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Contents

FOREWORD	7
1 PROGRAMME MANAGEMENT REFORM.....	9
1.1 How was the reform designed?.....	9
1.2 Objectives of the reform.....	10
1.3 Implementation of programme management in 2003–2007	10
1.4 Experiences	18
2 EMPLOYMENT POLICY PROGRAMME	25
2.1 The objectives and implementation of the Employment Policy Programme	25
2.2 Key measures and results of the programme	28
3 ENTREPRENEURSHIP POLICY PROGRAMME.....	34
3.1 The objectives and implementation of the Entrepreneurship Policy Programme	34
3.2 Key measures	36
3.3 Development of entrepreneurship during the Government period started in April 2003	42
4 INFORMATION SOCIETY POLICY PROGRAMME	45
4.1 The objectives and mission of the Information Society Programme	45
4.2 Key measures and results of the programme	47
4.3 Finnish information society development in brief.....	50
5 CITIZEN PARTICIPATION POLICY PROGRAMME	52
5.1 The objectives and implementation of the Citizen Participation Policy Programme	52
5.2 Finland as a democracy.....	53
5.3 Causes of concern with regard to citizen participation	54
5.4 Key measures and results of the programme	56
5.5 Assessment of the results of the policy programme.....	63

FOREWORD

The Finnish programme management reform aims at more horizontal and strategic policymaking and ensuring effective implementation of the Government's political agenda. Programme management is a new policy coordination method at the centre of the Government and consists of three main elements: a limited number of intersectoral Government policy programmes, the Government Strategy Document process and the Government's mid-term policy-review sessions.

This publication is aimed at informing foreign readers on the Finnish programme management's main features. It records the latest Finnish experiences in strengthening horizontality within the Government and giving primacy to politics in the functioning of the central government.

The report first describes programme management as a general method and concept as implemented for the first time by Prime Minister Matti Vanhanen's Government 2003–2007. It then contains concise descriptions of each of the first four intersectoral Government policy programmes, their objectives, implementation and outcomes. Despite major common features, the policy programmes were naturally also different from each others due to the nature of the policy theme they operated within.

The Prime Minister's Office thanks all of the first four Programme Directors and their staff for contributing to this publication. By the time of publication of this report Finland has a new Government with new intersectoral Government policy programmes.

1 PROGRAMME MANAGEMENT REFORM

1.1 How was the reform designed?

Programme management reform in Finland is the outcome of the extensive analysis and reform work undertaken in the period of Prime Minister Paavo Lipponen's Government, which was in power from 1999 to 2003. This Government made reforming the central government in Finland part of its agenda. In terms of the focus of the reform, the process started with an open horizon.

Vital to focusing the reform agenda in Finland was the international analysis of the situation ordered by the Finnish Government from three high-level foreign experts on comparative Governance. An expert group consisting of Professors Guy Peters and Geer Bouckaert and the former director of the OECD Public Management Service, Derry Ormond, were asked to analyze the most urgent needs for changes in the Finnish central administration.

The experts concluded that one of the most important features that needed change in Finland was the sector-based style of managing the central government. They stressed that, despite many comparative strengths, **central government in Finland needs to overcome ministerial stovepipes**, both politically and managerially. They also advocated, among other things, **the primacy of politics** in the functioning of central government. As the lack of horizontality was identified and criticized by the evaluators, the Finnish Government adopted it as the main target of the central government reform.

The Government 1999–2003 had a Group of Ministers whose task was to deal with central government reform. Problems and solutions were the subject of relatively lively political discussion, e.g. the Government as a whole discussed the definition of the reform policy three times in its unofficial meetings.

As a result of discussions and analyses, the Finnish Government ended up with a package of recommendations related to **enhancing horizontal policymaking and stronger policy coordination**. The name programme management began to be used for the set of actions. Instead of trying to solve problems by means of structural changes, "box management", the decision was made to go for the much more ambitious objective of reforming the strategic management tools and working methods of the Government.

1.2 Objectives of the reform

From the very beginning, there has been a strong political impetus involved in the reform process. Setting up a special Group of Ministers for defining Central administration reform policy manifested the political nature of the operation. The approach was top-down in the sense that potential changes in the structure of the Government Programme were taken as a starting point.

The main objective of programme management reform is to strengthen the strategic capacity of the central government by concentrating on the horizontal political priorities. **The reform aims at more strategic and horizontal policymaking and stronger political steering as well as simultaneously ensuring an effective horizontal implementation of the Government's political agenda.**

These overall objectives can be broken down into more specific objectives as follows:

- To improve the Prime Minister's possibilities to manage and monitor horizontal Government policies and actions.
- To strengthen individual ministers' possibilities to participate in the collective work of the Government.
- To enhance effective and well-functioning coordination within the central administration.
- To profit from modern management tools, based on networking, both administratively and politically.

The main concerns related to the reform can thus be divided into political and administrative parts. In practical terms, three things required change: strategic documents, the roles of key actors, and the main processes of the Government. A leading principle has been **not to change formal decision-making powers and authority**. Thus the focus has been placed on the **working methods** and the **change in the political-administrative culture**.

1.3 Implementation of programme management in 2003–2007

For the most part, Prime Minister Matti Vanhanen's Government, in office from 2003 to 2007, implemented programme management in Finland according to the original design. The method essentially consists of two main elements: the new way of monitoring the implementation of the Government Programme and the Government's intersectoral policy programmes.

The cornerstone ideas of the programme management system are as follows:

Monitoring of the Government Programme

- The Government Programme identifies the horizontal priorities of the Government.
- The most important horizontal priorities identified in the Government Programme are organised as policy programmes, the number of which is limited.
- Government Programme objectives are specified in a new instrument called the Government Strategic Document (GSD).
- The Government Strategic Document is focused around the horizontal policy priorities of the Government: emphasis is placed on the policy programmes but also on so-called "other horizontal policies".
- Monitoring of the Government Programme is done with the help of the GSD by producing in-depth policy evaluations on the social effects of prioritised current policies for the use of the Prime Minister and the whole Government.
- New procedures are built for the Ministers to be able to properly handle evaluation material and to make political conclusions.
- Monitoring of the Government Programme is closely linked with the Government frame- and annual budgeting process; this means e.g. that the schedules for the political handling of both types of relevant information -budgetary and substantial - have to be coordinated and linked.

Intergovernmental policy programmes

- For each of the policy programmes a full-time Programme Director is nominated to manage the programme.
- For each programme, a Coordinating Minister is named, with political responsibility over the programme area, larger than his/her own government portfolio.
- An intersectoral Ministerial Working Group is nominated for each policy programme to deal with all the political questions and decisions related to the programme.
- The role of the Prime Minister's Office in policy coordination is strengthened, including resources for policy analysis and monitoring of the Government Programme.
- The evaluation of the effectiveness of Government policies gains new impetus as part of the annual Government Strategic Document process.

Strategic documents

The reform package included a proposal according to which the Government Programme, the main strategic tool of the Government, should be more like a line document as opposed to the earlier detailed and extensive style. Most of all, the recommendation was to emphasise and underline horizontal political themes and objectives. However, to a large extent the Government

Programme 2003 was very much the same as its predecessors: plenty of details and varying material. This has been said to reflect the multi-party coalition structure of the Finnish Government, which has been characteristic of our politics for a long time.

Nevertheless, critical to the reform was the fact that Prime Minister Matti Vanhanen's Government introduced the programme management system by identifying the following four policy programmes in its Government Programme:

- Employment Policy Programme
- Entrepreneurship Policy Programme
- Information Society Programme
- Citizen Participation Policy Programme.

In addition a real novelty is the document and the process by which the monitoring of the Government Programme is organised after the reform. Earlier the main tool was a document called the Government Portfolio. The Government Programme was earlier specified in the portfolio document by listing individual projects, legislative measures, etc., which were then followed up quite technically. The information the Government obtained through this twice-yearly process mainly concerned what had been done rather than the outcomes and effects of the policies. Being technical by nature, the Government portfolio document was not interesting to politicians and did not initiate political discussion. Significant political debates and solutions took place in different arenas and on different occasions.

The aim of programme management reform was that the Government would really obtain relevant information regarding developments within society related to its own operation and decisions. The intention was also to develop strategic tools for the Government that would allow it to more flexibly and legitimately redirect its policies without ruining the basic structure of the Government and the division of labor between the various Ministers and parties.

As a consequence, a new type of follow-up document, the so-called **Government Strategic Document (GSD)**, has been developed. From the very beginning certain criteria were identified for its content. The GSD is supposed to:

- be horizontal, which in practice means that it focuses on the specific intersectoral policy programmes, and also on "other important horizontal policies" of the Government,
- identify clear effectiveness objectives for programmes and policies with an indication of the means of measuring them,

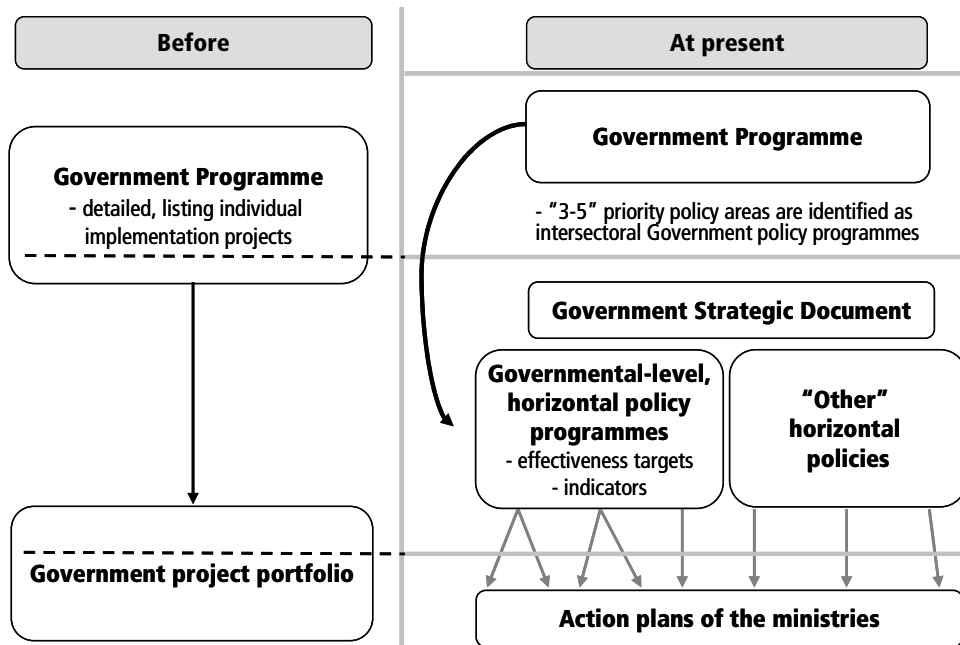
- offer added value to the Government Programme itself by specifying the target setting in the form of tangible acts needed,
- be consistent with the financial prerequisites, i.e., the Government's Frame Budget as well as the annual budgets.

As the Finnish Government's annual budget document is still basically structured according to Ministerial sectors, a new method was established in which the policy programmes are visible within the budget. The system is such that all the appropriations that "contribute" to the programmes were listed in the budget document.

The connection between the GSD process, run by the Prime Minister's Office, and the budgetary process, run by the Ministry of Finance, is altogether very important. From the very beginning, the idea of a stronger political role for the Government Programme monitoring process was built on the assumption that no formal changes in authority or power between organisations is needed. Therefore, the way in which the Prime Minister's Office and the Ministry of Finance Budget Office cooperate is crucial.

The following figure illustrates the new system in a nutshell.

Figure 1 The Government's strategic tools.



Processes

Link with the budgetary process

As in many other countries, the budgetary process in Finland has gained more and more political importance. In fact it has almost become a “monopoly” for the most passionate public and important political debates. The factual material for these debates has nevertheless been mainly limited to economic and financial data. Also, political handling has been following the established rules of the game for a long time, a practice that is difficult to change. In any case, the prevailing situation has been occasionally criticised, in particular by politicians and even by budget officials. A famous quotation from the Secretary of State of the Ministry of Finance in the media demanded “more politics to politics”. This was interpreted as a requirement for more substantial data for the Government to allocate budget money and more flexibility to reallocate it according to political priorities.

Therefore, as part of programme management reform it has been of utmost importance to **closely link the Government Programme monitoring process to the Government budgetary process**. Consequently new practices for closer cooperation between the Prime Minister’s Office (PMO) and the Ministry of Finance (MOF) have been developed. The most important issue is that the schedules of the two main processes of the Government are annually linked together.

In practice, the new system involves the PMO providing the Government with a draft Government Strategic Document for the annual Frame Budget negotiations (held in March every year) with an overview of the implementation of the Government Programme. This analysis is prepared by the PMO based on material collected from the Ministries and the policy programmes. After deciding on the financial frame for the next four years from the financial point of view, the final GSD has been discussed within the Government. Changes on proposals by Ministries have been made if no financing is reserved for the purposes proposed.

