



OECD - Global Forum on Governance Modernising Government: Strategies & tools for change The Danish Case – Performance Management

- Presentation of selected Danish Experience, by Niels Refslund,
 - Ministry of Finance, Agency for Governmental Management
- Main elements of presentation:
 - Overall standing of governance and macro economy in Denmark
 - Main features of Danish Performance Budgetting and Management
 - Recent and ongoing reforms
 - Launching of a “Quality reform”
 - Lessons learned; continuing challenges



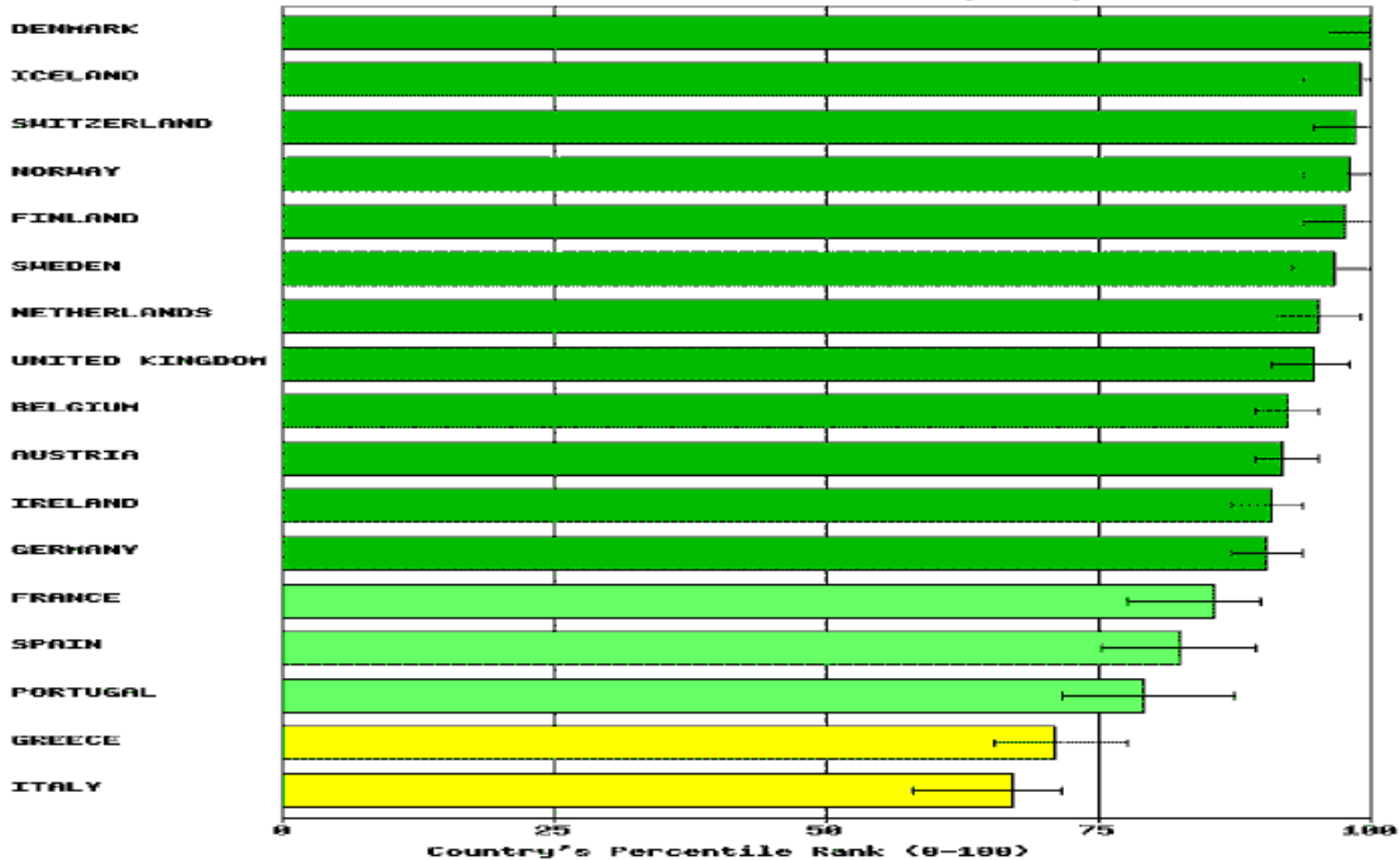
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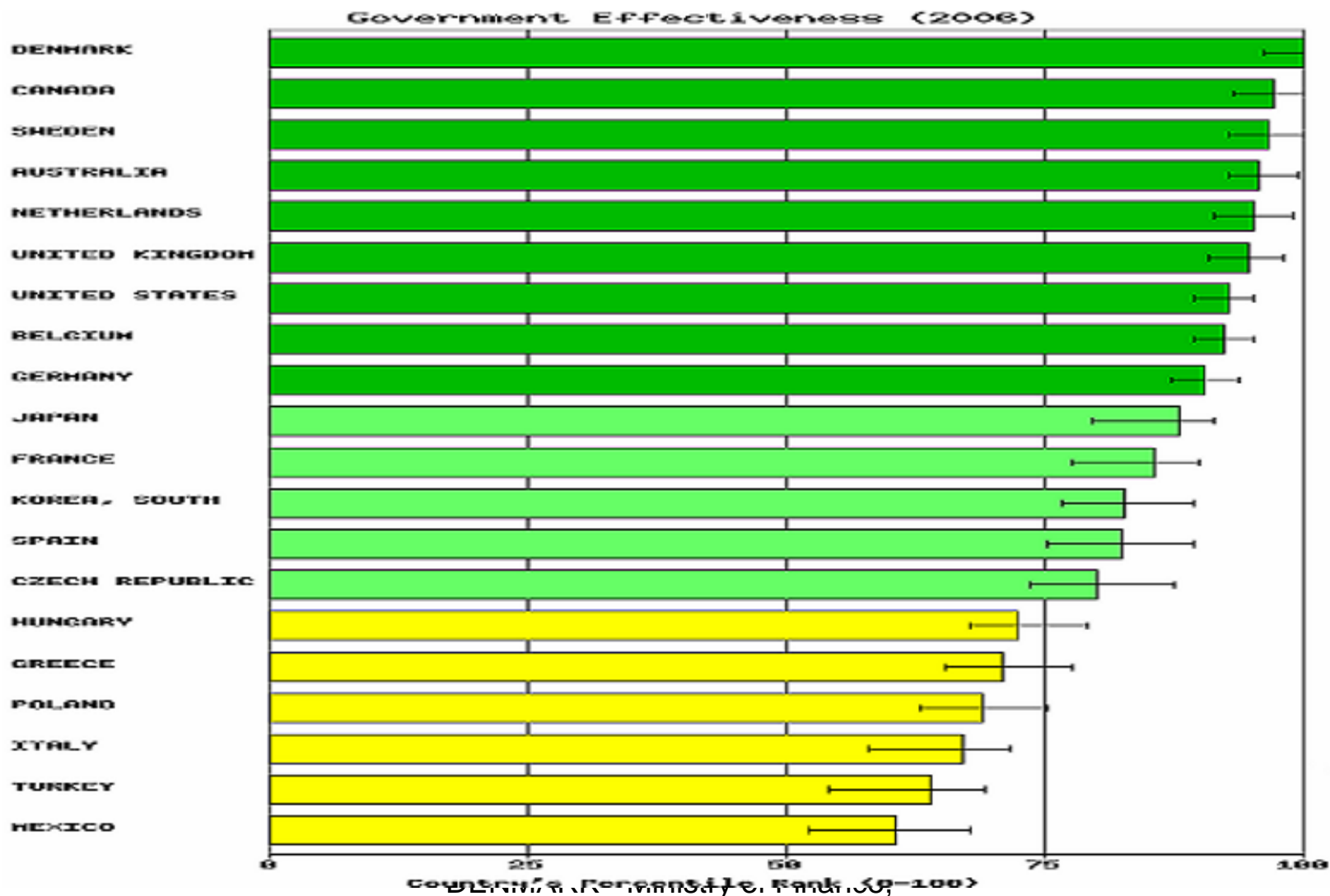
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Overall standing of governance and macro economy in Denmark



Government Effectiveness (2006)





Agency for Governmental Mgm.



