

**PERFORMANCE MEASUREMENT AND  
PERFORMANCE INFORMATION IN NEW  
DEMOCRACIES: A STUDY OF THE  
ESTONIAN CENTRAL GOVERNMENT**

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**Abstract**

This article explores the introduction of performance measurement tools in new democracies by presenting a qualitative study based on Estonian governmental documents and performance audits. A set of specific factors help to explain difficulties in introducing performance measurement tools in immature policy environments: instability, poor strategic planning and policy analysis, an implementation gap, uncritical and uninformed transfer of Western performance management initiatives. Although the authors recognize the limits of generalizations based on the Estonian example, the presence of such ‘transitional’ factors is likely to make the development of performance measurement in new democracies even more complicated than in the West.

**Key words**

Performance measurement, performance information, new democracies, Estonia, Central and Eastern Europe

**INTRODUCTION**

Since the 1980s, the public sector worldwide has been under constant pressure to improve its performance in pursuit of more efficiency and effectiveness, and in order to revive the citizens’ trust in public institutions. Although performance measurement is as old as public administration itself and played a central role in many other models (Pollitt and Bouckaert 2004: 90), no other public sector reform movement has promoted the use of performance information on a scale comparable to that advocated by ‘New Public Management’ (NPM) reforms (Van Dooren 2008). Using private sector management instruments in the public sector as well as the fostering of ‘performance culture’ or ‘performance orientedness’ has led to an increase in the use of various performance management tools (Van Dooren et al. 2010). In the literature, the terms ‘performance management’ and ‘performance measurement’ are used interchangeably with

confusing definitions. This article is based on the definition of performance management as a type of management in which information in relation to performance is used for decision-making (Van Dooren et al. 2010, p. 30), whereas performance information is generated and utilized through performance measurement routines (Radnor 2008, 95). We focus on both the supply and the demand sides of performance measurement (Askim 2007, Askim 2009) by studying why and how government makes performance information available and how this information is actually used in the decision-making.

A number of studies (e.g. Goetz 2001; Verheijen 2003; Dunn et al. 2006; World Bank 2006; Bouckaert et al. 2008; SIGMA 2009; Zubek and Goetz 2010; Meyer-Sahling and Yesilkagit 2011; Randma-Liiv et al. 2011) have already considered various aspects of public management reforms in Central and Eastern European (CEE) countries. Yet, the performance management – and more particularly, performance measurement – component of these reform attempts has not received sufficient academic attention so far. The few studies (e.g. Schick 1998; Condrey et al. 2001; Randma-Liiv 2005; World Bank 2006; Tonnisson and Wilson 2007; Verheijen and Dobrolyubova 2007; Nakrošis 2008; Nemeč et al. 2008; Raudla 2011) that focus on the introduction of particular performance based management tools are rather descriptive and have ended up with contradictory conclusions. Furthermore, not much attention has been paid to the actual implementation or use of performance information. The article at hand proposes to make up for that deficit.

The aim of this article is not only to describe the introduction of various performance measurement tools in a post-communist country but also to explain how the transitional context influences the adoption of performance measurement instruments and the use of performance information in new democracies. Through exploring the introduction of performance management tools in Estonia, it will be demonstrated that although problems common in performance measurement in Western countries are also present in the Estonian context, they are compounded by specific contextual factors encountered in post-communist administrations: instability, poor strategic planning and policy analysis, the implementation gap and foreign influence.

The study is based on qualitative exploratory research leading to the elaboration of explanatory variables that contribute to further understanding of performance measurement in new democracies. The theoretical foundation is based on a synthesis of existing literature of performance measurement and of post-communist transition. Taking into account very recent trends in

the research of performance management (see Andrews et al. 2006; Askim 2009; Van Dooren et al. 2010, for example), the study focuses on the purposes of performance measurement, the choice of performance indicators, and the practice of performance information use.

Empirical evidence is drawn from the analysis of various governmental documents, the findings of the *Riigikontroll* (National Audit Office of Estonia, the NAO) of Estonia and from personal observations. For more than a decade, the authors of the study have closely followed performance measurement reforms from an academic as well as a practical perspective (the latter through their work for the NAO (as performance audit manager and expert, respectively). The NAO started to carry out performance audits in accordance with international auditing standards in the late 1990s. This study is based on the analysis of 40 performance audits. The World Bank (2005) classification of performance management tools is used for the general framework.

The study has a potential for policy learning. Some of our findings may apply to other CEE countries because of the similarity of post-communist contexts. Although Estonia has been claimed to be “one of the CEE countries closest to NPM models” (Drechsler 2004: 391), most post-communist countries have also introduced performance management tools during the last two decades (Bouckaert et al. 2008). Yet, the generalization of Estonian experience should be done with caution because of different historical, political and cultural environments within CEE. It could, however, be argued that the presence of proposed ‘transitional’ factors is likely to make the development of performance measurement in new democracies even more complicated than in the West.

