

**The Ministry of Finance**

**January 2002**

*Financial Management Department  
Budget Department*

**Performance Management in Iceland**  
*Challenges and solutions in Performance Management in the  
Public Sector*

**Country Report  
- Iceland -**

## Contents

Contents.....	2
Background on the Public Sector .....	3
1. Historical outline .....	3
2. Tools and Institutional Setting.....	4
3. Reporting to Parliament.....	6
4. Whole-of-Government Perspective .....	6
5. Accountability .....	6
6. Performance Management and Other Management Tools .....	7
7. Performance Management, Evaluation and Audit .....	8
8. Response to Citizens' Needs .....	8
9. Performance Management, Budgeting and E-government.....	9
10. Lessons Learned .....	10
11. Directorate of Customs.....	12
Context .....	12
Approach to Performance Management .....	13
Implementation.....	13
Reporting.....	13
Relation to Overall Policies - Identifying Reality Gaps .....	14
E-government and Performance Management and Budgeting .....	14
Co-operation with Other Organisations.....	14
Strategy for Development (Balanced Scorecard) .....	14
Framework for Responding to Citizens' Needs.....	15
Lessons Learned .....	15
Other.....	15

## **Background on the Public Sector**

Iceland has two administrative levels of government, local government and central government. In this report the focus is on management resources of the central government. In Iceland there are 14 ministries and around 250 executive agencies in central government, i.e. nearly one agency for every 1.000 inhabitants (the Icelandic population is around 280.000). Many of the agencies are small and around 45% of executive agencies have less than 20 employees. Around 11% of the total work force are employed in central government, but if including the whole of the public sector the figure is about 20%.

The size of the public sector in Iceland, measured by the share of taxes in GDP, has been rising slowly to around 35% in 1999. Relative to the OECD, Iceland is below the average by around 2%, and compared with other Nordic countries, the public sector in Iceland is relatively small.

### **1. Historical outline**

Since 1991 various initiatives have been taken to improve management within the public sector. A process called "Restructuring the Public Sector" started in 1991. The priorities were to modernise the government sector, encourage the public administration to learn from new management techniques in the private sector where appropriate, and also increase emphasis on policy making and annual planning. The frame method for the budget, also introduced in 1991, has strengthened this process and increased the responsibility of each ministry over its agencies. In 1991, the so-called "carry over" initiative was introduced, whereby an agency exceeding its yearly budget has to carry the deficit over to the next budget year; the same applies if there is a surplus. This method has now been used for 10 years, and has been beneficial in creating responsibility in agencies finances.

In 1995, the government started to experiment with contract management in five organisations. Contract management had two main principles: the delegation of responsibility to agencies and objective long-term planning. At the same time, activity indicators with measurements on the activity of agencies were first published with the fiscal budget bill and have been published every year since.

In 1996, the Civil Service Act was reformed to give agencies increased responsibility for human resources management and states more clearly the role and responsibility of agency managers.

In 1996, the Government of Iceland decided to implement performance management in central government agencies. Performance management, which began in 1997, involves framework contracts (called performance contracts) for agencies in which reporting procedures are channelled and the main aims and emphasis of the agencies are put forth. On the bases of the contract, the agency has to provide a long-term plan (3-5 years), annual plan and an annual report. The ministry has an obligation to review this output and accept it. About 50% of government agencies are now covered by these framework performance agreements.

In addition to the performance contract, each minister provides each agency manager with a letter of official duty regulations that is reviewed every 5 years.

In 2001, a regulation on the execution of the budget (116/2001) was issued with clear reference to the performance management process.

And finally, in 2001 a pilot project on the Balanced Scorecard in the public sector was launched and the Directorate of Customs has already started the implementation procedure.

The process described above has from the beginning been aimed at improved policy making, planning and target setting in the public sector. Over time this emphasis has also made agencies more conscious of using these methods as an instrument for governing within an agency. The process should enable the executives in each organisation to run the agency better, but still the main emphasis is on better planning and better budgeting.

