

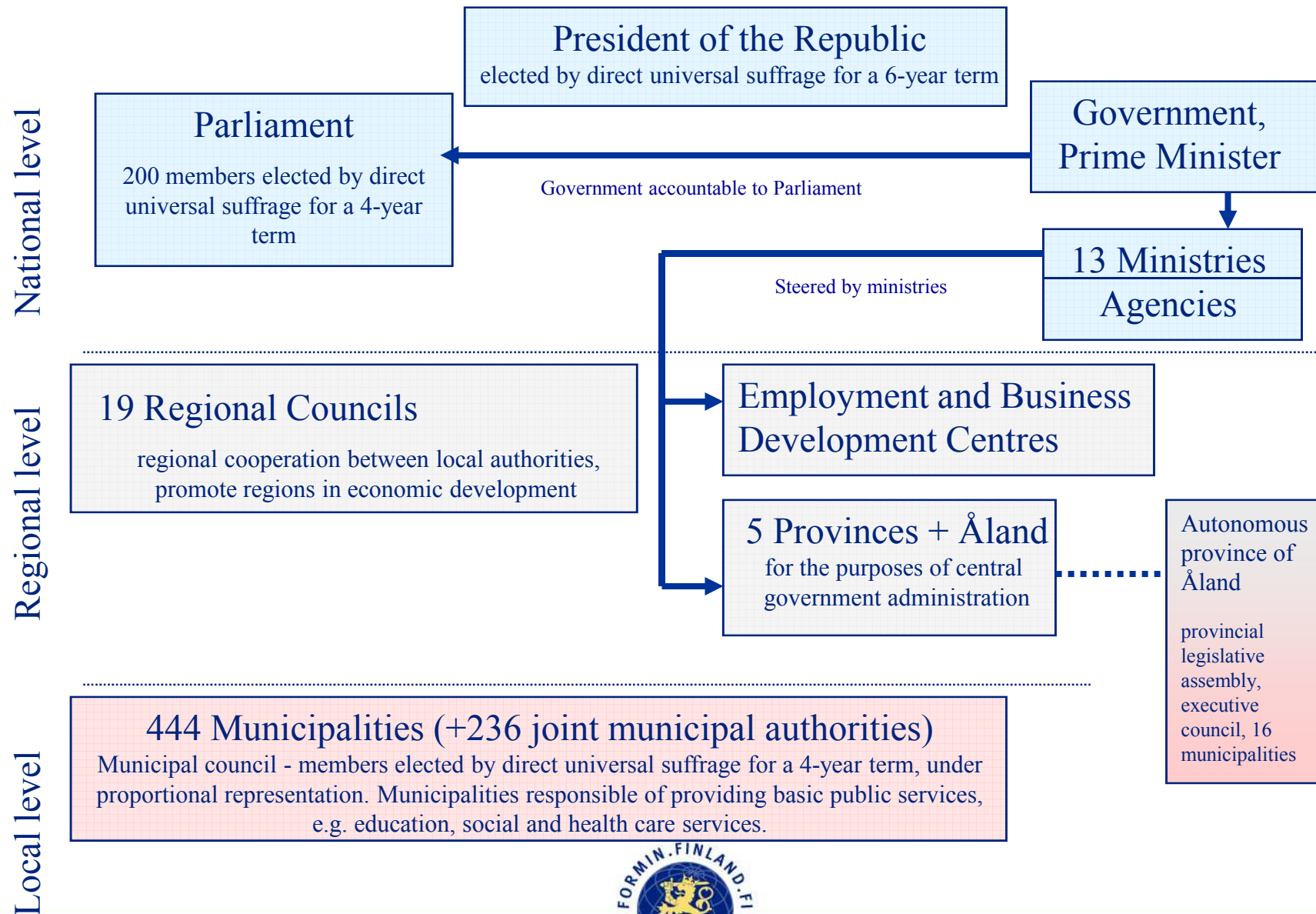
OECD Asian Centre for Public Governance
Seminar on Public Governance with Ambassadors
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Public Governance and Administrative Reforms in Finland

Presentation by Mr. Kim Luotonen, Ambassador of Finland



Structure of Finnish Administration



Finnish Public Administration in a Nutshell

Central Administration

- consists of two levels
 - Thirteen fairly small ministries (with 200-300 people in each). The ministries prepare and implement policy decisions made by the Council of State.
 - Quite independent agencies, which have service production and partly also policy advisory functions as their tasks.