Economic Growth (percentage change in real GNP)

	2005	2006	2007	2008
Sweden	2,9	4,2	3,5	3,8
Norway 1)	2,7 (4,5)	2,8 (4,6)	2,9 (4,1)	4,0 (3,4)
Finland	2,9	5,0	4,4	3,3
Iceland	7,1	4,2	-0,1	2,0
Dnmark	3,1	3,5	2,0	1,3

1) Figures in () shows growth for continental Norway



Unemployment, percentage of workforce

	2005	2006	2007	2008
Sweden 1)	7,7	7,1	6,2	5,8
Norway 2)	4,6	3,4	2,7	2,6
Finland	8,4	7,7	6,7	6,3
Iceland	2,1	1,3	1,2	2,9
Denmark	4,8	3,9	3,1	2,8

1) Definition as to ILO adjusted since june 2007. As to old definitions: 5,9 5,4 4,5 3,9.

2) Based on work force investigation 2007 (AKU)



Private consumption (percentage change in real private consumption)

	2005	2006	2007	2008
Sweden	2,4	2,8	3,0	4,0
Norway	3,3	4,4	4,7	3,9
Finland	3,8	4,3	4,0	3,8
Iceland	12,3	4,6	-1,3	-1,2
Denmark	4,2	3,1	2,2	1,6



Public Consumption (percentage change in real public consumption)

	2005	2006	2007	2008
Sweden	0,3	1,8	1,6	1,1
Norway	1,8	3,3	3,2	3,2
Finland	1,7	1,0	0,8	1,8
Iceland	3,3	2,9	2,5	2,1
Denmark	1,1	1,5	1,8	1,7



Consumer Prices (percentage change - index)

	2005	2006	2007	2008
Sweden	0,5	1,4	2,2	2,5
Norway	1,6	2,3	0,7	2,5
Finland	0,9	1,6	2,4	2,4
Iceland	4,0	6,8	4,5	3,3
Denmark	1,8	1,9	1,8	2,5



Level of taxation (percentage of GNP)

	2005	2006	2007	2008
Sweden	50,7	50,1	48,5	47,7
Norway	43,6	43,7	42,8	..
Finland	43,9	43,3	42,7	42,2
Iceland	40,8	40,4	39,5	37,9
Denmark	50,4	48,9	48,0	47,7



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Main features of Danish Performance
Budgetting and Management – Recent
and ongoing reforms



- Reference to "Performance Budgetting in OECD Countries" published 2007
- Denmark – performance management
- The state budget process
- Contractual Management, results based
- Annual reports from ministries and agencies
- Unspent appropriations: Free surplus vs. Reserved surplus

