

The state of the outsourcing of the Defence Administration's support activities in February 2003

One of the key trends in the development of the Defence Administration is the outsourcing of non-core activities. According to Finnish and international experience, outsourcing services can result in savings of 15-30% compared with services which are produced by the public sector. This requires studying and adopting different organizational options for support activities. The goal is to do away with heavy and inflexible structures and functions with high fixed costs. This calls for new expertise, which is needed particularly in setting service requirements, evaluating services, cost accounting, concluding agreements and keeping up with competition regulations.

The goal of this audit was to determine the state of the outsourcing of the Defence Administration's support activities in February 2003. This was done by evaluating the implementation of the policy decision which was issued by the Ministry of Defence on 10 April 2001 as well as the objectives in orders issued by the General Staff of the Defence Forces.

The main observation in the audit was that the Defence Administration's partnership programme is proceeding through numerous independent pilot projects which are split up between defence areas and units. The role of the Ministry of Defence in directing and coordinating the partnership programme has remained deficient. Furthermore, clear financial responsibility has not been established for the partnership programme. Except for the excellent results which have been achieved in developing medical care, the Defence Administration's partnership programme has through numerous unfinished trial projects swallowed considerable resources without achieving concrete results.

Partnership means a real change in budgeting, allocating funds and informing personnel. It requires a strong joint will - commitment. Training for different tasks plays a key role in this respect.

If partnership is expanded, many things will change in the Defence Administration's operating methods. Anticipated problems should be resolved. This will make it possible to plan, resource and manage the different planning, preparation, adoption, training and administration needs associated with partnership and to draw up an operating plan based on them. The goal should be a programme plan and vision for the entire Defence Administration.

The Defence Administration's own evaluation of possibilities for cooperation with other sectors of society will be completed at the end of 2003 at the earliest. The State Audit Office has issued the following recommendations concerning further work in the Defence Administration's partnership programme.

First of all experience from other projects should rapidly be made available to the pilot programmes which are currently under way. Before the completion of a uniform cost accounting model and easily replicated partnership agreement model, no new partnership projects should be started. Instead the Defence Administration should purposefully bring current projects to completion.

Secondly the Ministry of Defence should together with the General Staff of the Defence Forces complete the evaluation of the partnership programme's operational and financial effects and organizational models.

Thirdly it is worth considering whether the management of the partnership programme could be improved by the appointment of a special unit within the Defence Forces, which should have sufficient resources and independent authority.