

**THE QUALITY OF PUBLIC EXPENDITURE --
CHALLENGES AND SOLUTIONS IN RESULTS FOCUSED
MANAGEMENT IN THE PUBLIC SECTOR**

Kristian Thorn and Mads Lyndrup¹

DENMARK

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1. Brief historical outline

Introduction

Performance management in Danish central government was introduced in 1992 as a supplement to an input-oriented budget system. The performance management system has since been developed and refined to include instruments that promote coherence and enhance the efficiency of the system. These instruments include performance contracts (1992), chief executive contracts (1995), annual reports (1995), controller units in departments (1996), the Danish Quality Award (1997) and a performance related pay system (1997). In addition to the above, a number of management tools and methods have been introduced to support the performance management regime.

A distinctive feature of performance management in Denmark is the use of pilot tests and thorough *ex ante* evaluations before new instruments are put into practice. In addition, implemented instruments are evaluated and revised on a continuous basis to support reflection and organisational learning.

Today, the performance management regime is widely implemented in central government, and performance contracts are used in all ministries with subordinate agencies. Studies and evaluations have established that the regime results in the creation of a results-oriented culture and improves quality and efficiency in central government.

The Danish ministerial system

Each Danish ministry consists of a department and in most cases one or more agencies. The minister is legally and politically responsible for the department and subordinate agencies. A department serves as secretariat for the minister, formulates policy and has a co-ordinating role in relation to subordinate agencies. The latter perform a wide range of functions, including implementation of government policy, provision of services, and research.

Major change in management regimes

Performance management in Denmark is an offshoot of expenditure control policy. As did other OECD Member countries, Denmark experienced high public sector growth during the 1960s and 1970s. In response, expenditure limits were introduced into the budget system in the early 1980s. At the same time, budget-holders were given increased autonomy in budgetary affairs and personnel management.

Total expenditure limits proved effective in reducing increases in overall public spending. However, the reforms did not result in large-scale improvements in effectiveness, efficiency, and the ability to allocate funds in accordance with political priorities. This was predominantly due to the fact that the input-oriented system neither served as the basis for discussing government outputs nor provided incentives to reduce unit costs or improve quality.

Objectives

The limitations of the total expenditure budget system led to an increased focus on results in Danish central government in the early 1990s. In addition to spending limits, each ministry was now asked to focus on what was achieved with the allocated resources.

The implementation of results-based management was intended to serve several purposes. First, an increased focus on output was expected to improve the ability of political decision-makers to prioritise among principal government objectives. Second, it was anticipated that focusing on output would improve the quality of government services. Finally, results-based management was expected to improve efficiency by evening out information imbalances between departments and agencies.

Driving force

Responsible for administrative policy in Denmark, the Ministry of Finance is continuously developing new management tools and co-ordinating major administrative initiatives. Thus the ministry has played a prominent role in developing and promoting results-based management.

At the early stages the Ministry of Finance took part in all negotiations between departments and agencies about targets, roles and responsibilities. The initially very active role played by the Ministry of Finance was necessary to set the reforms in motion and to arrive at a useful model for performance management. Now the process is left to the relevant parties, leaving the Ministry of Finance the responsibility of formulating guidelines and modernising the performance management system.

Implementation strategy

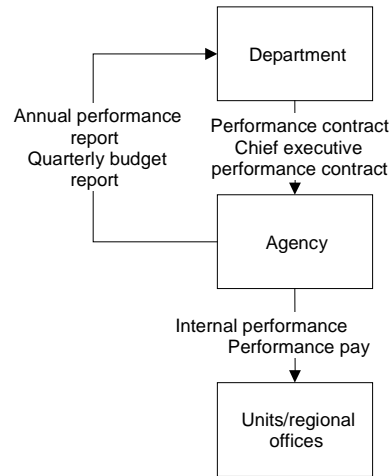
There is no formal hierarchy of ministries in Denmark. Consequently, the Ministry of Finance has few powers that allow it to require that departments and agencies alter their management infrastructure. Performance management was therefore put into practice on a voluntary basis and as a consequence of the recommendations made by the Ministry of Finance.

At the outset in the early 1990s, the Ministry of Finance linked the use of performance management to budget guarantees based on multi-year agreements, thereby providing an incentive at the agency level to undertake reforms. After a certain critical mass was met in terms of the number of participating agencies, the Ministry of Finance relied on highlighting good examples and stressing why performance management is beneficial. This implementation strategy has proven quite successful. Today, every ministry with subordinate agencies uses performance contracting as an integral part of their management infrastructure.