Regional Administration

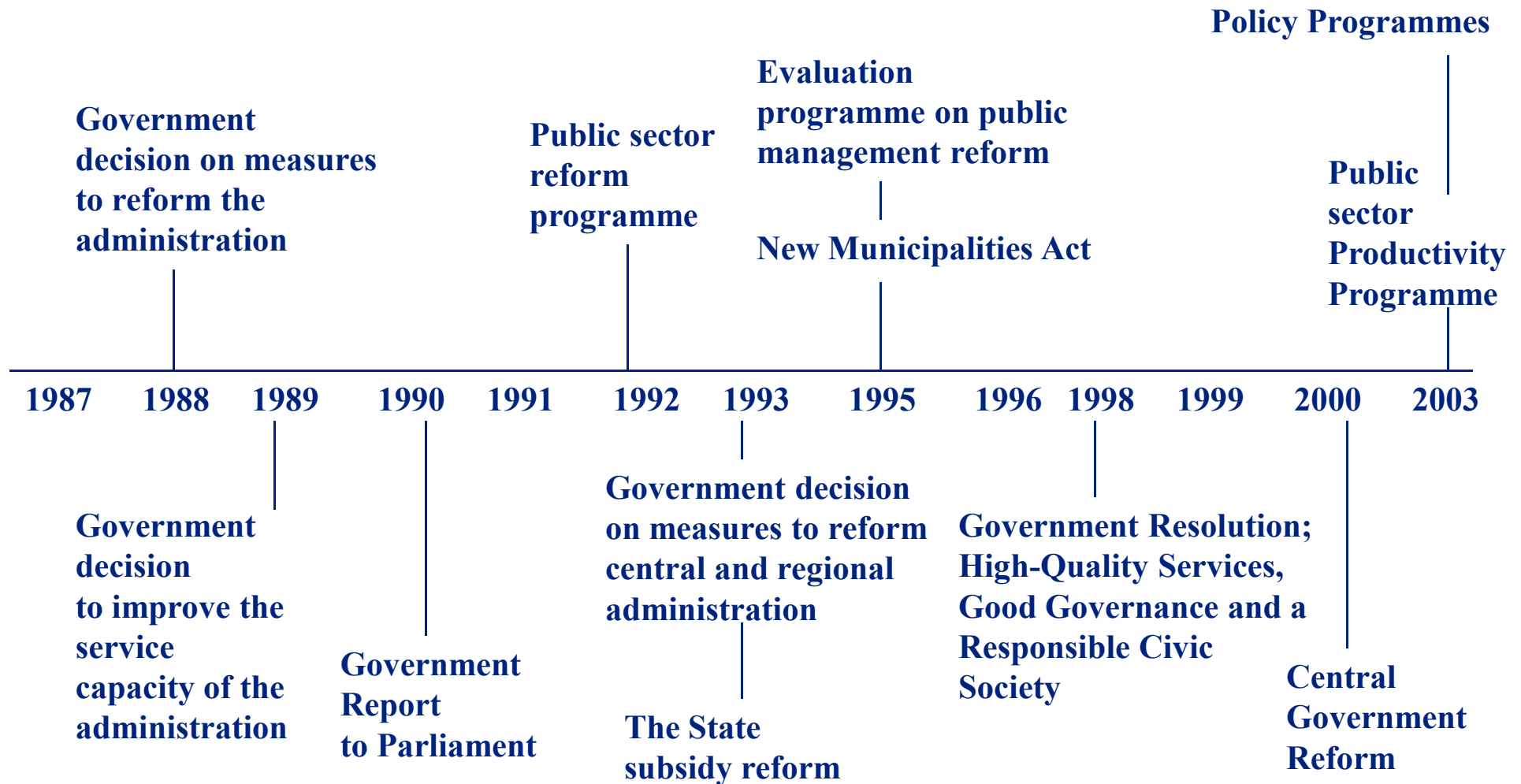
- consists of the state regional administration and the regional administration within local self-government
 - The state regional authorities carry out tasks assigned to them by the central government at the regional level as well as steer the activities of the state local administration.
 - regional administration of the municipalities comprises Joint Municipal Boards set up by municipalities, the most important being Regional Councils and Medical Districts.