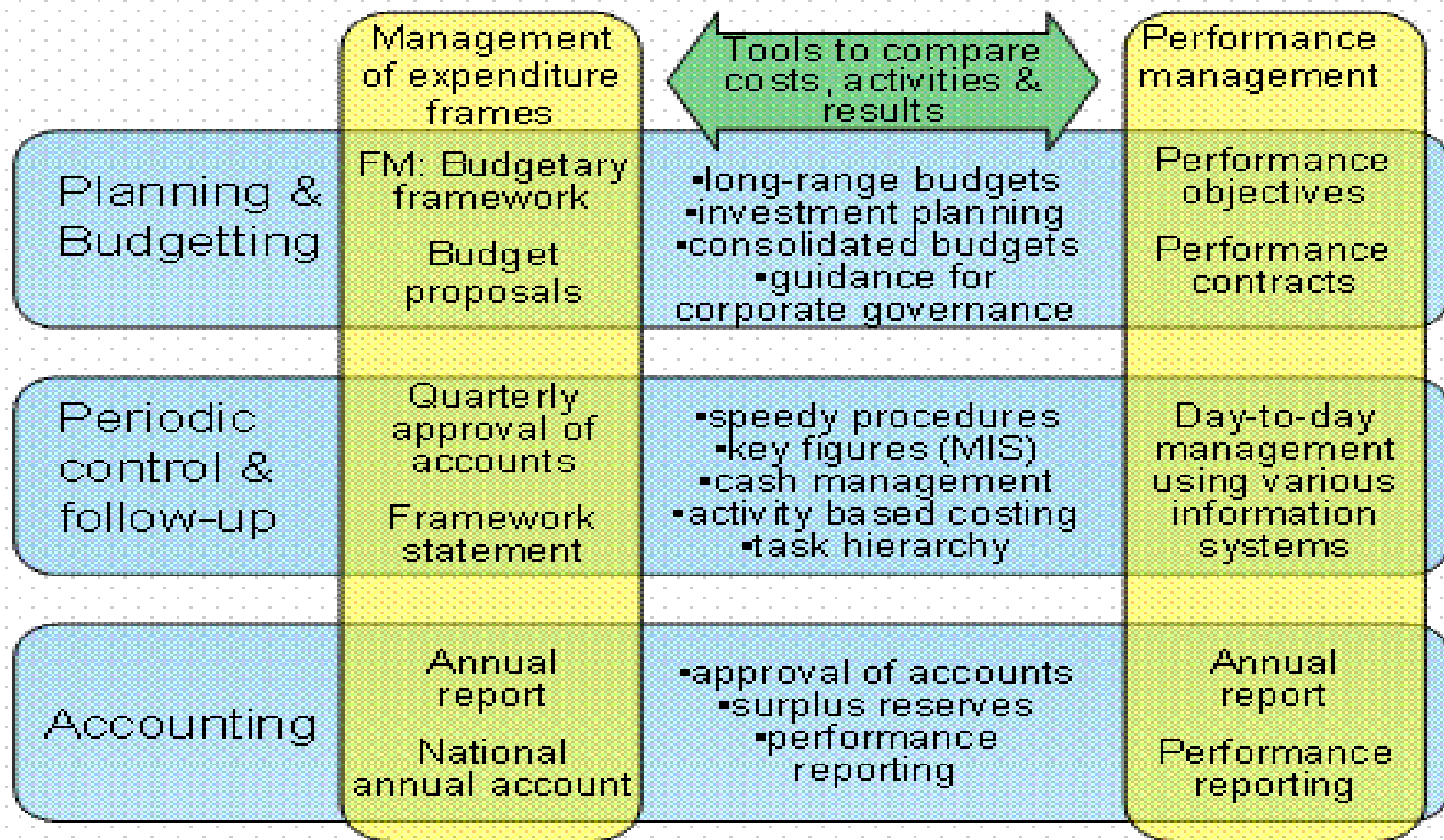


Performance Budgetting and management

- Budget reforms: Results based contract management (linking goals and budget)
- Activity based budgets – “taximeter-models” (Educ. + Health)
- Efficiency strategies (improving corporate governance)
- Annual reports (based on accrual budgetting and accounts)
- Still major challenges:
 - Linking results and budgets
 - Informing the decision making process



Corporate Governance at the ministerial level





• The state budget process

- Funding of institutions rather than programmes
- Funding of activities/programmes/goals within institutions
- Focus on wording of tasks and goals – committing
- Follow up:
 - Accounts; Annual reports; Performance results
- Problem:
 - No stringent performance review system is feeding directly into the state budget process



- **Contractual Management – focus on results**

- **Main features:**

- In principle voluntary; in reality encompassing the entire state administration (19 Ministries & approx. 180 institutions)
- Also widespread management tool in Municipalities & Regions
- Contract hierarchy corresponds with "Lines of Command"
- Emphasis has been shifting from "internal process activities" to focus on "external service deliveries"
- Contract based management is solely an administrative tool

- **Major challenges:**

- To measure real outcome (effect) rather than random activities
- To balance measuring costs/ transaction costs with use of KPI



Follow up on performance contracts (MoF)

2007 [•] - 2nd quart. Institution	Accom- plished	Expected acc.	Not accompl.	Not expected acc.	Partly accompl.	Expected partly acc.
Ag.Gov. Mgm. (65)	11 pct	79 pct	0 pct	9 pct	0 pct	12 pct
Ag.Gov.Mg m. (48)	31 pct	100 pct	0 pct	0 pct	0 pct	0 pct
Ag.Gov. Build (50)	16Pct	82Pct	0 pct	6 pct	0 pct	12 pct
Total (163)	18Pct	85 pct	0 pct	6 pct	0 pct	9 pct



Other challenges about contract based management:

- Risk of goal distortion
- Cross-cutting targets
- Fragmented performance information
- Resistance against a very centralized and systematic program approach
- Measurement of targets
- Transparency can create pressure for more resources
- No direct integration between the performance information and the budget



