

Workshop 1: The performance of performance budgeting

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Coherent and clear performance information – does it exist?

Introduction

Performance management has been a leading government steering and management tool in the Finnish central government since the 1980s.

In 1987, during the government of Prime Minister Harri Holkeri one of the big challenges of public management reform was the productivity and service ability of the public sector. These targets were then mentioned for the very first time in a government programme. Norm-based steering was already considered old-fashioned. Responsibility and independent decision-making was delegated from ministries to subordinate institutions and agencies. This was the beginning of the New Public Management reform which brought performance management into Finnish public administration.

The need for changes and finding the perfect way of structuring and managing public sector government was evident. Still such changes always tend to have their pros and cons. Each reform creates its own problems and so does performance management. After two decades of practice in Finnish central government, performance management still faces true difficulties. New criteria for effectiveness have been set out in the budgetary legislation and the role of public administration has been redefined. Ministries are expected to intensify their steering of subordinate agencies and institutions.

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1 New criteria for effectiveness

In recent years, the focus in performance management in Finland has been on the retrospective reporting of results. It has led to a revision of accounting and annual report procedures. The development of performance targets and the measurement of performance has encountered considerable difficulties.

In 2004, the basic criteria for effectiveness were redefined in the budgetary legislation. The definition involves both extensive social impact (outcome) and the direct operative effects (output) that can be achieved by the management of an agency, institution or activity.

The definition sets out the correct level of reporting and the responsibilities of ministries and subordinate institutions and agencies. Ministries are responsible for extensive social impacts, and agencies and institutions for direct operative effects. Both are also obliged to report on their effectiveness.

In spite of the reporting reform and the new definition of effectiveness neither politicians nor taxpayers obtain detailed information about the results or outcomes of the allowances spent. Why does this situation still prevail? Changes and reforms take time. But it is important to keep the purpose of reporting on effectiveness in mind. Another important question is who uses all this information?

Evidently the true significance of effectiveness is not easy to understand. Eventually effectiveness arises from the actions and synergy of the entire public and private sectors. The point is that the new definition has provided the right level of reporting but the meaning of effectiveness is still vague to many people.

From 2006 on, all ministries, agencies and institutions are obliged to enter information on their performance into the Finnish state internet reporting system called Netra. The main purpose of Netra is to improve the transparency of public administration and the effectiveness of performance management. In a way this forces ministries and their

agencies and institutions to clear their performance reporting by public pressure. It is possible to compare the results of various institutions but confusing questions remain, such as: Are the results comparable at all? Is such benchmarking fair and just as ministries, institutions and agencies have such differing roles. Will benchmarking result in false generalizations?

2 Research frame

The focus of my research is to study performance management (in Finland) as part of a political and administrative environment. The theoretical research scheme tries to provide an answer to the question which factors have influenced the formation of Finnish central government steering from the late 1980s to the early 2000s. (1987-2006)? And how does performance management work as a steering mechanism in a political-administrative context?

My research work tries to provide an answer to the empirical research question whether there is internal and external coherence in the budgetary documents and the performance agreements with respect to effectiveness? My case study focuses on the Ministry of the Interior and its subordinate agencies and institutions. Political and administrative rationalizations form the theoretical framework.

Difficulties in pointing out coherent and clear performance information

According to my research work the annual reporting of spent allowance is proper and adequate, however, information about the accomplishment of the performance targets and the goal setting are incoherent and vague.

It is evident that such performance reports can deal with other matters than the actual targets. Annual reports are quite obviously difficult to understand even for professional politicians and state officials, even more so for individual citizens.

3 Two perspectives on performance reporting

According to my research Ministry of the Interior in Finland has found the appropriate level for reporting on their performance. Naturally there are

differences between divisions. The Ministry of Interior could be referred as one of the best practise models in the Finnish central government. Coherent and clear performance information exists but the question is who needs and uses all the information?

For example the Finnish police and the Boarder guard have developed their performance indicators for a long time and they use this information in their management. There are also divisions that are in the beginning of development and it takes many years to result in this work. The success depends on the management.

The basic purpose of performance reporting is twofold: *accountability* (true and fair view) and *steering and managing*. Accountability refers to the duty of reporting to stakeholders, e.g. owners, on whether the resources spent have generated profits likewise on the true results (effectiveness of the public sector).

This second aspect is *steering and managing* the functions of an organization. We respond to the impacts that the indicators in reports reflect. Reports offer such information as: Have we achieved the goals we were supposed to achieve, and what should be done if we have not. Should we change resources, get more money or human resources, or should we change the whole strategy if the goals seem impossible to achieve by the chosen strategy.

The point is that performance reports are an alarm system indicating what we should observe. A pilot watches various indicators in the cockpit, which cause an alarm if something goes wrong. In the same way, performance reports should indicate whether the chosen strategy is working and whether the goals will be achieved by the chosen strategy. If not, the indicators should alarm. From this steering and management point of view, indicators are necessary. The situation could be compared to a pilot flying without indicators taking an enormous risk that could cause loss of lives.

4 Conclusions

Nevertheless the performance management in the Ministry of Interior is not perfect. Gradually it is developing in the Ministry of Interior and in the whole Finnish public administration. It is evident that the development leads to new questions. State as a group of companies or a consolidated corporation is one of the topics in the recent discussion. The issue is: is it possible to consider the state as a group of companies; a group of institutions? The second question is, who could possibly lead

this group? Politicians? Civil servants? The questions are hypothetical and the relevance of these questions is questionable.

As far as I am concerned as a researcher, it seems that the central government in Finland is too focused in the measurement and in the development of indicators and in the new definition of effectiveness. After all performance management is a model whereby the political decisions should be implemented in the administration by the civil servants. Gradually this process should lead to extensive social impacts and outcomes and to create value for the taxpayer's money. Eventually the right questions should be pointed out. How do we perform value for money? What are the final achievements and the large extensive social impacts that the public sector perform? What are the total effects that influence our lives in a positive way?

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