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Sweden

**Performance Management in
Sweden :
Performance Management and Budgeting**
- a case study of Sweden -

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Performance Management and Budgeting

- a case study of Sweden ¹ -

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1. Country Context

Sweden is a constitutional monarchy and the King is the formal Head of State. The Constitution is based on the principles of popular sovereignty, representative democracy and parliamentarism. Sweden has a unicameral parliament, the Riksdag, with 349 seats. All elections are by proportional representation. A party must gain at least 4% of the national vote to qualify for representation. There are presently seven parties represented in the Riksdag.

Swedish politics has, since the 1930ies, been dominated by the Social Democratic Party. The party has since then, except for two short periods, been in power as the dominant party in a formal coalition, or as a minority government with the explicit backing of one or more minor parties in the Riksdag. Presently the Social Democratic Party is backed by the Greens and the Leftist Party but their collaboration is limited to economic matters.

The ideological pillars of the Social Democrats can be said to be three: private production, public redistribution and public provision of welfare services. The economic policy of the Social Democrats has generally been pragmatic, but the 1960ies and 1970ies saw a rapid growth in the size of the share of national income that passed through the government. Most of that growth was in the directly redistributive part of government spending, i.e. in entitlement programs. Another basic tenet of the "Swedish model" has been and continues to be that social benefits shall be general in nature. I.e. they shall not focus uniquely on the most disadvantaged of society but rather every tax payer should feel that he gets something in return for his tax contribution. The trend towards an ever-growing public sector stopped abruptly in the early 1990ies when a fiscal crisis, in the form of a ballooning deficit, forced the Government to dramatically curtail spending. As a result the share of General Government in GNP was rapidly brought down from 70 percent during the height of the crises to approximately 55 percent where it has now leveled off.

In the context of the topic of this paper it is noteworthy that the dominant share of government spending – more than 50 percent – refers to individually consumed social services. A little less than one third can be classified as individually consumed private-type services while only one tenth refer to classic collective goods.² In other words: there

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² A service is classified as individual if it is associated with positive marginal costs for each person consuming it. It is conventionally classified as being of a social type because they are traditionally provided by the public sector and/or the public sector determines its price and availability – for example health care,

is an individual, identifiable consumer at the receiving end of the vast majority of the activities of the Swedish public sector!

2. Origins of the reform and the historical context

The present system of public management is not the result of a one-time comprehensive reform but rather of a drawn-out series of partial reforms – the aggregate result of which could be termed performance management. Whether or not it can be claimed that performance budgeting has been introduced depends on how you define it.

This long reform process dates back to the 1960ies when in an Official Government Report it was suggested that what was called “program budgeting” be introduced. The inspiration came from the US military under McNamara. The fundamental idea was that the budget should be divided into programs. It should be possible to identify the outputs of programs as well as the quality of these outputs. It should also be possible to calculate the full cost the outputs, including indirect costs. The proposal, however, drew a line for what indirect costs should be apportioned to final output. Central administration, for example, was to be treated as a separate auxiliary activity. Somewhat contradictorily, it was suggested that separate programs should be set up for investments. To complement the one-year perspective of the budget, it was also suggested that every agency should elaborate multi-year plans showing planned output and costs. In regard to appropriations, the Official Government Report suggested two alternatives: either that they be expressed in terms of cost with a separate set of accounts in expenditure terms (modified cash) or that they be expressed in expenditure terms with a separate follow-up in cost terms.

The ideas put forth in the Official Government Report on Program Budgeting were tested in a number of agencies over several years. The pilot tests were eventually abandoned and the attempts have often been maligned as unrealistic and mechanistic. It is nonetheless clear that the Official Government Report and the pilots had a profound impact on the reforms implemented during the decades to come.

The Official Government Report on Program Budgeting was followed by a number of new studies, proposals and initiatives. In the early 1970ies a new Official Government Report termed the Budget Review presented a first proposal for a division of the budget into a number of broad areas. The study proposed 23 sectors under which some 3-8 program groups would be defined. Every program group could contain 2-8 programs. Appropriations would apply to programs. A lot of emphasis was put on the need for long-term planning and a number of instruments to bring in the long-term into the management process were proposed. The Official Government Report had no immediate practical impact on processes and procedures but some of its ideas have later been picked up, for example the division of the budget into a number of broad areas. The latter reform was introduced as part of the introduction of top-down budgeting in the late 1990ies. (See MTEF case study – Sweden)

Results-based management as we see it today was further shaped by a 1985 Official Government Report which resulted in concrete government proposals tagged on to the supplementary estimates in 1986 and in 1988. A starting point for the proposals was that they should permit a continuous review of government activities with a view to reallocate resources from low-priority to high-priority areas.