2. Tools and institutional setting

The primary performance management instruments used in Denmark are performance contracts between department and agencies, chief executive performance contracts, internal performance contracts and annual performance reports (Figure 1).

Figure 1. **Central government performance management in Denmark**



Performance contracts

Introduced in Denmark in 1992, performance contracts are written agreements between departments and agencies defining targets and required results for a given period of time.

Agency performance contracts are formulated on the basis of political priorities, mission statements and budget limits. Targets are set in close consultation between departments and their subordinate agencies. The latter usually formulates a draft which then forms the basis for negotiations.

Performance targets relate to both internal and external dimensions of agency operations. Hence, most agency performance contracts include initiatives aimed at optimising internal processes such as productivity targets and requirements in relation to personnel management. The external dimension often consists of requirements related to the quality of services provided, better information provided to the public and/or the speed of handling cases.

Box 1. Performance contract for the Commerce and Companies Agency

In 1999, the Danish Commerce and Companies Agency (DCCA) entered into a performance contract with the Minister of Economic and Business Affairs covering the time period 2000-2003. To provide a comprehensive overview of operations, DCCA performance targets are formulated on the basis of a modified Balanced Scorecard. The main areas of focus are innovation, optimisation of internal processes, personnel management and citizen relations. In total, DCCA has 34 performance targets. A target from each area of focus is listed below:

- An updated Web solution for self-registration of new companies must be implemented by 2001 (innovation).
- Registering a new company with DCCA must take no more than 12 days (internal processes).
- The Agency must have more than 3.5% employees with a non-Danish background by 2004 (personnel management).
- 80% of all telephone calls to the DCCA helpdesk must be answered within 30 seconds (citizen relations).

There are no mandatory requirements regarding the format of performance contracts. Instead, the Ministry of Finance and the Agency for Governmental Management have published guidelines facilitating the framing of contracts. Among other things, ministries are advised to ensure that targets are balanced and measurable, and reflect the strategic goals of the agency.

Performance contracts are not legally binding and can in principle be revoked by the minister. There are no specific sanctions laid out in the performance contract for target underachievement and failure to meet obligations. However, the use of performance pay provides a clear incentive to fulfil the contract obligations.

Performance contracts usually have a time horizon of four years. However, several ministries use multi-year rolling contracts, leaving room for yearly adjustments due to changed priorities or availability of resources. This method retains a long-term perspective while promoting flexibility and keeping contracts from becoming an obstacle to innovation and necessary change.

Chief executive performance contracts

The Chief Executive Performance Contract (CEPC) is a one-year agreement between the permanent secretary in a department and the director general of a subordinate agency. This type of contract was introduced on a permanent basis in 1997.

Like performance contracts, CEPCs contain targets and required results; they are set on the basis of the performance contract and a letter from the Ministry of Finance specifying which objectives should be prioritised the following year. If the contractual obligations are fulfilled, the director general receives a bonus. The CEPC thus gives the director general an extra incentive to promote good management and achieve the targets set in the agency performance contract.

The Ministry of Finance is responsible for providing guidelines for and assistance in the use of CEPCs.²

Internal performance contracts

As a supplement to the performance contracts, several agencies use internal performance contracts. In these contracts, aggregate performance targets are broken down into specific requirements for each section and unit in the agency as well as affiliated regional offices. Internal contracts help to ensure that each employee has a clear understanding of the tasks at hand and how each project relates to the overall performance contract.

Internal performance contracts usually take the form of an agreement between the director general and the head of each section.

Annual performance reports

Following a two-year trial period, the submission of annual performance reports became mandatory in 1997 for larger agencies in central government. Annual performance reports are intended to provide information on the use of resources and the fulfilment of targets as stated in the performance contract.

1. Please see Section 5, “Accountability”, for further details about Chief Executive Performance Contracts.

The Ministry of Finance is responsible for regulating the content of the annual performance reports by setting minimum requirements.

Box 2. Minimum requirements for annual performance reports

According to Budgetary Document No. 82 of 1996, the minimum requirements for annual performance reports include a description of the following:

- agency tasks, objectives and activities;
- achievement of performance targets;
- financial accounts;
- administrative expenditure;
- investments in physical capital;
- productivity and unit costs;
- organisational structure;
- use of personnel.

Annual performance reports are written by the agencies and approved by the responsible department. The reports are then submitted to the Danish Parliament and made available to the public.

