



How to Enhance Budgeting Process in Diplomatic Missions

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Abstract

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<p>Budgeting process is crucial process in every organization. It includes well planning finances, efficiently resources allocating and following the strategy according to the organization's goals. However, this procedure is especially vital for diplomatic missions such as the embassies, consulates and foreign service departments. Those subjected organizations' budgetary management are generally considered as a complex cycle. As such, accurately planned tools are essential for effective budgetary management that enabling them to conclusively represent their countries and strengthen international cooperation worldwide.</p> <p>The primary objective of this thesis is to present the key aspects on the budgeting process and provide a comprehensive perspective on its operation. In a nutshell, the research examines the major challenges, assesses how host-country and home-government regulations shape fiscal outcomes and plans budgeting strategies to portray budgetary management both more efficient and sustainable. The research framework underscores the core linking public sector budgeting procedures, governmental accounting standards and the routine financial activities that keep diplomatic missions operating. The investigation will focus on three key areas includes comparing budgeting routines across different diplomatic missions located in Helsinki, exploring how funds spending is planned and implemented then analysing metrics that signal whether budgets are being achieved.</p> <p>The results disclose the budgeting practice in diplomatic missions is a complicated process. It is formed by organisational strategic priorities, cultural norms and operational challenges. Different fiscal year calendars and internal regulations explain the divergences in budgeting cycles among diplomatic missions. Although each mission has various strategic objectives, the main goal seems to be overlapped, which is to sustainably maximize its operational performance efficacy through monitoring to meet the missions' priorities. Nevertheless, common delays in budget approval, language barriers and internal financial negotiations plague the budgeting cycle. Several practically actionable and valuable solutions were proposed, aiming to improve the current budgeting framework in diplomatic missions. By extension, the regulations of the home government cultivate a greater influence on diplomatic mission's budgeting than those of the host country.</p> <p>Overall, this thesis provides valuable insights into budgeting process enhancement in diplomatic missions by illustrating the budgeting cycle, addressing the key challenges of the process, identifying relevant regulations of home and host countries as well as delivering practical evidence-based recommendations to improve financial planning accuracy, resource allocation and operational effectiveness of diplomatic missions.</p>
Key words Budgeting process, Governmental accounting, Diplomatic missions, Sustainable budgeting, Performance-based budgeting (PBB)

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1 Introduction

This bachelor's thesis is part of the Business Administration degree programme at Haaga-Helia University of Applied Sciences with a concentration in accounting and finance. This thesis aims to analyze and propose improvements to the budgeting processes of diplomatic missions by identifying key challenges, understanding the influence of regulations from host countries and home governments. The research intends to provide potential compelling recommendations for enhancing efficiency in budgeting frameworks, while balancing diplomatic mission's operational priorities. The study attempts to address the weaknesses of existing practices by introducing budgeting techniques that promote transparency and empower relevant personnel. By examining both procedural and technological aspects, the study works forward to deliver practical and data-driven recommendations that improve diplomatic missions' financial planning accuracy streamline resource allocation and boost overall operational effectiveness (IMF 2023, 29).

The selection of this topic is based on a curiosity that develops during the author's specialization studies and was sharpened by hands-on work alongside diplomatic missions. By being involved in their day-to-day operations and overseeing the financial side, the author has gathered concrete insights into the obstacles these organizations encounter especially when it relates to budgeting and allocating insufficient resources. The embassy's operations are limited to the primary diplomatic functions prescribed by international agreements such as the Vienna Convention on diplomatic relations. These activities are undertaken by different specialized departments of the mission including political, economic, consular, etc. (Clements Worldwide s.a.) Hence, those direct work experiences motivated the author's thirst for knowledge to explore how diplomatic missions' financial management can become more transparent, efficient and sustainable.

Consequently, this research is considered essential and highly valuable as it provides significant contribution to the field. The point is that an effective budgeting process is the backbone that allows diplomatic missions to function efficiently and maintain their financial operations within organizations, even in the context of constant strains on insufficient funds and tangled regulations. The primary audience are students studying the difficult budgeting mechanisms that govern diplomatic missions (the embassies, consulates and foreign affairs offices) and the audiences who mean to connect with diplomatic missions. This research focuses on budgeting process improvement in all dimensions, including allocating resources, promoting transparency and maintaining sustainability within organizations.

The thesis not only encourages growth by improving budgetary control that could create opportunities for advancement in international relations or public finance but also addresses the issues of

budgeting, aiming to improve both the effectiveness as well as sustainability of budgeting processes. The thesis illuminates budgeting practices from a research perspective and proposes recommendations for future research in related fields.

1.1 Research problem

The research question was developed with the goal of contributing to improved financial management practices in diplomatic missions. To explore this topic further, three investigative questions were outlined to address the core research problem. The primary question of research is **how can diplomatic missions improve their budgeting?**

The investigative questions of this thesis are the following:

IQ1: What is the current budgeting process of the diplomatic missions?

IQ2: What are the primary challenges faced by diplomatic missions in the budgeting process?

IQ3: How do regulations from host countries and home governments influence the budgeting practices of diplomatic missions?