Evaluating policy effectiveness

Evaluating social effectiveness is one of the cornerstone concepts in the new programme management system. An analysis of the effectiveness of public policies is always, at least implicitly, a natural part of the political process. However, in Finland programme management reform – together with the reforms in financial management – is bringing new firmness to the goal setting for public policy effectiveness, measurement and policy analysis.

Government policy-making has, until now, been insufficiently supported by an extensive and profound analysis of the effectiveness of the policies. This is particularly true from the overall perspective of the Government's political agenda as a whole. With programme management, the effectiveness analysis has been systematically built in as an integral part of the Government Programme monitoring process.

Now clear effectiveness targets are set for each horizontal policy area, and they are included in the annual Government Strategy Document. This ambition has been particularly successful in the case of the four intersectoral policy programmes – mainly thanks to the particular political structure behind the programmes. The four policy programmes are also the areas in which selecting the set of indicators for policy evaluation has been most developed, i.e., they are concrete, quantifiable and relevant.

Government policy-review sessions

In 2005, a new element appeared in the process. Two special **policy-review sessions of the Government**, so-called policy forums, were organised. In the review sessions the members of the Government were familiarised with relevant policy data based on which they had the opportunity to concentrate on discussing major policy developments. The evaluation data presented in a very concise paper elaborated on by the PMO was made available for the Ministers prior to and presented in the sessions. In the sessions, it was the Ministers who presented their analysis of the data orally themselves.

As the sessions were informal by nature, ministers could discuss freely without having to make concrete decisions in that particular situation. The idea was to make an overall analysis of major developments in society halfway through the election period, identify connections between Government policy actions and the social trends as well as draw policy conclusions for the remaining period. This was the part of a GSD-process that was not foreseen or planned, but which emerged spontaneously, based on political will.

Role of the central actors

Secretary of State of the Prime Minister's Office (PMO) is responsible for promoting the implementation of the Government programme as a whole. He chairs the so called Coordinating Group for programme management, a body established for mutual coordination of the intersectoral policy programmes and consists of the Programme Directors and representatives of the Ministry of Finance as well as PMO.

In the PMO, human resources for policy analysis and monitoring of the Government Programme have been increased to some extent in order to meet the challenges of the new system. A **Policy-analysis Unit** has been organised in the PMO and has responsibility for three major tasks: monitoring of the Government Programme, support of the Finnish Economic Council and coordination of the foresight work of the Government. The unit reports to the Secretary of State and the Prime Minister.

As regards the horizontal policy programmes, two persons are in the most crucial positions with regard to the success of each programme. They are the so-called **Coordinating Minister** and the full-time **Programme Director**.

When the Government 2003–2007 started, it nominated the Ministers that would take on the role of the Coordinating Ministers, sometimes referred to as the Programme Ministers. This means a Minister who, in addition to his/her “own” Ministerial portfolio, has political responsibility for the horizontal programme in question. It is worth noting that they are not so-called Ministers without a portfolio. No formal ministerial powers have been changed – which in the Finnish case would have required a change in the Constitution – but the legislation allows the Coordinating Minister to make e.g. budget proposals in the sectors of other Ministers in the name of the programme.

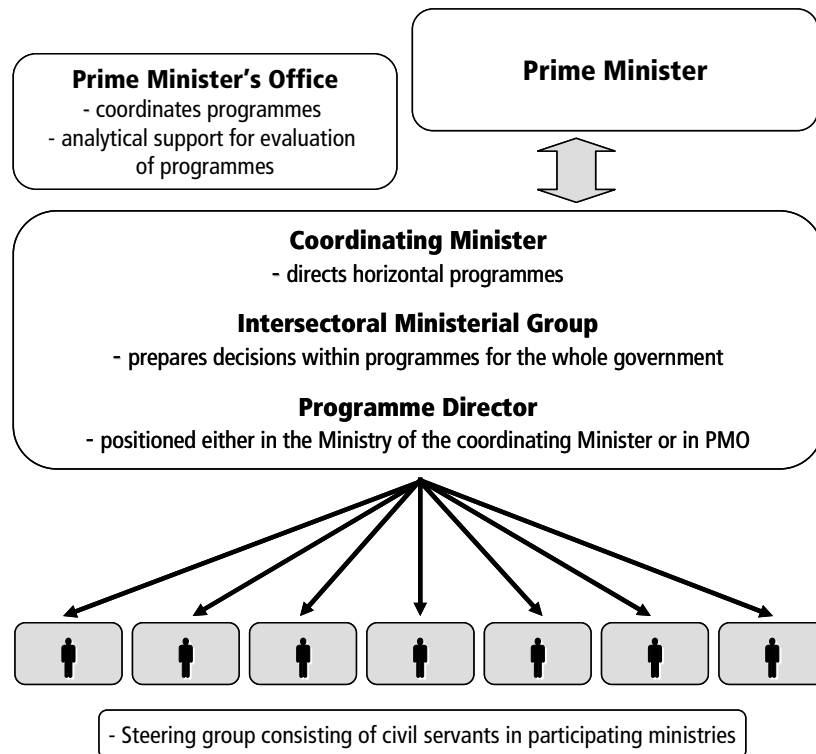
An **Intersectoral Ministerial Group** was set up for each of the four policy programmes. All political decisions related to the programmes were coordinated in these groups. The Coordinating Ministers could have come from any sector. In reality, they were chosen from quite logical programme-related areas, with the Minister of Labour coordinating the Employment Programme, the Minister of Trade and Industry taking on the Entrepreneurship Programme and the Minister of Justice handling the Citizen Participation Programme (responsible e.g. for the electoral system). The fourth case, Information Society Programme was, interestingly, chaired by the Prime Minister himself chaired this programme.

On the managerial side, the success of the Programme Director is critical. Programme Directors do not have any formal power. Their challenge is to succeed in running a network of representatives from various ministries participating in the programme work and getting them to make new initiatives in order to achieve common goals. To assist Programme Directors each of the four first policy programmes have had a Steering Group, consisting of the responsible representatives of the ministries participating in the programme and chaired by the Programme Director.

The policy programmes have so far been run within the traditionally structured State budget with fairly small financial resources in the direct use of the programme. But all the appropriations used for the purposes of the programmes are earmarked in the budget document by means of a matrix technique.

The role of a Programme Director has been described as “not having formal power but influence”. This is also true in reality. One of the first Programme Directors has described his management style as “management by asking”. Programme Directors have often appeared in the media and they have really made new openings and initiatives, which the “regular” administration would not necessarily have done. The Programme Directors are physically situated in the Ministries of the Coordinating Ministers.

Figure 2 Actors in policy programmes.



1.4 Experiences

The political considerations at the background

The reason why the programme management reform was executed in reality is linked to a high political interest in the background. What made this reform politically motivated, what were the political interests involved? Why did the politicians choose to go for a demanding change in the working methods and administrative culture rather than reorganising political and administrative powers, a choice that is always politically impressive?

At least the following considerations are relevant. First, the question of **citizens' trust in the politicians and the administrative machinery** at their disposal. One part of the background work was an extensive study performed on the trust of the citizen in Finnish ministries. The results of the study were not very encouraging in terms of how the citizens know the real functioning of central government and what they think of it. The politicians surely had trust considerations on their minds when thinking about how to improve horizontality in the Government.

The background is based on the finding that the Government does not necessarily meet the real needs of the citizens when it has to operate with the help of sectorised administrative machinery. The way the problems are identified and how they are dealt with within the Government is guided by the historical sectors of the ministries, not the actual needs of the citizens and the society.

It was also believed that the problem of horizontality is not really a question of the Ministries overlapping and fighting for power. Instead, there are numerous **important issues that are not efficiently handled because they fall between sector accountabilities**. Typical examples often quoted were e.g. the drug policy and the policy concerning children and young people. In addition there were experiences of radical reorganisations both in Finland and some other countries that did not meet the goal of better coordination but did lead to great confusion in the administration. Introduction of the idea of horizontal policy programmes can be considered **a move from an organisation-based outlining of politics and administration towards a phenomenon-based approach**.

Another assumption was that **citizens have become more demanding and better equipped to analyse the real outcomes of political decisions** than they used to be. There is a better awareness of the connection between decisions and their impact on people's everyday lives.

Politicians are required to show real results and progress in issues they have talked about in the electoral campaign, using language the citizens can understand. There is more and more pressure on politicians to demonstrate their proactivity instead of following the advice of sectorised and specialized administrative experts. Collecting “political points” seems to have become more complex.

Besides the reasons mentioned above there were also more practical motives for the reform. Since the early 1980s, Governments in Finland have been able to stay in power for the entire electoral term, i.e. for the full four-year period. This has made politics more stable and predictable, which is naturally positive. At the same time the coalition Government tradition has led to very detailed Government Programmes that are more like action plans by nature and practically impossible to change during the Government period. These facts together have limited the room for strategic policy making. Politicians **need more flexibility to outline political priorities and new initiatives as they arise during the Government term.**

Government politics is also disturbed by a relatively new phenomenon that has been highlighted by the Finnish membership in the European Union. Time for **unofficial political discussions between the ministers has become almost non-existent.** If there are complicated political matters to be solved, the regular constitutional forums for handling them seem to be insufficient since they are very formal and do not allow the free exchange of ideas. Simply put, the politicians seemed to need “thinking time”.

Outcomes and the added value

In order to learn from the experiences and to further develop the new working method, an evaluation of the programme management system was launched by the Prime Minister’s Office in 2005. In order to collect experiences, some hundred persons were interviewed, a group that included both civil servants and political actors and all the members of the Government as well as representatives of interest groups. Other information was gathered e.g. through an online survey.

The evaluation report, published in summer 2005, stated that the experiences of the programme management system were to a large extent positive. There is a common and shared view that the reform has taken major steps forward in terms of the main objectives set, i.e., stronger political steering of central government and increased effectiveness in managing horizontal policy issues within the Government.

The main conclusion of the evaluation was that **it would be beneficial for the next Government to continue programme management with some potential modifications**. According to the evaluation there were some elements that needed to be changed or strengthened in the system if it is to serve horizontality in the Government in the most appropriate way. In other words, there were still some weaknesses in terms of realising the potential for horizontality. The Government had not yet profited enough from the opportunities offered by the new system.

The biggest disappointment of the new system for many has been the **reluctance of the Coordinating Ministers to participate in the bilateral budgetary negotiations** of the sectors contributing in the programmes in the manner originally thought. A strong tradition in the coalition Governments is that the Ministers do not interfere with other Ministers' business. Consequently programme management is sometimes interpreted as a "nice" and sympathetic but not very strong or powerful management system.

The evaluation proved that the policy programmes have provided better opportunities to place questions that require painful political solutions on the political agenda. They have also speeded up processes and issues that are difficult to enhance. The strength of the policy programmes seems to lie in their legitimacy regarding the initiation of new political undertakings in a creative way and putting more emphasis on the policy areas they cover. The policy programmes have stimulated the handling of horizontal issues within the Ministries. They inspire civil servants to participate in the handling of policy issues in new combinations. The Programme Directors have succeeded in bringing new dynamics into administration.

According to the evaluation, it is particularly civil servants who consider that programme management reform has strengthened political steering in horizontal policy areas. In contrast, in the eyes of Ministers and in the everyday life of the Government, the policy programmes did not yet occupy a very important position. When the evaluation was performed at the mid-term of the Government period, it was felt **that programme management had not changed political preparation to a remarkable extent, but the cooperation and coordination of civil servants in the preparatory work had significantly improved**.

Both politicians and civil servants seemed to believe in the change. But to a large extent, programme management could so far be described as "an invisible reform". The change has appeared, but it is difficult to demonstrate it in a concrete fashion. The four policy programmes clearly brought added

value, but the concrete achievements are difficult to measure and prove. According to the evaluation, the **policy programmes could in the future play a more significant role if horizontal political preparation were strengthened.**

On the basis of the evaluation, the Prime Minister launched a project to tackle the issues raised by the evaluation. The project involved further analysing potential weaknesses of the present system and looking for ways to overcome them. The project focused on three topics in particular: **the budgeting of future policy programmes, the leadership of the programmes, and the GSD process related to the budgetary processes.**

Latest observations

A significant part of the criticism on the legitimacy of the policy programmes is related to **general difficulties in assessing outcomes of policies and political measures.** For instance, it is a fact that the time span of the reforms is most often very long term: the concrete social effects of political decisions cannot usually be seen until several years after the decision. As the policy programmes are supposed to be the Government's spearheads, their concrete results should be seen as quickly as possible, at the very least during the Government period. In addition, even if demanded by e.g. the public, it is not possible to demonstrate exactly which positive effects originate from which actual actor or decision. Those that want to promote progress always have the burden of proof concerning the usefulness of the changes.