## 2. Tools and Institutional Setting

The performance management initiative in Iceland focuses primarily on efficient policymaking, planning and management rather than on financial obligation of the agencies. It is also aimed to strengthen and define the mutual responsibilities of ministries and agencies.

The Ministry of Finance has been the driving force behind the development and implementation of performance management, working on the basis of a government resolution from 1996. Also in 1996 the Ministry of Finance published a report on the implementation of performance management. The report contains suggestions on how performance management should be implemented. This report is still valid and its guidelines form the basis of the performance contracts that ministries have made with their agencies. The Ministry of Finance has held seminars, published brochures and worked as a general consultant to other ministries and agencies in this matter. A performance management committee co-ordinates the implementation. A representative from each ministry has a seat on the committee and the Ministry of Finance chairs it.

The government resolution from 1996 focuses first and foremost on three factors:

1. To simplify the planning of projects in the long run and strengthen the management of agencies and ministries
2. To define mutual obligations of ministries and agencies
3. To increase the scope and independence of agencies to deal with changing situations

**Figure 1. The performance management process in Iceland**

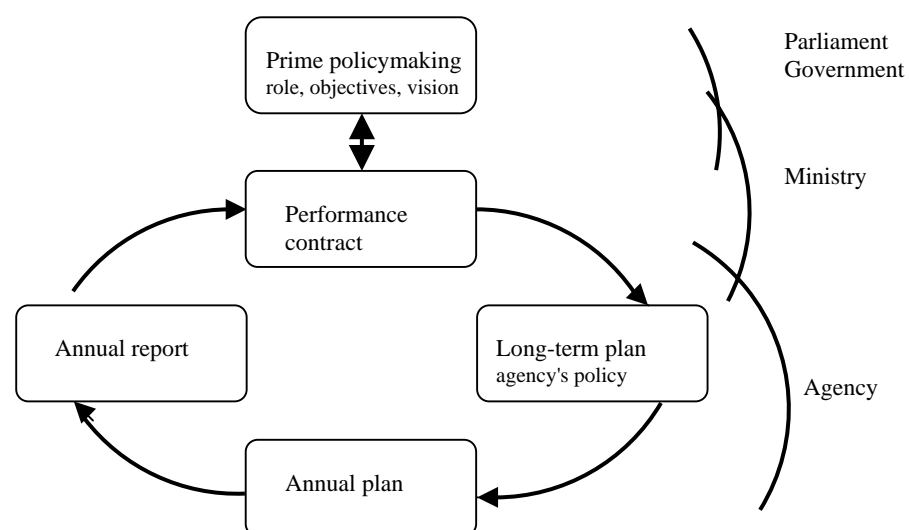


Figure 1 illustrates the performance management cycle. Each step is discussed further below.

*Prime policymaking:* Parliament and Government define the services that the state is to fund and render. The basis for the definitions is found in laws, parliamentary resolutions and government resolutions. Because performance management depends on clear objectives it is very important that the will of the supreme authority is clear.

*Performance contract:* The contracts in general have two main objectives. Firstly, stating the policy and tasks of the agency, and secondly providing a regulatory framework for formal communication between the agency and the ministry.

The contract indicates the role of the agency according to law and which main objective it is supposed to achieve. In the process leading up to a performance contract the agency lists its activities and the services it renders, and the ministries' input focuses mainly on what it sees as the agency's main emphasis and define what it expects from it. In light of these expectations the ministry should give the agency scope to perform its functions. The work is carried out by dynamic communications between the agency and the ministries until both agree on substance.

The contract is valid for 3-5 years and can be terminated unilaterally by both the ministry and the agency. However, according to Icelandic laws, the ministry has full legal responsibility for the agency.