Research questions related to budgeting processes, governmental accounting, and the operations of diplomatic missions aim to understand how financial governance influences foreign policy effectiveness and accountability. These questions may help diplomatic missions understand public funds management, domestic financial regulations, and their adaptation to international diplomatic norms. They also enlighten how diplomatic missions balance strategic goals with fiscal constraints, which often occur in resource-constrained or politically contested environments. (FIIA 2013.)

This thesis utilizes qualitative research methods which have a descriptive research design and use non-numerical human experiences, perceptions, and social phenomena (Silverman 2020). The research approach involves interviews with financial personnel and experts of four diplomatic missions in Helsinki, Finland. Consent to participate were key factors in interviewee selection, and scheduling was carefully controlled to avoid disruption to organizational operations and open responses were valued.

Public budgeting tends to encounter societal needs, promote accountability and keep financial responsibility within rigid regulatory frameworks. In contrast, private budgeting places emphasis on profitability, flexibility and competitive advantages. This research deals with the budgeting of diplomatic missions which is a form of public budgeting. The focus is on long-term budgeting, annual budgeting or fiscal year budgeting as well as on home government rules and regulations of host

countries. Generally, used terms in private budgeting, such as profits, losses, revenue, sales, investment, investors, etc., are not the primary point of this thesis.

Table 1 below outlines the investigative questions, components of the theoretical framework, research methods and corresponding results chapters in an overlay matrix. This matrix serves represent how the research was structured and the methods employed to address each investigative question.

Table 1. Overlay matrix of the investigative questions

Investigative Question	Theoretical Framework	Research Methods	Results (chapter)
IQ1	Budgeting process, Governmental accounting and Diplomatic missions	Expert from diplomatic mission A, B, C and D interviews, Thematic analysis	4
IQ2	Budgeting process, Governmental accounting and Diplomatic missions	Expert from diplomatic mission A, B, C and D interviews, Thematic analysis	4
IQ3	Governmental accounting and Diplomatic missions	Expert from diplomatic mission A, B, C and D interviews, Thematic analysis	4

In this thesis, Perplexity and Google Gemini were utilized to generate some ideas and shape interview questions. The author refined the AI-generated drafts for accuracy, clarity and relevance. AI deployment followed data-protection and copyright guidelines. All the cited sources are derived from non-AI materials.

1.2 Sustainability in budgeting

A fundamental pillar of an enhanced budgeting is transparency which is mainly related to how organizations are held accountable for their sustainability commitments. Thus, long-term planetary and societal health is the primary financial management goal in sustainable budgeting. It means being sensible in spending, saving and investing money. (Domokos & Pulay 2020.) It is not only the price but also the environmental and social impacts over the long term. Sustainable budgeting combines fund management with organizational values for an ecosystem-friendly and fair world. (Sustainable Directory 2025.)

In this connection, enhanced budgeting in diplomatic missions is not just an administrative exercise. This guarantees that public funds financed by financial resources are spent wisely, fairly, and in line with long-term strategic foreign policy goals, many of which now include sustainable development. (UNDP 2022.) For diplomatic missions, public institutions funded by the state to operate effectively and transparently. They must ensure their personnel, facilities, security and cultural events are effective and deliver value for taxpayer money. (Rana 2004.)

Thus, this thesis provides a practical framework for how diplomatic missions can become responsible comptroller of public resources both at home and abroad, aligning their internal operations and external projects with the core principles of global sustainability.

1.3 Key concepts

Budgeting process is the procedure by which an organization, individual or maybe government plans, allocates and regulates monetary assets to attain specific goals. This comprises forecasting income and expense, establishing monetary goals and creating a scheme to monitor and manage succeeding expenditures over a time frame to confirm efficient resource utilization, financial stability and strategic decision-making. (Horngren 2015, 220-221.)

Performance-based budgeting (PBB) is a public sector funding approach that merges financial resources to measurable results (outputs and/or outcomes) using formal performance data with the goal of enhancing efficiency and effectiveness (Allen & Potter 2013, 237).

Governmental accounting is the specialized field of accounting for public sector entities that records, analyses, classify and report financial transactions and information relating to the operation of public sector entities. They provide for transparent management of public funds, public services and the implementation of government policies to ensure compliance with legal and regulatory frameworks. (Allen & Potter 2013, 742-746.)

Diplomatic missions are considered essential roles in modern economic diplomacy. They themselves are significant influencers in contemporary economic diplomacy. They carry out various diplomatic functions, including trade and stake promotion, political support for businesses abroad and influencing economic legislation. (Pajtinka 2016, 32-34.)

Sustainable budgeting is integrating sustainability analysis into budget processes and managing it effectively are key recommendations. Sustainability is analysed across dimensions like viability, growth, stability and fairness by using methods such as baseline projections, balance sheet analysis, fiscal gap analysis, and generational accounting. (OECD 2005, 107.)

