare reform as “one of the five most important (things which) was not finished.” His personal reasoning was a combination of the principle of political accountability and his “inner voice”³.

In the interviews with Finnish political leaders and senior civil servants, carried out for this report throughout February 2019, the question of where the Center of Government in Finland today is institutionally located, was rarely answered spontaneously. The first reaction typically was something to the effect of “Good question!”. Only then, it was followed by nuanced reflections and observations.

Overall, the comments indicated both an awareness of structural weaknesses at the top of the Executive branch and encouragement for improvements. The arguments did not come across as biased by party politics, rather as genuine concerns regarding the delivery capacity of the institution of government in complex economic, social and political circumstances. In no way, a sense of crisis and urgency of radical changes of direction could have been detected.

The reform of health and social services, laborious and since long in the making, came up in most conversations. In many respects qualified as the “mother of all domestic reform packages” in Finland, it presents a highly relevant case in point when it comes to the challenges of today's public policies: Political leadership and commitment, technical expertise, collaboration across ministries and levels of government, coordination with Parliament and participation of stakeholders outside the public sector have to come

² Presentations and Working Papers include Finland as a Forerunner of Enabling Government, Phenomenon-based Public Administration, Societal Phenomena, Mission Oriented Public Policy and the New Evaluation Culture, Updating Democracy

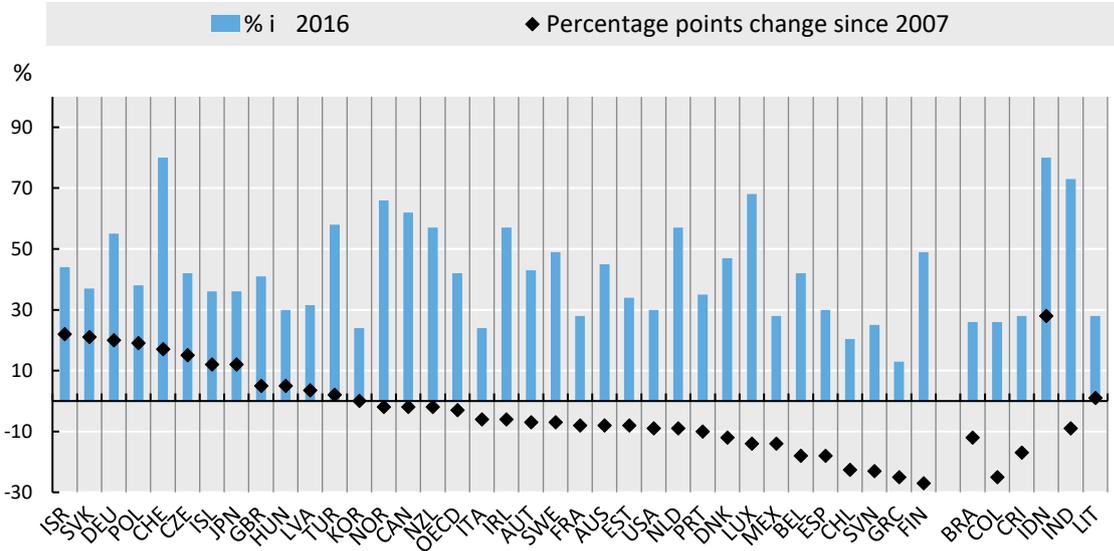
³ Finnish Government Resigns – Prime minister Juha Sipilä Explains Why, Finland today, March8, 2019

together to advance and conclude complex or “wicked” problems⁴. Even then, progress tends to remain slow while time is of the essence to deliver on the promises, meet the expectations of citizens and put sustainable solutions in place. The risks of failure are significant and go far beyond the reform as such; it questions the capacity of government to remain an effective actor in complex policy areas.

Of course, global trends are impacting the Finnish situation. It took more than 10 years for the economic activity and employment to recover from the financial, economic and social crises which started in 2008. It also brought about growing inequality, greater shares of people (feeling) left behind, pressures to address climate change and awareness of environmental damage.

The most important long-lasting casualty, however, has arguably been trust in government. Trust is relevant both as input and output indicator: high levels of trust facilitate the implementation of reform policies. And high levels of trust testify to good policy performance. Lack of trust continues to provoke considerable polarization of societies and fragmentation in parliamentary representation. Forming governments has become a much more demanding task, with important consequences also for the operations of the CoG.

FIGURE 1: Steep Decline in Trust in Government in Finland, 2007 -2016



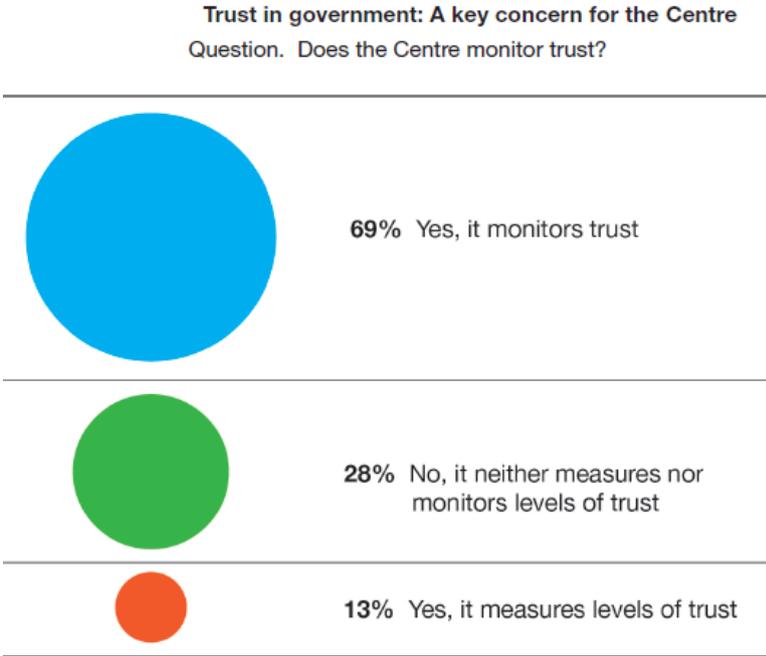
Source: OECD (2017).

⁴ “Wicked problems” are often defined as those where no solution exists.

Over the 10 years period since 2007, trust in government in Finland had declined most among OECD countries (- 27 percentage points). With 49 percent of the population trusting the government in 2016, Finland stood still slightly above OECD average. It had started from an exceptional high level of 76 percent in 2007. (Figure 1)

The measurement of trust has become subject of analytical efforts of national statistical offices, international institutions, such as the OECD, and governments. The OECD`s most recent survey finds that 70 percent of CoGs monitor trust, of which some even measure levels of trust themselves (Figure 2).

FIGURE 2:



Finland provides a good example for the caveat that these results should not be considered in isolation. Despite relative low scores in trust, the country performs very well at the same time in other rankings: In 2018, Finland was the happiest country according to the UN World Happiness Report and the third most prosperous and the first country in governance of the Legatum Prosperity Index. Context matters, and so do limitations of the statistical quality and comparability of various measurements ⁵.