The regulatory framework includes:

- ⇒ Long-term policy making and planning (3-5 years)
- ⇒ Submitting an Annual Plan in accordance with the budget
- ⇒ Submitting an Annual Report focusing on the agency results over the year

Each ministry and agency manager has to validate the contract with a signature

*Long-term plan:* On the basis of the contract, the agency provides a plan for 3-5 years stating its undertaking and operations. The plan must define the agency's policy, prioritise projects and demonstrate how the agency plans to heed its undertaking and achieve its principal aims according to law and the performance contract. The long-term plan is based on a policy formulation conducted within the agency and includes both an evaluation of its position and a description of how it plans to reach the main stepping-stones on its way to achieving the principal aims. It is important in this regard that the ministry and agencies agree on priorities, aims and criteria. The ministry confirms the final long-term plan and the whole process should encourage mutual understanding between the parties involved.

*Annual plan:* Each agency is to produce an annual plan which is an implementation of the long-term plan and shall be in line with the agency's budget according to the fiscal budget. In this plan the agency lists which subjects it will emphasise, which objectives it tends to achieve during the year and what measures it will take to improve its operation and services provided. In the annual plan agencies also list which criteria will be used to evaluate the performance in that year. The agency's ministry is expected to approve the part of the annual plan which covers objectives, and to confirm that it is in harmony with the budget.

*Annual report:* Each agency is to compare its annual plan with the realisation of the plan and produce an annual report informing its ministry of the agency's performance. The report starts with the agency's short description of the main activities during the

year. The main section of this short report focuses on how the agency achieved the goals approved by the ministry in the annual plan, interprets the measures and explains deviations. Finally, the profit and loss account, financial statement and cash flow statement should be included at the end.

Each ministry has had some scope to implement performance management with its agencies at its own pace. The strategy to date has been to do this gradually, and agencies and ministries have not been pressured to act. This has now changed as the first directive with direct reference to performance management was issued in 2001, which states clearly that agencies should conduct their work along the guidelines put forth by the performance management initiative. Furthermore, a manual on the execution of the budget published in December 2001 also emphasises the importance of performance management to strengthen the budgeting procedure and hence the restructuring of the public sector.

### **3. Reporting to Parliament**

Performance management information is not systematically delivered to Parliament; it is delivered on an ad hoc basis.

The Ministry of Finance publishes activity indicators providing both Parliament and the public with some insight into the function of government agencies. The presentation of this information has not changed much since 1995 and they have mostly focused on input-output but not on outcome. Ministries and agencies have been encouraged to review indicators to co-ordinate them with the performance goals put forth in their plans and information in the annual reports.

In short, performance management is at present seen mainly as a tool used by the executive to increase the quality of policy information, so the documents have not been specifically intended for Parliament. However, Parliament has been taking an interest in the matter, and Members of Parliament have made some enquiries into performance management in government agencies.

### **4. Whole-of-Government Perspective**

Performance management in Iceland has focused on each central government agency but not on the whole of government. The focus has not been directed at specific policy sectors but individual ministries have made contracts with homogenous agencies. The Ministry of Education has, for example, completed performance contracts with all its higher secondary schools and the Ministry of Justice and Ecclesiastical Affairs has done the same with all Magistrates (the Commissioner of Police and Customs).

Some local governments have also been implementing performance management but most of them have not gone as far as the ministries.

### **5. Accountability**

Regulation 116/2001 about the execution of the budget and financial responsibilities of state agencies, states that agency managers are, with reference to the government resolution from 1996, responsible for providing and implementing a long-term plan, an annual plan and an annual report. The regulation also mentions that ministries issue a letter of official duty regulations to agency managers according to the 1996 Civil Service Act. Agency managers are appointed for five years.

The regulation gives ministries means of dealing with agencies that exceed their budget by more than 4%. If an agency exceeds this 4% threshold the ministry is obliged to call for explanations from the agency manager. The ministry also has to ensure that the agency takes some action to bring expenditure back in line with plans. If it is proven that an agency manager does not respond to this, he can be reprimanded. Finally if accounts, finances or expenditures are repeatedly in disorder, ministries could discharge the agency manager.