2 Theoretical framework

This thesis is theoretically grounded in the intersection of budgeting process, governmental accounting and the unique operational context of diplomatic missions, as illustrates below:

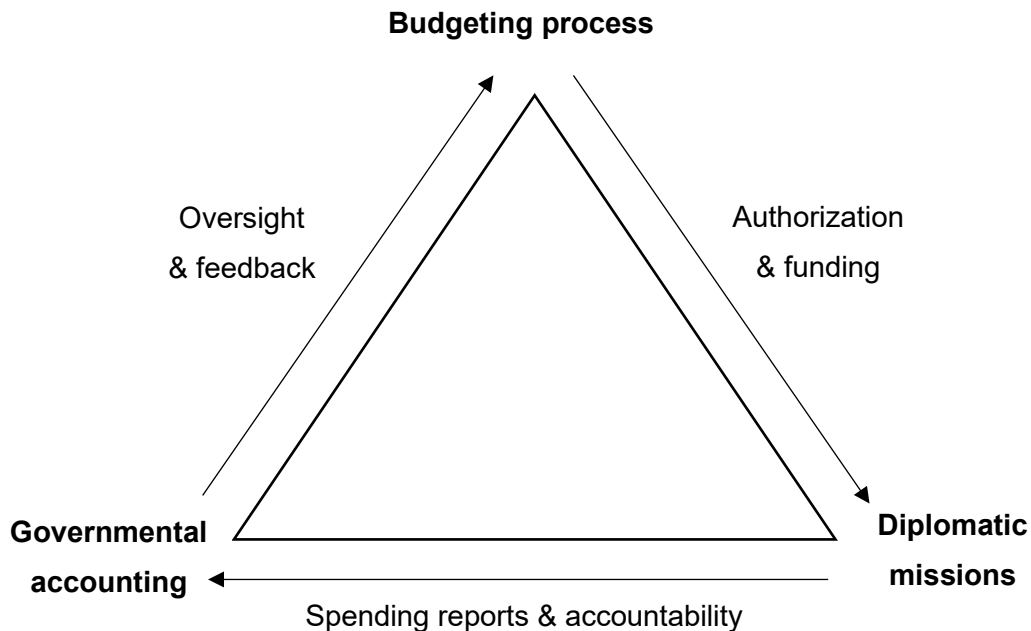


Figure 1. Theoretical framework of the research (adapted from OECD s.a.)

Figure 1 shows how budgeting sets the financial framework and authorizes diplomatic missions to operate. Governing accounting promotes transparency, monitoring and proper use of public finances. Diplomatic missions carry out foreign policy on the ground within budgetary and accounting limitations. (OECD 2001.) Therefore, this framework suggests that budgeting in diplomatic missions is framed by both international diplomatic norms and domestic financial management principles. By growing focus on performance and amid inherent complexities. (OECD s.a.).

2.1 Governmental accounting and diplomatic missions

Diplomacy is the art of restraining power. Its instrument is negotiation, not dictation. Its goal is an agreement based on consent, not a settlement by imposition. (Kissinger, 1994, 19.) In modern economic diplomacy, the diplomatic missteps themselves are crucial performers. Their diplomatic responsibilities encompass trade and investment promotion, political assistance to foreign firms and economic legislative drafting. (Pajtinka 2016, 32-34.) Conventionally, diplomatic missions in a host country represent a state with embassies and consulates included. The fundamental function of such organizations is that they represent the sending state and safeguard its interests and those

of its nationals abroad according to international law and negotiating with the host government. (Feltham 2004, 2-3, 13.)

Indeed, diplomatic missions are the main channels for bilateral interstate engagement meaning the official presence of a sending state in a receiving state. They have the following basic functions, incorporated in Article 3 of the 1961 Vienna Convention on Diplomatic Relations include representing the sending state, protecting its interests and those of its nationals, negotiating with the host government, determining conditions and developments in the receiving state and fostering cooperative relations in addition to economic, cultural and scientific relations. (Denza 2016, 31-33.) To emphasize this idea, State.gov (s.a.) introduces the proactive diplomacy by highlighting that it is a strategic necessity. The diplomatic missions must be authorized more powers to strive influence as well as deal with overseas crises, therefore minimizing the global effect of political, social and economic instability. Also, Tanaka (2015) affirmatively suggests that proactive diplomacy is one of the significant strategic foreign policies that endeavour to influence global events, environments and relationships rather than simply responding to developments or crises as they arise.

Beyond these basic functions, diplomatic missions also issue passports and help with emergencies and local law, providing for their citizens' welfare and legal protection in a foreign land. As such, diplomatic missions are crucial to world peace, security as well as cooperation and cannot be over-emphasized. (Wikivoyage 2025.) They provide a consistent definition of communication and negotiation, facilitates states to manage foreign policy, settle disputes peacefully and promote mutual understanding even in disagreements. The Vienna Convention and the inviolability of mission premises are crucial to ensuring that diplomatic agents are capable to discharge their functions without interference or coercion from the host nation, hence protecting the integrity of global dialogue. (Denza 2016, article 22, 29, 30.) Diplomatic missions remain essential in coping with complex global issues, encouraging trade and constructing resilient relationships between nations in an increasingly interconnected world. (Baylis, Smith & Owens 2020, 47).