According to many observers the added value of the programmes is often **hidden in the invisible cooperation of the various actors and in informal influence.** For instance, one of the Coordinating Ministers made a statement on this saying that while she has not participated in the formal budget negotiations with her colleague Ministers participating in the Programme this did not mean that she would not have a considerable amount of informal contacts with Ministers discussing the resource needs of her programme.

The evaluation performed on the reform indicated that it is more difficult to change the political culture than the administrative. On the other hand, towards the end of the Government period the scepticism regarding the usefulness of the new coordination mechanism by the Ministers seemed to fade. It seems that the closer the programmes came to concrete political decisions, the more interest there was in participating in the programme process. The Prime Minister, who was the Coordinating Minister for the Information Society Programme, has often stated that the major value added

by the programmes is that the **ministers are able to concentrate more deeply on the political issues than allowed by the formal decision-making forums.**

The first Government policy-review sessions in the mid-term of the Government have quite unanimously been regarded as successful. The timing of the sessions was planned so that they took place close to, but well before, the Government's annual Frame Budget Meeting. It was important to have some time after the sessions for political negotiations before final decisions had to be made at the Frame Budget Meeting. It was also important to **reserve enough time for analytical political discussions:** each of the two review session took some four hours in the evening.

As a result of the review sessions, it seems that both the Frame Budget decision and the GSD 2005, which followed them, gained greater strategic content and sharpness than before. Certain new political initiatives can be identified as consequences of the political discussions in the sessions. As an example, we can mention the start of a reform of the local level administrative structures providing the major welfare services – a highly political and sensitive subject, the implementation of which will take years.

Another success story has been the investment in the evaluation of the **effectiveness of the Government Programme.** Those who see the policy programmes in a critical light tend to underline that progress achieved would have realised even without the policy programmes. However, it seems that the political realism has grown as to what can possibly be interpreted as a result of the programmes alone. **The Finnish political style stresses the seeking of consensus and practical solutions and the political culture tends to be comparatively rational.** The new Government Programme monitoring system emphasises the need **to analyse trends in the programmes' social sectors** rather than trying to prove exactly what progress is an outcome of the Government's policies.

At this stage the main observations and lessons learned so far can be summarised as follows:

- The reform has ambitiously challenged both political and administrative traditions and is long-term in nature: one should not expect total changes or complete success in a short time.
- Formally the system is weak but the strengths of it are to a large extent hidden in the invisible cooperation between various actors and informal influence.
- The horizontal working culture is there to stay, but it will take time to show concrete progress in terms of policy contents.
- Programme management has legitimated administrative preparation and expedited political handling of complicated political issues.
- Programme management is a good step towards more modern Governance, but it is not ready yet.
- Traditional and modern management principles are still controversial and in conflict in the central administration, but there is a strong belief in a change of administrative culture.
- Programme management in Finland is distinctively seen as a political process; the major political motivations behind it are to increase political flexibility during the Government term as well as enable more unofficial and analysis-based political discussions between the ministers.
- The reform also indicates a shift in the political culture, but it may prove to be slower than the managerial one.
- For the future the amount of political weighting the ministers and particularly the Prime Minister want to give to policy programmes will be vital; a clear political will must exist in order to fully profit from the new coordination.
- The best proof of the success of the system is if the Finnish Government starting in April 2007 introduces it again.
- The Finnish case suggests that a top-down approach in the sense of taking the Government Programme as the starting point is favourable when you deal with a reform that concerns both political and administrative horizontality.
- There should be a real prioritisation of the Government's horizontal policy objectives: a limited number of programmes has made it possible to identify priorities.
- Systematic evaluation of the new system at an early stage is necessary in order to learn from experiences and further develop the system.

Future

Despite the potential criticism of the Finnish programme management, some facts clearly demonstrate its success. The strongest evidence is that the Government elected in spring 2007 also adopted the system in its Government programme. Potential new themes for the future intersectoral Government policy programmes had already been suggested throughout the electoral debate between the parties and by various network organisations in spring 2007. The electoral debate also proved that the new terms "Government

policy programmes” and the “Government Strategy Document” have been well established in the vocabulary not only of civil servants but also politicians.

Prime Minister Matti Vanhanen's II Government will have three policy programmes on new themes as follows:

- Policy programme for employment, entrepreneurship and working life
- Policy programme for health promotion
- Policy programme for the well-being of children, youth and families

It seems that the new policy programmes will have more room for manoeuvring than their predecessors in terms of the choice of policy actions as well as budget resources. In addition to the three new policy programmes the new Government programme also includes some major reorganisations in the Finnish central government. It can be assumed that the strengthened horizontal working methods may have paved the way to deciding on always painful restructurings by encouraging a horizontal culture and way of looking at political decision-making.

It has sometimes been said that the lack of formal powers of the Coordinating Ministers and the Programme Directors is what makes the Finnish programme management interesting and different compared to traditional styles of coordination. This is also what makes it a challenge. From the very first vision of the new system, there was a strong belief that the Finnish political system is mature for a more discussive intersectoral policymaking. To a large extent, the success of the programmes depends on the political will for consensus between the Government parties and the Ministers within the Government, and on strong support from the Prime Minister and his Office.

2 EMPLOYMENT POLICY PROGRAMME

Main results of the Employment Policy Programme:

- The main objective of the Government Programme, to increase employment during the Government period, was reached.
- Labour Force Service Centres were established in 39 localities, by 100,000 people bringing together the services and resources of the Employment Office, municipalities and Social Insurance in order to meet the needs of jobseekers who are difficult to employ.
- The activation reform of the labour market support changed the financing shares of labour market support between the State and the municipalities, so that the municipalities are now encouraged to organise active measures for persons who have been unemployed for long periods.
- The Educational Guarantee ensures that by 2008, a minimum of 96% of young people finishing comprehensive school will start in a general upper secondary school, vocational educational institution or additional basic education schooling in the same year. The share of those continuing with their studies has already increased to 95%.
- The Social Guarantee for young people ensures that Employment Offices intervene in the exclusion development of young people after three months of unemployment at the latest.
- Working life development programmes implemented by the various administrations to improve the quality and productivity of workplaces were coordinated in order to more effectively contribute to encouraging ageing employees to stay in working life.
- Over the longer term, the changes in the education and training system will make it possible for young people to start their careers earlier, thus increasing the availability of labour.

2.1 The objectives and implementation of the Employment Policy Programme

The Employment Policy Programme was one of the four policy programmes contained in Prime Minister Matti Vanhanen's Government Programme 2003–2007. The priority of the Employment Policy Programme was **lowering structural unemployment and increasing the supply of labour force**. Other main objectives were ensuring the availability of skilled labour, encouraging workers to stay on in the labour market longer and increasing the productivity of labour. The programme was implemented through projects in four strategic sub-sectors, which were:

- reforming the public employment service
- activation of the labour market support
- developing active labour market policy measures and training
- extending careers.

The Employment Policy Programme was directed and co-ordinated by Minister of Labour Tarja Filatov, who was assisted in this task by Programme Director Harri Skog, and later on, Maire Mäki. A Ministerial Working Group was set up to develop the programme and support decision-making. In the co-operating Ministries, persons responsible for the preparation, implementation and monitoring of the Employment Policy Programme were appointed, and they comprised the Steering Group of the Programme.

The achievement of the Employment Policy Programme's targets has been monitored by means of common indicators of the Ministries taking part in the programme. Please refer to the attached Table for the effectiveness indicators of the Employment Policy Programme in 2003–2006.

Table 1 The effectiveness indicators of the Employment Policy Programme in 2003–2006.

	2003	2004	2005	2006
Central employment objectives of the Government				
The employed, 1,000 people	2,365	2,365	2,401	2,444
Unemployment rate, %	9.0	8.8	8.4	7.7
National employment rate, %				
67.3	67.2	68.0	68.9	
Employment and Economic Development Centres				
Uusimaa	73.5	73.2	73.9	74.7
Southwest Finland	70.0	68.3	71.1	72.6
Satakunta	65.9	64.6	66.2	66.8
Häme	68.1	67.6	66.9	67.6
Tampere region	66.1	67.9	68.1	68.2
Southeast Finland	64.0	64.1	65.0	64.7
Southern Savo	63.0	63.1	63.0	62.7
Northern Savo	61.6	62.1	63.3	63.8
Northern Karelia	57.4	57.4	60.0	62.6
Central Finland	62.5	61.2	61.5	64.5
Southern Ostrobothnia	65.8	66.1	66.8	68.4
Ostrobothnia	68.3	68.9	69.8	70.6
Northern Ostrobothnia	64.5	64.2	65.1	65.2
Kainuu	55.3	54.3	56.9	58.0
Lapland	57.9	60.2	58.1	59.9
Safeguarding the availability of labour				
Offer of labour, 1,000 people	2,600	2,594	2,621	2,648
Concealed unemployed, 1,000 people	96	98	97	99
Recruitment problems, %	28	25	27	30 (Jan-Sep)
Labour shortage, %	10	9	10	12 (Jan-Sep)
Lowering of structural unemployment				
Number of those difficult to employ	174,100	167,600	161,900	146,500
Activation of labour market support				
Those having received a passive support for more than 500 days, May figures	81,229	78,386	72,984	60,461
Share of active use of the labour market support	26.6	26.8	27.1	30.0
Labour political activation programmes and training				
Unemployment rate of young people, %	21.8	20.7	20.1	18.6
Immediate placement in education/training after basic education, % (implementation of the Educational Guarantee)	94.5	95.0	95.1	

	2003	2004	2005	2006
Labour policy activation degree, %	23.1	23.2	23.5	25.5
Share of those becoming unemployed after measures, %	46.5	45.5	42.9	37.3
- subsidised employment	51.8	50.8	47.5	42.0
- work practice on labour market support	33.4	34.6	33.3	32.8
- labour force training (vocational)	43.9	41.1	37.4	35
New periods of long-term unemployment (estimate)	63,109	64,329	63,644	57,100
Unemployment periods of young people less than 3 months in duration	155,254	155,343	161,919	..
Implementation of the Social Guarantee, %			28.1	70.3
The number of plans including the Social Guarantee			10,435	21,588
Extending careers				
Employment rates for age groups, %				
15–24	38.5	38.1	39.3	40.7
25–54	81.1	81.0	81.7	82.4
55–64	49.6	50.9	52.7	54.6
Increasing the age of leaving employment				
Expectation of the employed period and period in labour force for 50-year-olds, in years				
- expectation of the employed period for 50-year-olds	8.7	8.8	9.0	
- expectation of the period in labour force for 50-year-olds	9.3	9.4	9.7	
- Expected retirement age for 25-year-olds	58.9	59.1	59.1	
for 50-year-olds	60.9	61.1	61.1	
Speeding up the move from education to working life				
Age of graduation				
- university	27.3	27.3		
- polytechnic	25.0	25.1		
Dropping out of education, %				
- general upper secondary	2.0	1.9		
- basic vocational education	10.2	9.7		
- polytechnic	6.2	6.3		
- university	4.5	4.8		
Qualitatively sustainable increase in productivity of work				
Increase in the productivity of work, %	2.1	2.9	2.1	
Share of fixed-term employees in wage and salary earners, % (estimate)	16.4	16.2	16.5	16.4
Stressfulness of work				
Share of those experiencing physical stress at work, % (1)	36	36	38	36
Share of those experiencing mental stress at work, % (1)	58	58	57	60
The number of sick days of wage and salary earners (average) (2)				
Those having taken part in workplace training, %	47	49	51	49
Investments in wellbeing at workplaces, % (3)				
- occupational safety	65.25	64.5	69	66.5
- physical condition and health	77	78	81	79
- knowledge and professional skill	62	60	64	64
- productivity and quality of work	76	75	79	76
- productivity and quality of work	46	45	52	47
Possibilities of employees exerting influence, % (4)				
- on the content of the tasks	42	41	42	39.5
- on the pace of work	39	37	37	35
	45	45	47	44

(1) Extremely or moderately stressful; (2) Days of absence in the year due to the employee's personal illness; (3) A great or fair impact; (4) Good or fairly good possibilities of exerting influence

2.2 Key measures and results of the programme

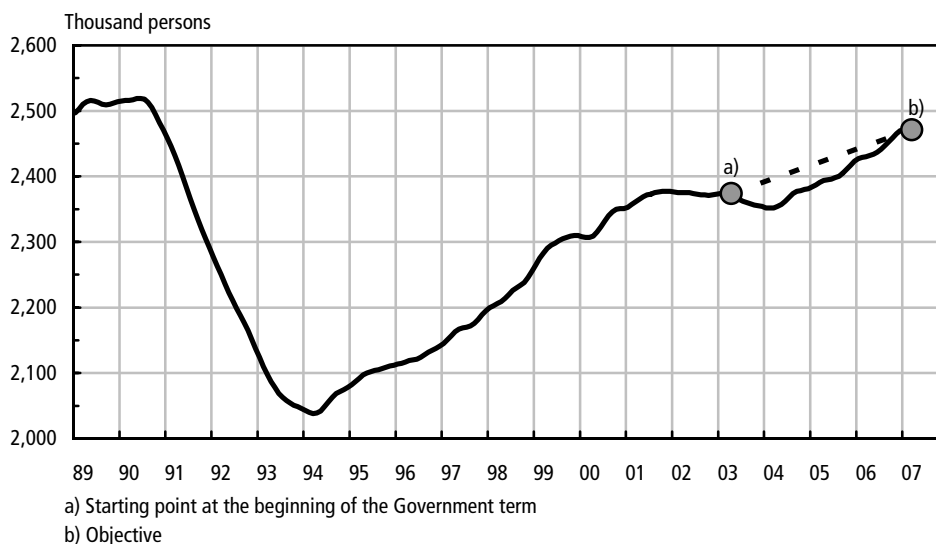
Development of employment during the Government period started in April 2003

The main objective of the Government Programme, to increase employment by 100,000 people during the Government period, was reached. In December 2006, the number of employed (excluding seasonal variations) was 2,468,000 people, which is higher by some 99,000 people than at the beginning of the Government period in April 2003.