Departments use the reports to evaluate agency performance and as an important source of information when new performance contracts are negotiated. The reports are also an integral part of the effort by the Danish National Audit Office to monitor and review the actions taken by the executive and to ensure that maximum use is made of appropriated funds.³

Controlling

To ensure control of and insight into the performance of agencies, controller units have been established in most departments. Controlling includes activities such as analysing efficiency, assessing quality, internal and external benchmarking, evaluating user satisfaction and implementing management information systems. Consequently, controlling is an important instrument in rectifying information imbalances between departments and agencies.

3. Reporting to Parliament

The role of Parliament in performance management

The process of setting performance targets does not directly involve the Danish Parliament: it is an exercise which ministries and agencies carry out together. Hence, performance management is primarily used to enhance the dialogue between departments and agencies about priorities, targets and results.

2. Please see Section 7 under “Audit” to learn more about the Danish National Audit Office.

However, performance targets are not derived from departmental needs only. Targets are set with regard for the overall policy of the government as well as decisions taken by the Danish Parliament.

Information delivery to Parliament

Agencies are required to submit their annual performance reports to the standing parliamentary Committee on Public Accounts. The purpose is to improve Parliament's insight into and its ability to monitor the operations of each central government agency.

There is currently a debate on what type of performance information that Parliament needs to receive in the annual performance reports. Among other things, the reports are criticised for being too extensive and heterogeneous, making it difficult and time-consuming to compare results and costs among agencies.

As a consequence of the criticism voiced, new requirements regarding the content of the annual performance reports are underway. The modified annual performance reports are likely to address the need for a simpler concept, as well as inter-agency comparisons, e-government and ways to link the annual performance report closer to key financial indicators.

4. Whole of government perspective

Integration of performance management at different levels of central government

Although the focal point in Danish results-based management is the relationship between departments and agencies, the focus on objectives is not limited to that relationship only. Several ministries have drafted explicit corporate mission statements that apply to both departments and subordinate agencies. These statements often serve as a point of reference when agency performance contracts are formed and negotiated. Hence, ministerial corporate mission statements help ensure that agency targets are mutually compatible and supportive, and in line with overall government objectives.

While much is done to co-ordinate and consolidate performance targets at the department level, additional improvements are possible. One approach under consideration is setting outcome targets for departments. Such targets should make it easier to convert intended effects on society into performance contracts for subordinate agencies.

Cross-cutting issues

To some degree, performance contracting in Denmark has resulted in a higher priority being given to meeting agency objectives rather than promoting cross-cutting action. This can mainly be attributed to the performance evaluation and reward system, which provides few incentives for agencies to focus on inter-departmental issues.

Although barriers to cross-cutting work have not been effectively removed, initiatives have been taken to tackle problems and issues which cross departmental boundaries.

The implementation of e-government has been identified as a cross-cutting issue that calls for collaboration across all tiers of government. The digitalisation of government services and administrative processes is an ambitious programme that requires co-ordination on issues related to system standards, data exchange and procurement. As a supplement to ministerial action plans, a joint task force for e-government – composed

of officials from local government and several ministries – has been established in the Ministry of Finance. The task force sets targets for and co-ordinates initiatives related to e-government with a view to making government more efficient and providing convenient ways for citizens and businesses to communicate with government and to receive services.

In 1999, a forum for senior civil servants in central government was established to promote effective leadership and address the need to focus on cross-cutting issues. Within that framework, senior officials meet and discuss issues of an inter-departmental nature. The objective is to further the dialogue between senior officials and promote a common identity, thereby strengthening the co-operation between departments.

In the future, the Danish Government will continue to consider ways to remove barriers and disincentives to cross-cutting working.

5. Accountability

Chief Executive Performance Contracts

An important instrument for holding agencies accountable is the use of Chief Executive Performance Contracts. CEPCs contain performance targets focused on three dimensions: agency output, innovation and internal management. Setting targets for these areas of focus means that a broad range of managerial tasks and obligations are taken into account when the performance of a director general is evaluated.

The terms and conditions of the CEPCs are negotiated between the permanent secretary in each ministry and the director general of a subordinate agency. Among others, a maximum amount of performance pay is agreed upon before the contract is finalised. It is the responsibility of the permanent secretary to ensure that there is a reasonable connection between the level of difficulty in fulfilling the performance targets set and the final performance pay.

The performance pay is computed on the basis of the degree to which targets and objectives are achieved. An amount may be added to this calculated amount at the discretion of the permanent secretary if s/he deems that the results achieved by the director general are out of the extraordinary.