In most cases, funding for diplomatic missions is vital for their operations. The sending state is responsible for its diplomatic missions abroad. This funding covers a vast collection of expenses including the maintenance of premises, salaries of diplomatic and support or local staff, operational costs and representational activities. Thus, the authority accordingly recommends all operating units must closely follow their allocated funds and internal budget implementation. They're required to act if monitoring reveals any issues. The missions must report all significant deviations from its goals or unusual patterns of fund usage during the year. This process helps to maximize resources and to identify major conflicts or changes promptly. (Ministry for Foreign Affairs of Finland 2025b.)

In this context, it especially applies to diplomatic missions and public sectors, governmental accounting emerged from the fundamental need for states to track and manage public funds, ensuring accountability and transparency. The financial systems of the more advanced societies required sophisticated systems. Early state builders understood the necessity for ledgers to manage resources which developed into formal accounting practices to build public trust and control economic instability. The development of governmental accounting is braided with the evolution of states themselves and reflecting the increasing need for healthy financial management and public accountability. (Soll 11 September 2018.)

Likewise, governmental accounting is one of the primary components as it is a system that trails how public organizations handle funds. It involves several steps, for instance, recording financial transactions, analysing the numbers, sorting them into categories, summarizing the results and creating reports. This process covers all financial activities of government entities. The main purpose is to ensure public funds are used properly and openly as well as assure that government officials are accountable for their financial decisions and that they follow all relevant laws and regulations. Importantly, governmental accounting focuses on three key areas including managing public funds effectively, providing services to citizens and implementing government policies. By doing all this, governmental accounting facilitates the public understand how their tax money is being used to run the country. (Allen & Potter 2013, 742-746.)

Hence, governmental accounting establishes a cornerstone of public financial management, integrating with budgeting to ensure accountability, transparency and efficient resource allocation (Nonprofit Accounting Basics 2025). The underlying principles of financial management remain consistent across sectors, but their application within governmental entities, in the particular context of diplomatic missions, is more complex and challenging. (Wildavsky 1986, 1).

Currently, as more countries become democracies around the world, people in modern society desire more accountability, transparency and fairness in government. In transitioning countries from dictatorships to democracies, legislatures are key institutions for government and expectations are high for open decision-making and financial management. This transition translates to greater trust as well as transparency in public administration regarding the implementation and decision-making. (Premchand & International Monetary Fund 1995, 130.)

To understand the accounting rules for diplomatic missions in Finland, it demands an examination of Finnish national legislation and related directives, alongside the possible relevance of international accounting standards. (Ministry for Foreign Affairs of Finland 2025a.) The application of governmental accounting principles within Finland to its diplomatic missions operating internationally is

likely structured through domestic legal frameworks and the regulatory pronouncements of the Finnish authority (Ministry for Foreign Affairs of Finland 2025b).

Before continuing, it is relevant to consider that (Accounting Act 1336/1997) only outlines the general accounting requirements within Finland. Even though it does not contain specific provisions for diplomatic missions, this legislation provides the fundamental legal framework for accounting principles. For this reason, a governmental entity would likely align its specific guidelines for the financial management of its diplomatic missions with these core mandates. (Ministry for Foreign Affairs of Finland 2025b.)

While Act (Act on the foreign service 204/2000), a Finnish law governing the organization and functions of Finland's Foreign Service, with general direction and oversight given by the MFA of Finland. The National Audit Office of Finland audits the state's financial management which would probably include the financial activities of diplomatic missions and ensure accountability and the proper use of public funds. (National Audit Office of Finland 2025).

However, the UN refers that the most important international law governing Diplomatic missions worldwide is the 1961 Vienna Convention on Diplomatic Relations. Also, it is defined as the foundation of modern diplomatic law and practice as it was setting the norms for diplomatic engagement worldwide. This includes the inviolability of mission premises, diplomatic immunity for agents, and communication which all principles designed to promote international relations. It seeks to resolve general rules of engagement between sovereign states. (The United Nations Office of Legal Affairs 2023.)

2.2 Budgeting process

Shifting the focus to the realm of budgeting, in general, (Rees 2 June 2021) explains a budget is a powerful financial tool that looks both backward and forward. A financial statement serves as a retrospective record, objectively reflecting an organization's prior financial decisions and their resulting outcomes. The allocation and omission of resources within the budget directly manifest prior strategic and operational choices. At the same time, a budget is a roadmap for the future. It connects today's money decisions to tomorrow's goals. By planning how to spend money now, organizations try to shape what will happen later. So, in other words, a budget is a financial story about where an organization has been and where it wants to go. It's an important tool for making smart money decisions and for achieving success. (Wildavsky 1986, 7.)

Budgeting types in the public sector and in general (which often refers to the private sector or personal finance), not only have some overlapped area but also distinct categories and focuses. The fundamental difference lies in the objectives. In the private sector profitability and financial viability

are usually the main objectives for the owner or shareholder. While the public sector serves the public interest, provides vital services and social economic achievements that are not always profit-based. (StudyCorgi 2025.)

Delve into the public sector dimension, Shah (2007, 109-134) refers the diverse budgeting methodologies and concepts used in the public sectors include traditional and modern concepts. The modern concepts highlight performance budgeting, accrual accounting and activity-based costing. These methods mean to improve public financial management.