Thus, the budget process should be changed so that:

education, child care, care for the elderly, culture etc. The category individually consumed private-type services refer, for example, to support to agriculture and housing allowances. Collective goods refer to defense, central administration, etc.

- the Riksdag (Parliament) and the Government would focus less on the details but rather provide general guidance and define the objectives of government activities
- decision that customarily had been taken outside the budget process, but which had an impact on the budget, should be handled within the budget process
- a longer-term perspective was introduced in the budget process
- productivity and efficiency would be enhanced allowing the provision of more relevant services
- agencies were given greater responsibility for the use of the appropriations provided for the running of the agencies and for the organization of its activities
- the analysis and the reporting on results achieved would be improved.

One important and concrete change of the budget process was the introduction of three-year cycles for the presentation of the agencies budget proposals. Every third year, the agency was to produce a more ambitious and “soul-searching” document in which it was expected to critically review what it was doing and how it went about it. The proposals for year 2 and 3 needed not go to the same depth but were rather to serve as bridges between the more thorough reviews. The cycles of the agencies were staggered so as to not overburden the Government Offices. On the basis of the more thorough review carried out every three years, the agency would receive a firm three-year budget frame.

The system was maintained for a few years but was dropped in the middle of the nineties when the urgency to reduce spending left no room for elaborate and thoughtful prioritization processes. The whole idea that the agencies would voluntarily question their own activities – at least beyond the margin – was probably unrealistic anyway and it is doubtful that the system would have survived even in calmer seas.

A reform ushered in by the 1988 bill – a reform that has survived – is the requirement that each agency shall produce a yearly report on results. After the introduction of accrual accounting in 1992, the report on results is normally combined with a statement of accounts.

The 1988 bill furthermore announced a number of changes in the legal framework for the management of the agencies as regarded:

- the management of the agency direct income;
- the setting of fees;
- the use of framework appropriations;
- the financing of agency investment;
- the accounting framework; and
- cash management.

These intentions were gradually translated into government ordinances and instructions during the first part of the nineties.

Not specifically presaged by the bill of 1988, but of particular importance was the introduction of accrual accounting in 1992/93.

The Generic Budget Law of 1996 gave a results-based budgeting a legal basis.

The Performance Budgeting Project, generally known by its Swedish acronym Vesta, initiated in 1997 picked up a number of loose ends left by close to three decades of piecemeal reforms with the objective of creating a more consistent and systematic performance orientation to the entire management framework. Its work focused on the coverage, basis and structure of the budget, the definition of appropriations, the control and management of investments in infrastructure and in the defence area, and on the

structure and flow of performance information. A first Ministry of Finance White Paper was prepared in 2001. The work of the project has now been integrated into the normal development work of the Budget Department of the Ministry of Finance and continues. Some of the original ideas of the project are shelved for the moment, while others are pursued. A new white paper resulting from the continued work is expected during the first part of 2004. The most recent reform initiatives are discussed below in the section on outstanding issues.

C. Elements of performance management and budgeting in Sweden

Rather than an outcome of a single comprehensive and consistent reform, performance management in Sweden is thus, as been shown above, the result of a long series of piecemeal reforms strung out over a thirty-year period. Despite the mixed record of the early experiments, the course was really set in the 1960ies with the introduction of the notion that the public sector should be managed rather than simply administered. Many of the basic ideas of the early proposals have also survived, albeit often in a different format, while others have been added. The initial years were, however, largely experimental and the concrete Swedish performance management model as we see it today is the outcome of reforms implemented during the last fifteen years.

What follows is an overview of the elements that in some way or another constitute performance management *à la Suède* as we see it today. Problems, shortcomings and future areas of development are discussed in the final section.

The objective of performance management

The fundamental objective of performance management is to increase the effectiveness and the efficiency of public action in general and of the application of the resources managed by the public sector in particular.

The concrete content of performance management is set of rules, mechanisms, processes and technical support systems that will enhance effectiveness and efficiency. In principle the arena for performance systems management ought to span all actors involved in shaping and executing public action – from the legislative bodies to the civil servants delivering services to the public. In other words it ought to involve: a) the parliamentary process, b) the relationship between the legislature and the government, c) the internal processes in the Government Offices, d) the role of and relationship with audit institutions, committees, independent think-tanks, etc., e) the relationship between the Government Offices and the agencies, f) the internal process within the agencies, and the g) interaction between the agencies and the public.