## **PERFORMANCE: A CONTROVERSIAL CONCEPT**

Alongside the rise of NPM reforms, performance measurement has become more extensive, intensive and external during the last few decades (Pollitt and Bouckaert 2004). However, public administration scholars tend to approach performance measurement in the public sector as a conceptual problem (Van de Walle 2009). Efforts to measure government ineluctably meet with the essential problem of defining public sector aims (Van de Walle 2009). Ironically, performance management does not always lead to better performance and may even result in pervasive effects (see Pollitt and Bouckaert 2004; Andrews et al. 2006; Andersen 2008 for example), as performance measurement systems struggle to find a gaming-proof design (Bevan and Hood 2006; Radnor 2008), and there is little evidence on the actual use of performance

information (Pollitt 2006).

To explain this conceptual controversy, recent scientific literature often goes back to the roots of the issue by analyzing the aims of performance measurement in the public sector and the actual use of the information, also called 'demand side' of the performance management (Askim 2007). This section provides a brief overview of the state-of-the-art research on performance measurement and performance information use by asking the questions 'why?', 'how?' and 'what for?' The following analysis of the Estonian experience in introducing performance management tools is based on this framework.

### **Why measure performance?**

Performance measurement has an internal and an external function, which are termed, respectively, the managerial and the democratic aspect of performance information, depending on who is regarded as the 'end user' of that information (Pollitt 2006). In many cases, however, the line between the two is vague. Most performance measurement literature deals with the managerial aspects of performance information – with the aim to inform specific decisions, to create benchmarks, to determine budget allocations, to improve communication and feedback, to serve as input for motivation systems, career development and the promotion of individuals. Management decisions are justified in the context of performance because legal or internal standards are not sufficient to guide public sector operations (Behn 2003).

The external use of performance information is aimed at informing the public (the legislature, other politicians, constituencies, taxpayers and service users) about the performance of public institutions. Publication of performance information is expected to help achieve accountability and control, and to enhance democratic legitimacy and transparency in the public sector (Talbot 2007). In addition, performance measurement possesses an important symbolic function because of the importance of performance management as a public relations asset (Pollitt and Bouckaert 2004: 6). For the public and its representatives, performance measurement symbolizes the fact that public managers care about the performance of their staff, which contributes to improving the image and buttressing the legitimacy of the public sector.

The concept of performance measurement looks intuitively so appealing to policy makers that it seems almost ridiculous to question. However, performance measurement in the public sector has received severe academic critique and raised a number of practical issues (e.g. Halachmi 1993; Pollitt and Bouckaert 2004; Bevan and Hood 2006; Talbot 2007; Andersen 2008; Radnor

2008; Van Dooren 2008; Van de Walle 2009). These analyses are useful in understanding the problems that result from inaccurate assumptions and implementation difficulties (e.g. over-quantification, over-simplification, emphasizing short-term goals over broader ones, bureaucracy reinforcement and high transaction costs, problems of attribution and causality, organizational gaming, etc.). Contrary to the belief that performance measurement can help to make better and more rational decisions, the aforementioned problems may eventually lead to a drop in the quality of the public service concerned or even to a decrease in public sector efficiency in general.

### **How is performance measured?**

The development of performance indicators is the foundation of any performance measurement system. Several authors (e.g. Bevan and Hood 2006; Talbot 2007) have drawn attention to the problem of the great diversity and near intangibility of objectives and performance criteria in the public sector – the goals are often vague, difficult to follow and hard to evaluate quantitatively. Yet, performance measurement favors quantitative indicators that are easily measured and simple to check (Talbot 2007; Van Dooren 2008). Numerical targets have an air of objectivity and are thus more appealing to decision-makers than qualitative assessments.

The choice of performance indicators is shaped by social and political mechanisms. These include domestic political and institutional forces, and international exchange and diffusion of experience (Van Stolk and Wegrich 2008). Setting performance goals and indicators is a process that is intimately linked to specifying and implementing strategic political choices. The choice of indicators is thus dependent on political leadership and overall (strategic) planning considerations. Since strategy planning is also strategy formation (Mintzberg 1994: 24–25), planners exert a significant impact on how those goals and indicators are implemented. However, it is not only domestic actors and the corresponding political environment but also international institutions and trends that determine how and what is measured (Van Stolk and Wegrich 2008).

Because of the above-mentioned difficulties and dilemmas, performance information may sometimes prove incomprehensive or unobjective, shown to favor selective measurement, presentation and interpretation, thus serving the interests of the actors involved (Bevan and Hood 2006).

### **How is performance information used?**

If we want to study the successes and failures of performance movements, we have to study the use of performance information (Van Dooren 2008: 22). Recent public sector reforms have

contributed to collecting enormous amounts of performance information (Behn 2003; Pollitt 2006). The underlying assumption to the use of performance information for internal, management purposes is that performance information can be integrated into the decision-making process, leading to better-quality decisions and, ultimately, improved performance. However, existing findings suggest that the efforts invested in measuring performance considerably outstrip the eagerness shown in using the information gathered (e.g. Pollitt and Bouckaert 2004; Lægreid et al. 2006).