Besides, Promise Akor ORDU & Thomas (2023) suggest four types of budgets including line-item budget, performance budget, program budget and zero-base budget. Within this discussion, performance budgeting will likely be referred more frequently due to its notable connections to pertinent research areas. In fact, Allen & Potter (2013, 195) illustrate the similar concept in a figure of policy formulation and the budget cycle as follows:

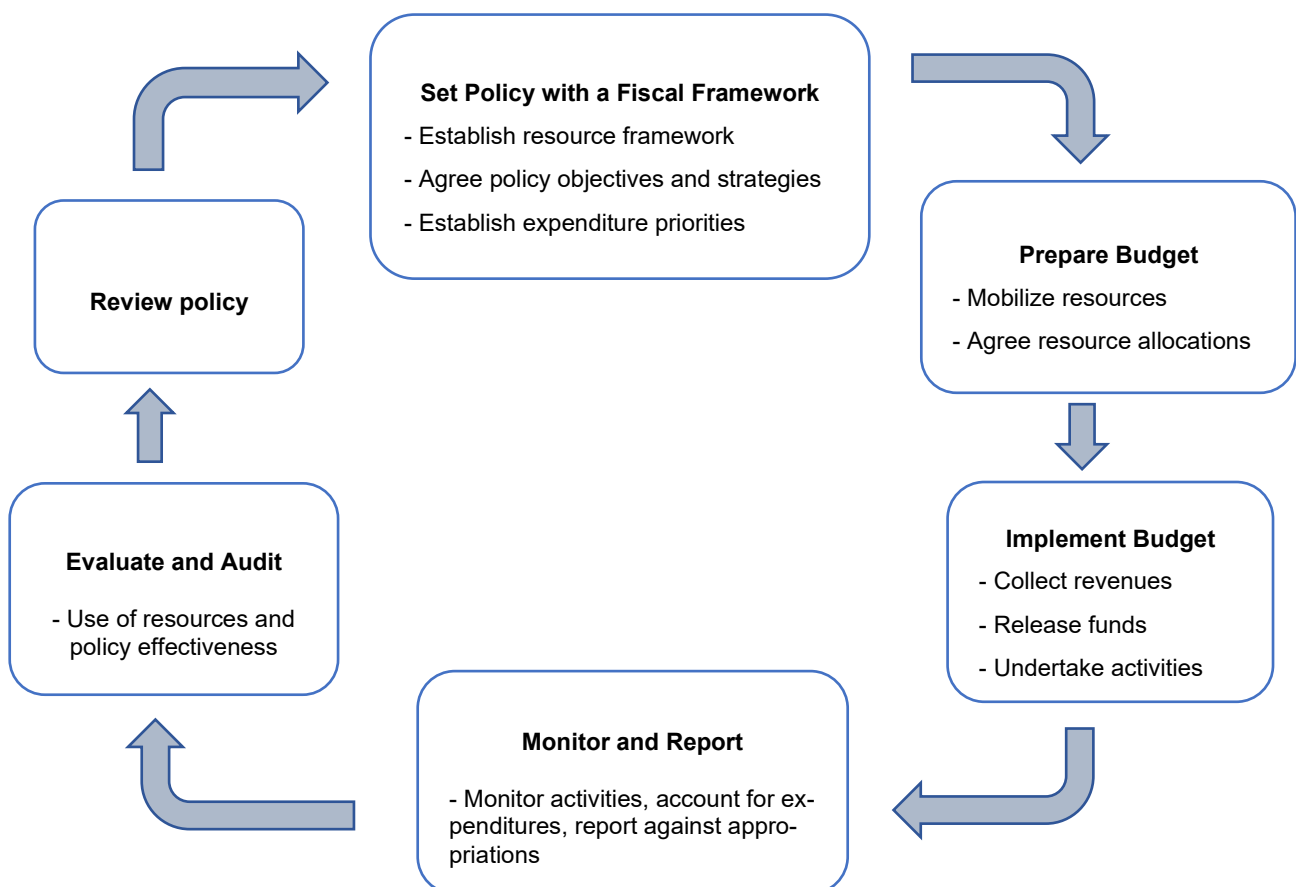


Figure 2. Policy formulation and the budget cycle (adapted from Allen & Potter 2013, 195)

In this regard, the budgeting process has been implemented to foster effective financial management within the organization. Budgeting is basically how an organization or individual becomes sensible with their money. It is more than just a simple method of recording their spending. As it's a meticulously structured approach to budgeting, spending and saving money to achieve specific objectives. This consists of forecasting income and expense, establishing monetary goals and creating a pattern to monitor and manage succeeding expenditures across a timeline to ensure efficient resource utilization, financial stability and strategic decision-making. (Horngren 2015, 220-221.)

In comparison, to present how the budgeting process works, for a smooth operating non-profit organization the budgeting is driven by their mission, it needs to align the overall plans and be fiscally responsible which means spending funds wisely. (Nonprofit Accounting Basics 2025). It involves analysing income and expenses, preparing a budget and well-reasoned decision about spending and saving. It contains planning for the future and avoiding excessive debt. (Anandraj 1 April 2021.) The stages of the budgeting process typically refer to the cycle through which an organization cycles to create, implement and manage its budget. These stages may have numbers and titles that slightly differ from source to source and from type of organization, for profit, nonprofit or governmental. A nonprofit budget, as inspired by Warren Averett and Associates (2025) idea below.