No structured rewards system is in use in Iceland in connection with the performance management. It is up to each agency how it rewards its employees but this is not prescribed in the performance contracts. This could be seen as a handicap and will be taken into serious reconsideration soon.

## **6. Performance Management and Other Management Tools**

Performance management initiatives do go hand in hand with other reforms.

The policy of the Icelandic Government has been to increase private participation in public services both through privatisation and with public private partnership (PPP). Since 1997 three major PPP projects of different size and structure have been finalised. These projects are a tunnel, a typical concession project that is financed with user tolls; the building and operation of a municipality technical school, a DBO project financed by the state; and the design, building and operation of a nursing home for elderly people. In general these projects have been successfully executed and proved to be a cost-effective method for delivering public service. The Government has announced its plan to encourage increased use of PPP projects in the future.

Reducing the centralised structure of the government management is another initiative that the Icelandic government has emphasised in direct connection with performance management. As described above, the government has brought greater initiative to its agencies by giving managers more flexibility to perform their tasks, for example in matters of human resources management, as they best see fit to attain given, predefined goals. This has to do for example with flexibility of the work force, pay scales, promotions, and encouragement for employee improvement and retraining. These efforts prompted the government to reform the Civil Service Act in 1996. In this regard a clear line of responsibility for managers has been drawn at the same time as they are being freed from some restraints which could hinder performance. The tendency in the past was to monitor these functions of government agencies from the ministry and perhaps thereby restrain agency managers.

In the last years, many operational administrative functions have also been shifted out of the ministries themselves into agencies, allowing ministries to concentrate on policy-making tasks. This process of decentralisation has given managers increased freedom to manage on their own, and at the same time they are invested with the responsibility of meeting specified management goals and report results to their superiors.

There has also been an effort to strengthen local governments by transferring central government functions to them. The largest example of this is the transfer of state schools along with tax resources to finance them, from the executive to the local

governments. It is anticipated with this transfer, that closer local control together with active involvement of parents in school administrations will help improve the schools and make them more responsive to educational needs.

It is also to be noted here that since the passing of The Government Financial Reporting Act in 1997, both the budget and accounts are presented on modified accrual basis. However cash-flow statements are also presented. This is to take account of private sector financial reporting practices where practicable. This is especially valuable for judging the relative performance of agencies.

All these initiatives along with performance management aim for the same goal, to restructure and improve the management of public sector and follow the tendency of the private sector to introduce more diverse methods of administration. Open government and transparency have been the key terms in this endeavour.

### **7. Performance Management, Evaluation and Audit**

As most of the performance contracts were made in 1998 - 2000, a formal procedure for evaluation or audit has not been introduced. Some trial period is needed for comparison to evaluate the process and find out whether it has made any difference.

The National Audit Office has however according to its law permission to audit performance indicators put forth in agencies plans and reports. The NAO has therefore recently been taking more interest in the performance management process and has used performance information, usually from agencies annual reports, in its audits. This will without doubt increase as agencies start producing better performance targets and better performance evaluations in their annual plans and annual reports. The NAO, in its 2001 audit report on the budget procedure, criticised the substance of activity indicators and called for more information on performance measuring.

In December 2001, the Ministry of Finance carried out a survey of performance management. All agency managers were asked to evaluate the performance management procedure so far. (Section 10)

### **8. Response to Citizens' Needs**

The central government passed the Administrative Procedure Act in 1993, stating the rights of citizens towards the government and the basic responsibilities of the government in serving citizens. According to the Act, the government has to give detailed reasons for its actions and the Act describes the procedure for citizens to voice their protest if they believe the government has violated them. This Act along with the Information Act passed in 1996, listing the rights of citizens to demand information about individual issues concerning the government, constitute an important step in providing citizens with leverage and rights in dealing with their government.