At the beginning of the Government period, employment decreased because of the international economical slump which continued until 2004 and which had affected Finland since 2001. In 2002–2004, nearly 40,000 jobs were lost in the industrial sector, as the recession struck the import industries in particular. Domestic demand, however, ensured the continued growth of employment in the service industries and construction sector. As the global economy and imports revived and the strong domestic demand continued, the economic growth started speeding up in the early months of 2004. Since then the growth in employment was rapid, and its development reached the projected track in line with the Government Programme.

Jobs were mainly created in the service industries, in which the number of jobs was higher by some 106,000 in December 2006 than at the beginning of the Government period. Jobs have increased both in private and public services. The employment rate in the processing industries remains at nearly the same level as at the beginning of the Government period. The number of jobs in construction has gone up by some 15,000, but that in the industries has gone down by some 9,000 since the beginning of the Government period.

Figure 3 Development of employment and the Government's objective.



Source: Ministry of Finance and Statistics Finland (1/2007).

Supply of labour and unemployment

During the Government period 2003–2007, the availability of labour was at a reasonably good level compared to the needs. **The supply of labour had increased during the Government period by some 61,000 people** by the end of December 2006, which corresponds to some two thirds of the increase in employment. The increased supply of labour is mainly a result of the longer working life careers of the aged. The number of population in the best working age started declining, and the ageing of the population age structure will reduce the supply of labour as early as in the next few years, unless there is an increase in the immigration of labour.

The unemployment rate went down at a clearly slower rate than the employment has gone up. The unemployment rate (excluding seasonal variations) during the Government period had decreased from 9.1% to 7.3% by December 2006.

The labour force reserve existing outside the unemployed groups was insignificant in total. In 2006, the number of people who could have taken on a job but were not looking for one was on average 99,000 people in addition to the unemployed. Many of these had obstacles to employment arising from issues that included their state of health, studies or child care. A precondition for increasing the supply of labour would be directing at these groups

adequate labour market policy measures that would facilitate their access to the labour market.

Recruitment problems and the availability of labour

The share of places of business that could not find all the employees they were looking for in 2000–2005 varied between 8–10%. The share of places of business experiencing recruitment problems of different degrees had settled between 25–28%. This situation, which had continued on a stable level for several years, changed in 2006, as **recruitment problems and the labour shortage became more widespread**. In January-September 2006, the share of places of business that experienced a shortage of labour was 12%, and the share of those experiencing recruitment problems was 32%. These problems were most prevalent in construction, industries and transports. Over a longer term, the agriculture and forestry, construction, transports and public services sectors have experienced more recruitment problems than the average. Taking in consideration the large quantity of vacancies, however, they have been filled reasonably well.

The Employment Policy Programme addressed the problems of availability of labour by a **reform of the Employment Offices' service model**, in which employment exchange and other employment services in the open labour market were made more efficient. In **adult education**, the resources of the labour and educational administrations were directed at working life oriented education and training as well as at advice and guidance of the adult population related to education and training. An effort was made to direct publicly funded adult education at groups who are under-represented in adult education, such as those with a low standard of basic education and ageing workers. In the future, increasing working life oriented adult education and anticipatory work at the regional and local levels will be important priorities.

Over the longer term, the **changes in the education and training system will make it possible for young people to start their careers earlier**, launched by the Employment Policy Programme, thus increasing the availability of labour. It will still be necessary to support the participation in work of the aged by developing the quality of working life.

Decreasing structural unemployment

Structural unemployment was in the Employment Policy Programme measured by the number of jobseekers who are difficult to employ. This figure started going down during the Government term, at the beginning of 2004. In December 2006, there were 139,000 jobseekers classified as difficult to

employment, which is 24,200 less than the year before. Jobseekers who are difficult to employ are regarded as the long-term unemployed, repeatedly unemployed, those becoming unemployed after active measures and those participating repeatedly in active measures.

The measures of the Employment Policy Programme emphasized both reducing and preventing long-term unemployment. **The measures have clearly succeeded in reducing the in-flow of long-term unemployed from the monthly level of approximately 5,000 people to that of 3,300.** Further reduction of this volume further will be a significant challenge for the public employment services in the near future.

The numbers of jobseekers classified as difficult to employ have been influenced by **the activation reform of the labour market support**, which entered into force at the beginning of 2006. This reform changed the financing shares of labour market support between the State and the municipalities, so that the municipalities are now encouraged to organise active measures for persons who have been unemployed for long periods. At the same time, the conditions of taking part in active measures for the jobseekers were made more stringent. The reform was implemented in close co-operation by the labour and social administrations, and the municipalities.

The second central project in the Employment Policy Programme aiming to lower structural unemployment was to **set up Labour Force Service Centres** and establish their operations. These Centres have been set up in 39 localities. They bring together the services and resources of the Employment Office, municipalities and Social Insurance Institution intended for jobseekers who are difficult to employ. The majority of the customers are those who have been unemployed for long periods and whose employment cannot be adequately supported by means of public employment services alone. The Service Centres together with the reform of the labour market support comprise a set of measures that addresses structural unemployment. The Employment Policy Programme has influenced the resources of the Service Centres and the commitment of the various stakeholders to lowering unemployment at the local level.

It can be estimated that the **projects implemented under the Employment Policy Programme have had a clear impact on lowering structural unemployment.** In addition to activation measures, some 10,000 disabled jobseekers have been directed to appropriate social security.

Despite the positive development, the number of jobseekers who are difficult to employ remains high. This is why the policy programme proposed that the

resources of Labour Force Service Centres should be supported during the following Government period by building up the so-called intermediate labour market, which would offer more subsidised jobs and activation possibilities for those who are difficult to employ. The intermediate labour market would primarily act as a pathway to the open labour market, but it could also offer some of the unemployed a long-term active support solution.

Employment of the aged

During the early years of the current decade, the expectation of the employed period of 50-year-old workers has been extended by approximately one year. Based on the employment rates of those aged 55 or over, the extension of the careers of the aged seems to continue rapidly. The employment rate for the 55–64 age group in Finland has become the fourth highest of the old EU member states.

The Employment Policy Programme emphasised that one precondition for a further increase in the employment rate of the aged will be the qualitative development of working life. The Employment Policy Programme **co-ordinated working life development programmes implemented by the various administrations to improve the quality and productivity of workplaces**. For the needs of the following Government period, programme preparation was launched in co-operation by several Ministries and the labour market organisations in order to improve work organisations, skills, management and innovation capacities.

The employment of the young and the Educational and Social Guarantee for young people

As the labour resources decline, the proportionate position of young people in the labour market has improved. According to the job seeker register, the number of unemployed jobseekers during the whole Government period had gone down by an average of 20% by December 2006, whereas this figure for young people was 27%. At the end of December 2006, the number of young people who had been unemployed for an uninterrupted period of more than one year was 440. During the year, a total of 110,000 young persons were unemployed jobseekers for some time, and the unemployment ended within three months for 80% of them.

The Educational and Social Guarantee for young people that was part of the Employment Policy Programme addresses access to education, training and employment by young people. The Educational Guarantee ensures that by 2008, a minimum of 96% of young people finishing comprehensive school will

start in a general upper secondary school, vocational educational institutions or additional basic education schooling in the same year. The share of those continuing with their studies has already increased to 95%.

The Employment Offices intervene in the exclusion development of young people after a maximum of three months of unemployment by means of the Social Guarantee for young people. In January-August 2006, the unemployment limit of three months was exceeded by 30,700 young people, of whom Social Guarantee measures had before this been agreed for 21,600.

3 ENTREPRENEURSHIP POLICY PROGRAMME

Main Results of the Entrepreneurship Policy Programme:

- The number of entrepreneurs has increased by 10% during the current Government's term in office.
- The number of companies in Finland is higher than ever before.

Measures promoting the start-up of entrepreneurship

- Strengthening of social security for entrepreneurs
- Expansion of start-up grant scheme
- Facilitating commercial activities in universities
- Reform of Companies Act
- Promotion of female entrepreneurship, rural entrepreneurship and immigrant entrepreneurship

Measures promoting growth entrepreneurship

- Development of seed capital and service system for innovative start-up enterprises
- Establishment of growth company service

Measures promoting generational transfer and change of ownership

- More lenient tax treatment in cases of generational transfer
- Implementation of statistical survey of family entrepreneurship

Development measures for business services

- Establishing guidelines for public business services reform
- Preparation of guidelines for Centre of Expertise Policy

Regulatory environment and markets

- Charting the regulatory environment of companies
- Developing the assessment of the impact of legislation on enterprises
- Preparation of comprehensive Auditing Act reform
- Diversifying methods of producing public services
- Implementation of reform of the Act on Competition Restrictions
- Reform of the Debt Rearrangement Act for Private Persons
- Implementation of free web service for small employers for processing employers' statutory payments

3.1 The objectives and implementation of the Entrepreneurship Policy Programme

The key objectives of the Entrepreneurship Policy Programme have included **securing a stable and, in the long run, predictable operating environment for corporate Finland while elevating Finland to among the top European performers in terms of its business environment.**

The purpose of the Entrepreneurship Policy Programme was to prepare and implement reforms supporting the establishment of extremely conducive conditions for entrepreneurship through co-operation across ministry boundaries. The goal of the programme was to put the resources of various administrative sectors to effective use and to ensure that the related steps are taken in the same direction.

The Entrepreneurship Policy Programme was managed and coordinated by the Minister of Trade and Industry Mauri Pekkarinen. In this task, the minister has been assisted by Programme Director Raimo Luoma and (for one year), Markus Sovala. A ministerial group was established for the planning and follow-up of programme implementation. With respect to the progress of the implementation plan under the Entrepreneurship Policy Programme and the practical realisation of the government programme, the Government Strategy Document was a key instrument in the follow-up process.

Persons responsible for the preparation and follow-up of the entrepreneurship programme were appointed for each ministry. They have formed the policy programme Steering Group together with the Programme Director. A representative of the Association of Finnish Local and Regional Authorities has also belonged to the management group. The Steering Group was responsible for detailed preparation of the programme and the follow-up of its implementation.

Ad hoc groups were established for implementing different subsections of the programme. An annual negotiation between the State and entrepreneur and labour market organisations has also been organised under the auspices of the Entrepreneurship Policy Programme. In addition, the key questions and situation reports concerning the Entrepreneurship Policy Programme were been regularly handled by the Enterprise Advisory Committee, set up by the Ministry of Trade and Industry. The Enterprise Advisory Committee consists of representatives of different interest groups, and its tasks have included the promotion of commitment to the goals of the policy programme. The Entrepreneurship Policy Programme also organised annual seminars in order to promote dialogue between different sectors.

The purpose of the Ministry of Trade and Industry's Entrepreneurship Review, launched by the policy programme, has been to provide a general picture of the business conditions and development trends in Finland. It has also charted the progress of the Entrepreneurship Policy Programme. Special attention has been paid to start-ups, business growth, and the impact on employment. For the Ministry of Trade and Industry, the Entrepreneurship Review became a

tool that supports the planning and implementation of industrial policy in terms of entrepreneurship.

3.2 Key measures

As far as general policy measures by the government are concerned, the reforms with the greatest impact on entrepreneurship have included **improvements in the social security of entrepreneurs, measures related to entrepreneurship education, as well as considerable tax reductions and changes in the taxation system.** In addition, the reform of the start-up capital scheme during the government 2003–2007 has had a major influence on the willingness to establish new enterprises. Access to online services was promoted and, at the same time, the bureaucracy faced by companies has been reduced.