- **Unspent appropriations: Information on “Free surplus” vs. “Reserved surplus” is given in budget law & annual reports**
 - Result of the year - To be divided in two parts:
 - **Free surplus:**
 - In principle a gain from more efficient ways of making results than expected at the moment of budgetting and deciding the appropriation. Can be used for whatever activity within the overall purpose.
 - **Reserved surplus**
 - Earmarked residual reserved for a specific project for which an appropriation has been given, but where completion of the project has been delayed. Demands an explanation as to content and reasons.
 - Major challenge:
 - To develop a relevant level of specification: Informing decision-making



• Annual reports from ministries and agencies

- Introduction to organisation, its results and expectations
- A performance report: externally given targets, actual
- Introduction: The organisation performance, analysis of over/under-performance and explanation of reserved surplus in total.
- Accounts: description of principles of accounts, statement of results, balance, cash flow review, grant accounts.
- Approval: signing of annual report.
- Attachments: explanatory notes etc.
- Major challenge:
 - Parliament is informed – but is information used by budgetting?



- **A new effort to improve coherence and consistency:**
 - Renewed focus on Corporate Governance in Ministries: In a dynamic non-uniform process of reconsideration
 - Renewed focus on balancing of different tools & measures as to the specific need for steering/ control
 - Renewed effort to test validity and relevans of deeply rooted habits and practices -> Administrative innovation
 - Limited resources calls for new ways : From attitude change till scale of Economy (Administrative Service Centres)



Figure 1: Institution management- Department Management- and Corporate management

