

OECD – SBO Network on Performance and Results – 7th Annual Meeting – Paris 9-10th November 2011

Panel Discussions on the Value of Performance Information for:

- Allocation – main processes, roles and tools
- Management & Policy Initiatives in 2011
- Government Transparency
- Split between Centralized and Decentralized Effort

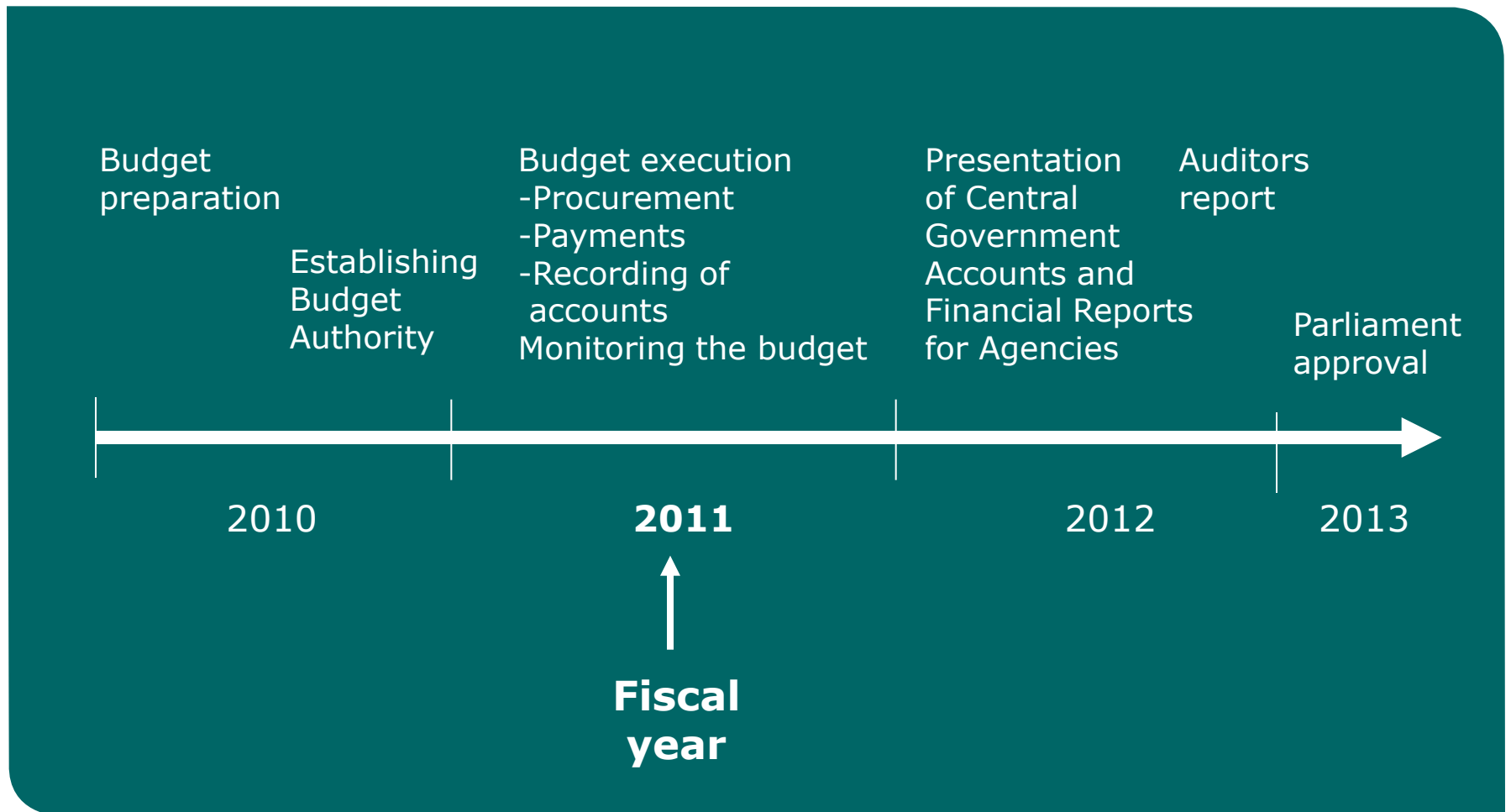
Niels Refslund, Chief Advisor

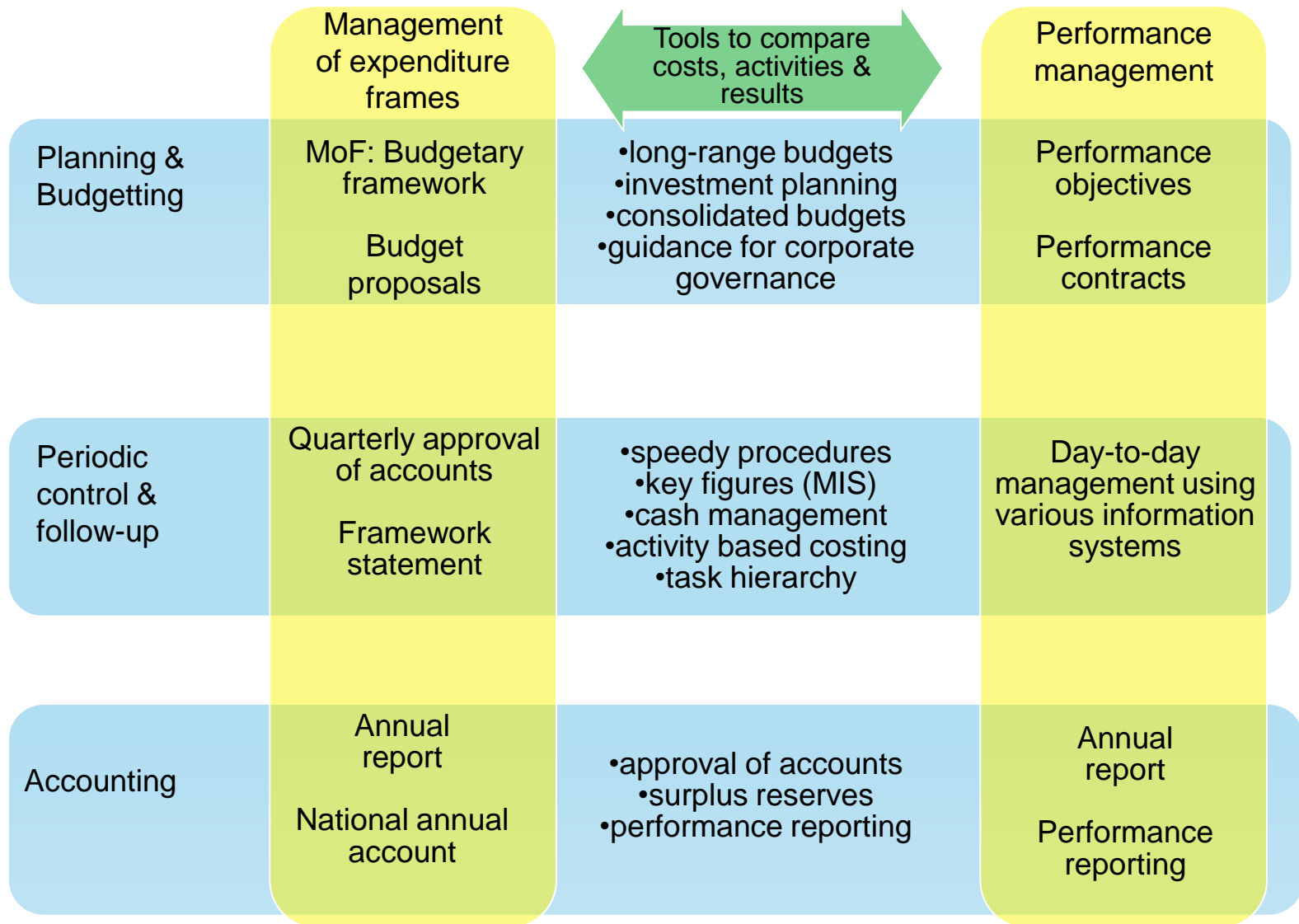
Danish Agency for Governmental Management, Ministry of Finance

Allocation – main processes, roles and tools



ALLOCATION: BUDGET AND ACCOUNTING TIMELINE





Allocation: Performance Information – overall roles

- **MoF's role in budget negotiations; Top-Down:**
 - Determines financial a.o. framework conditions for budgetting
 - Key role: Veto or accept of line ministries' budget proposals
- **Line ministries; Bottom-Up:**
 - Negotiates follow up of MoF-framework conditions for budgetting
 - Reporting on "framework-aligment" 3 times/year + Annual Report
- **National Auditors Office (Subordinate to Parliament):**
 - General audit of all state accounts – Annual Reports
 - Selective financial and/or administrative audits and reporting to Parliament (State Auditors)
- **Parliament (The Folketing):**
 - Board of MPs constitutes "State Auditors"; reports from Nat. Aud.
 - Launches critical statements to Government and to the Public

Main tools for performance management

- **Accrual budgeting & accounting – Cost-Based appropriations**
 - Focus on use of resources and cost distribution (by task-hierarchy etc.)
 - Long term investment planning (precondition for PBB)
- **Performance agreements** (contract based management)
 - Performance objectives and demanded results
 - Regular reporting – coupling of results with incentives
- **Taximeter budgeting** (activity based budgeting)
 - Actual performance (production) releases a calculated budget
 - Is applied for comprehensive welfare sectors: Education & hospitals/health
- **Periodical/ Annual Reports** (incl. performance reporting)
 - Statement of output performance & overall financial performance
 - Statement of approval & management accountability
- **Evaluations & budget analysis** (ad hoc, external/self evaluation)
 - Focus on selected policies, programmes or institutions