The sub-sectors of Entrepreneurship Policy Programme were in 2003–2005:

1. entrepreneurship education and information
2. establishment, growth and internationalisation of companies
3. taxes, duties and fees affecting entrepreneurship
4. regional entrepreneurship
5. regulations concerning companies, and the operation of markets.

In 2005–2007, the themes of the sub-sectors were slightly revised as describing the different phases in the life cycle of enterprises:

1. promoting the start-up of enterprises
2. the improvement of business conditions for growth entrepreneurship
3. the promotion of generational transfer and change of ownership in companies
4. the development of business services in a way that advances competencies and innovation
5. the predictability of the regulatory environment, operation of markets, and the reform of public sector service production.

Measures to promote the start-up of enterprises

On April 7, 2004, the Ministry of Education published the new **policy for entrepreneurship education.** At regional and local level, the goal is to make entrepreneurship education an integral part of curricula and teaching in primary schools, secondary schools and vocational training institutions.

Five **universities had drawn up their own entrepreneurship strategies** by the end of 2005, and others are in the process of drafting their strategies. The **common entrepreneurship strategy for polytechnics** was completed in the spring of 2006. The Ministry of Education and the Ministry of

Trade and Industry have set up a co-operation committee tasked with the development of higher education-based entrepreneurship.

On the basis of an amendment to the State Budget Act, the universities now have the opportunity to own limited companies (**university company**). They can use their operating expenditure allocations to subscribe for shares in companies based on a decision made by the Ministry of Education, on a case-by-case basis.

The amended Companies Act entered into effect on 1 September 2006. Companies now have more freedom of action, since various limitations and formal rules have been reduced and some new procedures made possible. Regulations concerning the legal protection of creditors and minority shareholders have been made more effective. The mandatory minimum share capital of a private limited company must be at least 2,500 euros. Old SMEs do not need to raise their share capital retrospectively.

Finland has done more to improve the coverage of legally provided **social security for entrepreneurs** than most other EU member states. Legal changes related to the social security of entrepreneurs have been implemented, for instance, by improving the unemployment security of entrepreneurs. The intention is to improve the rights of an entrepreneur's family members to unemployment security from the autumn of 2007. In addition, the qualifying period for sickness insurance for entrepreneurs has been reduced from nine days to four days. Occupational health care for entrepreneurs has also been improved.

The **expenses from family leaves** have been more evenly distributed. This decision will raise sickness insurance expenditure by approximately 60 million euros a year, mainly financed from insurance premiums paid by employees and employers.

Besides the unemployed, **financial support for start-up entrepreneurs** has been expanded to cover those leaving paid employment or domestic work to become entrepreneurs, and people ending their studies. The experiences garnered from the start-up grant scheme have been positive. At the moment, almost every third company in Finland is established with the help of a start-up grant.

The Council of State has increased the share of state compensation for credit and guarantee losses caused by start-up or growth companies. This increase made it possible for Finnvera to take bigger risks in financing start-up or growth companies. The exemption from income tax to be granted to Finnvera

as of the beginning of 2007 will improve its operating conditions and lower the price of financing.

General conditions for entrepreneurship have been further enhanced by additional investments in the **capital management of start-up companies**. In the budget proposal of 2005, an allocation of 13 million euros for strengthening the start-up phase risk financing of enterprises was approved. A fund specialising in seed financing and the operation of innovative start-up companies began operating in the autumn of 2005. Furthermore, the seed financing programme of Finnish Industry Investment Ltd was launched in 2004. In addition, the Finnish Funding Agency for Technology and Innovation (Tekes) launched a new programme focussing on the financing of start-up phase technology companies in 2004.

The policy programme followed the preparation and implementation of a proposal by the committee that pondered the development of **female entrepreneurship**. Measures promoting female entrepreneurship have been carried out as part of the reforms of business services and social security for entrepreneurs. Statistics on female entrepreneurship have been included in the MTI's Entrepreneurship Review.

The coordination group for the promotion of **immigrant entrepreneurship** completed its report in December 2006. The MTI produces a situation report on immigrant entrepreneurship as part of its annual Entrepreneurship Review.

The operating environment for **rural entrepreneurs** has been improved by developing authority practices, regulations and its service system. Coverage of regional business services will improve, and the development of rural enterprises will be included among their service agreements.

Improvement of business conditions for growth entrepreneurship

In an effort to support the planning of industrial policy, the Entrepreneurship Policy Programme cooperated with the MTI to finance **several growth entrepreneurship surveys**.

A strategy for seed financing of innovative start-up companies and service systems was developed within the frame work of the Entrepreneurship Programme. The appropriations needed to finance the strategy were allocated in the first supplementary budget of 2005.

A joint **growth company service** provided by Tekes, T&E Centres, Finnvera and Finpro was established on May 25, 2005. Its purpose is to facilitate and speed up company development and growth, with customer needs as its guideline.

Promotion of generational transfer and change of ownership in companies

Taxation in cases of generational transfer has been made more lenient by amending the Inheritance and Gift Taxation Act. This amendment entered into effect on 1 January 2005.

A survey of Jyväskylä University and Statistics Finland, "Medium-sized enterprises and the share of family-owned companies thereof", was completed in the summer of 2006. Statistical information about family entrepreneurship is also included in the MTI's Entrepreneurship Review.

Generational transfer of farms was promoted by implementing proposals for measures based on the report by the committee that handled the promotion of generational transfer of limited company and multi-sector farms from the year 2005 (Ministry of Agriculture and Forestry 3/2005).

Development of business services in a way that advances competence and innovation

The **reform of public business services** or services partially financed from public funds is currently underway. The goal is to give customers equal access to public business services on similar grounds throughout the country, the guiding principle being that all services should be available through one point of contact.

The centre of expertise committee has prepared proposals for the reform of the **centre of expertise policy** in 2007–2013. These centres will create conditions for new kinds of innovation activities aimed specifically at particular competence clusters, combining research with technology and business know-how.

Predictability of regulatory environment, operation of markets and reform of public sector service production

The regulations committee of the Entrepreneurship Policy Programme assessed which legal changes to implement and which eventual **shortcomings to remedy in the current legislation** in order to enhance the operating environment for entrepreneurship. In the work of the committee

the key areas under scrutiny included current legislative reforms, for instance in company, auditing, insolvency, social security, debt recovery and procurement legislation.

The regulations committee paid special attention to the improvement of legal expertise in labour-related matters in small employer companies. According to a survey by a Ministry of Labour working group, information services on labour relations are functional, but awareness of the existence of such services should be improved. In most cases, the most difficult issue for an employer is finding suitable employees. The working group proposed a separate study on how the existing information services on labour relations could be integrated into the general business services system.

The regulations committee also considered it important that systematic attention be paid to the standard of legislative preparation and the assessment of the impact of legislation on enterprises. In this connection, the Ministry of Trade and Industry launched a three-year project aiming at making the assessment of the impact of legislation on enterprises more efficient. Assessment of the impact of legislation on enterprises has been improved in the preparation of laws, and assessment methods have been further developed.

The comprehensive Auditing Act reform aims to raise the **standard of auditing legislation** to European level, thus increasing the credibility of balance sheets and elevating the quality of auditing. This proposal will improve the possibilities for cross-border activities between auditors and auditing communities, and lay a foundation for international co-operation between control authorities.

At the beginning of 2004, the MTI and the Association of Finnish Local and Regional Authorities launched an **information service on public procurement** as a joint, three-year project providing information on questions related to tendering for public procurement projects.

The amendment of the Act on **Competition Restrictions** entered into force on 1st January 2004. This legislation has been harmonised with the EC antitrust rules. The amended law gave significantly greater powers to national competition authorities.

A new law on **social enterprises** will consolidate the status of social enterprises as an employment opportunity for handicapped jobseekers and the long-term unemployed. Social enterprises can be allocated employment

subsidies and combined subsidies on the basis of more relaxed rules and for a longer period of time than would otherwise be possible.

The amendment to the law on debt rearrangement for private persons encourages entrepreneurs taking part in a **debt rearrangement** programme to seek additional income. The debtor is allowed to keep half of the additional income obtained during the repayment programme, while the other half is used for settling the debt.

The amended **company reorganisation act** aims at promoting the inclusion of companies capable of surviving in company reorganisation schemes and at making the handling of reorganisation applications more efficient in courts of law.

The Tax Administration has introduced a free **web-based payment service** intended **for small employers**, which makes it easier for occasional and small employers to fulfil their payment obligations as employers.

Taxation

Key measures related to taxation carried out during the government term of 2003–2007 include the following:

As a result of the reform of **company and capital taxation**, the corporation tax rate was lowered from 29 to 26% and the tax rate for capital from 29 to 28%. The transfer gain from direct investment shares owned by a corporation was exempted from tax, and dividend taxation was reformed by abolishing the imputation system for corporate taxation. The tax treatment of foreign capital investors has been changed so that risk investments made in a Finnish capital fund or in a target company are taxed in an equitable manner.

The **net-worth tax** was abolished as of the beginning of 2006.

A sliding lower limit for the threshold liability for **value-added tax** was introduced. Thereby, the seller is not liable to pay VAT if the turnover of the accounting period does not exceed 8,500 euros. Tax relief gradually reduces as turnover increases, and is paid in full when annual turnover exceeds 22,500 euros.

The law on an **employer's temporary low-wage benefit** supports the employment of the ageing workforce through a system by which an employer can deduct from its tax accounts a certain sum tied to the wage level of over

54-year-old full-time employees. At its highest, the benefit corresponds to around a tenth of total employee expenses.

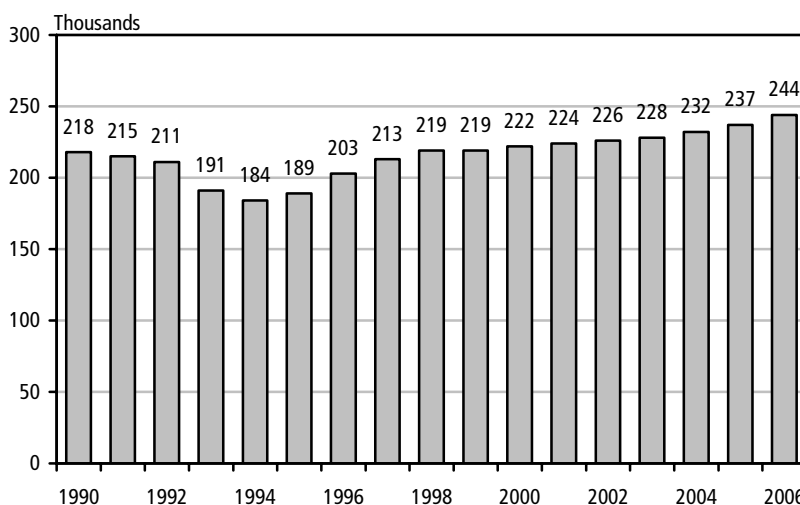
The maximum **household tax deduction** was doubled as of the beginning of 2006.

3.3 Development of entrepreneurship during the Government period started in April 2003

The number of companies (excluding primary production) has been on the increase in Finland. By the end of the Government term 2003–2007, there were more companies operating in Finland than ever before. The number of entrepreneurs and their family members (excluding primary production) increased strongly – by 10% – in 2003–2007.

The **number of enterprises** has been increasing steadily in Finland since 1994. According to a very initial estimate by the Ministry of Trade and Industry, there were approximately 244,000 companies in Finland at the end of 2006 (Figure 4). By the end of December 2006 the net increase in the number of enterprises was around 16,000.

Figure 4 Number of enterprises (excl. primary production) in 1990–2006.

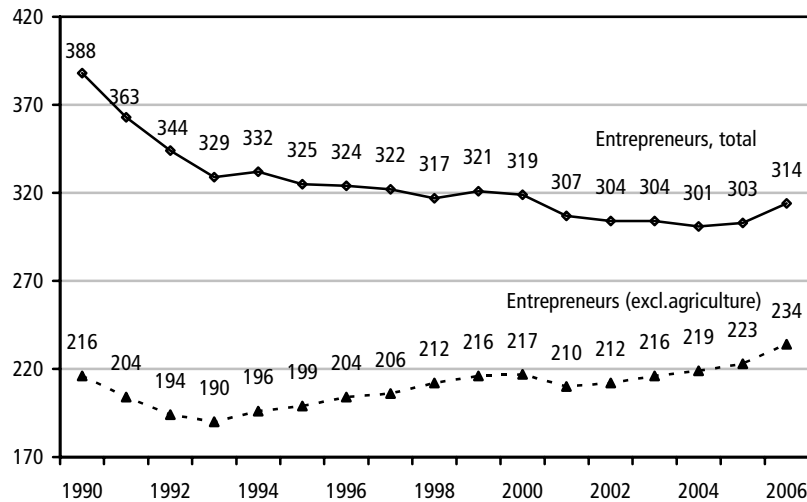


Sources: Register of Enterprises and Establishments, Statistics Finland and Ministry of Trade and Industry.