Municipalities and Local State Administration

- Local government is based on self-government by the residents of a municipality which is guaranteed in the Finnish constitution.
 - local authorities provide basic public services, most importantly those related to education, social welfare and health, and maintenance of the technical infrastructure.
 - A local authority can function jointly with one or more other local authorities by creating so called joint municipal authorities to handle their combined affairs. Total amount of joint municipal authorities is 236.
 - main state local authorities are the police departments, register offices, employment offices and tax offices.



General Reforms



Monitoring performance -background

- **Background** and base for performance monitoring was the reform introducing performance management systems in the beginning of 1990's including:
 - all government organisations receive their operative budget funds in one lump sum which they can allocate
 - to balance this freedom performance contracts between ministries and agencies set the targets
 - as well as performance measurement systems for agencies and target settings follow-up systems of results of the organisations
 - ministries report further on the results achieved to the Government that reports to Parliament
 - the State Audit Office audits the quality of performance information presented in the annual reports



Monitoring performance – Performance targets in the state budget

- Target development/fine tuning still going on in Finland.
- Good targets are considered:
 - to have a connection to the agency's basic duties
 - to be clear and understandable to everyone
 - to be concrete and operational (useful for monitoring)
 - to be comparable (time, similar units)
 - to be one's that the agency can influence
 - to be realistic but challenging
 - to be approvable (made and agreed together)
 - to cover most of the functions, but also show priorities



Monitoring performance- developing reporting

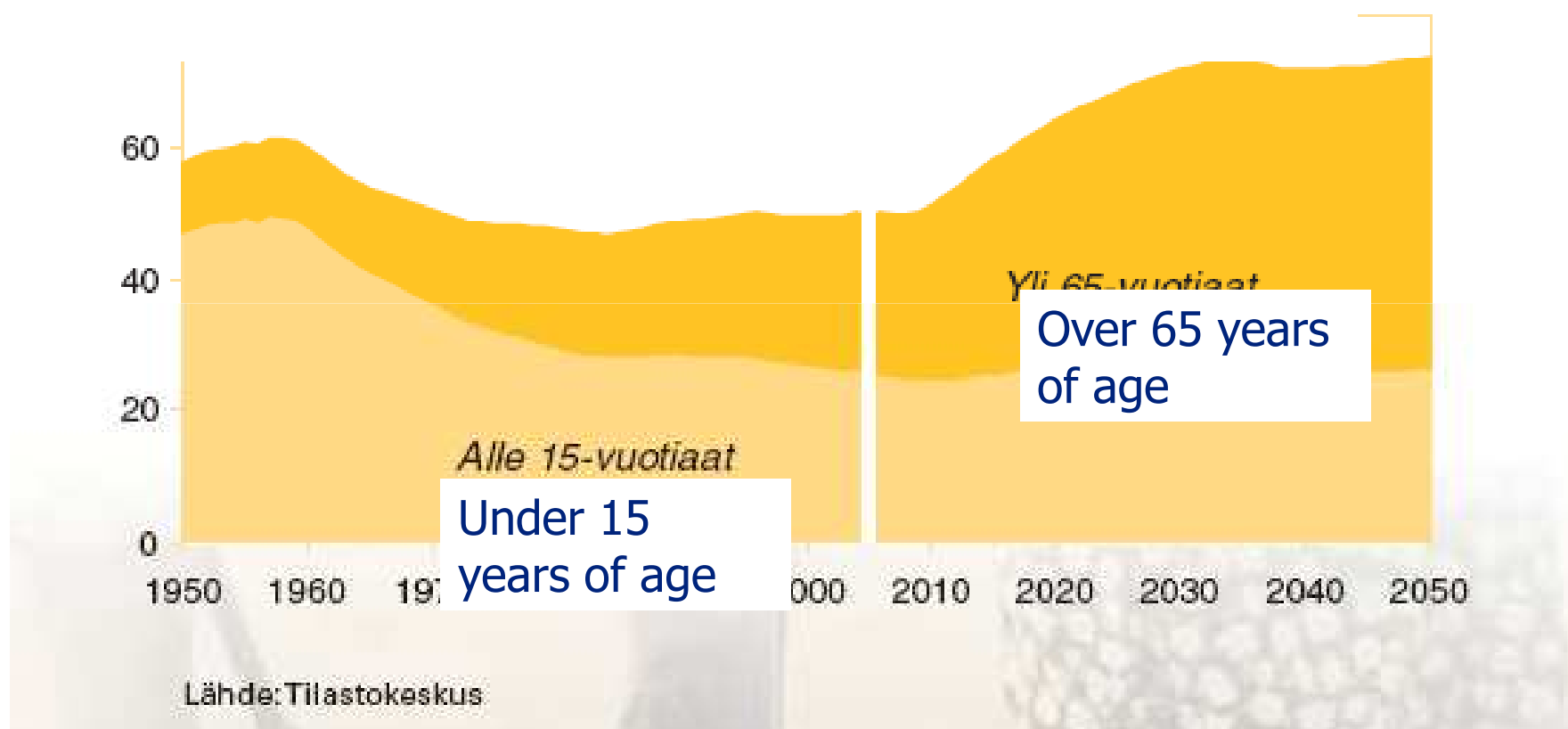
- Ministries ought to be central and active operators in their role as parties to performance agreements
- and when they receive and deal with final accounts and activity reports
- The ministry needs to give a written statement back to the agencies. It includes among others:
 - whether the information was sufficient and clear enough
 - what results are especially positive from the point of view of the ministry
 - if the failings mentioned in previous year's report have been corrected
 - in which cases is the performance development worrying (results not met)
 - what kind of action does the ministry require from the agency, what kind of action will the ministry itself undertake