In practice performance management has come to be associated very much with the relationship between the Government and the agencies, with the internal operations of the agencies their relationship with the public. Most of the elements listed below fall into those three categories. The shortcomings and the areas for further development relate mostly to categories a) – d).

As the content of public activity and public spending (“doing the right thing”) is determined primarily – at least at the more aggregate level – in the first four processes, while efficiency (“doing things right”) is determined more in the latter three, the focus of reforms have thus been on enhancing efficiency.

The driving force of the reforms has been the conviction that efficiency is a function of authority and accountability. If institutions and individuals are given authority to decide on how best execute a task they will behave responsibly and efficiently, provided they are held accountable for the result.

The listing of the elements of the Swedish performance management model is thus divided into elements that give institutions, and individuals, authority and those that are put in place to achieve accountability.

Authority

Decentralization to local level

This paper will focus on central government. However, it must not be forgotten that the perhaps most important delegation of authority within the Swedish public sector is that to local government. Of the total 28 percent of GDP that is public consumption, 20 percent is the responsibility of local government. There are 289 municipalities and 18 county councils. The division of responsibility between county councils and municipalities has is that tasks requiring a larger population base, secondary health care and local transport for example, are handled by the county councils, while the Municipalities take care of the rest.³

The elements of performance management at the central level that will be discussed below have all been part of the local government landscape for a long time, longer than at central level. Most services are executed by institutions with a great deal of managerial independence. Many local governments have implemented purchaser-seller arrangements for much of its service provision – even between public institutions. Health clinics and hospitals, for example, are often reimbursed on a piece-basis for services provided. Many local governments have introduced a system of school vouchers allowing an individual student to attend any school with the local government area, including privately run schools. Most community services like street cleaning and local transport are outsourced. When they are not, their operations are normally organized in community-owned companies. Standard private sector management tools, like accrual accounting, have been used in local government for decades.

The independence of local government is guaranteed by the constitution and fiercely defended. There are, as a consequence, also considerable variations between municipalities on how they are run. The independence of the local authorities has been somewhat constrained in recent years with central government temporarily imposing tax freezes and balanced-budget requirements while at the same time saddling them with an increasing number of unfunded mandates. The Swedish Association of Local Authorities, among other things, represents the local authorities vis-à-vis the Central Government, for example on financing issues.

Decentralization to independent central government agencies

Sweden has a long history of strong independent agencies that are responsible for the execution of the bulk of the budget. A sign of the importance of agencies in the Swedish system is that 98 percent of all central government staff work in agencies and only 2 percent (excluding the Foreign Office) in the Government Offices, i.e. the equivalent of traditional ministries. In the UK the proportion is 75% to 25%.

The responsibilities of an agency are specified in an “Agency Ordinance”. A minister is not allowed to intervene directly in the operations of an agency or in any decision – within its area of authority – made by it. To a degree, but in a subtle way and behind the scenes, the independence of agencies has, however, become compromised by an increasing politicization of the appointment of the director generals of the agencies.

³ There is a long standing debate whether or not the county councils should be eliminated and its responsibilities assumed by the municipalities singly or, where needed, in collaboration. Such a reform may come in the next few years.

Block appropriations

In order to achieve the objectives set forth in the letter of appropriation an agency is given one or several block appropriations i.e. a total expenditure ceiling for the area(s) that are its responsibility. If the agency is responsible for only one global task, like for example the Prosecution Services, it receives only one single appropriation. This allocation it is free to allocate to whatever inputs it deems necessary to carry out its work. Agencies with a range of responsibilities may receive a number of appropriations. The County Administrations, an extreme case, may finance their operations from over twenty different appropriations. Agencies, like the National Insurance Board which handle a number of entitlement programs, receive one appropriation for their administrative expenditure and are responsible for execution of the different entitlement appropriations.

Carry-overs & credit facilities

There are two types of block appropriations: framework appropriations (ramanslag) and reservation appropriations (reservationsanslag). A framework appropriation gives the agency the right to carry over unused funds to the following year – up to a limit. The agency has also the right to borrow against next year's appropriation – up to a limit. A reservation appropriation only allows carry-overs.