The **share of entrepreneurs** of the total employment rate fell in the early 1990s, mainly due to structural changes in agriculture and the increase in the number of pay earners related to the recovery from the economic depression. Since 1995, when Finland joined the EU, the number of agricultural

entrepreneurs has fallen by slightly over one quarter. However, the number of entrepreneurs other than farmers has increased steadily since 1993, except for a blip in 2001 (Figure 5).

Figure 5 Number of entrepreneurs in 1990–2006.



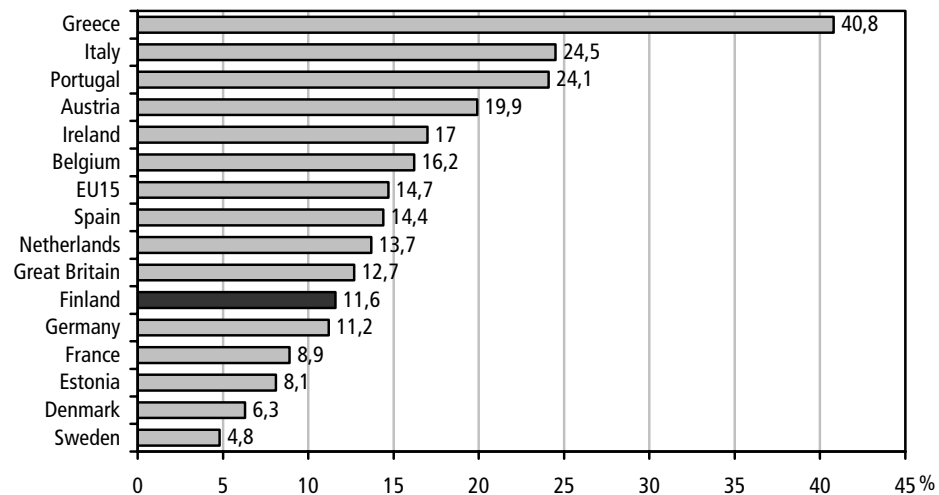
Source: Labour Force Survey by Statistics Finland (1/2007).

During the government's term 2003–2007, the increase in the number of entrepreneurs accelerated, and their share of the employment rate rose slightly. The number of entrepreneurs (excl. primary production) increased by 10% based on a sliding 12-month average. According to the Labour Force Survey, at the end of 2006 there were 234,000 entrepreneurs (excl. primary production) in Finland – over 21,000 more than in March-April 2003. The growth rate reached almost 11,000 in comparison to the year before. On the other hand, the share of entrepreneurs of the total employment rate (incl. primary production) in Finland remained at a relatively modest level in the EU 15 comparison, compiled from labour force surveys of different countries (Figure 6).

According to a Ministry of Trade and Industry survey, 2.15% of the total of 43,669 companies that began operating in 1999–2000 had become so-called **rapid-growth companies** by 2004. The number of pay earners in companies increased by a total of 7.4% between 2001 and 2004. This increase was particularly emphasised in rapid-growth companies, where the number of personnel increased by 106% (almost 22,000 people). According to the definition used, the average annual growth rate of combined salaries in rapid-growth companies had to be at least 20% between 2001 and 2004, and the company had to have at least 10 employees. About 400 of the companies

were so-called 'gazelle companies', where salaries increased by at least 50% a year during the same period.

Figure 6 Share of entrepreneurs of the total employment rate in EU countries in 2005, in percentages.



Source: Eurostat, Employment in Europe 2006.

According to barometer surveys, the most common factor negatively affecting the willingness of SMEs to grow or expand their operations in Finland is their satisfaction with the already existing size of their company. Demand and competition factors play the second greatest role, followed closely by avoidance of financial risks. When comparing the overall factors mentioned above, lack of competencies required for growth played a surprisingly small part. The small number of growth companies is also reflected in the fact that only one per cent of Finnish companies are medium-sized companies with significant potential to create jobs.

In the years to come, the rapid ageing of the population and the fall in the number of people of working age will be factors which make the strengthening of entrepreneurship and competitiveness more difficult. The share of over 65-year-olds of the population will increase from 16% to 27% by the year 2030. With longer life expectancies, the number of people over the age of 80 will double within the same period. As entrepreneurs become older, the number of companies facing a generational transfer or a change in ownership will increase in the years to come. According to one estimate, 50,000–80,000 companies will enter a transition period within the next ten years.

4 INFORMATION SOCIETY POLICY PROGRAMME

Main results of the Information Society Programme:

- Increased cooperation between the public and private sectors and within them.
- The Finnish Information Society development has gained wide international visibility and the programme has been able to influence international development and cooperation.
- Some 150 projects were carried out, the most significant of which are:
 - The implementation of the national broadband strategy.
 - The reform of the steering mechanisms and structures of state and local level information management (e.g. social and health sector).
 - The implementation of national level information system solutions (including electronic recognition and the national electronic archiving system for the social and health sector).
 - The preparation of the third national information society strategy for 2007–2015 (A Creative, Humane and Competitive Finland).

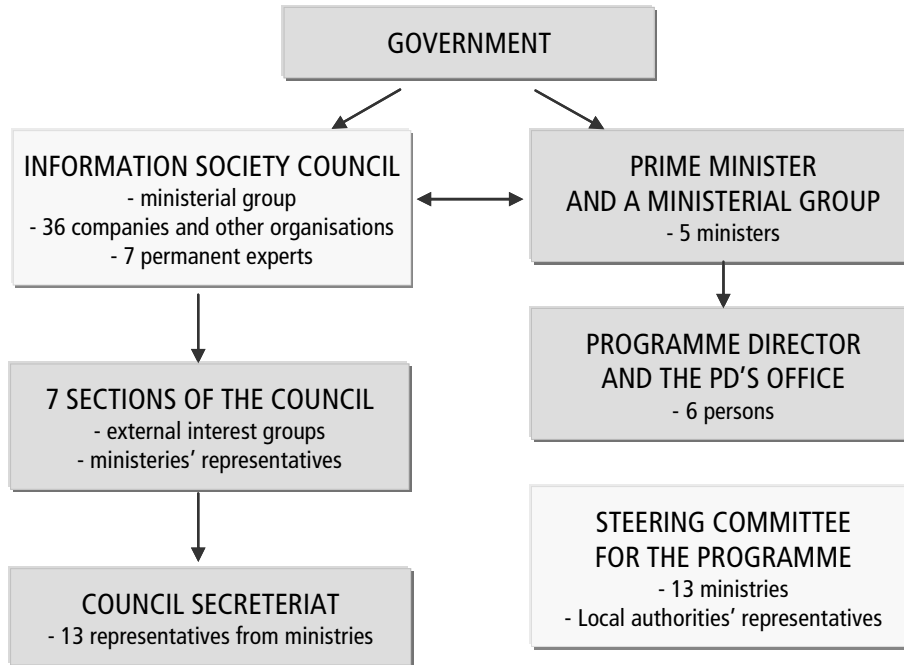
4.1 The objectives and mission of the Information Society Programme

The Finnish Government assigned the development of the information society a high priority, and launched an extensive four-year Information Society Programme in 2003 as one of the Government policy programmes. The programme was led by Prime Minister Matti Vanhanen and directed by Programme Director Katrina Harjuhahto-Madetoja. It was a combined effort involving all ministries and a wide range of actors throughout the society.

The programme was steered by a five-member Ministerial Group and followed by a broad-based Information Society Council consisting of ministers, agencies, enterprises, trade unions, universities, and third-sector organisations.

The Information Society Programme focused on the utilisation of the opportunities offered by the information society. The aim of the programme was **to boost competitiveness and productivity, to promote social and regional equality and to improve citizens' well-being and quality of life through effective utilisation of information and communications technologies**. The Information Society Programme also aimed to **maintain Finland's status as a leading producer and user of information and communications technology**.

Figure 7 An organisational chart of the programme.



The mission of the programme was *Information Society for All*. This means that every citizen should have the possibility to utilise information society services regardless of their place of residence or social status. Furthermore, the programme aimed at engendering a high level of trust in the electronic services available. It should aimed at increased productivity and reengineered processes within the public administration and foster the competitiveness of Finnish enterprises.

Finland has long enjoyed an edge in technological development. However, the Information Society Programme was not merely an information technology policy for Finland but part of a wider societal policy. In the near future, Finland has to find ways to address such challenges as population ageing and the resulting increased need for social and health care services. In addition, Finland has to cope in tightening global markets and be well equipped to face growing competition. Better use of ICT can help to tackle the aforementioned issues.

4.2 Key measures and results of the programme

Altogether, the programme covered almost 150 different implementation processes. These actions and processes were divided into seven sub-sectors:

1. Telecommunication infrastructure and digital television
2. Citizens' information society skills and secure information society
3. Education, working life, research and development
4. Utilisation of information and communication technology in public administration
 - *Development of services provided by the public administration*
 - *Social welfare and health care*
 - *IT-management in public sector*
5. Digitalisation of Business and Contents
6. Legislative measures
7. International dimension

During the programme, **considerable structural reforms were carried out with regard to the public sector information management and coordination of information society issues.**

A project to reform state information management (ValtIT) was launched and the state IT management unit was established in the Ministry of Finance in spring 2005 on the basis of the work conducted by the TIME working group, appointed on the request of the Information Society Programme. A KuntaIT Unit, which coordinates information management cooperation between Finnish municipalities, was established in the Ministry of the Interior. Also a nationwide digital archiving service for social welfare and health care was put under preparation.

The Information Society Programme's actions and projects included:

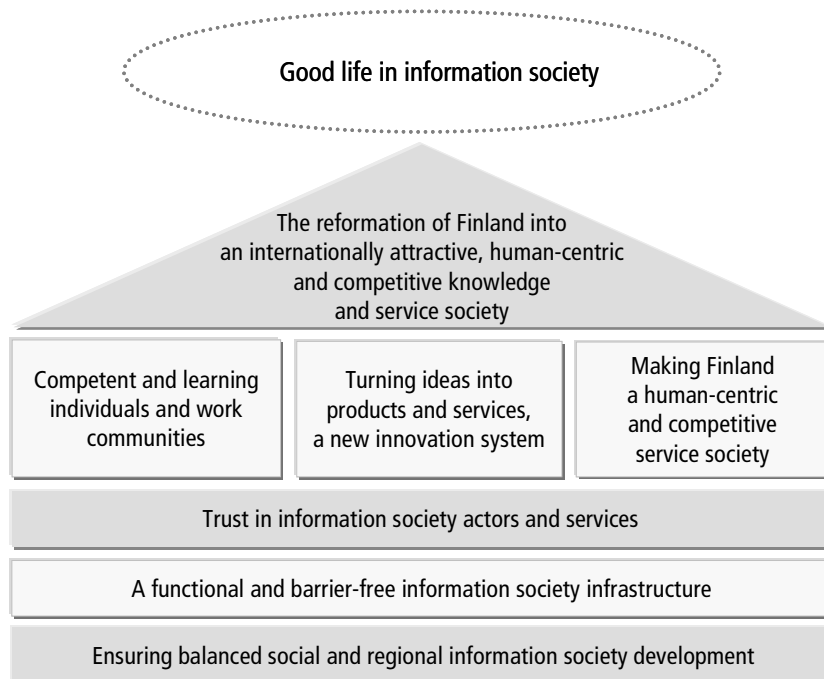
- The reform of the steering mechanisms and structures of state and local level information management (ValtIT and social and health sector)
- The implementation of national level information system solutions (including electronic recognition and the national electronic archiving system for the social and health sector)
- The promotion of information society co-operation between large cities
- The preparation of a national information society strategy for 2007–2015 (A creative, humane and competitive Finland)
- The implementation of the national broadband strategy
- A 15% increase in the number of customer terminals in libraries between 2005 and 2006.

Shaping the future – The third National Knowledge Society Strategy

The Information Society Programme ended in spring 2007. However the work to build an information society continues. One of the last measures of the programme was to prepare a **National Knowledge Society Strategy for 2015**. This new national strategy was published on 26 September 2006. The strategy was drawn up in cooperation with decision-makers and actors from various sectors of the society. A total of about 400 specialists from the Government, local authorities, higher education institutions, enterprises and organisations participated in the process.

The objective of the new knowledge society strategy is to support the emergence of a "Finland phenomenon", in other words, the turning of Finland into an internationally attractive, human-centric and competitive expertise and service society. According to its vision, the strategy pursues good life in an information society.

Figure 8 The figure below presents the vision and focus areas of the National Knowledge Society Strategy.