The age dependency ratio changes fast...

Demographic dependency ratio 1950-2050

Elderly people and children per working age population



Source: Statistics Finland



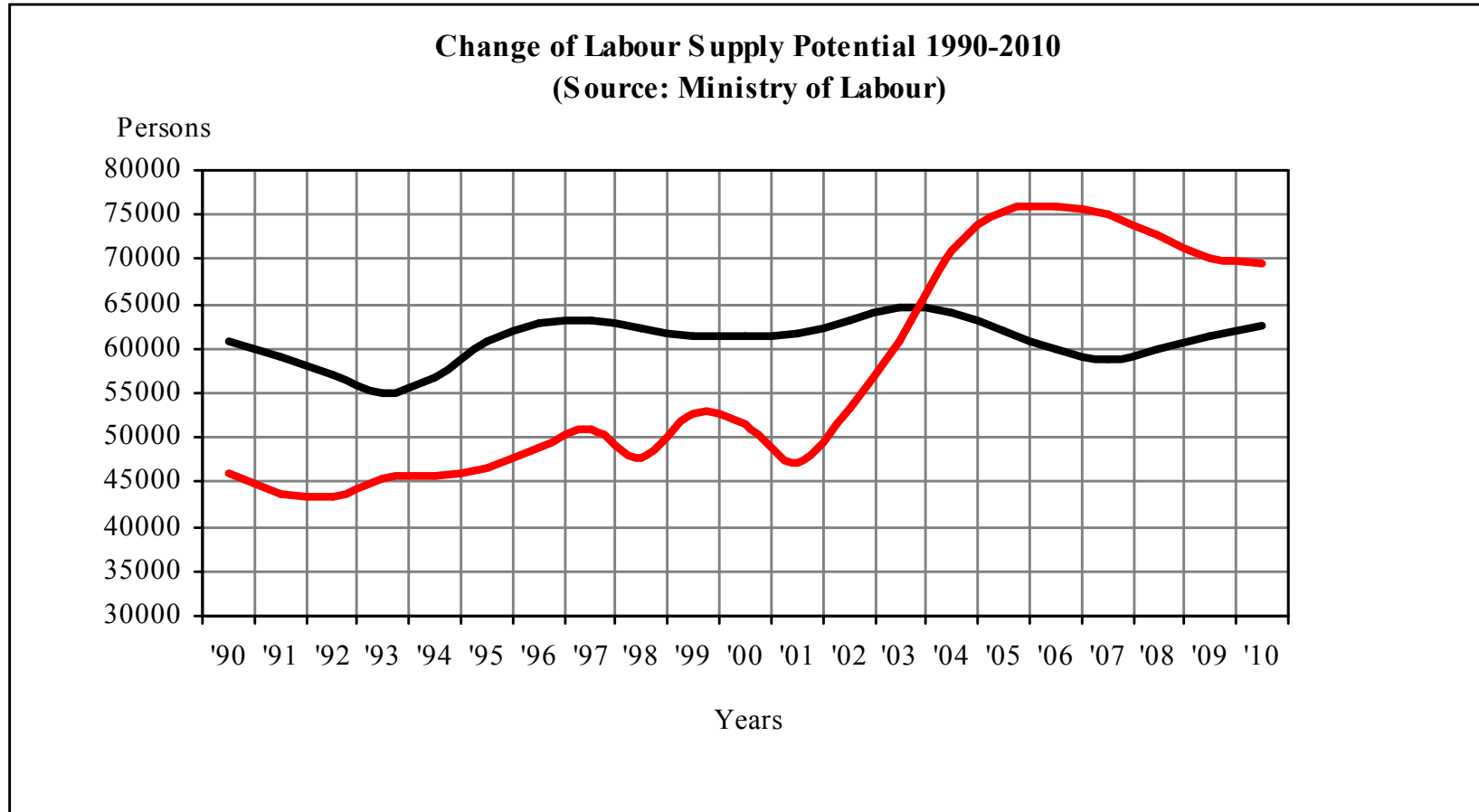
MINISTRY FOR FOREIGN
AFFAIRS OF FINLAND

7.8.2008

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Change of Labour Supply

(red: exiting, black: incoming)



Scale of impact to be achieved by measures increasing productivity in relation to personnel requirement by administrative branch

Administrative branch	Personnel in administrative branch 11/2004	Natural attrition in administrative branch personnel (estimate) 2007 – 2011	Personnel decrease caused by productivity measures in 2007 – 2011	%	Recruitment required by replacing attrition 2007 – 2011
Prime Minister's Office	279	55	22	3,9	33
Min. for Foreign Affairs	1 649	360	133	8,1	227
Min. of Justice	9 721	2 232	720	7,4	1 512
Min. of the Interior	17 964	3 468	960	5,3	2 508
Min. of Defence	18 053	3 307	1 860	10,3	1 447
Min. of Finance	11 092	2 198	1 630	14,6	568
Min. of Education	36 557	8 494	1 300	3,5	7 194
Min. of Agr. and Forestry	5 595	1 056	580	10,3	476
Min. of Transp. and Comm.	3 363	739	480	14,2	259
Min of Trade and Industry	6 855	1 321	700	10,2	621
Min. of Social Aff. and Health	4 167	992	340	8,2	652
Min. of Labour	4 499	820	380	8,4	440
Min. of the Environment	3191	874	250	8,1	624
Unallocated by adm. branch			290		
Total	122 985	25 916	9 645	7,9	16 271



The Government Productivity Programme and the Ministries

- Every ministry has to prepare and present a Productivity Programme, including
 - how to enhance the productivity of the core activities
 - how to increase the productivity of administration and support services, procurement, facilities, using outsourcing etc.
 - how IT will be used to enhance productivity
 - what kind of human resource strategy is implemented
 - how productivity change will be measured/verified and how the savings will be used
- Main productivity targets and measures to be included in the financial plan for 2007-2011 and in the budget proposals for 2007



Reform Project of the structure of municipalities and services

- Launched by the Government in March 2005
- To guarantee financing, providing and producing of welfare services and increased efficiency and productivity in conditions of demographic change, regional differentiation and financial challenges
- Responsibilities of the State and the municipalities, co-operation, regional structures to be reconsidered
- Financing structures: challenges of cost control, multi-channel financing, sub-optimising and incentives
- First proposals made in autumn 2005, later the whole reform programme and draft frame legislation
- Partners: political, ministries, local and regional authorities
- Benchmarks: other Nordic countries