Authority over payments

All payments are executed by the agencies. There is no central treasury or payments office intervening in the process. In order to minimize the total cost of liquidity to the government, all payments are, however, made to and from accounts that are part of the government group held in one of the commercial banks.

Personnel

The agencies are free to hire whomever and however they desire and to set the salary at the necessary competitive level. The latter right is, however, to some extent tempered by the formal process of wage negotiations between the unions concerned and the representative of the Government's, the Swedish Agency for Government Employers. There is of course also the restriction set by total available resources. An agency will not, in principle, be compensated for cost increases resulting from wages increases beyond index. Should it, however, choose to reallocate resources from other types of expenses it is free to do so.

Facilities

Agencies rent their premises and pay market price even if and when the property is owned by the Government. Government commercial type property is managed by a public company which is expected to behave like a normal commercial operator.

Right of disposal of own revenue

Some 33 percent of central government consumption, i.e. services production, is financed through fees, external grants and other types of direct revenue. The right to levy fees is regulated in a government "Fee ordinance" and regulations attached thereto issued by the Swedish National Financial Management Authority. A general principle is that fees should cover the full costs associated with the production of services concerned. Once authorized to levy fees, the agency has full disposal of that revenue.

Responsibility and accountability

To balance the large degree of freedom that the agencies have to shape their operations and decide on the input mix, a number of instruments and processes have evolved to foster responsible behavior and to uphold accountability. It is worth pointing out that responsible behavior and accountability in Sweden does not depend on one single mechanism but is rather the (hoped for) outcome of a number of factors that together are expected to create responsible behavior.⁴ In the end, every public institution is accountable to the public that it is to serve. That accountability can be ensured by direct or indirect mechanisms. Here they are grouped into mechanisms that involve the Government, mechanism that involve the public directly or indirectly and mechanisms that involve the elected bodies directly.

... vis-à-vis the Government

Agency ordinance

The “Agency Ordinance” (Verksförordningen) establishes the general rights and responsibilities of agencies.

Agency specific instructions

For every agency there is a specific instruction which establishes the concrete responsibilities of the agency, its general reporting requirements, its organizational structure in broad terms, its authority to levy fees and other matters of specific relevance to the agency.

Letters of appropriation

Yearly letters of appropriation are prepared for single appropriation and/or for a set of appropriations under the jurisdiction of a specific agency. The letters of appropriation vary a bit in character depending on the nature of the appropriation, but when it concerns the operations of an agency they contain sections on:

- objectives;
- results indicators;
- special reporting requirements;
- assignments (tasks) for the coming year;
- financing of the activities of the agency.

The latter includes:

1. the value of the appropriation(s) for the year;
2. an indication of any planned use of carried-over appropriations;
3. a ceiling on the appropriation credit, i.e. the right to borrow against next years appropriation;
4. an estimate of fee revenue that will be under the control of the agency;
5. a ceiling on borrowing for investment in fixed assets, a ceiling on credit to meet short-term cash-flow needs; and
6. any explicitly authorized, special, longer-term or multi-year commitments.

⁴ In the discussion of the reforms in New Zealand an important distinction has been made between responsibility and accountability, the former being the broader concept relating to the spirit and not merely the letter of the objectives set for an agency.

Objectives and results indicators

The letters of appropriation establish or confirm the objectives that are set out for the activities that the agencies carry out and spell out the results indicators that the agencies are supposed to report on. The objectives defined for the activities have tended to be rather vague in nature and the results indicators more or less ad hoc. What has been missing in terms of preciseness has often been made up for by increasing the number. The problems with objectives and results indicators are discussed further on.

Ad hoc reporting requirements

In addition to the more or less formalized results indicators, the agencies may be requested in the letters of appropriation to report on specific issues that are of interest to the Government.

Statement of accounts and yearly performance report

Every year an agency is required to produce a yearly performance report including a statement of accounts. The statement of accounts follows normal private sector standards. Thus it contains, at a minimum, a profit and loss statement, a balance sheet and a cash flow statement. The reports otherwise vary a great deal in size and ambition but generally contain a rather extensive descriptive part. As can be expected – after all institutional self-preservation is a very pervasive force – there is often tendency to depict the situation in rather rosy colors.

Follow-up meeting with the responsible minister

Every year, each head of agency is to have at least one formal meeting with the responsible minister in order to discuss the development of his or her agency. As there exists no formal contract between the Minister and the Head of the agency – cf. the situation in some other countries like New Zealand and Denmark – it is difficult to assess the importance of these meetings.