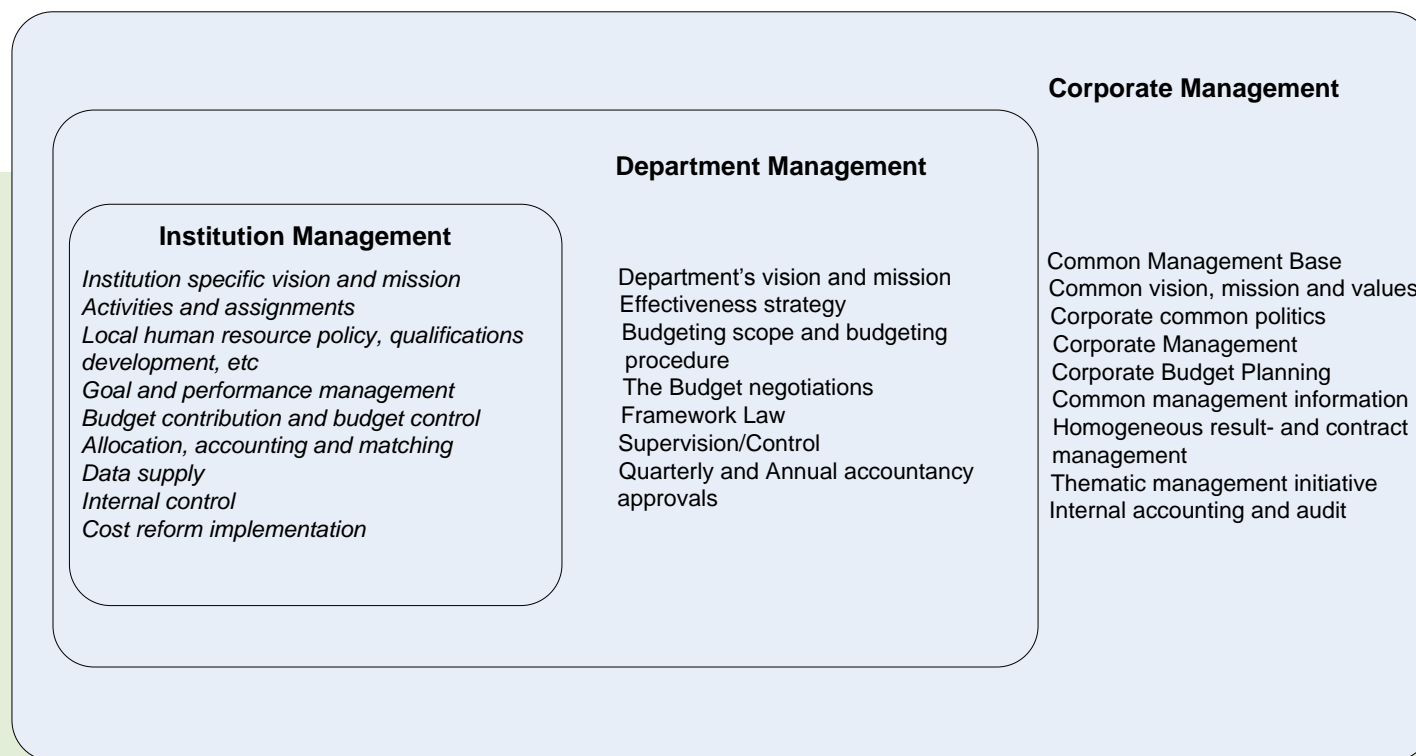
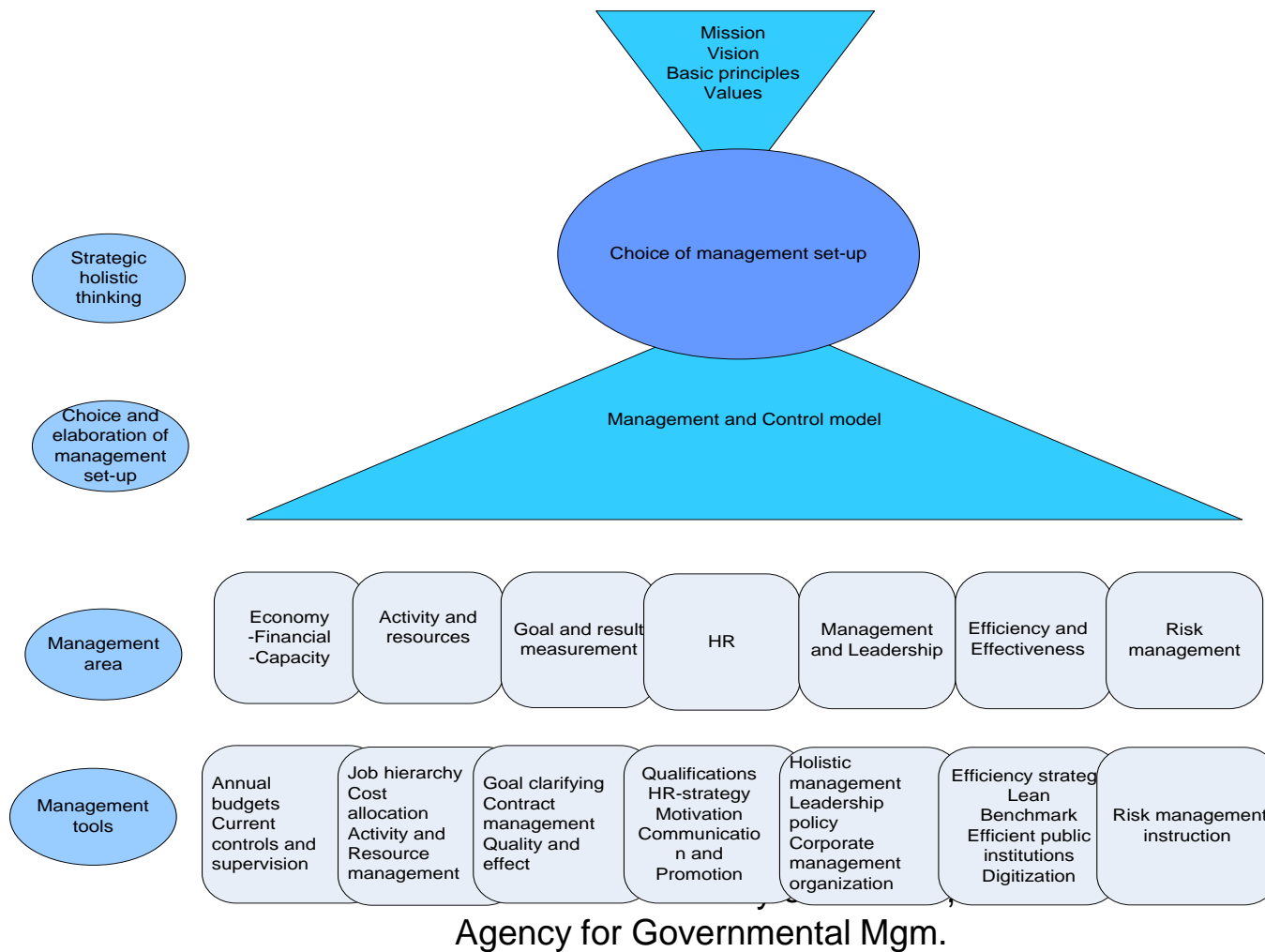