The response to citizens' needs (feedback) is dealt with in various ways, depending on the agency involved. Some agencies use customer satisfaction surveys and employees satisfaction surveys and have used them in their policy work. There are no formal obligations other than stated in laws and regulations on how agencies respond to



citizens' needs, but in a modern information society an agency that overlooks this important aspect will soon be criticised.

The Directorate of Customs is an agency that the public did not look favourably on. However the agency has worked systematically towards the goal to improve its standing in the community with some success. Agencies are encouraged to address, in their policymaking and reports, the issues for innovation and organisational learning. This will crystallise further in the new effort to introduce the Balanced Scorecard in the public sector (this will be described further in Section 11).

## **9. Performance Management, Budgeting and E-government**

In October 1996 the Government of Iceland published a paper titled "The Government of Iceland's Vision for the Information Society". It presents the Government's strategy for information society issues. The vision had one chief objective: "Iceland shall be in the forefront of the world's nations in the utilisation of information technology in the service of improved human existence and increased prosperity". To follow this chief objective, five main objectives were set out as foundations for the vision.

Following the publication of the strategy a channel was designed for its implementation. In May 1997 the Government decided to establish a development project for the information society in Iceland. The project will last for five years, from September 1, 1997 to September 1, 2002. A steering group, The Information Society Taskforce, operating under the auspices of the Office of the Prime Minister, steers the Information Society Project. The main task of the Information Society Taskforce is to promote the implementation of the Government's strategy.

Government administration and public sector services have taken major steps towards joining the Information Society. Information systems have been set up which offer greater streamlining and facilitate routine work. Increased use of IT is steadily opening up the government administration and improving access to information and services. Examples include public access to laws, regulations, Supreme Court rulings and official reports

In recent years, a policy has been formulated regarding electronic communications between corporations and individuals on the one hand, and Icelandic government institutions and enterprises on the other. The Ministry of Finance has, in many ways, been at the forefront in this regard and initiated many projects that aim to simplify communications with and between government agencies by means of e-government. Not only does this project lead to better and more efficient communications, but can also encourage a more economical management of the public sector.

In recent years the single biggest example of e-government in Iceland has been the electronic tax-return of individuals and companies via the Internet. Around 63% of individual sent there tax-return electronically in 2001.

The Ministry of Finance also has an interactive fiscal budget web-site where agencies can deliver budget proposals to individual ministries.

Despite of these efforts, IT initiatives have not systematically been used in connection with the performance management system. Agencies have not yet put up special management information software for performance management. But that could change in the foreseeable future if for example the Balanced Scorecard project proves

successful. In that case it is likely that some information software that can subtract information from various computer systems will be used to facilitate access for managers and employees alike to monitor results.

## **10. Lessons Learned**

A formal appraisal of the project has not yet been carried out, but it has to be noted that Iceland is only four years into the performance management process.

However, the Ministry of Finance senses that agencies have improved their overall management and most of them have improved overall planning. The result varies between agencies and depends largely on the commitment of the ministry involved.

In December 2001 the Ministry of Finance conducted a survey of performance management in the public sector. All agency managers were sent a questionnaire and were asked to give their assessments of the process. The response rate was about 72% and around 56% of the managers that answered were with agencies that had signed performance contracts with their ministries. The overall response rate for agencies with performance contracts was 80%, i.e. 88 out of 110 agencies responded. A few of the results will be presented here.

Around 51% of agencies that do not have a performance agreement were interested in having one. When agency managers were asked to assess whether the implementation of performance management had positive or negative influence on the agency as a whole, 69% thought it had very positive or rather positive influence. No agency manager thought the influence was rather negative or very negative. Of the agencies in the survey that have performance contracts with their ministries, 43% thought that the ministries had done their share to honour the government resolution on performance management while 11% said they had not. When those same agencies were asked if the management procedure had changed substantially after the agreement was made around 31% thought that the changes had been very great or rather great.