Box 3. Chief Executive Performance Contracts: 1999 figures

In 1999, the average number of performance targets in CEPCs was 10. These targets were focused on three dimensions: agency output (53.9%), innovation (23.8%) and internal management (22.3%). On average, 66.5% of the performance targets were fulfilled. Computed on the basis of this degree of fulfilment, the average calculated director general performance pay was €7.580. The average amount added at the discretion of the permanent secretary was €1.500.

Internal performance contracts and performance pay

In some agencies, internal performance contracts linked to performance pay are used to hold the entire organisation accountable for its results and performance. The use of performance pay is aimed at rewarding line managers and employees that work hard to achieve the objectives set in their agency's performance contract.

In 1999, 17% of the agencies with internal performance contracts had performance pay as a part of their management system.

6. Results-based management and other management tools

New tools and methods to supplement the existing performance management regime

A number of instruments have been introduced by the Ministry of Finance in order to enforce, develop and supplement the performance management regime currently in use.

In accordance with the Danish tradition for administrative autonomy, each ministry can decide whether or not to implement new instruments. This practice reflects the fact that each ministry is held solely accountable for securing the most efficient use of its resources.

Leadership

In the autumn of 2001, a number of initiatives were launched which put a stronger focus on leadership in the public sector. The primary objective was to promote the development of consistent management policies in government institutions, thus ensuring a sustained effort to develop leadership in a systematic fashion.

Among other things, the initiative focused on strong leadership as an important factor in the successful implementation and use of performance management. Most importantly, a value- and culture-based style of leadership is expected to contribute to the creation of employee ownership of targets set in performance contracts.

Leadership is also regarded as an essential part of communicating the vision, mission and value statement of an institution. Employee commitment to such statements is an important condition for the introduction of a more relaxed and flexible performance regime that focuses more on output and outcome and less on internal processes.

Multi-dimensional models and quality

There is growing recognition for the view that performance management should be used in a more balanced and focused fashion in order to overcome some of the faults seen with the current regime.⁴ The application of multidimensional models emphasising balance and strategy is one way of introducing balance and focus in performance contracts.

Multi-dimensional models such as Balanced Scorecard and the EFQM Excellence Model have been promoted as a good basis for a more balanced and strategic use of performance management. These models stress the importance of establishing a balance between short- and long-term goals, stability and change, as well as internal processes and external relations. Finding a balance between several dimensions encompassing all relevant aspects of an organisation is an important part of setting targets in performance contracts.

3. For further details, please see Section 10: "Lessons learned".

Box 4. Danish Quality Award

To promote the use of the EFQM model – and improve quality in the public sector – a Danish Quality Award was created in 1997. The government Centre for Development of Competence and Quality administers the award and funds aimed at encouraging innovation and organisational change. To guide agencies in the use of EFQM model, a team of consultants is connected with the Centre and can be used on a no-fee basis.

In 2001, the Aarhus Customs and Tax Region received the award.

Performance-related pay system

In 1997, a new pay system for public employees was introduced in Denmark. As part of the new system, a larger part of the total pay sum is now administered locally, thereby paving the way for an increased use of performance-related pay.

The intention is that employees should be credited for handling difficult tasks, improving their qualifications and achieving specific performance targets. The system makes it possible to establish a link between performance and pay, creating an incentive to achieve set targets.

Benchmarking

In the Danish public sector, benchmarking is a recognised instrument for uncovering potential performance improvements and for spreading innovation and efficient practices.

In a number of agencies, benchmarking is included as a requirement in the performance contract. Comparing performance with similar institutions is expected to improve efficiency and to strengthen the process of setting ambitious yet realistic targets when performance contracts are negotiated. Recently, a number of Danish agencies engaged in international benchmarking, attempting to share knowledge and best practice across borders.

7. Results-focused management and auditing

The National Audit Office of Denmark (NAOD) is independent of the government, reporting only to Parliament. The NAOD plays a prominent role in auditing performance information.

Performance audits involve an examination of how tasks are carried out, including whether the necessary financial considerations are taken into account when administering the appropriated funds. Performance audits may focus on economy, efficiency, effectiveness and/or financial management. The audits do not necessarily have individual institutions as their focal point, but may also focus more broadly on governance instruments and reforms.

In 2001 the audit focused on the quality of the formulated goals. In addition, the reliability and the documentation of the information provided in the annual reports was evaluated.