Examining the relevance, reach and impact of the CoG in Finland today is therefore not the consequence of a breakdown or crisis of this institution or the Government, and not a

⁵ In OECD, several projects are underway to improve the quality of trust data across the member countries in order to increase their explanatory power and international comparability.

matter of the resignation of the government this month, either. Very much in the Finnish spirit, it is rather driven by the continuous search for improvement, as well as a keen awareness of ongoing reform as the best insurance against falling back and missing an opportunity to prepare for the challenges to come.

Reasons for staying alert and remaining open to change regarding the way government is operating are plenty:

- The challenges of public policies are rising rapidly, and they are increasingly multisectoral in nature. SITRa has introduced the concept of “multidimensional phenomena”. Climate change and the environment, migration, aging, regional disparities, the technological revolution, risks of macroeconomic downturns, damage to international trade and investment regimes, the consequences of Brexit – for each of these “wicked problems”, the government of Finland will have continuously to find strategic responses, overcome silos in the central government, involve all levels of government and watch for the capacities to implement and deliver.
- Given the rather low levels of trust in government, it is not only the capacity to deliver on promises made during election campaigns and to respond to the expectations of citizens which count. It is also the demand of citizens to have a voice in the process of policy making. The uptake of the citizens` vote for Parliamentary consideration is an indication for the need to organize the government machinery accordingly, including in Parliament.
- Growing diversity in the representation of Finland`s population through parties in the Parliament will impact on the building of coalitions for majority governments or result in new configurations of political powers, as the neighboring countries of Finland experience. The government machinery will need to be equipped to respond to these diverse profiles of political power⁶.
- Institutional changes will only be necessary conditions for improvement. The qualities of leadership will be critical for the actual performance. While in an open collaborative country such as Finland strives to be these capabilities can be expected to be readily available, they will only produce results if a high level of mutual understanding especially among the political leaders and the senior civil service of their respective roles in the government machinery can be achieved.

⁶ SITRa is examining the consequences in greater detail in a separate workstream.

What is the Center of Government?

“The Centre of Government is the body or group of bodies that provide direct support and advice to Heads of Government and the Council of Ministers, or Cabinet “⁷. The most recent OECD survey of the Centers of Government confirms that “a large majority (78%) of surveyed countries report that what they consider their center of government corresponds to the OECD definition.”⁸

The Institutional Perspective – the Finnish Prime Minister`s Office (PMO)

In Finland, the institutional Center of Government is entrusted with the Prime Minister. As head of the PMO, the PM directs the functions of the Government and supervises the implementation of the Government program. He is also the political leader of the Government and is supposed to reconcile the views represented in the Government and to coordinate the work of the Executive with the Parliament (Figure 3).

FIGURE 3: The Role of the Prime Minister in Finland

Directs the work of the Government

- Chairs plenary sessions of the Government
- Chairs all statutory Ministerial Committees, the Economic Council, the Research and Innovation Council and the Title Board

Is the Head of the Prime Ministers Office

- Ensures smooth flow of Government activities
- Monitors the implementation of the Government Program
- Coordinates Finland`s EU policy

Is the political leader of the Government,

- Reconciles the views represented in Government
- Coordinates work with Parliament
- Is the guardian of the process of the dissolution of the Parliament

Stands in for the President of the Republic under certain conditions

Source: The Finnish Government website, 2018; author

⁷ OECD (2016), p2.

⁸ OECD (2017), p2

In assessing the PMO, two perspectives seem to be particularly relevant in the context of this report: the degree to which structure and the profile of responsibilities of the Office match; and the international comparison with the CoG in OECD countries⁹.

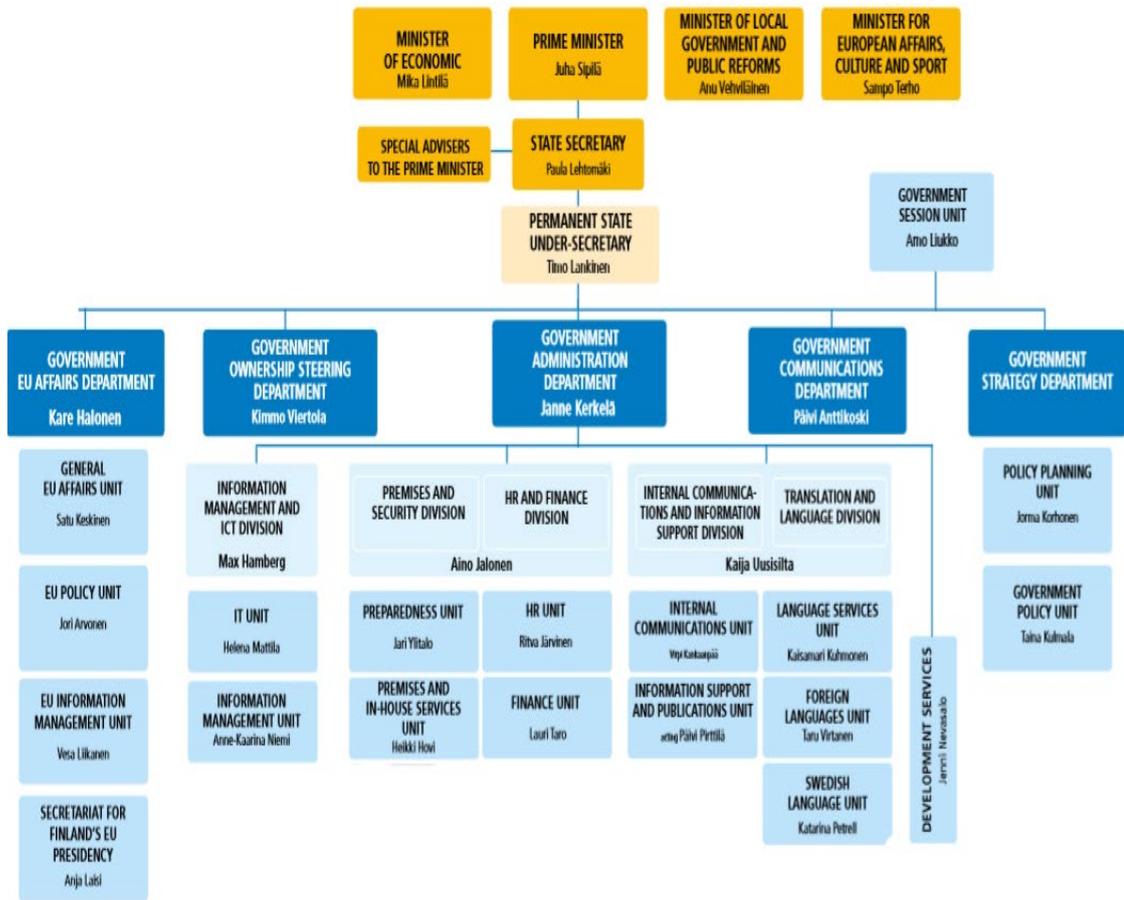
How does the organizational set up of the PMO match with the profile of its responsibilities?