The managers also had the opportunity to explain what had been most difficult in the process of implementing performance management and what had been easiest. If the most difficult aspects are examined some said that finding criteria for measuring was difficult. Some said that the ministry involved did not show interest in the policymaking of the agency and did not live up to its obligations according to the agreement. Others said there were difficulties in getting through to the employees. When asked what had been easiest, some said that measuring was easy, while others mentioned positive attitudes from the employees, the education procedure, defining policy and more.

Looking at the survey in general the performance management process got a rather positive review. Those who are already involved in the process agree with it largely, and those who are not show an interest in it as well. Of course a fairly new process such as this which constitutes a totally new way of thinking will take time and effort to develop and will not be an instant success. The role of the agency manager in that respect should not be underestimated. Sometimes it is not possible to bring about changes in an agency's management procedure until a new manager has taken office because of the current manager's reluctance towards change.

If we look at the process so far it can be concluded that some of the key lessons learned are following:

- ✓ Performance management, and the whole restructuring government process, constitutes a new way of thinking about how the state should operate.
- ✓ Commitment of ministries and agency managers is the key to successful implementation of performance management as well as other management initiatives.
- ✓ An active participation on behalf of ministries is necessary, both to get results and to keep the project alive in the long run but also in connection with the policymaking. It has been obvious where ministries do not heed their obligations in connection with the contracts, plans and reports that the agencies interests gradually diminishes.
- ✓ Some legal framework is necessary, like the regulation on the execution of the budget from 2001.
- ✓ Some options in connection with a reward system have to be looked into to keep the momentum of the reforms alive, both for agencies as a whole and within individual agencies. However it has to be clear that rewards should not constitute increased total spending for agencies, as the performance initiative is mostly an effort to keep agencies in line with their current budget.
- ✓ There has to be a clear process available to hold agencies managers accountable if recurrent problems occur in reference to a particular agency.

## 11. Directorate of Customs

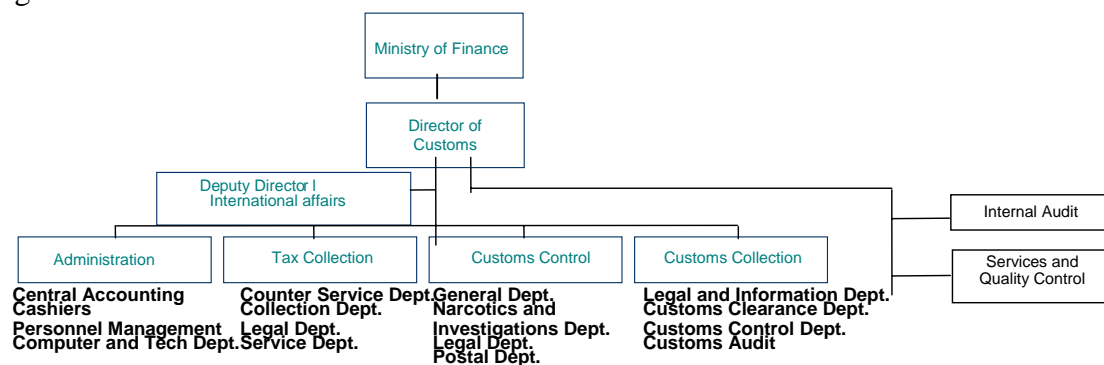
### Context

The Directorate of Customs (DOC) was established in 1929. From the beginning, the main service functions have remained the same. Firstly, to control import, transit and export, and secondly, the collection of duties, taxes and various state revenue. The DOC's main objectives are to strengthen control, hinder importation of illegal goods, ensure correct levy of import charges and improve collection results.

The administration of customs and internal revenue falls within the jurisdiction of the Minister of Finance, who is the head of customs affairs in the country. Iceland is divided into 27 customs districts, which are the same as the Administrative Districts of Magistrates (the Commissioner of Police and Customs). Magistrates serve as directors of customs in their district as well as commissioners of police. According to law the DOC is required to co-ordinate various work processes in the customs districts with regard to collection of duties, customs control and decision-making.

