

EU Twinning Project: Strengthening the Capacity of the Ministry of Finance for Macroeconomic Analysis and Policy Formulation

Performance Budgeting: Experiences, Needs and Challenges in Finland

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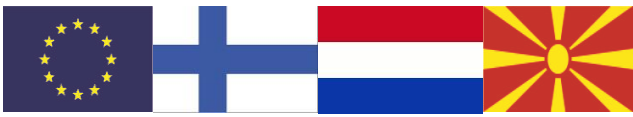
Twining partners: (MS and BC) HAUS Finnish Institute of Public Management (FI), National Academy for Finance and Economics RAFEB, Ministry of Finance (NL) and Ministry of Finance (MK), project period 9.12.2012-5.4.2015 (28 months)

Transparency, Performances and Accountability of the Budget

29th January 2015



This project is funded by The European Union



Performance Budgeting: Experiences, Needs and Challenges in Finland

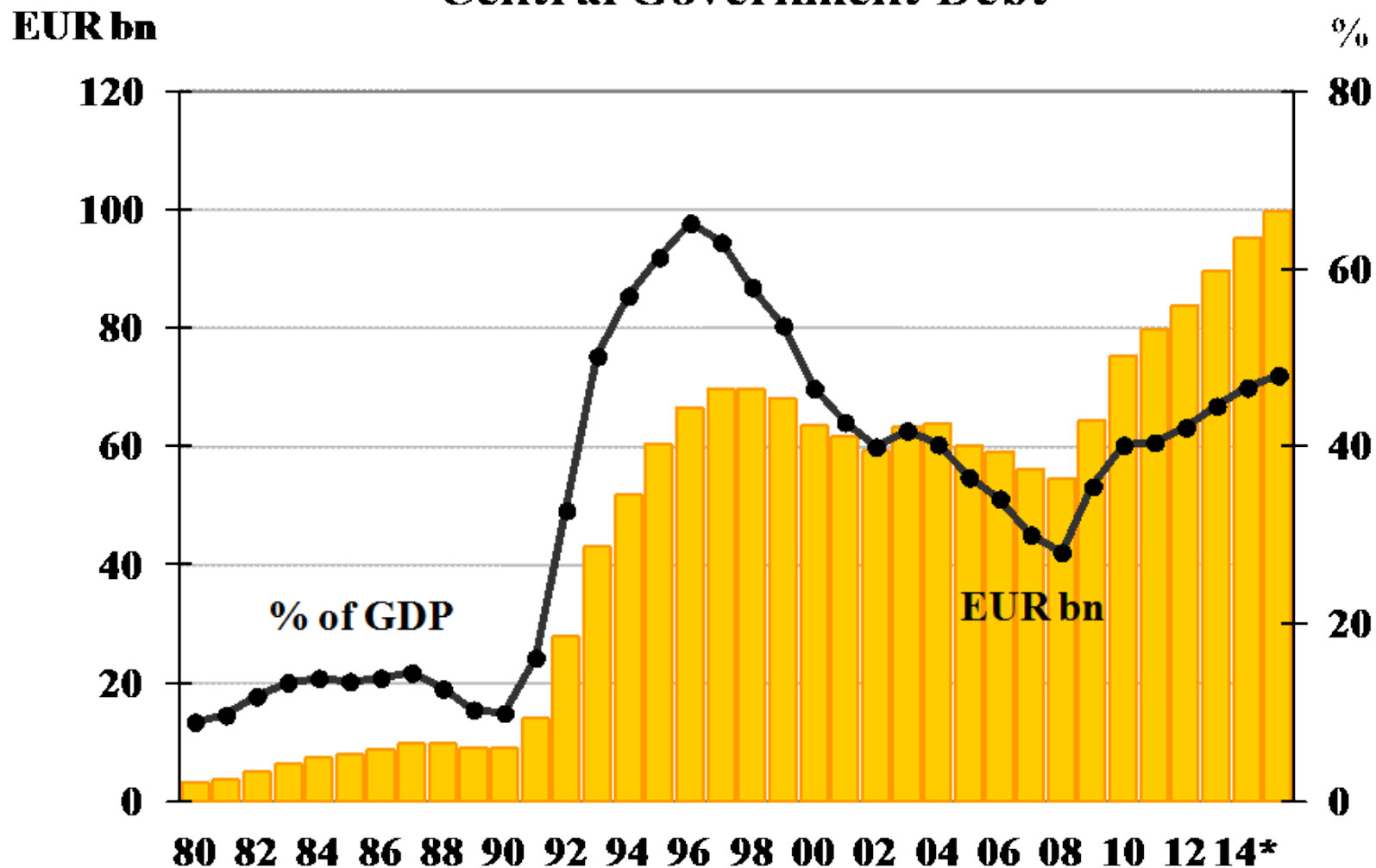
- Introduction
- The Finnish experience
- Needs and challenges
- Conclusions