Comparing the responsibilities of the PM with the organizational chart of the PMO at the end of 2018 (Figure 4), striking asymmetries can be observed:

- In addition to the PM, three Ministers are integrated into the PMO, i.e. the Minister of Economy, Minister of Local Government and Public Reforms, Minister for European Affairs, Culture and Sport. None of them seems to be linked to the Office in any operational way. As the leadership of the PMO is assigned to the PM, the presence of three other Ministers, visibly at the same level as the PM, undermines the elevated position of the PM within government.
- The support of the PM in the outgoing government is ensured by a politically appointed State Secretary and a Permanent State Under-Secretary, a civil servant. The portfolio of the senior position includes political coordination, directing the PMO and chairing the Group of Permanent Secretaries who are civil servants, although some carry different titles depending on their ministerial affiliation. The chairmanship of the State Secretary of the high-level group of civil servants creates an ambivalent configuration: It could be considered as the interface between political and administrative leadership. It could also imply a direct channel of command of the PMO over the administration and government machinery.
- The Administration Department provides central service to the administration of the whole government, a responsibility which is, however, not listed among the duties of the PM.
- The Government EU Affairs Department and the Government Strategy Department are corresponding directly to the PM's assignments; the *raison d'être* of the Department of Government Ownership Steering in the PMO may reflect (temporary) policy priorities, but is not part of the "job description" of the PM. The apparent differences in size of the Departments raises additional questions of balance.

⁹ A results-based perspective does not seem to be appropriate, as it would take the analysis into the political space, it would also be subject to the dispute of the logic of causality and/or the logic of consequences.

FIGURE 4: The PRIME MINISTER OFFICE in FINNLAND, December 2018



Source: The Government of Finland, website, 2018

- There does not seem to be an explicit institutional anchor in the PMO structure regarding the responsibility of the PM for monitoring the implementation of the Government Program. After all, OHRA – the project to reform the Government’s steering framework in 2014/5 – had been “designed to ensure that core policies pursued by the Government could be effectively implemented. The government strategy would in the future consist of the Government Program, outlining broad policy objectives, and a Government Action Plan, providing a more detailed description of the means and tools to be employed to this end”.¹⁰ While the intentions to follow this approach existed in the early days of the current Government, the practice did not materialize.

¹⁰Source: <http://valtioneuvosto.fi/en/ohra-project>

- Missing is also an explicit institutional anchor of substantive coordination between the PMO and Parliament. The formal channel of transmission of legislative acts from the PMO is by contrast very well defined. Proposals are transmitted via the Secretary General of the Parliament on a regular basis, with the latter responsible for the formal process of Parliamentary actions in Committees and the Plenary.

How do the responsibilities of the PMO compare with the CoG of other countries?

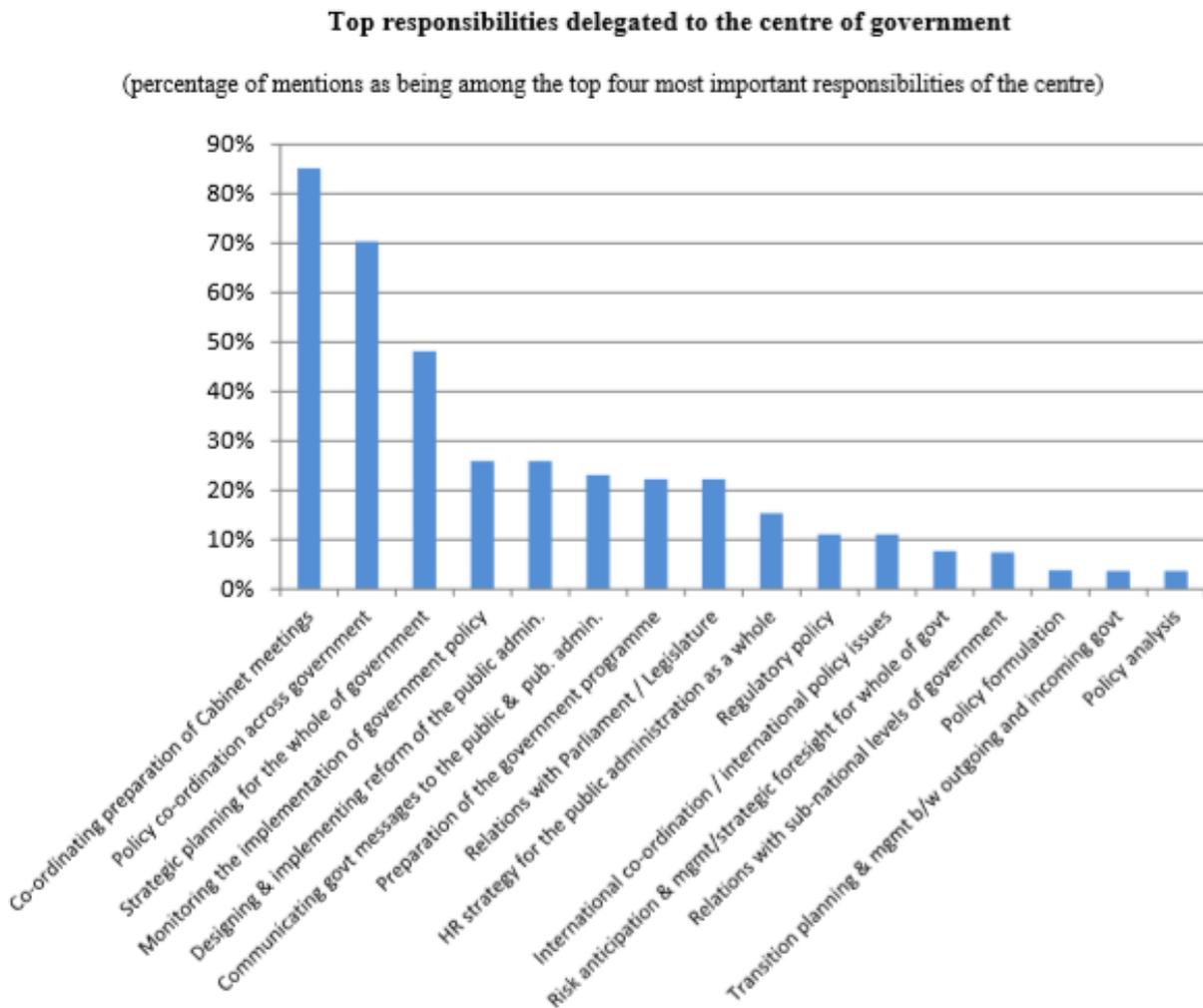
The comparison with the results of the OECD survey of CoG ¹¹ shows that the Finnish PMO is to a significant degree in line with international practice, from coordinating Cabinet meetings to policy coordination across government and strategic planning for the whole government, to name the three most frequent responsibilities of the CoG (Figure 5).

Monitoring of implementation of Government policy is only in a quarter of the countries among the four most important responsibilities. This result may surprise, as at the same time many countries have established delivery units or similar outfits for monitoring purposes. The UK has been at the forefront of this movement, which now encompasses both developed and emerging countries. Nevertheless, in the Finnish case, given the elaborate process of formulating and following the strategic orientations at cabinet level, the explicit absence of an institutional anchor for monitoring implementation capacity would appear inadequate.

Still another surprising result of the OECD survey is the low rate of responsibility of CoGs for relations with Parliament, as again only 20 percent of the countries mention it as one of their four top responsibilities, while the duties of the Finnish PM include this activity explicitly albeit without an institutional anchor in the PMO for substantive cooperation.

¹¹ Recent work of the OECD on the CoG allows a detailed comparison with practices and experiences elsewhere. The Network of the Centers of Government is one of the longest standing and most high-ranking Committees in the OECD bringing together the heads of the offices of the head of government.