Management & Policy Initiatives 2011

(Programme for Professionalization of
Financial Management of State entities –
Departments, Agencies, enterprises)



Management & Policy Initiatives 2011 (I)

Programme for Greater Professionalism in Financial Management:

- Budget Discipline and Strategic management

- Thorough investigation of selected Agencies & Departments
 - Focus on insufficiencies respectively best practices
- Completion of several high priority projects through 2011:
 - Controlling / Knowledge / Budgettting / Accounting / Basic Registration / Upgrading of Managers / IT-System Support / Contractual Mgm. / Best Practice
- Implementation of Policy Initiatives as from January 2012

Management & Policy Initiatives 2011 (II)

Implementation / Lines of action from 2012 – Basic requirements:

- Unfolding of leadership and responsibility for prioritizing
- Adding specific tools and requirements to frame work
 - Better basic budgeting incl. accrual (monthly) budget
 - Top down approval of strengthened budgeting
 - Tight local follow up (monthly) incl. update of forecasts
 - Corporate follow up (quarterly) incl. report to Gov.
 - Goals for good governance as part of contract management
 - Goals for good Governance as part of Top Manager's duties

Management & Policy Initiatives 2011 (III)

Policy initiatives concerning state budget deficits:

- Intensive short and medium term financial planning
- Budget law for process and restraints (considered)
- Expenditure ceilings as centre of gravity for governance
- Proactive governance – better capacity and quality of forecasts
- Extended focus on financial management / leadership
- Integration of financial and activity management
- More for less: Focus on results and outcome
- Improved decision making based on cost information
- Prioritizing as core duty for Directors / Permanent Secretaries

How to pace performance – to engage actors ?

- **Leadership accountability through:**
 - Vision, mission, demands for results, performance information
 - Directors contract, incl. elements of bonus/incentives
 - Management flexibility in line with accrual budgeting and accounting
- **Strengthening of financial management**
 - Launching of a comprehensive “Better Financial Mgm.-reform” 2012
 - Basic requirements tightened along with focus on professional management
- **Employee dedication through:**
 - Ongoing qualification measures – courses, on the job training etc.
 - An element of incentives connected to personal effort/performance
- **Competition and transparency:**
 - Competition/ comparison between institutions (best practice etc.)
 - Team work as well as competition/incentives at individual level

Government Transparency

Transparency (I)

Overall Financial and Macro Economic Policy level:

- Medium and long term structural planning 2011 – 2020
 - Alignment with EU Growth and Stability Agreement
 - Principle of ex ante financing of any public initiative
 - Structural reforms fx. new general pension schemes
- Short term action 2011 – 2013
 - Adjustments of public sector capacity & efficiency
 - Advanced public investment programme

Transparency (II)

“Programme for Professionalization of financial Management”:

- Unfolding of field of active prioritizing by management
- Clarification of roles and responsibilities – esp. top managers
- Better core management information (reflect requirements)
- Better quality of forecasts for proactive decision making
- More visible chains of goals – strategic/tactical/operational
- Better evidens for relation between resources and results
- Improving focus on results and outcome – balanced measuring



Clear requirements and timely communication

Information at corporate level (Examples)

- **Common Key Performance Indicators (KPI):**
 - Ratio of utilization of borrowing frame
 - Average costs per full time employee
 - Ratio of Depreciation of Assets
- **KPI for institutions within the Corporate Organisation:**
 - Expected degree of utilization of appropriations (month/quarter/year) and forecasts for result, end of year
 - Ratio of Effectiveness on strategic goals (Contract management)
 - Efficiency of case consideration processes
 - Level of sickness absence (days per employee; yearly basis)
 - Professional profile of entire staff (Education; experience etc.)

Split between Centralized and Decentralized Effort regarding Performance Information



Centralized vs. Decentralized effort

- **Central** leadership on processes and sharing of data:
 - Regulation of Budget and Accounting - metadata
 - Guidance, training and education – tailor made
 - Pilot projects concerning methods and indicators
 - Dissemination of highlights, good practice, inspiration
- **Decentral** development and operations:
 - Innovation through labs, piloting and partner projects
 - Ongoing reliable operations at full scale

Historic glimpses about PI related to State Budget (SB)

- 1965 – Intro of framework budgetting + activity information
- 1975 – Extended quantitative information + service standards
- 1987 – Budget reform; Schematic activity overview incl. info on demand, supply, ressources/capacity, productivity, quality
- 1994 – Intro of business activity survey; tailor made
- 1999 – Intro of Annual Report incl. Accounts for each institution; decoupling of PI and SB to avoid mix of decisions
- 2005 – Adaption of Annual Report to requirements following the introduction af accrual budgetting & accounts (2003-2007)
- 2010 – Accountable management, Corporate and Decentral
- 2011 – Tightening, coupling and synchronising of financial and activity management. Budget discipline and outcome in focus