The DOC has approximately 200 full-time employees working in several departments (see chart below), with an annual budget of approximately 8.3 million U.S. Dollars.

Organisational chart:



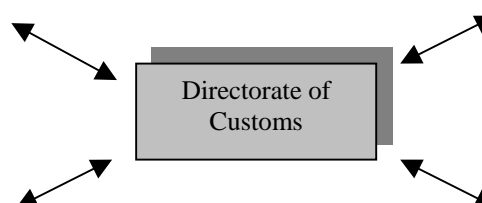
The working relationship with the main interest groups can be categorised and illustrated as follows.

### Customers

- Passengers
- Importers
- Exporters
- Excise duty payers

### International cooperation

- EuroCustoms
- WCO
- NTR
- OECD/WP8



### Partners

- Shipping companies
- Police
- Port authorities
- Municipalities

### State administration

- Ministry of Finance
- Tax administration

## **Approach to Performance Management**

DOC's approach to performance management can be described as top-down. The mission, strategic plan, overall goals and guiding principles are set at the top. Individual departments within the DOC are responsible for developing annual plans, based on the DOC's strategic plan and overall goals. They are also responsible for describing department functions, budgets, performance goals/targets, key performance indicators and providing information on performance evaluation strategies and trends in past performance results. There are no individual bonuses or financial rewards for managers. However, if the agency stays within the budget, surpluses are moved to the next year. Similarly, if budget deficits occur, the budget will be deducted the following year amounting to the deficit. With the DOC's new Balanced Scorecard, system rewards for departmental and individual performance will be considered.

## **Implementation**

The main reasons for the implementation of the DOC's performance management system were: (1) Organisational changes, and (2) initiative from the Ministry of Finance.

The year 1998 was a major turning point in the history of the DOC. A new Director of Customs was hired and, at the same time, the DOC started the collection of municipality income taxes for the city of Reykjavík. In addition, the Ministry of Finance signed an agreement with the DOC to supervise and oversee tax collections in all of the country's customs districts. Finally, a special drug and narcotic department was established within the DOC.

In July of 1999, the DOC signed a performance management contract with the Ministry of Finance. The contract describes the working relationship between the Ministry and the agency, and the DOC's mission, service functions/tasks and objectives.

According to the contract, the DOC is required to develop strategic plans, annual plans, annual reports, and a five-year-plan, which is to be reviewed every year.

In general, the implementation of performance management at the DOC has been successful. All department directors have been enthusiastic about the reforms. However, there have been some challenges regarding buy-in from some middle managers and a few staff members. With the implementation of a Balanced Scorecard methodology, the agency wants to make its mission, strategies and goals more visible to all employees and at the same time facilitate managerial accountability and organisational communication.

## **Reporting**

An annual plan is submitted to the Ministry of Finance for approval in the beginning of every year. The DOC is also required to send the Ministry of Finance an annual performance report. In the report, the agency describes both financial and non-financial measures according to targets and actual results. In addition, activity indicators are collected and submitted to the ministry annually in order to compare the agency workload and performance between years. Internal reporting occurs every other month when the top management team meets to review strategic issues and key figures.

### **Relation to Overall Policies - Identifying Reality Gaps**

Reforms were initiated both within the DOC and the Ministry of Finance, which provided the central guidelines.

The new Director of Customs has been the driving force behind the performance management initiative. The central guidelines provided by the Ministry are quite flexible. In fact, one of the Ministry's main objectives is to use the DOC's implementation as a pilot project for learning. We are to focus on best practices around the world, and, of course, on our own successes and failures during the implementation phase. Other objectives are to change the way public agencies think of the relationship between inputs, processes and outputs. The issue is to maximise efficiency and effectiveness. Major challenges are related to identifying the best performance indicators, the ones that can best evaluate our outputs and outcomes.