FIGURE 5:



Source: Survey on the Organisation and Functions of the Centre of Government, OECD.

The limits of an institutional perspective of the CoG

In her recent speech, Minister Vehviläinen commented that in her view “the center of government ...signifies a set of cross-sectoral operations that are needed to ensure the success of the Government’s work...These operations must move effectively towards the same goal to ensure that decision-making and implementation work well overall.” (written comments, 13.2.2019).

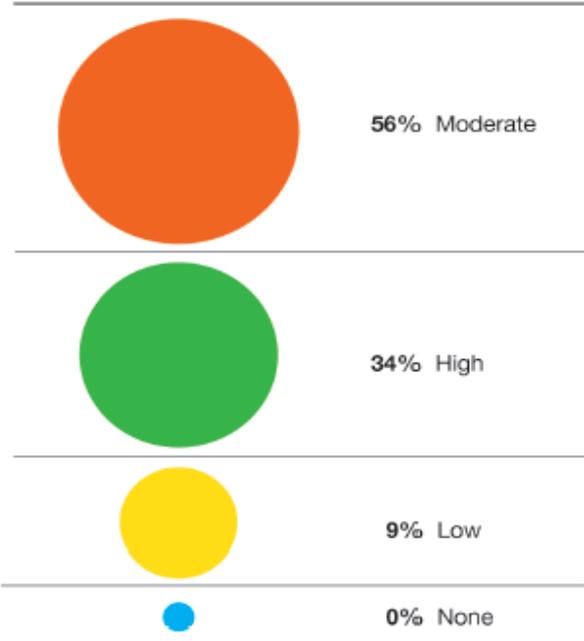
This perspective of the CoG as the hub of policy making orchestrated by the Prime Minister and involving other participants at Cabinet level and from senior officials of the administration is compatible with international practices and experience. “In some countries, important functions of the centre as defined by OECD are carried out by two or more different entities; in others, the centre is defined as including other bodies such as the Ministry of Finance.” OECD (2017).

In Finland, the Minister of Finance could effectively be considered part of the functional CoG, for both substantive and political reasons. In substantive terms, of primary importance is the link between strategy and budget. Moreover, the decisions of the Minister in terms of the overall budget position, the allocation of resources and the long-term fiscal framework are generally accepted by the rest of the cabinet. Finally, an important sign of the influence of the MoF is its role as the Secretariat to the Economic Policy Committee and the Finance Committee, which both are chaired by the PM.

From a political perspective, the PM is traditionally the leader of the largest parliamentary group. The leader of the second largest party group in Parliament takes the responsibility of the Minister of Finance who is typically also Deputy Prime Minister. In the case of coalition governments of more than two parties, their leaders are to become also Minister and in this double function could be considered eligible to join the functional CoG. The functional CoG is thus driven by power sharing arrangements among partner of coalition governments.

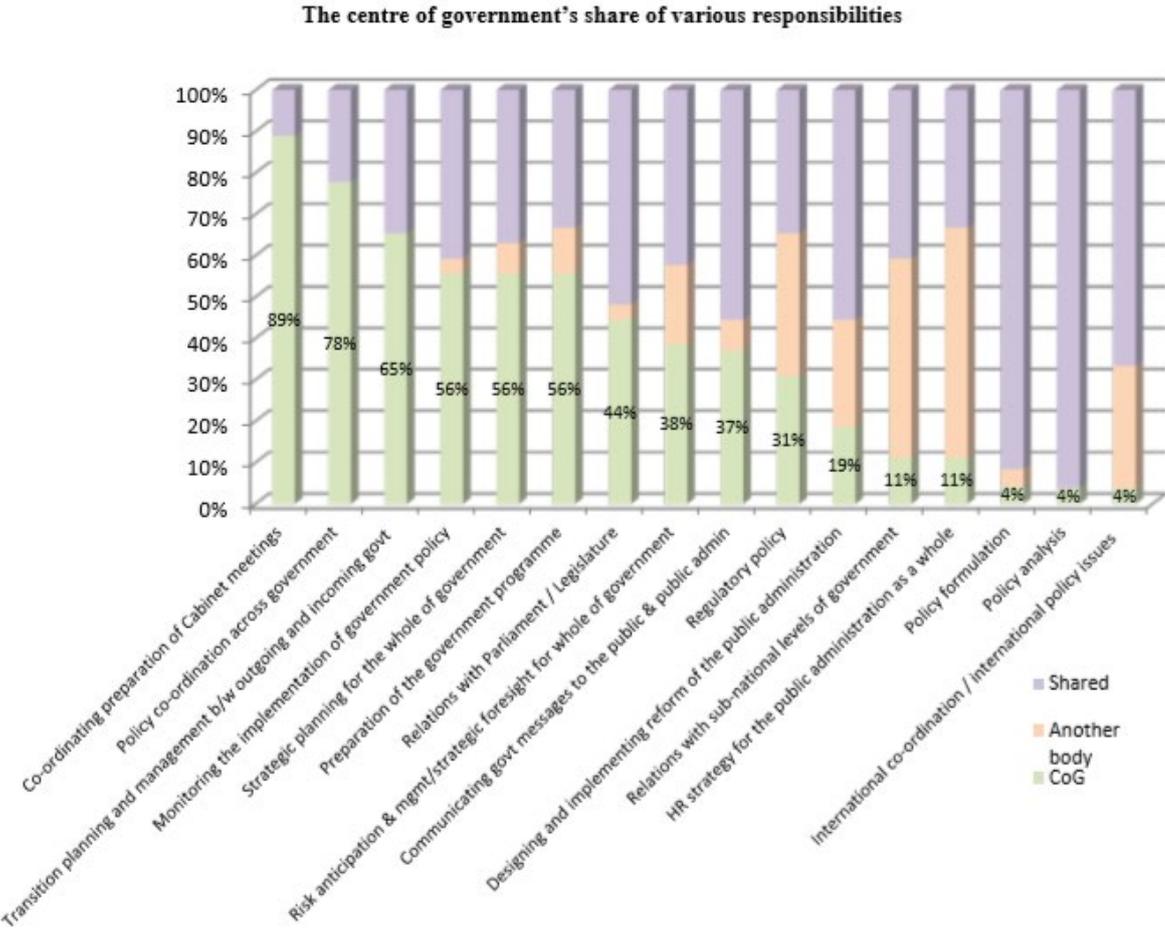
International practice seems to support a flexible approach. In the majority of countries, the CoG considers its influence on line ministries moderate (Figure 6). The reasons will vary from country to country, but the constitutional position of the PM as *primus inter pares* of the members of cabinet or Council of Ministers is likely to be of particular relevance. It implies that hierarchical relationships between the PM and the members of Cabinet do not exist in most cases, and pragmatic arrangements are the only possible consequence.

FIGURE 6: Level of Influence of the Center over Line Ministries



Consequently, the CoG is obliged to share its responsibilities with other ministries. Figure 7 demonstrates that the extent of shared responsibilities differs quite significantly across in individual areas. Still, in key CoG functions, the share of CoG responsibilities is significant, for example, coordination of cabinet meetings, policy coordination across government and monitoring implementation. At the other end of the spectrum, the reform of the public administration or the relations with subnational governments are fundamentally left with other Ministries.