Figure 3. Six steps of successful nonprofit budget (adapted from The Warren Averett CPAs & Advisors 2025 & generated by AI tool Gemini)

On this point, Propel Nonprofits (2025) describes nonprofit budgeting process in ten steps includes drawing a timeline, agreeing on goals, understanding financial status, setting budget approaches,

developing draft expense and income budgets, reviewing and amending draft to meet goals, securing approval, documenting decisions and assumptions then implementing and monitoring budget as well as adjusting as needed.

Considering the governments' role, budgeting process is closely connected governmental accounting, all of which focus on effective expenditure management. Their primary goal is to ensure the efficient and accountable use of public funds to achieve policy objectives and deliver essential services. (Allen & Potter 2013, 2.)

Through the lens of non-profit organizations, the key steps that organizations should follow when budgeting in nonprofits organizations which is first identify stakeholders and roles. Then practice a time management plan carefully with milestones and deadlines which may facilitate an annual timeline of tasks and responsibilities as well as budget line items should match accounting line items. Organizations also should create user-friendly worksheets, templates and tools that capture all necessary budget components and allow scenario planning. Lastly, clear policies regarding budget adherence, variance management and approval procedures are mandatory for financial discipline and accountability. (Nonprofit Accounting Basics 2025.)

Allen & Potter (2013, 285-311) alternatively categorize the budgeting process in public financial management into four key steps. The first step is budget preparation (formulation) which involves detailed preparation of budget estimates in line with government policies and strategic objectives. This is important part of the budgeting section. (Allen & Potter 2013, 285-286.) The second step is budget approval (authorization) which concerns the legislative review and approval of the executive's budget proposal, granting the legal authority to employ public funds. (Allen & Potter 2013, 63-83 & 116-135.) The third step is budget execution (implementation), as it is once approved, the budget is put into operation, including cash management, procurement and ex-spending control (Allen & Potter 2013, 677). The final step is budget reporting and audit (evaluation), the last step which is accounting for public funds used, preparing financial reports and subjecting them to independent audit and oversight for accountability and compliance (Allen & Potter 2013, 742-743).

From a public sector perspective, governmental budgeting basically applies these general budgeting principles but with some modifications for the purposes of public service delivery, political considerations and accountability for the use of public funds. Governmental budgeting is a critical process through which governments allocate financial resources to achieve their economic and social objectives. (IMF 1999.) For that reason, several interconnected phases of planning, authorizing, and accountability for public funds are discovered. (Allen & Potter 2013, 742-744).

The budgeting process not only involves government entities making detailed revenue and expense estimates which are consistent with their primary policy objectives (IMF 1999) but combines broad strategic guidance from the top managerial with specific input by different sections (Messineo s.a.).

In this respect, one of the most essential stages of governmental budgeting is budget reporting and audit to ensure that public funds are used appropriately and in accordance with the law. This involves financial reporting, performance reviews and independent audits. (Allen & Potter 2013, 767-795.) Given all these points, the effective management of budget reporting and audit is vital for governments to plan strategically, maintain fiscal discipline and be accountable to their citizens (Government Finance Officers Association s.a.).

In contrast, different budgeting approaches, such as Performance-Based Budgeting (PBB), can be integrated within these stages to enhance efficiency and effectiveness (Surianti & Dalimunthe 2015, 198-207). As PBB is a public sector funding approach that ties financial resources to measurable results (outputs and/or outcomes) using formal performance data with the goal of enhancing efficiency and effectiveness (Allen & Potter 2013, 237). Moreover, Center for Government Excellence (s.a.) highlights that PBB connects program funding to desired and measurable outcomes. It helps organizations, especially the governments, allocate resources more efficiently and spend more effectively towards strategic goals.

Following this line of thought, Cheng (3 June 2025) refers governmental budgeting is the comprehensive process of how governments plan and manage their finances. PBB is a specific approach within governmental budgeting that connects the allocation of funds to the achievement of measurable performance goals and outcomes. PBB represents a fundamental shift in public sector financial management, moving beyond traditional input-focused expenditure control towards a system that explicitly involves resource allocation to desired outcomes and achieved performance (Schick 1996, 84-85).

Furthermore, Hatry (2006, 229-230) remarks the primary objectives of adopting PBB include enhancing transparency, improving decision-making and driving greater accountability within government operations. By making explicit what programs are intended to achieve and how their success will be measured, PBB provides a clearer basis for evaluating the use of public resources. Reflecting this perspective, Van Dooren, Bouckaert & Halligan (2015, 37-39) support this statement by noting that performance management significantly linking resources to results. Because citizens expect more but there are not sufficient funds available, public organizations are increasingly analysing performance data to inform their budgetary decisions. They aim to enhance accountability and optimize the utilization of public funds. Hence, PBB is considered an effective approach to

budgeting for governments to be more transparent about their objectives, improve the efficacy of resource allocation and enhance fiscal accountability by aligning expenditures with demonstrable outcomes.