Evidence of active and systematic external use of performance information for democratic purposes is even more limited. Researchers tend to be skeptical about the use of performance information by politicians (Lægreid et al. 2006; Raudla 2011), although some (e.g. Askim 2007) have found positive evidence as well. It is rather rare that even the ministries of finance use performance information for action. In OECD countries only 4% of ministries of finance use performance measures to eliminate programs, 10% to cut expenditure and 11% to determine pay (OECD 2007).

Evaluating the impact of management reforms has not been a priority of politicians, because there is more popularity to be won by announcing new initiatives than by evaluating previous ones. No performance movement can depoliticize policy-making (Pollitt and Bouckaert 2004; Pollitt 2006). Politicians do not make decisions on considerations of economy, efficiency or effectiveness alone – to a great extent, they rely on their values and political views.

Evidence about citizens' interest in performance measurement is even more difficult to pin down. Some authors are positively disposed towards the concept of citizen-driven government performance (Holzer and Yang 2004), while others argue that there is no direct evidence of reforms that have been undertaken as a response to public opinion and point out that the vast majority of citizens are unlikely to benefit from detailed performance information (Pollitt and Bouckaert 2004; Pollitt 2006). If not used, performance information, no matter how valid and detailed, cannot fulfill its function of fostering goal setting, accountability, public sector transparency and legitimacy.

## **PERFORMANCE MEASUREMENT IN ESTONIA**

Estonia regained its independence in 1991 after the collapse of the Soviet Union. Thus, its democratization and institution building process started at the beginning of the 1990s, when the NPM movement in the West was at its peak. The NPM ideology sat well with countries that were abolishing their one-

sector economies and carrying out large-scale privatizations. The development of the Estonian public administration has been influenced by the consecutive neo-liberal governments and by the values and ideas of NPM, as NPM ideas have prevailed in various public administration reform concepts and strategies originating in the second half of the 1990s (see e.g. Drechsler 2004; Tõnnisson and Randma-Liiv 2008). Anti-statist views within Estonian society, partly influenced by the Soviet legacy (Drechsler 2004), and the elite's belief in the 'lean' state have paved the way to the development of a decentralized administrative system.

According to the Constitution (1992), the executive power in Estonia rests with the government, which exercises that power directly through ministries and government agencies. Executive government institutions include the ministries, the State Chancellery and county governments, as well as executive agencies and inspectorates with the authority to exercise executive power. A ministry is a superior body ranking above executive agencies, inspectorates, and other state agencies. Government agencies are accountable to the respective minister, who directs and coordinates their activities. Executive government institutions covered by the civil service employ around 20,000 employees altogether, whereas the workforce of the eleven Estonian ministries counted 2,448 employees in 2009. A typical ministry employs a staff of fewer than 200. Although ministries are small, they represent strong administrative actors that have considerable leverage over the issues belonging to their areas of governance (Sarapuu 2011). In addition, the EU accession process further cemented a decentralized setup and functioning of the Estonian public administration (see more in Sarapuu 2011). A high level of decentralization has been linked to a great interest in performance management tools as means of steering autonomous organizations.

The following analysis focuses on the development and implementation of performance measurement practices in Estonian central government since 1991. The Estonian government has experimented with most of the internationally known performance management tools (see Table 1). Some tools have already been abandoned by 2011, while others have been integrated into a set of central and regularly employed measures. The application of performance management tools has involved a few horizontal and even compulsory initiatives (e.g. the introduction of detailed action plans with performance targets, pay-for-performance). However, as Estonian public administration is decentralized to a large degree, it is difficult to make generalized assessments about the application of other performance management initiatives. Motives behind such exercises are highly dependent on individual and organizational factors, and tend to be haphazard rather than systematic. On the organizational level, the extent and way of

using performance information depends on the internal regulations of the organization, and the corresponding practices are highly diverse.

**Table 1. Overview of the application of key performance management tools in Estonia**

<b>Performance management tool</b> (World Bank 2005)	<b>Examples of application in Estonia</b>
Annual performance reports of ministries	Ministries are required to prepare detailed action plans with annual and four-year performance targets during the budgeting process, and to report on progress towards targets in their annual reports.
Performance measurement methodology	There is no integrated central performance measurement methodology; the Ministry of Finance only provides standard document forms with brief guidelines.
Performance budgeting methodology	Budgeting documents contain performance information. Expenditures are loosely and/or occasionally linked to output or outcome targets. In some cases, performance contracts for public funding are entered into (e.g. public universities are financed according to the number of graduates).
Macroeconomic indicators	These provide information about and projections for a series of key indicators: GDP, budget deficit, inflation, unemployment, exports, productivity, foreign direct investment, etc.
Societal indicators	Government performance measures include a wide range of targets connected to societal indicators such as poverty level, life expectancy, gender equality, societal integration, etc.
International assessments	Some international evaluations and rankings are integrated into domestic targets and reports: e.g. World Values Survey; Freedom House measures for Freedom in the World and Freedom of