Guidelines and measures aimed at promoting the reform of the service sector, citizens' well-being and the competitiveness of the nation and companies will

occupy a prominent role in the new national knowledge society strategy. The aforementioned themes will be addressed from various angles: development of skills, application of the existing and new data, creativity and innovativeness, structural and functional reforms, networking and the development and utilisation of technology. The proposed priority measures for 2007–2011 include:

- the launching of a policy programme to renew service structures within public administration;
- efforts to increase the speed of data network connections and ensure the interoperability of information society structures;
- measures to promote lifelong learning;
- reform of the rules governing working life and development of leadership and management skills;
- reform of the innovation system;
- further development of the copyright system;
- the promotion of the digitalisation of business in SMEs;
- a contribution to international efforts, especially at the EU-level, and close cooperation with neighbouring regions and Asia.

In total the strategy proposes 72 different actions and projects in order to boost Finland's information society development.

Finlands EU Presidency and information society

Finland held the Presidency of the European Union between 1 July and 31 December 2006. During the Presidency, Finland concentrated on the challenges now facing Europe, such as globalisation, improving competitiveness, population ageing, climate change and security. Finland also promoted the development of a broad-based innovation policy, drawing on the recommendations made in Esko Aho's innovation report (Hampton Court report) as one source of ideas.

In the development of EU innovation policy, Finland adopted a broader approach encompassing demand for innovation. Notwithstanding the importance of joint and national measures to increase research and development funding and to put it to more effective use, innovation policy cannot make a real difference unless measures are taken to develop the markets that encourage innovation and generate new demand for it. Such measures include standards, public procurement, steps to make markets function more effectively, greater mobility of research resources and closer cooperation between universities, business, the public sector and civic society as a whole.

Innovation-driven activities, competitiveness and information society issues were featured strongly in Finnish Presidency events. In September, through the EU's i2010 programme, we examined an information society related theme of the new everyday life (ubiquitous society). In October, a conference called Networked Business and Government – Something Real for the Lisbon Strategy was organised, which examined concrete examples to boost European competitiveness and published a Helsinki Manifest for Future Steps. In November, a new European innovation system – European Network of Living Labs – was launched in Espoo; while in the same week, a large group of experts gathered in Helsinki for the IST 2006 conference.

4.3 Finnish information society development in brief

Information society development has been rapid in Finland. The use of the Internet, for instance, has grown so that 79% of all Finns have accessed the web over the last three months. Broadband connections are available to more than 95% of the population. At the same time, online public services in the central administration have risen by 31% per year, and 73% of Finns are using them. Purchasing via the Internet has also grown significantly. Finland has also scored high marks in recent international comparisons. However, a lot of work still needs to be done, particularly in the fields of eDemocracy, teleworking and lifelong learning. ICT can also be a major factor in boosting public sector productivity and its service provision.

On an international scale, Finnish R&D funding is at a high level. In 2005, the share of R&D funding was 3.52% of GDP. By comparison, the European Council at Barcelona in 2002 set a target of directing 3% of GDP for R&D in EU Member States by 2010. However, implementation of research results cannot be guaranteed solely by increasing R&D funding. It is also important to ensure proper allocation of R&D funds and to avoid overlapping work. R&D investments must also be directed especially to the areas that are most important in terms of national economy, social development and public wellbeing.

Table 2 Statistics about information society development in Finland.

	Beginning of the 21st century	2006
Number of broadband connections	315,000 (06/03)	1,309,800
Broadband accessibility, share of the population	75.7% (06/03)	95.8%
Households with broadband	15% (spring/03/broadband) 29% (spring/00/Internet)	56.5%
Use of the Internet		
- age group 15–74	50%	79%
- age group 60–74	*	31% female and 42% male
- age group over 74	*	4% female and 10% male
Online purchases, share of the population	10%	49%
Use of eBanking, share of the population	*	63% of the population 81% of the Internet users
Citizens that trust eBanking, share of the population	*	92%
Broadband in companies employing		
- over 5 people	*	73%
- over 10 people	*	81%
Employees using ICT in their working routines	66%	75%

* figures are not available

5 CITIZEN PARTICIPATION POLICY PROGRAMME

Main results of the Citizen Participation Policy Programme:

- The information basis of democracy is being ensured and a framework for administration of democracy has been established.
- Research on civic education has been strengthened and the share of Citizen Participation in Teacher Training has been increased as well as the share in schools.
- The overall picture of the importance of civil society was developed and some major development projects are on the way, e.g. the conditions required for activities of public utility, voluntary work and peer assistance are being explicated, for example, in relation to taxation and putting services out to tender.
- New initiatives have been made for consultation of and participation by citizens in decision-making.
- Amendments to the Local Government Act will improve the ability of municipal councils to direct the activities of municipal concerns as well as clarify the position in the market of municipally owned commercial undertakings.

5.1 The objectives and implementation of the Citizen Participation Policy Programme

The Citizen Participation Policy Programme was described in the Government Programme as a **national democracy project**. Changes with the aid of which the long-term development of democracy and citizen participation could be ensured were to be implemented over the period of the programme.

The Ministry of Justice, which in Finland is responsible for arranging elections and democracy in legislation, coordinated the Citizen Participation Policy Programme. Other ministries involved were Education (civic education and research; physical exercise, culture and youth work), Interior (municipal affairs) and Finance (development of administration). For practical reasons there was cooperation with other ministries as well.

The Minister of Justice, Johannes Koskinen and later Leena Luhtanen chaired the Intersectoral Ministerial Group. A small staff headed by Programme Director Seppo Niemelä assisted the minister responsible for coordinating the programme. The task was to develop the totality of the programme, although responsibility for actual activities resides with the ministries. Compiling an annual Government strategy document strengthened the programme's cohesion. Meetings were held to enable representatives of the various projects to present their activities to each other and build mutual cooperation.

Democracy is founded on the idea of a free, independent and fully empowered citizen, who considers, sets goals and makes decisions together with others with the aid of discussion. Active citizenship arises from people. Its genesis is not in the law and cannot be brought into force through administrative regulations. The policy programme on Citizen Participation respected these starting points.

Public authorities can, however, create favourable preconditions for participation and the exercise of influence in such a way that they support fully-fledged citizenship. The general objective of democracy policy is that Finland will be recognised, in accordance with her traditions, as a forerunner in the development of democracy and her indicators of active citizenship will be comparable to those of the best European countries. Decision-making is founded on broad participation and equality of citizens.

The general objective mentioned above was approached in the Citizen Participation Policy Programme through the following four sub-sectors:

1. Schools and other institutions of learning support growth to **active and democratic citizenship** in accordance with the principle of lifelong learning. Besides Finnish citizenship, EU and world citizenship must also be taken into consideration in education.
2. The legal and administrative prerequisites for the operation of **civil society** are favourable and up to date from the perspective of civic activity. The third sector has sufficient research, training and development services.
3. Traditional and new channels for **citizen participation** are developed in such a way that they support the full involvement of citizens in the activities of communities and society. Administration has the necessary tools and the kind of attitude it needs to be able to interact with citizens.
4. **The structures and practices of representative democracy** function well on all levels of decision-making, and they take the changes that are taking place in everything from the knowledge society to globalisation into consideration.

In the following, these sub-targets are discussed in more detail with reference to the main results achieved by the Citizen Participation Programme.

5.2 Finland as a democracy

Democracy in Finland rests on an old tradition, which is in part rooted in local government. Finland was the first country to be able to celebrate a century as a country where eligibility for election and the right to vote are universal and equal. For a hundred years Finnish democracy has been able to endure the

external and internal threats that it has faced. The tradition of democracy was not been interrupted even during the Second World War.

Finland still emerges in international comparisons as one of the best democracies in the world. About 90% of Finns regard democracy as better than any other system. Finnish EU policy is formulated not only by the Government, but also the Parliament in a manner that many find exemplary.

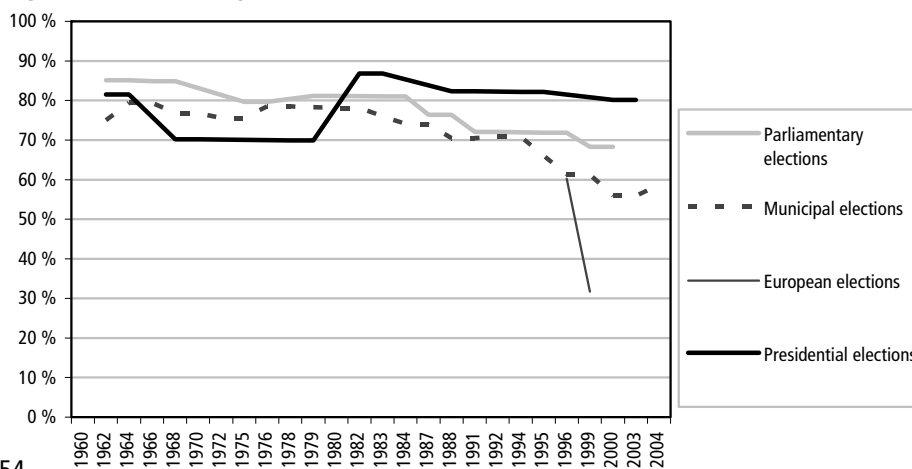
Many of the **components of social capital** are in good shape in Finland; Finns trust each other and the institutions of their society and have confidence in the ability of democracy to function. The tradition of civic activities in Finland is strong in the Nordic manner, and we are still one of the leading countries in the world when it comes to voluntary activities.

Hardly any work in the area of democracy policy had been done in Finland before the policy programme was announced, even though the revised Constitution that entered into force in 2000 imposes an unambiguous obligation in this respect. It states that: "The public authorities shall promote the opportunities for the individual to participate in societal activity and to influence the decisions that concern him or her." All of this provides a good foundation on which to develop Finnish democracy as one of the pioneering countries.

5.3 Causes of concern with regard to citizen participation

The same problems that prompt discussion in most of the established democracies apply to Finland as well. What is at issue is above all democratic culture. The following picture can be sketched from the research material that the programme produced:

Figure 9 Voting turnout in elections 1960–2004.



Although a decline in the number of people exercising their right to vote has ceased, Finland is still in the lowest third of democracies in terms of polling percentages. The number of under-40s who vote is further below the national average than in the other Nordic countries.

Party memberships are large by international standards. The number of people that actually participate in political activities in Finland has fallen to two per cent. Willingness to take part in collective political activities is strikingly low by Nordic standards.

The range and variety of activities in which organisations engage in Finland is wide and new organisations are coming into existence. Participation in the activities of organisations is stable overall, but the internal emphases are shifting. The activities of organisations aiming to influence society are weakening, whilst those of a hobby nature are growing.

The accomplishments of Finnish schoolchildren prompt international admiration. However, the good results that they have achieved do not apply to citizen and democracy education. The tradition of this kind of education has weakened and in many respects died out. In adult education, there is little teaching of civic subjects or courses on the activities of organisations, and teaching of politics and political sciences is nonexistent.

In an international comparison young Finnish people assess their opportunities to influence matters at school as slight. They have taken part in the activities of student bodies and other school administrative bodies to a substantially lesser degree than their counterparts in the other Nordic countries.

Participation is unevenly distributed. The age groups that socialised and integrated into their communities later than the 1970s are least likely to participate. The length of schooling likewise influences participation. The longer people have been in education, the more active they are in voluntary work and organisations and participate in societal activities, including voting.

Despite the shortcomings with regard to democracy education, the Finnish material supports the argument that as solidarity founded on the old political parties, the trade union movement, the church and women's organisations weakens, education and civic skills and the cultural capital it fosters may have become relatively more important determinants of social participation (Putnam).

Finland is dividing into activating and passivating parts. The activating Finland is seeking new channels through which to exercise influence; pressure for

direct and participatory democracy is growing. The passivating Finland is withdrawing from community activity. The majority of Finns feel that they cannot influence decision-making in society.

5.4 Key measures and results of the programme

Civic education

The ability to function as a citizen does not come into existence on its own: it has to be learned. Civic education is an important part of lifelong learning that encompasses the full spectrum of life. Knowledge, skills and abilities are needed for active citizenship. In actual fact, the way to learn participation is to participate. At its basic level, democracy is also an ongoing learning process in which the ways that communities function in a changing world are developed.

A major learning challenge is that of making the transition to multi-layer citizenship; we act in local communities and are citizens of our own country, the EU and the world. The learning needed in a democracy is mainly informal and non-formal. The better the formal foundation citizens have, the more successfully their education will proceed.

Restructuring civic education was one of the core questions in the policy programme. The key sub-areas involved revising teacher training, a participatory school culture and adult education (voluntary cultural activities).

Teacher training

- The "Citizen Participation in Teacher Training" project strengthened competence in relation to citizen participation and its position in teacher training when exams were being revised. Practice schools at universities took part in the project, which was run by the universities that train teachers. The project has produced several articles and publications of its own. The Ministry of Education funded research at the universities of Jyväskylä and Tampere into citizen participation and teacher training.
- Four regional groups responsible for supplementary education arranged regional seminars and afternoons for teacher trainers and practice supervisors. The themes were syllabus planning, a participatory and inclusive school culture, engagement of young people in the affairs of society, development of student democracy and drafting regional operational plans.
- In 2005 and 2006, representatives of the practice schools took part in an educational programme concerning the activities of student bodies and the prerequisites for participation by students.