However, PBB often confronts major difficulties that make it less practical and sometimes not accurate for some government areas. A major roadblock is the complexity of government services as it is difficult to establish performance indicators and measure agency effectiveness. (Pollitt & Bouckaert 2011, 152-153.) Unlike the private sector, public sector outcomes are frequently broad, long-term and influenced by numerous external factors. It's challenging to justify exactly which programs or spending led to a particular result. (Oster 1995, 28.) Besides, Moynihan & Project Muse (2008, 135-136) discuss how the complexity of political environments and the influence of powerful stakeholders can often overshadow performance data in budgetary processes. This disconnect can lead to "rethinking performance management" as the PBB becoming a mere reporting exercise rather than a genuine tool for resource reallocation, consuming valuable time and resources without delivering the promised improvements in efficiency or accountability. (Moynihan & Project Muse 2008, 207.)

With evidence suggesting, in a nutshell, focusing government budgets on programs is the best approach for PBB across the board. However, its effectiveness relies on changes in key influencing factors, such as gathering thorough data on program performance and improving the process of prioritizing expenditures. Also, including performance targets when creating the budget can make the system stronger if the targets are chosen wisely and monitored regularly. For PBB to be successful, effective governance is paramount, alongside the simultaneous development of performance information and the budget structure, ensuring compatibility with the accounting system, and maintaining relative simplicity. (Allen & Potter 2013, 255-257.)

Therefore, the budgeting process is important for business management but often causes frustration among top managerial and organizational decision-makers. The inherently difficult nature of predicting future outcomes and demanding performance improvement from superiors may create tension. They may also be nervous about being personally measured against ambitious targets. This environment can sometimes lead to a gaming mentality, where they might intentionally underestimate their performance potential to ensure favourable evaluations of their actual results. (Horngren 2015, 219-223.)

Within the public administration context, Curristine, Lonti & Joumard (2007, 192) suggest that providing more decision-making power to different sections of an organization and to local areas, along with certain ways of managing personnel and making the organization bigger, can stimulate

the organization run business more efficiently. However, their key finding is insufficient to affirmatively prove as the major evidence to support how these organizational factors affect efficiency.

Given the above, to mitigate potential challenges, several best practices have emerged in the literature. (Lee 25 May 2025) outlines key strategies to address public budgeting challenges. These include adopting PBB for efficiency and transparency, utilizing data analytics for informed decisions, enhancing transparency and accountability through disclosure and controls, developing a robust financial management framework, enhancing oversight and promoting collaboration among agencies for a more unified approach.

Moreover, Van Dooren, Bouckaert & Halligan (2015, 207-216) argue how the way personnel currently handle performance management is often irrelevant and not aligned with what's really happening, especially within increasingly unstable environments. While incremental improvements focusing on data quality, ownership, leadership enhancement, integration, training and expectations management may offer some benefits, the authors suggest these single-loop adjustments might prove insufficient for addressing fundamental issues. Consequently, they advocate for exploring more transformative, the double-loop approaches to performance management that prioritize organizational learning and adaptation. Thus, organizations can best solve budgeting challenges by improving forecasting with flexible data, operational alignment, fostering collaboration for shared ownership and enhancing adaptability through flexibility and useful technology.

3 Research methods

This research mainly investigates how diplomatic missions could improve their budgeting by answering three investigative questions including how the diplomatic missions currently budget, what are the main challenges missions face during the budgeting process and how regulations from host countries and home governments influence missions budgeting practices.

The author utilized a qualitative methodology because of its ability to deal with the primary research problem, particularly by focusing on the "how" and "why" of detailed phenomena and human experiences. This methodology allows the author to examine the motivations as well as attitudes of the interviewees in depth, hence providing the rich context needed for the development of new insights and theories. (Bazen, Barg & Takeshita 2021.) While the quantitative methodology is designed to measure what is happening, not exploring the meaning and context behind it. Thus, quantitative methodology is best for testing hypotheses and determining statistical relationships which is not the core value of this thesis. (Alpha-Diver 2023.)

3.1 Research design

This chapter outlines the research design, providing a comprehensive explanation and justification for the methodological approach taken. Research design is qualitative and aims at describing human experiences, perceptions and social phenomena in non-numerical data (Silverman 2020, 3). The investigation begins by critically analyzing the existing literature on the thesis topic. The research methodology focuses on conducting interviews with an expert or financial personnel from four diplomatic missions located in Helsinki, Finland. The selection of interviewees was based on two key factors including availability and willingness to participate. Potential scheduling conflicts were considered so that minimal disruption to organization operations could occur. The study values those who are open to detailed responses and are willing to share them.