8. Response to citizens' needs

Role of local government

The majority of government services that involve direct contact with citizens have been decentralised to local government in Denmark. The rationale behind this approach is that tax-financed services should be provided by the level of government that is closest to the people and most under their control. Local government employs a wide range of methods in its efforts to involve citizens, including user boards, surveys and public hearings.

Focus on citizens

In central government, results-based management helps improve government-citizen relations. Most agency performance contracts focus on the level of services and the needs of citizens. Consequently, most contracts include targets for the handling of cases, quality of services, ability to provide information, etc. The annual performance reports reflect this focus on users. Among other things, agencies are required to report annually on speed of case handling and improvements in services.

Interaction with citizens

To improve the dialogue between agencies and users, targets for government-citizen interaction have been incorporated into the majority of performance contracts. This has happened in response to both political demand and the use of holistic quality frameworks like the EFQM Excellence Model and Balanced Scorecard.

Targets for greater citizen involvement often require agencies to conduct user surveys to determine the level of satisfaction with provided services. The information collected is used to decide how operations can be adjusted to better serve the needs of users. In addition, the views of citizens and users are taken into account when services are developed and public organisations restructured.

The Ministry of Finance makes an effort to ensure that user surveys meet high methodological standards and are used to achieve organisational learning; one of its initiatives is publishing guidelines on how to design, implement and use surveys. In addition, the Ministry of Finance promotes better management, also stressing the need to make systematic use of responses from citizens to promote organisational learning and innovation.

9. Results-based management and budgeting and e-government

Results-based management has primarily been supported by the introduction of more flexible accounting software in Danish central government.

Most large agencies have traditionally developed and used their own accounting software, allowing for applications well suited to the needs of each institution. While dedicated software was useful at the institutional level, it was difficult to consolidate accounts at the national level and manage performance data.

Today, the Agency for Governmental Management provides computer systems designed to support local decision-making while allowing agencies to conform to central government regulations. The overall

software strategy is to redesign systems from the private industry into standard solutions for central government agencies.

In parallel with the introduction of performance management, the accounting systems have been revised to enhance their usefulness. Systems for budgetary control have been supplemented by applications aimed at promoting results-based decision-making. In particular, computer systems are designed to facilitate cost consciousness and activity-based budgeting.

A major achievement is the implementation of a new budgeting and accounting system. This system – originally developed for the private sector – has been adjusted to fit the needs of central government. Since 1999 more than 200 state institutions have implemented this system as their local accounting software. To the extent that a number of institutions have special needs, the implemented system may be expanded with build-on modules to meet individual requirements: for example, an advanced module for activity-based management is currently being developed.

The future objective is to create greater coherence between implemented systems to reduce transaction cost and facilitate the use of recorded data to optimise internal processes. Among other things, the Agency for Governmental Management is endeavouring to create a stronger link between systems collecting and storing financial and performance data, making it easier to generate updated management information.⁵

10. Lessons learned

Evaluation

Several evaluations of agency performance contracts, annual performance reports and chief executive performance contracts have been conducted.

In 1995, a study involving 13 agencies was undertaken for the Ministry of Finance to evaluate the use of performance contracts. The study showed that a substantial number of barriers to efficient agency working had fallen away as a consequence of the increased focus on results. Firstly, contracts acted as a vehicle for agency reorganisation processes and activities aimed at improving efficiency, such as the development of internal management and new mechanisms for monitoring results. Secondly, agencies managed to develop the necessary methodology for measuring and documenting even highly complex activities. Finally, contract management had generally led to an improved dialogue between agencies and departments, thereby reducing the asymmetry of information and creating a network for contact between the parties at all levels.

Pointing to possible improvements, the study recommended, among other things, greater involvement of ministers in setting and prioritising targets, a greater effort to ensure that agency contracts are in line with the objectives of the entire ministry and a more flexible use of performance contracts, allowing the concept to be adjusted to suit different ministerial circumstances.

In 1998, the Danish National Audit Office conducted a thorough evaluation of performance contracting in 20 agencies. By benchmarking contract-managed agencies with comparable agencies without a performance contract, the National Audit Office documented that the use of contracts leads to a substantial increase in overall efficiency. According to the National Audit Office, however, there was still room for improvement. Targets should preferably be more precisely formulated to facilitate *ex post* assessment of

4. For further details, please see Section 10 under “Reduction of transaction cost”.

achievements; departments should allocate more resources to monitoring agency operations; and a clearer link between appropriated funds and targets should be established to increase pressure to improve productivity.