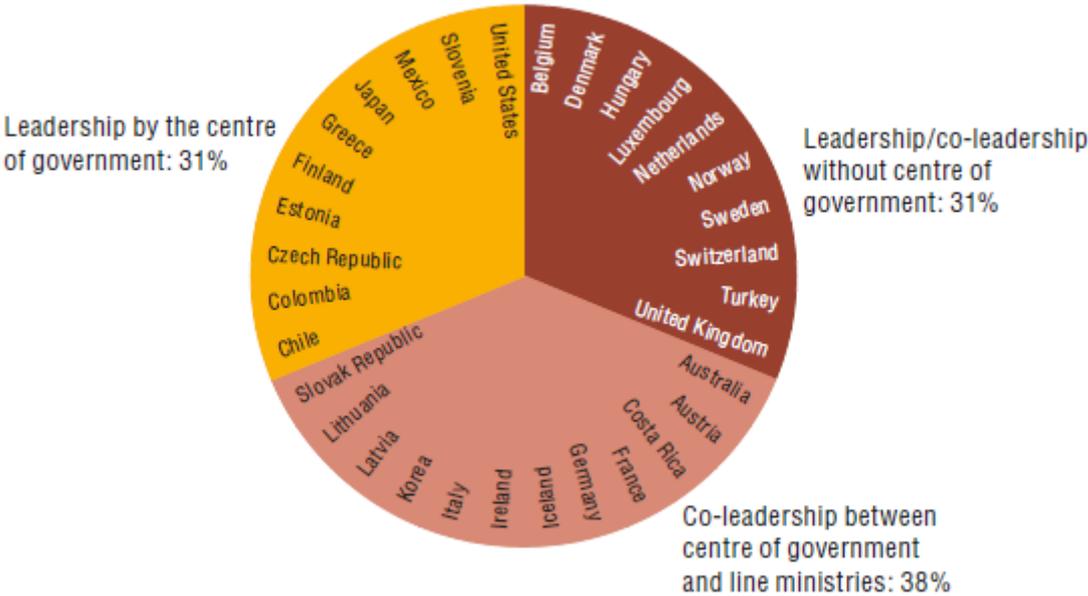
FIGURE 7:



Source: Survey on the Organisation and Functions of the Centre of Government, OECD.

The requirement of cross sectoral operations has taken on prime importance with the emergence of the Sustainable Development Goals (SDGs). The central proposition of the SDGs is to pursue synergies and trade-offs across related policy areas to meet the 16 objectives over time. Despite this imperative, no single approach regarding the leadership has taken hold (Figure 8). Less than one third of the OECD countries, including Finland, has opted for the CoG as leading the SDG implementation on its own, whereas nearly 40 percent of the countries have opted for a shared leadership.

FIGURE 8: Leading the work on the Sustainable Development Goals



The Group of Party Leaders

Outside the formal governance architecture, the Group of Party Leaders, in the outgoing Cabinet called the “Trio”, has grown into the critical role of decision making of last resort on key policy issues. They are supported by the State Secretaries which adds further weight to this Group.

In many ways, this informal set up could be considered as a pragmatic solution to conflicting views in coalition governments, for example, on issues related to the Government Strategy, major projects, such as the current social and health care reform, or any other differences having arisen in formal settings of the Government. Given the ultimate political authority combined within the Group, it will be able to speed up decision making, achieve consensus, and short-cut lengthy debate.

However, this informal body carries also risks for policy making and performance. Due to its primarily political nature, deliberations of the Group can be expected to be less or not at all evidence based; they may or may not take (fully) into account the technical implications of implementation. There is no transparency whether the input from the administration or other advisory sources is being used. In the interest of generating solutions, the Group may over time accumulate political liabilities hidden behind smart wording.

Although the decisions of the Group are presented to Cabinet for formal approval, the weight of the formal institutional CoG risks being compromised. Informal or semi-formal channels of transmission of the results of the Group to the administration will be used and alternative lines of communication emerge. For the administration, the perception of project overload and loss of clarity of priorities leads to frustration of those charged to implement what no longer looks “implementable”.

The relieve from dissent within the government coalition on the political side may well turn out to be temporary in nature at best once the options for realistic implementation run out. Failed or not completed reform packages come to haunt the political leadership at some point in time while the administration would tend to lose its enthusiasm and commitment.

Options for change

The interviews with political leaders and senior officials made it clear that the situation in Finland is not perceived as asking for dramatic changes of the CoG, neither in terms of the institution of the PMO nor in the perspective of a functional CoG. On the other hand, pressures on delivery of government rise, citizens` expectations need to be met and the political environment lacks visibility. The CoG is not the only place to respond, but it plays a critical role.

Room for improvement of the CoG has been identified and proposals are submitted and discussed, some more formal than others. Not to use the space and opportunities for change emerging from the general elections and a change in government would therefore seem to be inadequate.

Of course, it will be the incoming government to decide on what would work best for Finland`s CoG building on experiences, advice as much as preferences. As there is simply no one size fits all solution from the international perspective either, the primary objective of this report is to offer options of changes for consideration.

A precondition for a forward-looking review of current governance arrangements at the top of the Executive branch is a shared understanding of the objectives of any change to pursue. With that perspective in mind, potential modifications of the CoG could be vetted against their expected contribution to

- the quality of results, such as
 - o a high degree of delivery of the new government program
 - o building trust of the Finnish people in the capacity of government to deliver on the coalition agreement
 - o more transparency of the Government activities

- the quality of processes, such as
 - o a performing functional center of government
 - o a substantive alignment between the Executive and the Parliament
 - o trusted cooperation between political and administrative leadership

Beyond the agreement of the objectives, any reform agenda should also be evaluated ex ante as a business case to justify the investment of political capital, financial resources and human capital in the reform process. The reform agenda could build on well tested features of the governance arrangements in Finland, such as a system of balances, between the PM and Ministers, the Cabinet and the Parliament or the Ministers and the senior civil service.

In this environment, options for a short to medium term reform agenda should be driven by substantive rather than political considerations, in the spirit of consensus rather than disruption and comprehensive rather than selective interventions to share both pains and gains among actors and stakeholders.