	the Press; Doing Business rankings; Economic freedom indicators; Transparency International's corruption perceptions index.
Service quality measures	In most cases, the indicator measured is the accessibility of public services (length of waiting lists, percentage of population covered by the service, speed of the service).
Outcome/output measures	Performance targets are mostly output measures, usually expressed in units of work or product or completed projects. Several ministries have also attempted to measure outcomes (e.g. employment rate among young people who have completed a vocational education, delinquency rate, repeat imprisonment rate, fatality rate in traffic accidents, fatality rate in fire accidents, etc.).
Client surveys	Client surveys are carried out on the initiative of individual organizations; e.g. the Estonian Health Insurance Fund conducts annual client surveys among its insured, employees and contractors. A few other agencies, such as the Estonian Tax and Customs Board, have introduced client satisfaction indicators into their performance targets. In most cases, client surveys are not conducted on a regular basis, or their results are intended for internal use only.
Public opinion polls	Results of public opinion polls are included in the detailed strategic goals of the ministries (e.g. trustworthiness, commitment and competence of civil servants; trust in the government institutions).
Third party validation	Quality awards for public sector institutions and public services, international assessment rankings (see above).
Individual performance	A central pay-for-performance initiative was launched in 2001 that included setting individual

contracts/targets	performance targets. Organizational practices differ; individual performance contracts have been applied only in some rather rare cases.
Audit reports	External performance audits by the NAO, occasional performance audits by the ministries' internal audit departments.
Program evaluations	Program evaluations are carried out mostly for programs supported by EU funds. Evaluations for domestically funded programs are performed on a random basis.

### Why is performance measured?

Performance measurement in the Estonian central government is considered to help make better decisions, to lead to more economic, efficient and effective public administration, to result in improving the quality of public service provision, to make the public sector more transparent and to enhance its legitimacy (*Rahandusministeerium* 2008).

Estonian public administration has experienced different performance management tools (see overview in Table 1), but there are two remarkable cases in which performance initiatives were implemented throughout the central government – the introduction of pay-for-performance and the strategic planning reform. In 2001, the Ministry of Finance introduced a central pay-for-performance initiative. It was believed to help achieve better results at no extra cost, to increase public sector transparency and attractiveness, to improve public sector planning and to cut the red tape. Despite the absence of evidence of an improved performance, most of the funds set aside for pay-for-performance were paid out in 2002 – bonuses were even allocated for unfulfilled tasks or released before evaluation reports for the corresponding projects were drawn up. For example, the Ministry of Finance allocated pay-for-performance to 100% of its employees, and performance bonuses were paid to 80–90% of civil servants in the Ministry of Defense and in the Ministry of Highways and Communications (*Riigikontroll* 2002; Randma-Liiv 2005). The initiative required a considerable amount of additional paperwork from all government units. After this experiment, the centrally regulated pay-for-performance scheme was discontinued a few years later as it did not achieve its intended aims.

In 2005, the Estonian government reached an agreement

regarding the overhaul of its strategic planning system. The new system was founded on performance measurement and thus requires the setting of targets. Before 2005, planning decisions were made pursuant to a series of uncoordinated strategies, announced without legal or financial commitment and often inconsistent in their content. However, many analytical reports, international as well as domestic, still refer to deficiencies in strategic planning in Estonia (e.g. World Bank 2006; *Riigikontroll* 2008b; OECD 2011). Partly in response to these, the Ministry of Finance initiated a project to reform the strategic planning system in 2010. The main aim is to restructure the strategic planning, budgeting and reporting system. The current division of planning responsibilities, in which each ministry is accountable for its sphere of government, is expected to be replaced by a division into integrated performance areas, i.e. a system consisting of comprehensive fields of activities and responsibilities, each of which is likely to include input from several ministries, resembling a program budgeting model. Amongst other aims, this initiative is intended to improve performance measurement and reporting in central government (PRAXIS 2010). At the time that the current study was conducted, the design of the new system was still in process.

There is wide recognition in Estonia's public institutions of the need to use performance information for public sector legitimization purposes, and for improving the overall image of the public sector. In 2010, only slightly more than half (56%) of poll respondents thought public servants were competent, and only 45% regarded government officials as trustworthy. In 2005, the results were correspondingly 67% and 60% (*Rahandusministeerium*). In spite of public institutions' belief in performance measurement as a means of improving the image of the public sector, there is no evidence to suggest that this has exerted a positive impact on public perceptions of the state. On the contrary, large-scale failures of performance management initiatives might result in a negative impact on public sector legitimacy. For example, in 2005, the so-called 'performance target scandal' sparked a government crisis, causing the Minister of Justice to step down, and later the entire Cabinet to resign. The case concerned a set of performance targets that the Ministry of Justice had set to the police, including amongst other things a target for misdemeanor convictions. This caused a public outcry, being condemned as an instance of Soviet-style 'planned economy' and 'repression' (*Riigikogu* 2005). The scandal resulted in the public discourse on performance targeting being cast in a negative light for some time.