Box 6. Benchmarking of agencies

The Danish National Audit Office 1998 benchmarking study showed that among the contract-managed agencies there was an average 3.8% increase in spending and an average 6.9% increase in efficiency. Among the comparable agencies without a contract, there was a 9.3% increase in spending and 3.3% in efficiency.

Contract management had thus encouraged an improvement in efficiency while keeping cost increases down. Furthermore, the evaluation showed that the most efficient agencies were the ones that had used performance contracts for the longest period of time.

Since the introduction of annual performance reports, the concept has been systematically evaluated. In 1998, 1999 and 2000 the Agency for Government Management collected a large number of reports and evaluated the content of each one on the basis of its ability to give a balanced overview of agency operations and a thorough presentation of objectives and achievements. The selected agencies are ranked according to various criteria, making it easy to compare reports and highlight the best examples. An increase in the quality of the annual performance reports since 1997 has been documented.

In 1998, the Ministry of Finance conducted an evaluation of chief executive performance contracts. Based on an assessment of each contract and several interviews, it was concluded that top management in both departments and agencies regard the agreements as a useful supplement to agency performance contracts. In addition, the evaluation showed that managerial responsibilities can be measured and that the bonus attached to the CEPC gives the director general an incentive to improve performance. However, the Ministry of Finance also emphasised the need to modify the concept by making it less rigorous and easier to adjust to suit the needs of each ministry.

Future challenges

As is also the case in many other OECD Member countries, the proportion of elderly in Denmark will increase relative to the working age population in the years to come. Changing demographic structures – potentially causing shortages of labour – may pose problems in handling the demand for tax-financed services in the future.

To avoid substantial new tax increases or uninvited reductions in services, means must be found to achieve substantial cost savings. It is therefore of great importance that efficiency in the public sector is improved and that resources and personnel are reallocated from administration to human care and other areas of government.

Performance management is expected to be an important driving force in pressing for the necessary changes. To achieve this objective, however, adjustments in the performance-contract framework must be made.

To meet these challenges, the Ministry of Finance is considering a number of changes in its performance management concept.

Clear link between financial and performance indicators

To advance public-sector cost effectiveness, the creation of a clearer link between appropriated funds and set targets is currently under consideration. Despite the attempt to integrate financial and performance indicators in the annual agency performance reports, additional improvements are possible. Today, it is often difficult and time-consuming to measure the resources being spent to achieve an objective, making it complicated to monitor changes in unit costs.

It is expected that a stronger link between financial and performance indicators would make it easier to compare prices from several providers and would help to resolve information imbalances between departments and agencies, both providing an incentive for agencies to become more efficient.

Focus on outcome instead of output

Another change being considered is a greater use of outcome measurement. Today, Danish results-based management primarily focuses on output and workload indicators such as the number of delivered services or produced goods. While output is easy to quantify and monitor, experience in Denmark shows that relying solely on output involves a risk that agencies will lose sight of the effect their programmes are intended to have on society. In addition, the use of output indicators alone reduces the focus on cross-cutting issues and the ability to think holistically in the public sector.

A greater use of outcome targets in Denmark is expected to increase political involvement in setting and following up on performance targets, draw more attention to cross-cutting issues, and facilitate the effort to ensure that agency performance contracts are in line with government policy, all of which may well improve the efficiency of Danish central government.

In addition, the use of outcome targets could potentially support the implementation of a purchaser-provider model in Danish central government. In such a model, departments decide what will be produced and agencies deliver the agreed output. Making departments responsible for a number of outcomes would provide them with an incentive to be more attentive to price and quality when deciding between suppliers, play a more active role when negotiating performance contracts and continuously monitor whether contracts are fulfilled.

Notwithstanding its many advantages, outcome-focused management is no panacea. Outcomes are immensely difficult to measure and monitor. Therefore, before outcome-focused management is brought into play in Denmark, a solid framework for evaluating outcomes must be established.

Reduction of transaction cost

Ideally, performance contracts, executive performance agreements and annual performance reports all work with ease and in synergy. However, experience in Denmark shows that these instruments are not always employed sufficiently in combination with one another, and that a persistent monitoring of results requires considerable resources. The transaction cost of results-based management may thus at times be very high.

To reduce overhead and ensure that all instruments work in concert, performance concepts must be simplified and performance information generated at a lower cost. Denmark is endeavouring to achieve these objectives by increasing the use of information technology to rationalise government. The ambition is for all information on target achievement, use of man-hours, pay and financial matters to be recorded electronically and combined in digital standard reports that can be generated automatically.