- In cooperation with the municipalities where they are located, the teacher training units launched local education and research projects. The organisation SOOL ry, which represents trainee teachers, arranged national training events for its members on the theme of citizen participation. Numerous master's and a few doctoral theses on the subject of citizen participation were completed or are in progress. A survey of theses concerning citizen participation was published (Hansen, 2006).

Civic education in schools

- The Ministry of Education launched the Participating Pupil – Communitarian School project to develop the activities of student bodies and arranged national and regional training as well as supplementary training for personnel, to build up activity and cooperation networks, to develop cooperation between authorities, to support municipalities in the development of influence wielding by children and adolescents as well as in producing auxiliary material.
- A total of 100 municipalities in all of the administrative provinces, all of the teacher training units' practice schools or a total of about 300 teachers, school principals, youth workers or representatives of administration, participated in the trainer training courses arranged by the project. Student bodies were created in the participating municipalities and activities of student bodies at second-level institutions were developed. A provision concerning student bodies was inserted into the Basic Education Act.
- A project to promote youth participation is developing permanent practices to prevent marginalisation of young people and encourage their involvement. This is being done through 28 schemes in 70 municipalities, and the special target are young people who have difficulties in finding a place in further education or working life. As part of the project, youth councils and youth parliaments were launched.
- A programme of measures was launched with the aim of developing media skills and competences. It focuses on media education for children in pre- and elementary schools and upper secondary schools as well as in vocational studies. The needs to develop basic and supplementary training for teachers in these sectors are also being taken into account.
- Matters connected with citizen participation are also being emphasised in the reasons presented in support of the teaching plan in the Participating Citizenship and Enterprise segment. In upper secondary schooling, this category of subjects is called Active Citizenship and Enterprise.

Adult education

- Under the Ministry of Education's guidance by means of information, adult education institutions were steered towards promoting the participation of under-represented groups in education and increasing education relating to civic skills and preparedness to participate in civil society, in addition to which development grants were channelled to these purposes.
- The study centres have launched a joint development project for study club activities. Grants from the cultural organisations that maintain study centres were channelled into activities with a bearing on citizen participation. Developing the activities of study clubs and providing training for activity leaders were particularly emphasised.
- The Finnish Adult Education Association launched a project with the aid of which the civic studies totality is being transferred to the Internet. In association with this, training is being provided for teachers of network studies.

The operation of civil society

Civil society is the social foundation of democracy. Working within organisations develops civic skills, provides one channel for influence and builds social capital. Voluntary activities and peer support are of great importance in Finnish society. This does not substitute for the public authorities' social responsibility, but complements it in a way that is especially important in difficult life situations.

Several organisations are significant producers of services, especially in the social welfare and health sector. It was emphasized by the policy programme that funding for voluntary activities on the part of citizens must be ensured, and the Slot Machine Association RAY and the pools organisation Veikkaus have a key role in this area. The third sector must be the focus of training, research and development in a way that is comparable to the two other sectors.

- The Civil Society 2006 Committee examined the overall picture of the importance of civil society and made several proposals. After a round of submissions, it was decided to promote 12 totalities, which the programme forwarded to the ministries for implementation.
- The Government made a decision-in-principle to promote the activities of civic organisations. As part of this, the conditions required for activities of public utility, voluntary work and peer assistance are being explicated, for example, in relation to taxation and putting services out to tender. The opportunities available to civic organisations to influence Finnish decision-making and EU policy are being improved.

- On the basis of the Civil Society 2006 Committee's proposals, a Government decree providing for an advisory committee on civil society policy was drafted.
- Youth work and the new Youth Work Act emphasise active citizenship on the part of young people and their opportunities to participate in deliberation of matters concerning local and regional youth work and policy. In addition, the Act requires that young people be consulted on matters concerning them. The objective of achieving equality between generations, genders and regions is enshrined in the Act.
- The University of Jyväskylä is beginning a master's programme in expertise on civic activities and opening a school for researchers into civic action in 2007. In preparation for this, the extensive exploration "University teaching and research into civic action in Finland" was carried out.
- A study of the status that civic institutes hold among polytechnics is due for completion in 2007; the polytechnics are sharing the responsibility for developing civic activities.
- Courses in civic activities and the work of organisations have been increased in cooperation with organisations and adult education bodies, with one aim being to facilitate the generational succession that is needed in organisations. Projects to develop new models of civic activities in a changing environment of urban culture were supported during the period of the programme.

Interaction between citizens and administration

Citizens' trust in administration is one of the core questions of democracy. It is born of people's personal experiences of the fairness of administration, but also of opportunities to take part in and influence decision-making processes. This makes the relationship between citizens and civic organisations, on the one hand, and decision-making and officialdom, on the other, a key question.

The policy programme pointed out that there is a need for innovative development to ensure that new opportunities to participate and exercise influence are opened up to individual citizens and groups of them. New methods must be developed in such a way that they function effectively also from the perspective of administration and are not excessively time-consuming.

Political parties have long been a conduit through which public opinion is mediated to the administrative sector. Their role is still a key one, especially when decisions are made on matters that have been brought onto the agenda for societal action.

- The Permanent Secretaries of the ministries signed a declaration on "administration's general principles concerning consultation of citizens"; the Ministry of Finance is monitoring implementation of the objectives. The signatories to the declaration also included the Association of Finnish Local and Regional Authorities and representatives of individual municipalities.
- A guide book on consultation of citizens was drafted for civil servants and office-holders. Strategies on civic organisations were drafted in all ministries by the end of 2006.
- A study concerning the use of information networks for consultation of and participation by citizens as well as of digital TV as a channel for citizens' exercise of influence was conducted. The State administration chat forum Otakantaa.fi (the name means "take a stance") was revamped and development of electronic consultation was continued.
- The SAG group, through which cooperation between Swedish-speaking organisations and various ministries takes place, promotes consultation of civic organisations at various stages of the preparation of decisions. Special attention was paid to the initiation and early stages of preparations.
- The principles for evaluation of communication by the State administration were developed as a project run by the Prime Minister's Office. Monitoring of public opinion is one of the evaluation criteria in the revised set of principles.
- A separate examination of legislative policy was conducted and an international seminar, in which one of the aspects discussed was democracy and citizen participation, was arranged jointly with the Parliament.

Structures of democracy

Finnish legislation from the Constitution to the laws regulating administration, publicity and municipal affairs meets the demanding criteria of democracy. Many Acts specifically require consultation of citizens.

Topics of discussion include broader use of referendums and popular initiatives. Many believe that a municipal referendum conducted in conjunction with local-government elections would enliven discussion. These matters are being studied.

Municipal democracy has been the focus of special attention in the Citizen Participation Programme. With the changes that are taking place in the structures of services production, municipal councils and councillors have found it difficult to manage totalities.

Municipal democracy

- The prerequisites for holders of elective municipal offices to discharge their duties effectively were improved through amendments to the Local Government Act. The Act now makes it possible for the so-called mayoral model to be adopted, gives holders of elective municipal office the right to be granted unpaid leave of absence from their normal employment for as long as they are serving in their public positions, makes it possible for municipalities to support the activities of council factions, and eliminates hindrances to intermunicipal cooperation.
- Amendments to the Local Government Act were made to strengthen the power of municipalities to exercise guidance in their capacity as owner and increase transparency with respect to local government, municipally owned commercial undertakings and municipal concerns. The Act will improve the ability of municipal councils to direct the activities of municipal concerns as well as clarify the position in the market of municipally owned commercial undertakings.
- The interface between intermunicipal cooperation and procurement legislation was clarified.
- Good practices and means of solving problems identified were developed in collaboration with five partnership municipalities. A strategic guidance model for municipal concerns and political guidance models for use in situations in which services are outsourced were developed, in addition to which local measures to improve the position of elective office holders were taken.
- Research has focused on exploring the relationship between democracy and efficiency, as well as on the implementation of democracy in supramunicipal institutions.
- Municipal democracy was developed within the Democracy Audit project implemented by the Association of Finnish Local and Regional Authorities. The project, the duration of which is 2004–2008, will provide municipalities with a model for self-assessment, comparison and measurement of municipal democracy.

State democracy

- The knowledge base of Finnish democracy was explored, a book on democracy indicators was produced and a proposal concerning a set of Finnish democracy indicators and monitoring of them was made.
- The Ministry of Justice drafted evaluation memorandums concerning the development of proportionality in parliamentary elections, European Parliament elections and national referendums and popular initiatives. The memorandums are intended for use during the negotiations to form the next coalition.

- The technical implementation of elections is being simplified. In the local-government elections of 2008 electronic voting will be done on a trial basis at polling stations in Karkkila, Kauniainen and Vihti.
- Election information and electoral activation were coordinated and developed in the European Parliament and local-government elections in 2004. The special targets of activation measures were young people and other groups whose polling rates are low. A decision was taken to continue active provision of information in conjunction with the 2007 Parliament elections.
- The need to develop the national referendum institution was assessed.
- An experiment with ideologically-based think tanks and, on its basis, permanent support to make use of societal research as well as domestic and international networking associated with it was launched. A report on the state of activities of political organisations was commissioned.

Administration of democracy affairs

Responsibility for the administration of democracy affairs in Finland resides primarily with the Ministry of Justice and, with respect to local government, with the Ministry of the Interior. However, the development of participatory democracy presupposes broader cooperation than this.

The information basis of democracy is being ensured by means of a network structure, in which the Ministry of Education monitors civic education and civil society, the Ministry of the Interior municipal democracy, the Ministry of Finance administration and the Ministry of Justice electoral and political party democracy.

The Ministry of Justice is coordinating activities and has responsibility for drafting the necessary reforms.

Administration of democracy affairs monitors the indicators of democracy, participation in elections and participatory democracy, makes proposals concerning development and encourages experimentation.

- A democracy responsibility area, which began its work in spring 2007, was created within the Ministry of Justice. Its task is to compile and disseminate, with the aid of internationally comparable indicators, information on the development of democracy and its prerequisites, to be responsible for the operation of a democracy network and to update the democracy policy programme together with the participating ministries.
- Democracy responsibility areas are being created within the ministries of Education, the Interior, Finance and Social Affairs and Health in a

way that suits each ministry. Funding for the compilation of indicator data is being provided.

- The Ministry of Justice maintains the Kansanvalta.fi web site, which presents the foundations of Finnish democracy and a composite picture of the state of democracy in addition to a summary of the current discourse on democracy.

5.5 Assessment of the results of the policy programme

The most central result achieved by the programme is **the comprehensive picture that emerged of measures by means of which the public authorities can strengthen democracy**. At the same time it has been possible to bring about a substantial **improvement in the information basis of democracy**. Although in the final analysis, the implementation of democracy depends on citizens' own activity, the public authorities can – and under the Constitution of Finland must – promote participation and exercise of influence. This concept was strengthened during evaluation of the programme projects.

A policy programme as an operational concept suits themes of a kind that are considered important, but have long received little attention and in relation to which a large number of measures should be initiated in several sectors of administration. The Citizen Participation Policy Programme is a good example of this.

Administration of democracy affairs can be founded on centralised or decentralised solutions. Network-style cooperation, as a combination of these, suits Finland. In it, responsibility for the development of democracy and citizen participation resides with several ministries in their respective sectors of administration and with cooperation between the ministries that maintain an overall grasp. The sums of money necessary are not great, but nevertheless important.

There are several prerequisites for network-style cooperation. The most important of these are clear responsibility for running the network and a shared view or vision of the network's task. From the perspective of cooperation between ministries, the democracy responsibility area created within the Ministry of Justice is in a key position. Its task is to maintain cooperation, compile a comprehensive information base and provide information about it. Given the sensitive nature of democracy issues, open provision of information is of essential importance. It is possible to develop a shared view by means of a democracy policy document compiled from time to time.

In the future, the ministries that took part in the policy programme will deservedly be parts of the democracy network, Justice looking after representative democracy, Interior municipal democracy, Education the fields of civic education and civic activities as well as Finance as a developer of administration.

In its "testimony", the Citizen Participation Programme emphasised that other ministries should also be included in activities in the future. The Ministry of Social Affairs and Health possesses expertise in relation to inequality and has its own responsibility for the activities of social welfare and health organisations. Democracy-related aspects must be taken into consideration in communications policy; communications have long been important for the functioning of democracy and several of its development features weaken the implementation of citizens' communication-related fundamental rights. The Ministry for Foreign Affairs has, in addition to responsibility for civic organisations, a special role in human rights questions with a bearing on democracy. The Ministry of the Environment has strong experience of consulting citizens.



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