Streamlining the PMO - sharper focus on its core responsibilities

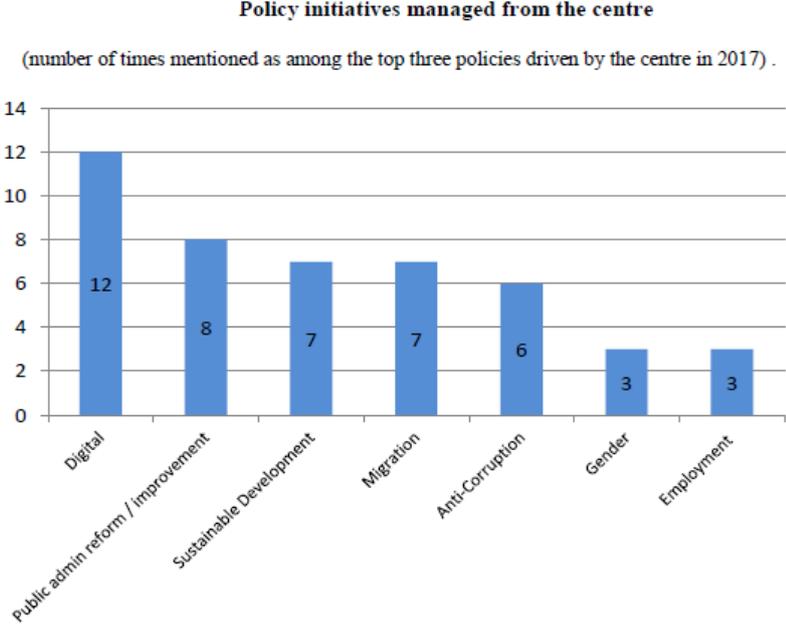
With the responsibilities of the Prime minister as the head of the PMO in mind, streamlining the Office could imply to reduce or avoid entirely the attribution of any other Minister to the PMO as is currently the case. At the same time, the PM's role of as Chair of the four key Cabinet Committees, should be indicated explicitly with a view to demonstrate their substantive relevance across different policy areas.

The combination of political and administrative functions of the PMO's State Secretary should be reviewed, preferably in favor of a classic separation of these functions among State and Permanent Secretary.

The issue of focus of the CoG could also be informed by the policy areas driven from the Center. The international comparison seems to suggest prudence of the CoG as far as the choice and number of policy initiatives are concerned. (Figure 9).

While the systemic nature of digitalization could to some extent speak in favor of a centralized approach, even there the CoG is a driving force in only a few countries. The score for public administration reform is even weaker and so are the results for some other substantive areas. This ties in well with the earlier observation of CoGs mostly sharing responsibilities with other Ministries (Figure 9) rather than being exclusively in charge.

FIGURE 9:



Source: Survey on the Organisation and Functions of the Centre of Government, OECD.

Reviewing the role of the Government Administration Department in the PMO could be thought of as assessing a range of institutional and substantive options:

Install a Minister for the Government Administration Department (GAD) in the PMO

Merge the GAD with the Public Governance Department in the Ministry of Finance responsible for public governance development, human resources management and the preparation and implementation of administrative policy to join up administrative policy and delivery functions. (The direct administrative support for the PMO should be exempted from the merger).

Maintain this new entity in the Ministry of Finance,

Create a separate Ministry for the new entity

Establish an Agency along the lines of “Public Governance, Employment and Innovation”. Examples of the type of Public Employment Agencies exist in neighboring countries. There seem to be also positive experiences in Finland with responsive and effective Agencies in other policy areas, such as migration or land services - to mention just two fields of great relevance in Finland.

Only the first option would not comply with the call for streamlining the PMO. The choice among the other options would therefore be determined by political and other considerations. The impact on the quality of policy making and implementation should figure among them, since one of the arguments of housing the Governance Department in the

Ministry of Finance is to underline the importance of the Governance dimension for a well performing government.

Improving career development in the civil service, intersectoral mobility and leadership capacities of senior civil servants or the environment for innovation in the public sector will be in high demand in the ongoing reform of the government machinery. Independent from the institutional solution most prone to pursue these improvements, the new government could also choose to include these improvements in the future Government Program to signal the attention of the political leadership to the administrative dimension of the government machinery as a contribution to strengthening the interface between policy makers and public officials on the basis of mutual respect and trust.

Upgrading the PMO

Three areas of improvements could be considered in the interest of strengthening the impact of the PMO. This suggestion is not to be understood as a call for institutional centralization of the government machinery. The intention is substantive in nature as outlined above: better results, greater trust, quality of process.

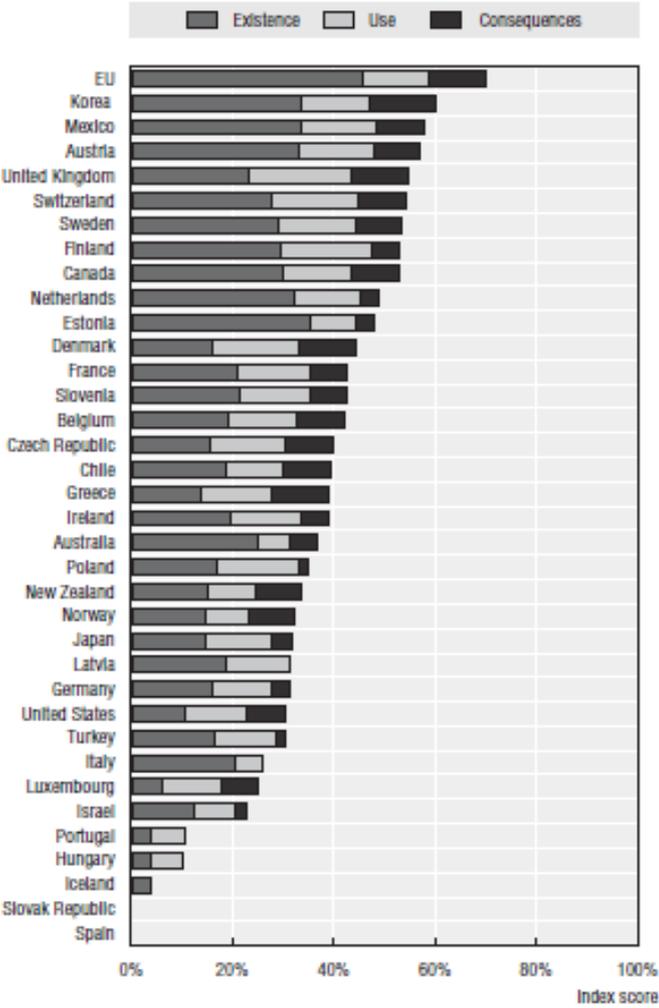
Strengthening the Government Strategy Process

Judging from recent experiences, the integration of the political (strategic) process with the budget process remains a key challenge ¹². This is true not only in Finland, but rather throughout the OECD countries. In many instances, strategy and budgeting are still allocated to different institutions and the integration of the two perspectives is incomplete at best, from design to implementation and evaluation all along the policy cycle.

According to the OECD, Finland is among the best performing countries in terms of performance budgeting, but even that group has still quite some distance to a 100 percent score. Particular attention deserves in Finland the notion of regular and strategic budget items. In practice, this differentiation creates two categories of expenditure where instead the principle of unity should apply. Unity would also avoid different approaches to implementation and priority setting of projects and policies within the relevant ministries.

¹² Kekkonen (2017)

FIGURE 10: OECD Performance Budgeting Index 2016

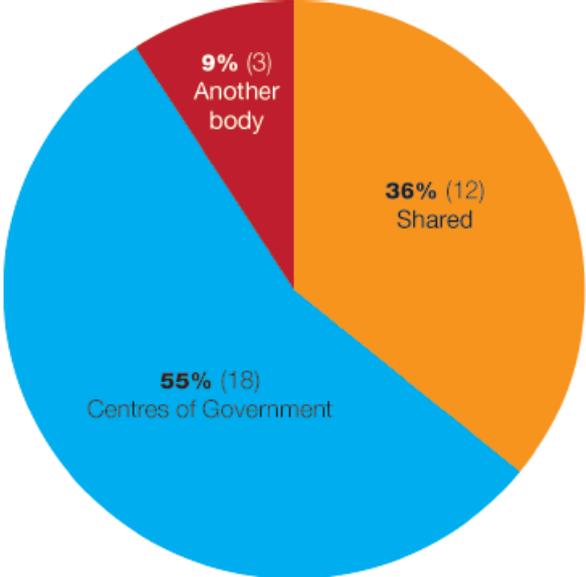


Install explicit and adequate Monitoring Capacity of implementation

This would imply primarily creating or expanding explicit monitoring activities which is not to confuse with assuming responsibility for the implementation itself which need to stay with line ministries. In more than half of the OECD countries, their CoG leads the monitoring of the implementation of the Government Program, and more than one third share it with Ministries. (Figure 11)

FIGURE 11:

Monitoring the implementation of government policy is...