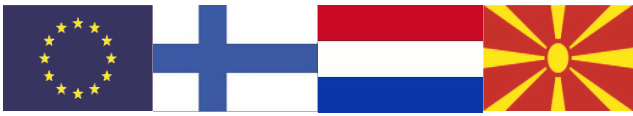


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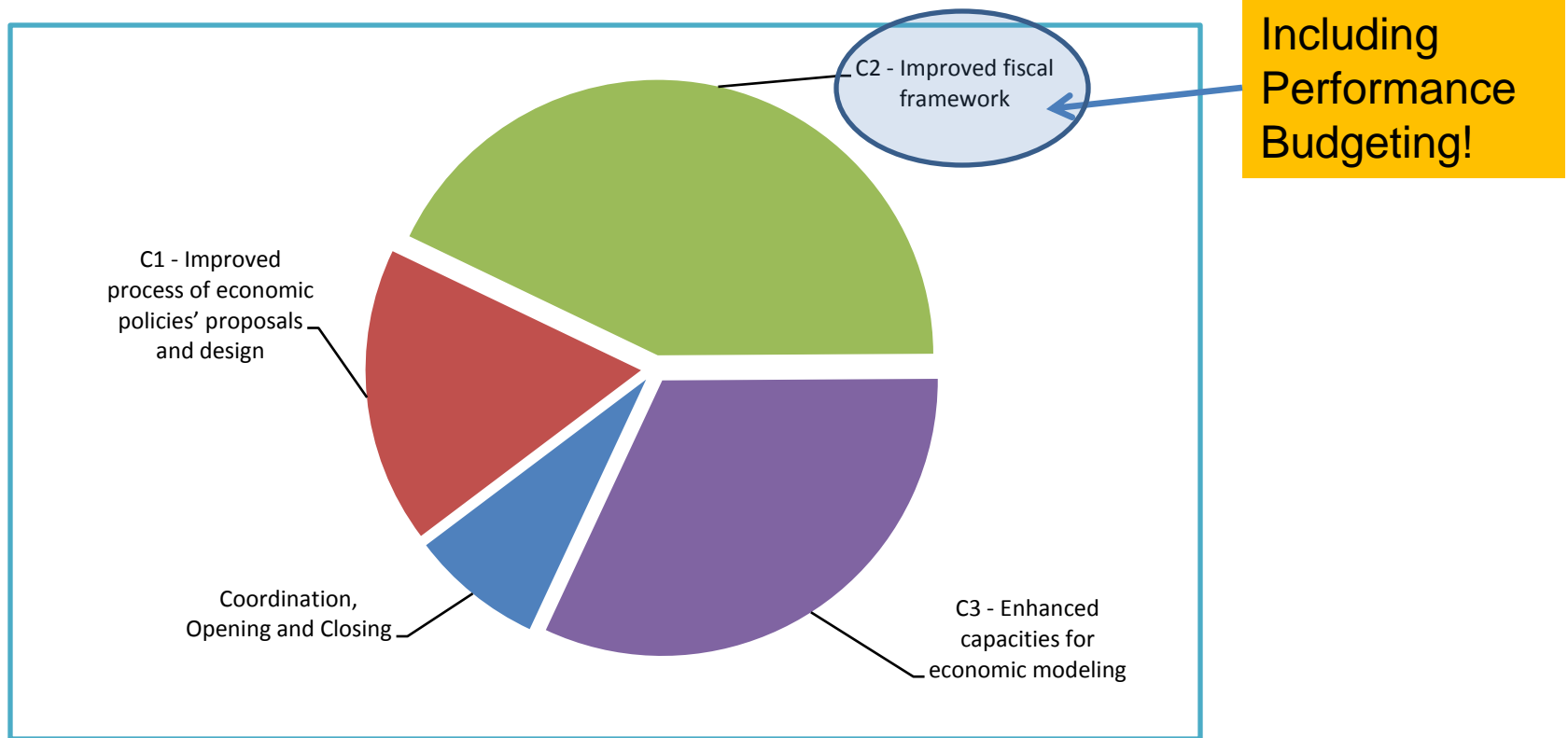
Central Government Debt