External audits

Agency financial accounts are audited every year by external auditors. Performance audits are carried at the initiative of the National Audit Office when deemed important by the latter.⁵

Evaluations of financial management

Of a slightly different nature but nonetheless important when it comes to upholding high standards in the financial management of the agencies, have been the yearly evaluations of the agencies carried out by the Swedish National Financial Management Authority. The agencies have been rated in a number of areas and then ranked. The top-ranking agency receives a prestigious award.

... vis-à-vis the public

Consumer choice

As pointed out above, much of the services produced by the public sector have an identifiable consumer-citizen at the receiving end. Perhaps the most efficient way of

⁵ The National Audit Office was moved in 2003 from being under Ministry of Finance to being under Parliament. Its modus operandi have, however, remained largely the same with the one exception that they are now empowered to audit the Government including the consolidated accounts.

enforcing accountability in these circumstances is to give the consumer a choice as to from whom he chooses to receive the service.

This latter philosophy has shaped much of the development at the local government level. At the central level this tendency has not been quite as strong but there are areas where it applies, for example higher education. At local educational levels freedom of choice is ensured through the voucher system. This system is partially introduced at university level when it comes to students wishing to study abroad. Swedish universities are instead financed on a piece basis i.e. per student year, differentiated by type of education.

Application processes

Some services, in particular research, are financed by grants for which the institutions have to apply and on the use and the results of which they have to report. The same procedures apply to EU-grants made available to individual public institutions.

The Parliamentary Ombudsman

Residents in Sweden have recourse to the office of the Parliamentary Ombudsman in case of malfeasances by a public authority or an individual official. Other ombudsmen exist but they do not focus primarily on the public sector.

Media

Media serves as a very powerful, albeit often a bit erratic, watch-dog keeping public institutions and officials on their toes. A very potent instrument in the hand of the media is the very far-reach Swedish Freedom of Information Act.

... vis-à-vis elected bodies

Agency annual accounts and performance reports

The agencies' annual accounts and performance reports are public documents which are relatively widely used by the members of the Riksdag. Parliamentarians tend to specialize on the issues of concern to the committees of which they are members.

Consolidated Government annual accounts

Consolidated Government Annual Accounts have been produced since 1995. The document is gradually evolving from a mere financial document to a more analytical oriented one. It was originally produced by the National Financial Management Authority (ESV) and, before the latter was created, by the National Audit Office. Now ESV only produces the background material, in particular the financial part, and the overall responsibility for the document has been taken over by the Government Offices, concretely the Budget Department with Ministry of Finance. In order to increase the political relevance of the document, its tabling in the Riksdag has been moved up to the spring. Earlier it was tabled too late to have any impact on the deliberations on the Budget Bill.

Reassessment and prioritization

One of the core arguments for moving away from traditional input focused management to performance management was the felt need to reassess and prioritize government spending. There was a hope that, with the new approach and the new tools, continuous reassessment and prioritization would become an integral part of the normal budget process. That has not really happened. The faith put in the three-year in-depth

reviews cum budget proposals to be prepared by the agencies quickly proved unfounded. It has happened that agencies have proposed their own elimination, but those are rare exceptions. Normally institutional self-preservation or expansionist ambitions tended take over. The three-year in-depth reviews/budget proposals have now been abandoned.

The traditional way of initiating structural changes has been and continues to be the appointment of a committee giving it, sometimes, very clear terms-of-references – to the point of more or less prescribing its conclusions. When the Government is less sure what it wants to do, the t-o-r are more open-ended. Committees may or may not have parliamentary representation and draw more or less on external academic and other expertise. Over 100 Swedish Government Official Reports produced by the committees are published every year. Committees may deal with just about any issue of public concern, it does not necessarily have to be budget related.

Changes – budget-related or not – may also initiated by appointing internal working groups within the Government Offices. Their deliberations and proposals are, when they are expected to translate into legislative proposals, normally presented in the different ministry's publications series.

Committee reports and the reports published in the publication series of the different ministries' are all formally referred to a large number of selected bodies for consideration and comment. These bodies may be public authorities, local government authorities, NGOs, advocacy groups or voluntary associations.

Impetus to change may also come from the semi-autonomous research institutes that have been set up for a number of areas; for example the Swedish Institute for Transport and Communications Analysis and the Institute for Labour Market Policy Evaluation. An Expert Group for the Study of Public Economics, attached to the Ministry of Finance but fiercely defending its independence, financed a large number of critical studies on a wide range of topics.