From the perspective of external aims of performance measurement, international insistence on the need for performance

measurement has played a crucial role in Estonia. Having a good international image is essential for a new democracy to win recognition as a trustworthy partner to other members of the international community. When a government realizes this, it accords considerable weight to foreign opinions. In the Estonian case, references to the need to comply with the 'soft' recommendations of international organizations (such as the OECD recommendations to reform higher education financing, for example) are included in the relevant performance targets and in explanatory memoranda laid before the Parliament together with new legislative proposals. In addition, various European Union targets are incorporated into the domestic targets. There are even cases where the Estonian government has set itself higher targets, or has resolved to achieve a goal in a shorter timeframe than that established in European policy documents. For example, the Estonian government has adopted an ambitious 13.5% as the 2013 target rate of participation in life-long learning, while the corresponding European target, set in the Lisbon strategy, is 12.5%. No explanations have been given for setting these higher targets (*Riigikontroll* 2010).

**How is performance measured?** The development of a public sector performance measurement system requires a presence of good analytical skills. However, the Estonian NAO found in 10 out of 14 performance audit reports published in 2009 that performance indicators and targets were not based on a sufficient analytical foundation (by that confirming previously found concerns over the quality of performance data, see Pollitt and Bouckaert 2004: 115). More often than not, the methodology for measuring the targets or impact indicators had not been agreed upon before the start of the policy planning process (see PRAXIS 2007). The previously mentioned pay-for-performance initiative was also criticized because of the poor analytical basis (Randma-Liiv 2005).

Although Estonia is sometimes recognized as one of the forerunners in the development of e-governance (e.g. World Bank 2006, OECD 2011), and its electronic registers and information systems provide the government with a plethora of information, these possibilities are often underused for performance measurement purposes. In the ministries responsible for setting and measuring performance targets, analytical departments are understaffed or in some cases missing altogether (see also Drechsler 2004 on Estonian administrative capacity). No central training or methodological support in performance measurement techniques is provided. Thus, it can happen that performance indicators are calculated incorrectly or do not adequately reflect the performance aspect they purport to measure. For example, to calculate the drop-out rate of the country's vocational schools, the

Ministry of Education and Research applied a formula that resulted in rates which for some groups exceeded 100% (*Riigikontroll* 2009). Therefore, official statistics of drop-out levels in vocational schools, which represent an important input for policy decisions, remained misleading for years.

The political and administrative culture in Estonia strongly supports quantifiable targets, which is also reflected in the manifestos of political parties that include increasingly detailed targets. For example, the leading Reform Party's run-up campaign to the 2007 general parliamentary elections was constructed around the ambitious slogan 'We will take Estonia into the top five wealthiest European countries in 15 years'. Each year, strategic documents contain more and more targets that are quantitative. For example, a strategic plan of the Ministry of Finance (which is the most influential promoter of quantification of targets throughout the central government) for the years 2006–2009 included 54% quantitative indicators while the strategic plan for the years 2011–2014 has 83% quantitative indicators.

However, targets and reporting standards change, the time-series of various indicators remain short, and the accuracy of performance information provided by the public institutions is not evaluated systematically. Without the appropriate analytical, technical and strategic capacity, performance measurement risks to succumb to the pitfalls of over-simplification, neglect of broad perspective, bureaucracy reinforcement and gaming (see Bevan and Hood 2006; Talbot 2007; Andersen 2008; Radnor 2008; Van de Walle 2009). Numerous streamlining efforts as a rule aim to perfect the technical procedures of the Estonian system rather than take up the politically risky task of incorporating qualitative goals into strategic action plans. The impact of excessive quantification of targets on democratic values and the cost of implementing the system has not been properly considered.

### **How is performance information used?**

The development of a performance measurement system is not merely a managerial task – it involves considerable strategic and political considerations. Much depends on whether and how individual policy makers decide to employ the information provided. In Estonia, performance targets are integrated into the annual action plans of the ministries. The targets and information about their achievement (or non-achievement) are expected to constitute an input to the budgeting process. However, the role of performance information in the actual budget negotiations is insignificant as budgetary decisions largely depend on political negotiations (*Riigikontroll* 2008b).