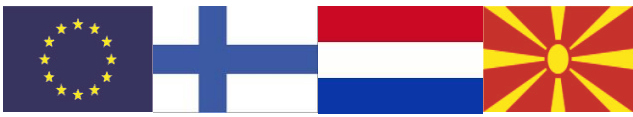


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STRUCTURE OF THE PROJECT

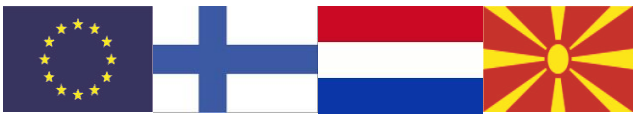




The Finnish experience

- Performance management (PM) is an agreement based steering model
- Parties negotiate and then agree. Reporting and follow up. Annual state budget and State Annual Accounts are the key documents
- 1980s: efficiency, accountability, freedom to act more rationally -> better public services, following the trend of other OECD countries, Inspiration from private sector ways of operating
- First pilots 1988, implemented in all ministries, agencies and institutions by 1995
- Shared goals known by all partners, cascading performance agreements from government program to individual employee
- From accounting and irrational spending to policy planning and reporting results
- Ownership of the process of public finances on all levels

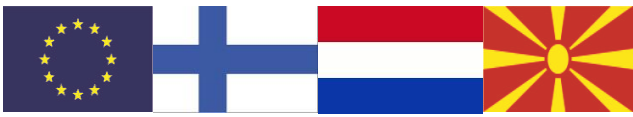




The Finnish experience

- Customer orientation: Citizen's right to guidance and answers, customer involvement in service design -> **Happy Taxpayer** is the goal
- Transparency: open access to all data and information -> NETRA
- Innovations encouraged: staff initiatives rewarded, e-services, continuous improvement, certificates, environmental and other management systems
- Borderline cases: to have to report on numbers of staff or not? Staff reduced by a total of 40%, out of which some 10% actual cuts; rent and other costs – regulated or not?
- New trend: recentralization (IT services, non-core and supporting tasks, ownership of real estate, whole of government administration unit)

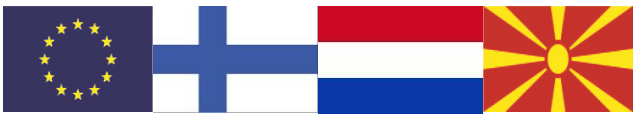




The Finnish experience

- Yearly budget: fewer budget lines, more information on how expenditures sum up, how they are related to each other and the world outside the budget; who does what and why and with what expense, published online in real time, disputes between ministries are public knowledge
- Multi-year expenditure framework: known to all, adopted and respected at most times; established 1992, improvements over time
- International interdependence and crisis has required and brought more standardization and common rules and responsibilities (EU, euro...)
- Indebtedness and export orientation underline need for openness and credibility ever more
- Predictability of legislation, clearly stated goals, impact analysis

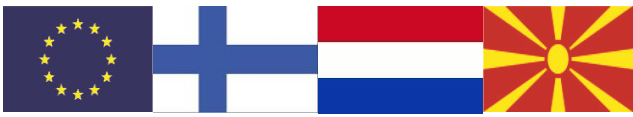




Needs and challenges

- Performance based budgeting still more theory than practice – performance based steering works better
- Local government finance permanent problem – new steering mechanism under preparations
- Coming up with meaningful indicators is tricky
- Avoiding excessive amounts of strategies and plans is difficult
- Running to stand still
- Back from block grants and lumpsums to reporting on environmental, regional, gender, etc. impacts

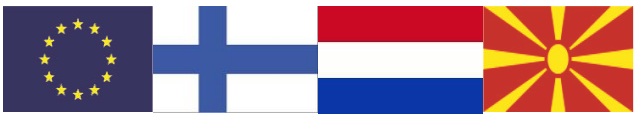




Conclusions

- Long process, role of Ministry of Finance vital
- Trust is key, but control is needed
- Accountability to parliament and public
- From decentralization to recentralization and back
- Technology driven changes (eServices, paperless, fewer offices, less buildings...)
- Private and public mix ever more, open data creates new opportunities





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Thank you for your attention!



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