Tools

Accrual accounting

The reforms carried out during the last thirty years have moved Swedish public management in the direction of that of the private sector. The legal and regulatory framework is still important, but agencies and their managers have been given greater authority to manage their operations and their finances. In regard to the latter it is no longer merely a question of executing the budget. Agencies are financed from a number of sources and manage a wide range of programs and projects.

As complexity increased it became obvious that traditional budgetary accounting was inadequate and the whole central government, without much ado, moved to standard accruals in 1992/93.

Agencies are free to choose their own accounting system and their own chart of accounts provided that they can report in the format of the central chart of accounts used for the consolidated government accounts.

Central FIMS

A web-based central Financial Information Management System is now being developed. The system, when its complete parts are already up and running, will contain budget, accounting and results information.

Balanced scorecard, benchmarking et. al.

The move to performance management has as much been a change of how agencies manage their own operations as a question of the relationship between the Government

and the agencies. The responsibility for the execution of agency budget is decentralized to the different departments and sections and agencies often develop results indicators that are only used for internal management purposes. Some agencies have chosen the balanced scorecard approach to packaging management information.

Benchmarking has spread, particularly in local government where there are plenty of nearby experiences to benchmark against. A central database to facilitate and stimulate benchmarking, as well as independent research, is being developed. In central government there are fewer opportunities for this.

D. Implementation

As already pointed out, the move towards performance management has been a very drawn out process involving a number of successive initiatives. It therefore difficult to provide simple and single answers to what has been driving it and where the resistance has come from.

However, one can say what it has not been. It has not been a reform process driven by politicians. There has been no Tony Blair seeing the political benefits to be drawn from public sector reform. It does not mean that the politicians have always been on the sideline. They have been supportive but the original initiatives have not come from the political sphere but rather from within the administration. And politicians have generally not, perhaps with the exception of the move to top-down budgeting, invested much political capital in the reforms. Nor have the reforms, again with the exception of the move to top-down budgeting, been the result of a crisis. The Swedish reform process is thus very different from that of New Zealand's.

When attempts at writing the history of the reforms are being made – the definitive one is still to be written – it is customary to refer to the different committee reports and to other initiatives like VESTA. International influences – like program budgeting in the US in the sixties and new public management in general and the reforms in New Zealand in particular – are also highlighted. Surprisingly little influence is deemed to have come from developments in local Swedish local government despite their geographic and cultural proximity.⁶

The conceptual champions of change and external influence are important. But the question is if it is not the thirst for authority by the institutions that actually “do the job” and their acutely felt management needs that have been the most important *force motrice*. It is worth noting that local government has been many years ahead of central government in its reforms and it probably has to do with the fact that they are, primarily service providers, and as such in close contact with their clients.

At the central government level, the reforms have also started from below. The move to accruals, for example, was driven by agencies most acutely suffering from the inadequacies of traditional public sector accounting. Agencies within the central government have a long history of constitutionally protected independence and they enjoy having the authority. Perhaps as a reaction to this, the more recent reforms in this field have actually been presented as a way of bringing the politician back in the driver's seat rather than as a means to “letting the managers manage”. Agencies do not need to be empowered; politicians do.

The one vociferous opposition to the notion of performance management has also come from a group of more or less leftist-leaning academics who see performance management as a technocratic exercise, depriving the politicians of their right to govern.

⁶ For some reason, central governments seem to turn to each other for inspiration rather than to their brethren in lower levels of government. Perhaps it is precisely because of this institutional pecking order.

The fact that some of the management techniques and tools come from the private sector and from abroad is also seen as suspicious and has made some politicians wonder whether it is all a Trojan horse. The enthusiasm expressed by some of the opposition parties has not helped allay the fears of Social Democrat parliamentarians either. Given their rather lukewarm interest it is actually surprising how far the reforms have got.

On the other hand no one, particularly not the academics who staunchly defend that it is not their role, has been able to present an alternative to performance management. It is like with post-soviet Russia, people gripe about it but very few would want to return to the old ways.

Thus, while there has not been any strong political leadership there has not been any active resistance either. The biggest brake on reform has rather been inertia – political and bureaucratic. People know what they but do not know what they get. Reforms have thus had to be introduced one step at a time. The boon: easier acceptance. The drawback: a lack of consistency. When accrual accounting was introduced, for example, its architects initially also wanted to introduce accrual budgeting but decided against because they feared that it would be too big a bite for the Government Offices.