Figure 3 Consideration and choice for version of governmental management model





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Launching of a “Quality reform”

DENMARK - Ministry of Finance,
Agency for Governmental Mgm.



- **A “Quality Reform” is launched as from 2007**

- High political priority: Rooted in Prime Ministers office
- Comprehensive preparatory proces: Thematic dialogue with citizens and experts
- 5 main lines of focus and priority:
 - Citizens choice, user involvement and personal responsibility
 - Coherent public service – with respect for the individual citizen
 - Clear objectives/targets and responsibility for results
 - New ways of thinking and competition, innovation
 - Management, involvement and motivation of public employees
- Major challenges:
 - State-Municipality: Long range contract mgm. by objectives
 - Proper balance between front end efforts and documentation



- **Nine principles for good service delivery:**

- At eye level (meet the citizen where she/he is)
- Clear speech (Open and clear communication)
- Clear expectations (clarify for users what can be expected)
- Humbleness (be humble as to your role and power)
- Act on failures (failure must be addressed without hesitation)
- Professionalism (Skills and competence is basis for good service)
- Coherence (users must experience a unified public interface)
- Development (Dev. & innovation must mark the public sector)
- Ressources and reflection (Use public ressources carefully)



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Lessons learned -
Continuing challenges



Summing up some main questions

• **Challenges at societal level:**

- Lack of labour force: How to turn “cold hands” into “warm hands”?
- Citizens expectations: More and individually tailored service!
- More elderly people needing care and personal service
- Considerable need for re-education of employees and managers in the public sector
- Advantages of user-driven innovation; e-services; e-governance
- Keep up a sustainable growth economy (macro level)
- **Major administrative challenges:**
 - State-Municipality: Long range contract mgm. by objectives
 - Proper balance between front end efforts and documentation



- **Each and every reform as well as day-to-day management must rely on best possible information (KPI: Key Performance Indicators)**
 - **How to generate** and acquire most relevant information ?
 - **How to design** and give priority to KPI ? ("Need" vs. "Nice")
 - **How to combine** standard information with tailored information ? (Rituals vs. "real" information)
 - **How to present** and use trust worthy management information ?



- **Summing up:**

- KPI/PI is as important as ever in public service
- General, direct PI into budget process is too ambitious
- Evaluations and policy reviews more appropriate
- Capacity and competence for evaluations is crucial
- Independent evaluation as well as self evaluation
- Quality of evaluations and –process is required

Maybe we are about to see:

- Shifting focus from "output" to "outcome" !?



- **Final remarks: Three main positions as to budgetting and performance information:**

- The Danish Budgetting system gives "value for money" because it relies on some sorts of Performance Information
- Performance Information informs Danish budgetting indirectly, but does not determine budget decisions
- The Danish Budgettary system has been deeply reformed through more than 20 Years and most stakeholders have joined up (politicians, ministries, municipalities, organisations, citizens, employees). This is likely to continue in the future.



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Summing up from Workshop no. 2:
Public Service Delivery and Performance – Reforming
Management and Budget systems

Overall considerations:

- Performance Information (PI) is highly needed and useful
- Design of relevant, reliable PI requires a dedicated effort
- PI should reflect a holistic, strategic approach to management
- Understanding of context is decisive for interpretation of PI



What should be done?

- PI is needed for multipurposes and for different target groups
- Make it simple – design carefully; tailor PI to your needs
- Interpret/explain PI to safeguard reliability; not figures only
- Let PI inform Budget making processes/ Decision makers
- Improve consistency by good guidance and proper incentives
- Inform and involve citizens – be aware of demand-impact
- Inform and involve politicians and other stakeholders
- Allow for independent evaluators/ auditors in any case
- Consensus is both a precondition, a measure and a goal