Western experience with performance targeting shows that

because of the perceived need to avoid possibly negative consequences resulting from not meeting a target, a host of problems related to gaming with the performance information appear (e.g. Bevan and Hood 2006; Radnor 2008). In Estonia, with some rare exceptions, performance measurement tends to be indirectly related to specific rewards or punishments. A public manager will not lose his or her job because of not meeting a performance target – at best, such failure may be a secondary reason or simply a pretext. Even in cases where, under the terms of a performance contract, future funding could be reduced because a target established in a previous contract was not met – such is often the case in government-funded provision of higher education – the government prefers not to exercise this option (*Riigikontroll* 2008a). In the case of the central pay-for-performance initiative, most bonus payments were made without any reference to an achievement that they supposedly remunerated (Randma-Liiv 2005).

If meeting or not meeting a performance target does not entail any tangible consequences, the purpose of performance measurement is understandably called into question. Nevertheless, it would be an ill recommendation to suggest that performance targets should be rigidly linked to specific rewards or punishments, because the failure of policy implementation all too often reflects a failure of goal setting. Because of poor *ex ante* policy analysis, Estonian policy targets have often been found unrealistic, or their achievement has been influenced by actions of political parties rather than public sector institutions (*Riigikontroll* 2008a, 2009, 2010). In such cases, performance targets run the risk of creating a lock-in effect – rewards and punishments could lead to undesirable consequences instead of helping to achieve the actual policy goal.

The interest of Estonian legislators and politicians in performance information is hectic, mostly driven by short-term political considerations. A few previous studies show that although politicians like to report the use of performance information (see Tonnisson and Wilson 2007 on benchmarking), they tend to overestimate the actual use of performance information (Nemec et al. 2011), and in practice, legislators make only limited use of the formal documents containing performance information (Raudla 2011).

The government prefers to release positive information only (*Riigikontroll* 2011), while the purpose of the opposition is to emphasize failures, and various media editions hunt for headlines. For example, every performance audit report published by the NAO is discussed in the Select Committee for State Budget Control. The personal experience of the author of this article

confirms that members of the committee only manage to read the summary of the report, and very rarely the report itself. Opposition politicians are usually much more active in discussions of NAO reports than representatives of the ruling coalition. And last but not least, drawing up a national budget is a political process informed by considerations extending beyond mere efficiency and effectiveness (Raudla 2011). For this very reason, it is difficult to integrate performance measurement into the budgeting process.

There are precious few examples of performance information targeted to citizen use by the government. For example, information about waiting lists in hospitals is provided publicly. However, there is no systematic evidence about the extent of use of this kind of information. The performance information that is most widely used by the citizens – school rankings – is compiled by journalists and published in the newspapers, instead of being publicly provided by the government. Similarly to Western experience, evidence about the use that legislators, politicians and citizens make of performance information remains limited in Estonia.

The introduction of performance management tools possesses a strong symbolic value – it allows a government to pose as progressive to its constituents. However, the Estonian case study demonstrates that the implementation gap between declared aims of performance measurement and its actual practice may not only reduce the practical effects of such tools but also have a negative impact on the legitimacy of government institutions.

## **DISCUSSION**

The findings of the exploratory study of Estonia suggest three principal conclusions. Firstly, they provide support to critical conclusions reached by previous studies of performance measurement in Western countries. Secondly, the study reported here allows to outline a set of *specific* factors that help to explain the problems of performance measurement in immature policy environments (instability, poor strategic planning and policy analysis, the implementation gap and foreign influence). Thirdly, it will be demonstrated that such contextual factors are very influential in other CEE countries which, in turn, allows it to generalize some of the findings to other post-communist countries.

### **Instability**

Very few measurement systems are free from design flaws and do not need any adjustment or fine-tuning to function properly. The policy evaluation process itself can lead to questioning the validity

of policy goals and performance indicators. Yet, any performance measurement system presumes a certain stability of performance targets to make it possible for the system to perform its evaluative and steering functions. These, in turn, presuppose valid and fixed indicators if they are to result in a reliable and accurate assessment of performance. Any performance measurement system requires a stable baseline for comparison (Behn 2003: 598–599) – otherwise, no improvement or deterioration over time can be registered.

In Estonia, fourteen different cabinets have held office during the period of 1991–2011. The average lifespan of a cabinet has been 1.38 years (Conrad and Golder 2010). Turbulent environment represents a serious challenge for performance measurement systems in terms of discharging their accountability and control functions that are highly dependent on valid indicators. As performance indicators are dependent on the policy-making process in a democratic society, one might expect that with changes in the government, performance targets will change as well. In Estonia, however, a change of cabinet has not resulted in instant and radical overhauls of performance targets because detailed action plans are not perceived to have a high political significance. Public reporting by politicians is based more on party programs than government plans.

However, instability is not limited to political changes. The staff leaving rate in the Estonian public service has been between 10–15% over the last five years (*Rahandusministeerium*). Although the Estonian civil service has been characterized as one of the least politicized in CEE (SIGMA 2009), during the eighth cabinet (1999–2002) to hold office after Estonia regained its re-independence, only one out of twelve permanent secretaries was able to stay in office, and the tenth cabinet (2003–2005) changed one half of the permanent secretaries. Although the reasons for such replacements have ranged from politically motivated to practically justified, such turmoil in high public offices makes trust-building and serious commitment very difficult, especially considering the fact that top officials usually play a key role in developing performance indicators and leading the implementation of measurement systems.