The monitoring function could be allocated to the Strategy Department. A separate unit is also an option underlining the relevance of this function.

Examples for institutional solutions exist in many OECD countries. The “delivery unit” of PM’s Blair Cabinet office is probably the most well-known institutional set-up in this respect. It has been adopted in different shapes and form in both developed and emerging economies worldwide to ensure it works best in the respective environment of each country.

Whether or not satellite units of implementation are to be established in line ministries in Finland should be left to Ministers and Permanent Secretaries who are likely to know best how to comply with and make use of the new coordination demands.

Two caveats. Creating monitoring capacity in the PMO could be criticized as duplication of existing capacities elsewhere, especially in the Ministry of Finance. The argument needs to be assessed carefully, as the credibility of the monitoring process might be at stake. Only when the broad range of indicators beyond fiscal measures are examined, the monitoring exercise will correspond to the objectives of policies in the strategic Government Program.

Establish Perm SEC Management Group (PSecMG)

A critical consideration concerns the implication of the senior civil servants in the implementation itself. The group of Permanent Secretaries chaired currently by the PMO’s

State Secretary could be turned into a powerful management tool for the Government Program. Once the chairmanship is clarified, the PSecMG would be the place where the strategic objectives of the Government Program will be shared with the senior officials of all Ministries. The quantitative and qualitative indicators of the objectives could be developed jointly – a critical condition for ensuring the same practical and robust understanding of the objectives throughout the government machinery.¹³

The PSecMG would be very well placed to raise the awareness of the political leadership for the implementation phase of policies – first within their Ministries when preparing for the PSecMG meetings (vertical co-ordination), followed by the collective exchanges and decisions at the PSecMG itself (horizontal coordination). The emerging network of administrative and political interfaces would help to keep a realistic tap on progress of actual implementation and delivery while also providing valuable information on potential needs for adjustment of the Government strategy over the government term.

Associating the State Secretaries – currently four – with the PSecMG could be an option to reinforce further the network of interfaces, as the political representatives of Ministries would become part of the continuing examination of the administrative side of the Government program.

In a longer-term view, the PSecMG might an important institutional asset in the move towards design thinking approaches in policy development and implementation. The Group is well equipped to bring horizontal and vertical insights to the table, all along the policy cycle from the definition of challenges to actual responses, and incorporates abundant substantive and institutional knowledge and experience.

Budgetary Considerations

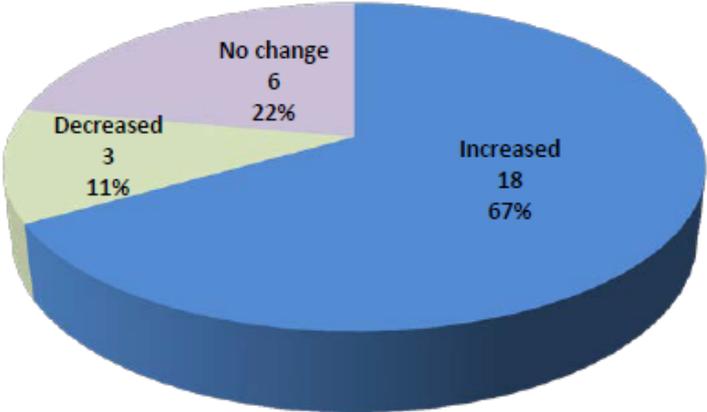
At times of tight budgetary resources – which means basically always – making the case for upgrading the CoG will very likely raise the question of financing. In this context, it might be relevant to note that the CoG has expanded in recent times in two thirds of the countries in terms of staff (Figure12)

¹³ Permanent Secretaries publish the public officials' outlook of the opportunities for Finland for the upcoming government term, 28.1.2019. (English version of the document not yet available)

FIGURE 12:

Between 2012 and 2016, how has the centre of government changed in terms of size

(In terms of staff numbers)

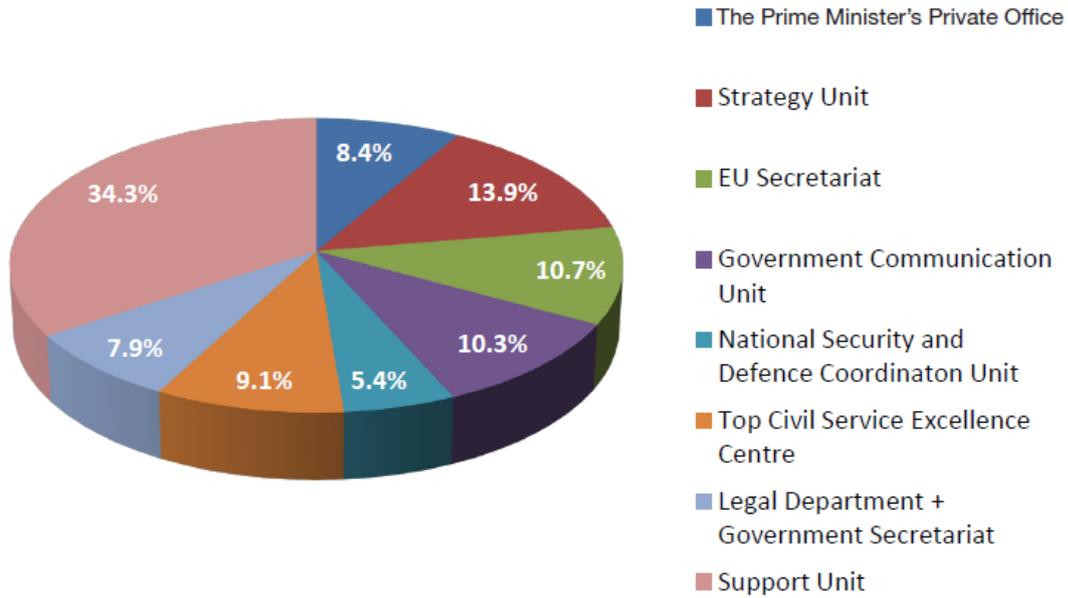


Although there is no standard or model CoG that could serve as a blue print, it might be informative to take a look at the allocation of resources in other OECD countries. Estonia would seem to be a particularly relevant example for all practical purposes ¹⁴ (Figure 13). Apart from the support unit, the Strategy Unit takes the largest share of the resources. The other half are more or less evenly allocated among the other responsibilities.

¹⁴ Estonia and Finland participated in 2015 for the first time in an OECD Governance Review of neighboring countries setting a prominent precedent. The presentation of the results in Paris was attended by the State Secretaries of both countries.