Another reason for why the reforms have tended to be piecemeal and gradual is that the agents and managers of change have been outside the Government Offices – at least during most of the 1990ies. Of particular importance during that period were the National Audit Office and eventually the National Financial Management Authority (ESV). The Swedish Agency for Public Management also played a role. Being at arms length from the Government Offices and with a direct mandate to foster the development of financial management at agency level, they were very well placed to initiate and implement reforms that were largely limited to the agency sphere. Their authority to drive reform processes that had a direct impact on the work of the Government Offices was, however, much more limited; vide accrual budgeting. The weakest link in the performance management chain has thus become the Government Office which in turn has left the Riksdag in limbo. Despite the latter's oft-expressed desire to receive and factor in performance information in its decisions, it has been given little chance to do so because of the Government Offices' failure to deliver it in an intelligible format.

In the Government Office the institutional responsibility for public management reforms has shifted around. During the 1980ies the Ministry for Public Administration (now defunct) was the driving force. A remnant part of that ministry, responsible for public reform in general, has had an itinerant life. For a while it was located in the Ministry of Finance; then it was moved to Ministry of Justice. At the end of the 1990ies, the VESTA project based in the Budget Department took the lead and, in close collaboration with ESV, drove the process – for a while but not without opposition.

The ambition of VESTA's was to extend the performance management chain all the way to the Riksdag and to tie up a number of loose ends left by the piecemeal reform process. Some of the proposed reforms are moving ahead – true to the piecemeal tradition – while others are deferred, mostly for fear⁷ of losing control of cash.

Changes in the management framework have always been backed up by training. ESV offer courses directed at the agencies and the Government Offices have internal training units responsible for offering the needed training. When accrual accounting was introduced, agencies sometimes had to recruit new blood from the private sector but that demand was easily met.

Incentives

⁷ Unfounded in this author's opinion.

The attractiveness of performance management to agencies is the greater authority accorded them. No special, direct financial incentives have been linked to the reforms as such, but the greater freedom to set wage levels has had the effect of narrowing/eliminating the wage gap between the public and the private sector.

The incentives to the staff of the Government Offices are less clear cut. One possible benefit could be work satisfaction. Rather than simply applying norms and rules defined by others, all officials need to get involved in the substance which is more intellectually stimulating. In the short term, a common, very human and difficult-to-avoid reaction to any change – one certainly seen in during the long course of reforms in Sweden – is that it will increase the work load. The consequences of that type of resistance very much has depended on the leadership exercised by the ministers and by the other high officials of the Government Offices. When taking a clear stance, the political leadership of the organization has been able count on the solidarity of the organization; when not, things can quickly get bogged down.

E. Results

Most observers would probably agree that the Swedish version of public performance management has led to greater efficiency and to a greater responsiveness to its citizen-clients.⁸ To statistically prove it is, however, next to impossible for want of any counterfactual information. The fact that the reforms have been carried out over such a long period also makes it very difficult to attribute efficiency improvements to particular components of the reform. Attempts at calculating cost effectiveness at a disaggregate level have, unfortunately, been abandoned. The global estimate in the national accounts is that productivity in the public sector is growing by, on an average, 1 percent a year.

It is less clear whether the reforms have led to greater effectiveness. It has proven difficult to develop mechanisms for systematically reassessing what the government is doing and for reprioritizing when society changes. The latter failure is, however, not, in this author's opinion, the result of a failure of the basic conceptual framework. It is not a design flaw.

It is rather a political failure; a failure to recognize that a more systematic use of information on outputs and outcome on costs and effects, an unbiased search for alternatives and readiness to accept failures can be turned into good and vote-winning politics.

F. Outstanding issues

The Swedish public sector has come a long way on its way from public administration to public management. Nobody would, however, claim that the present model is the final, definite one. There are a number obvious outstanding issues and history will not stop even if and when the latter are resolved.

Performance budgeting

Most of the reforms, so far, have concerned the internal operation of agencies and the relationship between the Government and the agencies. The relationship between parliament

⁸ This does not mean that all agencies are efficient. Greater authority does not automatically lead to good leadership and other factors, such as shortsighted unions more concerned with the immediate well-being of its members than with the services they are to provide to the public, may constrain the choices open to management.

and the Government in many ways is a vestige pre-performance management days.