In addition to frequent turnover in political and administrative leadership, the legal environment in Estonia has also undergone rapid development. Therefore, definitions of indicators are subject to change as well. Consequently, the comparison of performance indicators between different measurement periods is very complicated and at times impossible (*Riigikontroll* 2008b).

Previous studies on other CEE countries demonstrate that instability in the political and administrative arena as well as in the

legislative context is a typical phenomenon in the entire region. The average lifespan of government cabinets in Central and Eastern European countries is 1.4 years, compared to 1.9 in Western Europe (Blondel and Müller-Rommel 2001; Conrad and Golder 2010). Although there is fluctuation among the average figures for different CEE countries, it may still be concluded that cabinets in CEE are replaced more often than in the West. Several authors researching public management in CEE (e.g. Bouckaert et al. 2008; Dunn et al. 2008; Nakrošis 2008; Meyer-Sahling and Yesilkagit 2011; Randma-Liiv et al. 2011) point in their analyses to instability as one of the major factors differentiating Eastern Europe from Western democracies.

**Poor strategic planning and analytical skills: unsustainability of initiatives and deficient performance indicators**

The Estonian experience demonstrates how poor strategic planning and policy analysis may affect the outcome of performance measurement initiatives. Although necessary democratic institutions have been created in Estonia, politicians still have difficulties in setting strategic goals, which, in turn, engenders conflicting policies, symbolic objectives, frequently changing goals and unsustainable initiatives. As both politicians and civil servants only have two decades of experience in elaborating policy proposals, there is as yet no general culture which would require an *ex ante* analysis to precede the adoption of a new regulation or policy. In addition, since the entire society has grown accustomed to rapid and radical changes of the immediate past, it has been relatively easy for politicians, civil servants as well as citizens to accept new initiatives (including those related to performance measurement) without any major criticism. Moreover, when public organizations do not have a clear idea about the actual costs incurred in connection with performance measurement (such as the expenditure for designing the system; the productivity loss inherent in diverting the time and effort necessary to compile the assessment from other tasks; the expenditures required to update, develop, test, and keep inventories of the instrument(s) used for performance measurement, as well as the expenditure for keeping records of performance results and dealing with complaints – see Halachmi 1993), performance-oriented reforms are easy to be reversed when these costs must be borne.

A key challenge faced by governments in new democracies is one of maintaining a strategic view in a rapidly changing political framework. However, the history of public administration in CEE tells us a mixed story of piecemeal attempts to reform existing systems (Verheijen 2003). Inconsistency of ideas, institutions and practices, deriving not only from political instability but also from deficient strategic planning and poor

analytical skills, have been highlighted by several studies (see e.g. Verheijen 2003; World Bank 2006; Bouckaert et al. 2008; Dunn et al. 2008; Nakrošis 2008; Nemec et al. 2008; SIGMA 2009; Meyer-Sahling and Yesilkagit 2011; Randma-Liiv et al. 2011).

Poor analytical capacity in CEE (see e.g. Verheijen 2003, World Bank 2006) is likely to lead to the development of inadequate performance indicators. On the one hand, limited analytical skills pose the risk of applying inappropriate measurement methods. On the other hand, performance measurement is not a valueless exercise. Several 'democratic' goals such as transparency, equal opportunities, access to public services, fair procedures and citizen participation in decision-making may conflict with more 'technocratic' goals such as efficiency, effectiveness, value-for-money or fast decision-making. Contradictions of this type are especially hard to solve in new democracies, where the principles informing the aforementioned democratic goals are not as deeply held and broadly accepted as in countries with long democratic traditions. As a rule, 'technocratic' goals are more easily quantifiable than 'democratic' goals. Decision-makers with relatively little (democratic) management experience and poor analytical capacities may easily gravitate down the slippery path of over-quantifying performance indicators because, as aptly summed up by Mintzberg (1994), these are easier to measure and look more objective, transparent and understandable than qualitative data. The situation will be even more complicated if limited resources bring pressure to prefer 'technocratic' goals. As a result, the concept of accountability to the general public with its multiple dimensions may easily change to single-track accountability for financial outcomes only.

### **Implementation gap**

Political and administrative instability contributes to the fact that nation-wide initiatives of performance measurement are often met with implementation difficulties. Several reforms (e.g. the introduction of pay-for-performance in Estonia) have been discontinued half-way through and new initiatives can be started before previous steps in the field could even be evaluated (see also Verheijen 2003; Dunn et al. 2008; Meyer-Sahling and Yesilkagit 2011 for broader CEE experience). Initiators of important reform plans rarely remain in office long enough to oversee their implementation and resolve any glitches in a manner coherent with the purposes of the reforms.