FIGURE 13: Central Structures and the Distribution of Resources, 2016

Estonia

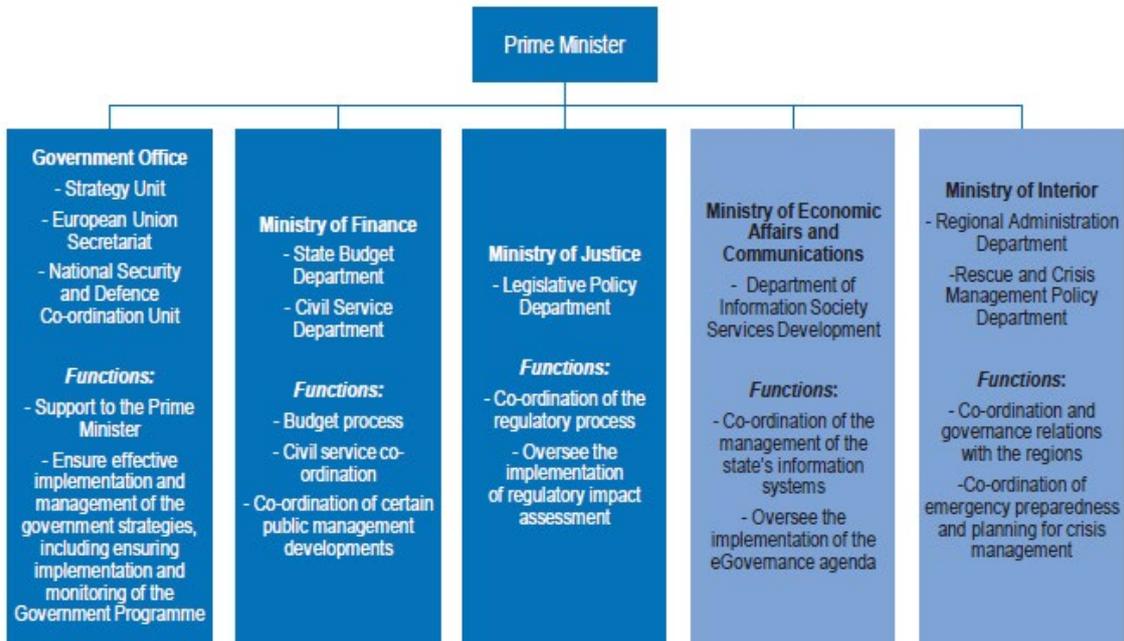


Reinforcing the Functional Centre of Government

The second set of options for reform concerns the functional CoG. The concept of a functional CoG results from the notion of shared responsibilities of the institutional Center and other Ministries or bodies. While sharing responsibilities is happening regularly, albeit to different degrees depending on the type of responsibility, it is argued that a formalization of the key sharing arrangements would provide greater transparency, clarity of accountabilities and better policy outcomes.

Estonia presents an example of a “Center of Government Institutions” which in 2015 consisted of the Government Office as the institutional Center of Government and four other Ministries (Figure 14).

FIGURE 14: Center of Government Institutions, Estonia 2015



For Finland, the building blocks of the functional CoG are suggested to be the PMO and the Ministry of Finance.

The substantive argument of this rather austere functional CoG lies primarily in creating the conditions for a practical follow through of the imperative of “budgets follow strategy” which will facilitate the delivery of the strategic objectives of the Government Program. The fact that the Minister of Finance is traditionally occupied by the leader of the second largest parliamentary group in a coalition government reinforces the argument.

The modus operandi of this collaboration will have to be settled upfront as part of the coalition agreement. There is no model available how to achieve the complete integration of strategy and budget in practice, but the framework of a functional CoG should be favorable to develop what would work best for Finland.

Division of labor among the PM and the MoF by dividing up their respective responsibilities among them does not present a viable, if only for missing the critical advantage of joining strategy and budget, while risking a rift within cabinet.

At a minimum four elements are to be included in the agenda of a functional CoG:

Reasonably specified outcomes of the Government Strategy – which covers both quantitative and qualitative specifications. Ideally, the government program should include a

vision and strategic objectives which are not bound by the current government term because the challenges facing us are complex and span several administrative branches¹⁵.

Relevant indicators which are closely linked to the objectives, robust, viable and available in time for decision making and potential corrections of the pathways in case of deviations from the set objectives. Defining the indicators which include budgetary performance, measures must be addressed as part of the negotiations of the Government program.

Monitoring mechanisms run jointly by dedicated staff from both the PMO and the MoF. It will be critical, to ensure that the entire set of agreed indicators are subject to monitoring neither excluding budget indicators nor focusing solely on them.

Principles of a shared understanding of the consequences and sanctions in case of deviations from the strategy. They must be able to help find solutions, for example, under which conditions failures of implementation and flawed results trigger reductions of resources or prompt increases to achieve results.

Considering expansions of the functional CoG to include other Ministers for reasons of political balance and visibility, i.e. when coalition governments consist of more than two parties, are likely to reduce the benefits of the functional CoG of PMO and MoF. In particular, the substantive logic of the functional Center would be weakened with negative consequences for the Government Program, the role and functioning of Cabinet and the risk of maintaining a silo culture among Ministries.

The creation of a bipolar functional Centre of Government would also have serious implications for a potential renewal of the Group of Party Leaders in case of more than two coalition parties. The risks of an informal CoG *bis* outside the institutional infrastructure of the Executive branch and the functional CoG would be multiplied. It would undermine the primary accountability of the functional CoG with negative implications for evidence-based policy making, transparency and loss of performance. The new PSecMG, depending on the configuration and membership, could on the other hand reduce of the perceived need of a Leaders Group due to an improved flow of information between political and administrative levels.

A platform of the leaders of the Parliamentary Groups of the government coalition could become a useful alternative to the current Leaders Group to promote pro-active co-operation between the Executive and the Parliament. It could help ensure improvements of parliamentary processes of Committee and plenary sessions, facilitate planning of the calendar of legislation over the entire government term and avoid backlog and congestion of legislative proposals. In addition, it could offer visibility for all parties of the coalition government.

¹⁵ Vehviläinen, A., Written Answers 13.2.2019

The Government Team Culture as working method.

In a functional Center of Government, the PM and Minister of Finance will have to work in a collegial approach complementing each other. While it seems relatively straight forward at the start of a government term to agree and formulate a joined vision, experience shows that Ministers sooner than later are “swallowed” by their Ministries and tend to forget their role to be representatives of the Government. It would be particularly counterproductive if the Minister of Finance became the representative of the Ministry to the Government.

The leadership qualities of the PM and the MoF are therefore crucial. However, the senior officials also must meet their responsibilities. „It is important that public officials help political parties prepare and grasp the new government agenda as well as understand how the objectives are implemented and what kind of executive skills are needed”¹⁶.

As with any innovation, the creation and operation of a functional Center of Government will benefit from a period of experimentation before scaling it up to a regular business working environment. Awareness for the complexities, opportunities and responsibilities of the members of the incoming government for the machinery of government cannot be taken for granted. Raising it and to generate buy-in to reap the benefits of a Government Team Culture will require investment upfront in information, discussions and confidence building among the political leadership as well as the senior officials.

¹⁶ Vehviläinen, A. (2019)

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