### **E-government and Performance Management and Budgeting**

The DOC budget and accounting system provides up to date information on expenditures measured against budget estimate. In addition, the data-warehousing system allows the DOC to extract import and export figures. Despite this, the DOC is lacking sufficient management control system to fully support its effort in integrating performance management and the budgeting process. By implementing a management control system such as the Balanced Scorecard, the DOC plans the integration of the systems to occur.

### **Co-operation with Other Organisations**

It is our view at the DOC that the overall planning process and co-ordination between governmental agencies such as the DOC and the Directorate of Internal Revenue can be improved. For example, the DOC and the Directorate of Internal Revenue are in some regards working towards the same goals, which are to assess and collect taxes. The tax directors perform assessments of taxes on individuals and companies and the DOC and custom directors in districts are the tax collectors. Thus, it is important to better synchronise performance goals and work processes with regards to assessment and collection. For instance, a taxpayer may appeal to the Directorate of Internal Revenue claiming that the assessment of his taxes is wrong. This appealing procedure and its outcome can cause problems for the DOC and the taxpayers and greatly impact collection performance.

### **Strategy for Development (Balanced Scorecard)**

The DOC is now in the process of implementing the Balanced Scorecard. It received a special implementation grant from the Ministry of Finance, as it is the first governmental agency in Iceland to systematically develop and implement a Balanced Scorecard system. The Ministry of Finance plans to learn from this experience and use it as a pilot/benchmark for other agencies. It is assumed that the initial implementation phase will last approximately two years. A project manager has been hired to work with the DOC's quality director to supervise the work. A special steering committee has been formed and participants are: The Director of Customs, a representative from the Ministry of Finance, department directors, the quality director and the project manager, who is responsible for the implementation phase. The main steps during project implementation are: (1) Conduct an organisational assessment, (2) define strategic themes, (3) develop objectives, (4) strategic mapping, (5) develop

and define performance measures, (6) develop initiatives, (6) Balanced Scorecard implementation, and (7) communicating results.

### **Framework for Responding to Citizens' Needs**

In order to achieve efficiency and to respond effectively to citizens needs, some major improvements have occurred at the DOC in recent years. Examples of improvement projects are: Installation of a call-centre to increase customer service, restructuring of the front desk operation and re-design of work processes for front line staff. The DOC has developed and installed an electronic data interchange (EDI) system with its customers in imports and exports and with transportation firms for goods registration. One of the latest improvements is the possibility for the customers to submit declarations over the Internet using digital signatures. Over 95% of declarations from firms in international trade were submitted and answered electronically in 2001.

In addition, the DOC's homepage has gone through some major improvements. Customers can now access services and retrieve various informations over the Internet such as customs law, regulations, tariffs, handbooks and guidelines. In the future, the DOC plans to take further advantage of the latest in technology and the Internet to continuously improve work practices and services.

### **Lessons Learned**

The experience with implementing performance management has been good. To sum up, it has strengthened management and helped to improve planning and evaluation processes. Some of the key lessons learned so far include the following:

- Major reforms take time and effort thus, it is important to show patience
- It is necessary to learn from the experience of others and use benchmark techniques
- The leader and key players have to make absolute commitment to reforms
- Leaders must facilitate communication
- The DOC needs to focus on team improvement, not individual control
- We must empower process owners to make improvements

### **Other**

Unforeseeable events can cause extra workload and thus impact performance goals and budgets in organisations. For instance, when the foot and mouth disease came up in Britain, the Department of Agriculture in Iceland decided to restrict import and use all methods to avoid that the disease could get into the country. In the DOC's planning and budget nothing indicated the additional workload that the agency had to fulfil to protect the country from the disease. The DOC had to shift priorities because of decisions made in the department of agriculture. Because of this, the DOC was not achieving as good performance in other areas as was expected according to performance goal setting and the goals had to be reviewed.