Performance management is one of the most sophisticated areas of public management. Therefore, public sector managers in immature policy environments who often have insufficient managerial experience are likely to pay too little attention to its

conceptual and implementation problems. In addition, decentralization and a high degree of discretion – which usually go hand in hand with the introduction of performance management tools – may create opportunities for abuse by individual public organizations and their leaders. The introduction of performance measurement is susceptible not only to gaming with performance indicators and information but further to increasing politicization and to facilitating corruption – problems that are already pressing in new democracies (Nemec et al. 2008; SIGMA 2009). The implementation of performance measurement may also prove risky because of an insufficiently developed legislative framework and the general inadequacy of accountability and control mechanisms in CEE (World Bank 2006).

The Estonian experience indicates that the ability of managers to make use of performance information is rather limited, largely because of insufficient management experience and weak links between strategic goals and evaluation. However, in terms of external use, performance information is even more neglected. In large part, the role and responsibility of the parliament have been limited to the preparation of large amounts of legislation required by post-communist transition and Europeanization due to the pressures of the immediate past. As a consequence, the parliament has proved unable to responsibly exercise its steering role of the executive, including setting performance targets and analyzing performance information. The lack of experience and analytical skills of MPs, coupled with the lack of resources and support staff, represent a serious handicap in terms of the scope and depth of parliamentary scrutiny. Additional problems specific to new democracies such as inadequate trust between politicians and civil servants (SIGMA 2009) are likely to compound the problem by turning the performance measurement process into an exercise of control.

### **Foreign influence**

Why do new democracies keep experimenting with performance measurement tools although their contextual factors are not supportive for such endeavors? Besides a general fashion of performance measurement in the framework of NPM reforms, international organizations (primarily the IMF, the World Bank, and the OECD) have played a major role in the introduction of performance management tools in CEE. A number of such organizations have directly promoted and recommended performance management tools (see World Bank 2006; OECD/SIGMA 2007; OECD 2011, for example). Similarly to the senior public officials who have made a career out of ‘modernizing’ and ‘streamlining’ activities (Pollitt and Bouckaert 2004: 6), there are also many international consultants making a

living out of spreading 'best practice'. The fact that the last few decades have resounded with 'performance talk' has paved the way for international consultants advocating performance management across the globe, including in CEE, despite the different context of post-communist countries. New democracies do not enjoy the history of democratic traditions and institutions, resulting, for instance, in a lack of administrative capacity and control mechanisms. Therefore, reform ideologies common to Western practices and advocated by Western public and private organizations may not be appropriate when applied to these countries (see also Schick 1998; Condrey et al. 2001; Randma-Liiv 2007; Sobis and de Vries 2009). 'One size fits all' types of recommendations ignore the danger of policy failure caused by uninformed, incomplete or inappropriate policy transfer (Dolowitz and Marsh 2000). For new democracies, positive feedback from international evaluations is vital as it may determine the country's acceptance in international organizations and its credibility for foreign partners. Such a predisposition creates an environment in which even general guidelines, 'best practices' and soft policy recommendations on the introduction of performance measurement tools can be taken very seriously by newly democratic states.

## CONCLUSIONS

This study confirms the results of previous research in that it highlights contradictory aspects of the concept of performance measurement and the challenges inherent in the corresponding implementation process. The analysis of the Estonian central government shows that many of the assumptions which have led to widespread public sector performance measurement as valid *a priori* turned out to stand on feet of clay. The Estonian governments of the last two decades have tried out most of the performance management tools known from Western experience. Many attempts have remained half-hearted or sporadic, yet performance measurement initiatives have become the subject of widespread and regular practice. The study at hand confirms Western experience; it shows that because of a variety of implementation difficulties and conceptual contradictions, management by targets and indicators does not *guarantee* better performance, or fulfillment of the managerial or democratic purposes of performance initiatives.

The study demonstrates that although problems common to Western countries are also present in the Estonian context, they are compounded in the latter by specific contextual factors characteristic of new democracies. These include instability, poor analytical skills, implementation gap and foreign influence in

introducing performance measurement initiatives. These factors explain implementation difficulties of performance measurement and limited use of performance information in the context of post-communist countries.

The study has several implications for policy learning. Performance-orientation has been the centerpiece of the rhetoric of public management reforms in most new democracies in Europe due to the general appeal of NPM ideas and values during the last two decades. Although there are important differences among post-communist countries, their shared history of post-communist transition as well as Europeanization still appears to be taking them through a number of similar developments, offering them similar opportunities and exposing them to similar risks. The presence of 'transitional' factors analyzed in this paper (e.g. political and administrative instability, unsustainability of reforms, poor analytical skills in parliaments as well as in civil services, implementation gap, foreign influence) is likely to make the development of performance measurement in new democracies even more complicated than in the West.

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