The Budget

The Central Government budget is still based on different principles and is presented in a format and with a coverage which is different from that of the accounts. A process is, however, on its way to change that. A shadow budget compatible with the accounts will be presented in next year's budget bill and eventually the old type budget will be phased out.

The budget constraints

The budget constraints are also presently based on other principles than those of the accounts and can thus not be followed directly in the normal accounts. A partial reform is underway but will not fully solve the problem.

Programmatic structure

A three-tier programmatic structure has been elaborated and will be used for performance follow-up. The budget is, however, still organized in expenditure areas and appropriations. This duality forecloses one of the fundamental objectives of performance management,; the possibility of contrasting costs and results. Besides it is untenable for practical reasons and single structure will have to be agreed upon.

Improved objectives and indicators

Arriving at clear objectives and good results indicators has proven one of the Achilles heels of the Swedish performance management model; and the difficulties experienced have been used as arguments against the approach in general.

Of course it should be acknowledged that in many areas, particularly for broad policy areas, it is genuinely difficult to define good and clear objectives. Furthermore there may, very well be more than one objective for an area. It should also be recognized that indicators can be dangerous if not handled with care. There is always a risk of agencies focusing on what is measurable rather than on the broader result.

Many of the difficulties and much of the confusion surrounding objectives and indicators, however, stem from a lack of coherent and commonly agreed conceptual framework. The lack of a design yardstick has led to a proliferation of indicators without much logical consistency and even less permanence. A deepening of performance management and budgeting in Sweden will require much more time and effort to be spent in this area without losing sight of the fact that objectives and indicators are only the starting point for the important part – the analysis.

Analytical capacity in the Government Offices

Like tango, performance management requires two partners – equal, but one leads and one follows. In the performance management dance, the Government Offices have proven to be the weak partner, to the point that the agencies complain about it.⁹ They enjoy the authority they have been given, but at the same time want guidance and a

⁹ ESV at the end of the nineties carried out an extensive survey to find out how the agencies looked upon performance management and this was one of the conclusions.

strong partner to dialogue with. This they often feel they have not. They produce a lot of information on their activities and on their results but often feel that they do not get any response.

The reason is often a lack of analytical capacity at the Government Offices, in quantitative as well as in qualitative terms. One study suggested that if the Government Offices are to be able to serve as a strong owner vis-à-vis the agencies, it probably would need to grow by one third, much of it in the form a staff with a research profile.

Coordination

Performance management in Sweden has been based on a successively more definite programmatic structure with programs sometimes spanning ministries and agencies. At the same time agencies are the executive agents and need to be given guidance as such. The internal processes within the Government Offices have not really fully adapted to and developed the preparation and decision-making processes that are necessary to handle this matrix.

Agency coordination also leaves a lot to be desired.

Global priorities

The lack of analytical capacity within the GO and the still limited capacity in semi-attached think-tanks has hampered the much-emphasized need for reassessment and reprioritization. It could, possibly, be argued that a part of the problem is that politicians are not always too terribly keen on independent evaluations. In specific situations that may be true, but generally speaking it is not a tenable argument.

G. Lessons

- Delegation of authority is easy. It is more difficult to put in place the routines and mechanism that will ensure accountability and responsibility.
- Performance management is more challenging than rule definition and rule adherence. Officials must be willing and capable of taking on those challenges.
- Willingness to take on responsibility is as important as the willingness to relinquish immediate control.
- Other types of skills and other types of managers are needed; entrepreneurs vs. administrators.
- A programmatic approach increases the need for coordination between ministries and agencies.
- Performance management presumes professionalism. There is no room for cronyism and patronage. Promotion should be made on the basis of ability rather than seniority.
- Performance management implies a change of management culture – from hierarchical to participatory.
- Mobility within the public sector and between the private and the public sector can facilitate change.
- Strong owners are needed to balance empowered agencies.
- Good analytical capacity in the ministries is essential.
- Tools important are important: modern accounting, customer relations measures, etc..
- Clear objectives and results indicators are important but surprisingly difficult to arrive at and easily become a stumbling block.

- Mechanisms for reassessing and reprioritizing are essential but do not necessarily have to be part of the normal budget process.
- Other instruments have a complementary role to play: performance audit, independent evaluations, academic research etc..
- It is desirable that reforms are carried out within consistent framework but it is not always possible.
- Strong political leadership makes the implementation of the reforms much easier but it is not impossible without it; it just takes longer.