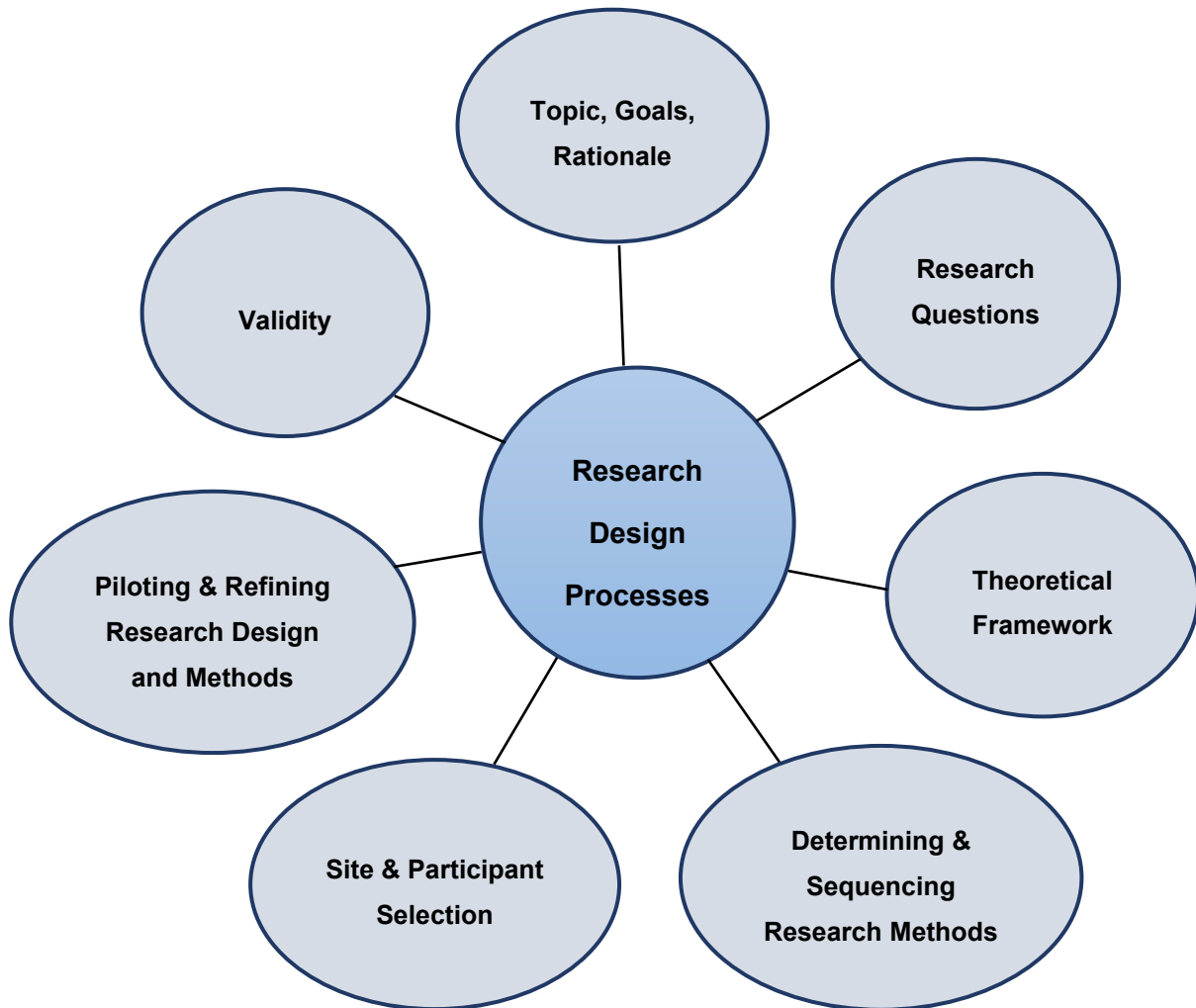


Figure 4. Research design processes (adapted from Sage Publications 2020)

As illustrated in Figure 4 above, this thesis research method initiates with the selection of a research topic based on a specific interest of the author. This initial stage necessitates a thorough exploration of relevant fields, concepts, contexts, and theories to establish a foundational understanding and identify existing knowledge gaps. Guiding research questions, developed through iterative processes of learning, reflection, and collaborative dialogue, are paramount to the entire research design. Moreover, the qualitative research demands flexibility in that research questions may be refined iteratively according to emerging phenomena, realities and contexts encountered during the study. This adaptive approach ensures that the research is adapted to the studied context. (Sage Publications 2020.)

3.2 Data collection

Generally, determination of quality and relevance of the findings is a crucial method. Atlas.ti (s.a.) states that interviews and surveys are two of the most common techniques employed. However, the author chose to utilize the interviews approach in this study due to the need to gather intimate and personal details about complex processes. This approach enables the author to tailor the conversation to the participant and his or her personal experiences and motivations. This is superior to the surveys that seeks broader insights from a larger sample and identify generalized thematic patterns regarding public attitudes or behaviours. As this research requires specialized internal processes in diplomatic budgeting rather than an overview of public sentiment. Thus, interviews are best suitable data collection method for context-rich and actionable data as employed in this study. (Atlas.ti s.a.)

In the empirical section, the author incorporated interview responses from financial personnel and experts (n=4) to identify the situational factors that influence budgeting practices. The author applied thematic analysis in the data analysis as it is a widely used qualitative research method for identifying, analysing, and interpreting patterns or themes within data. (Guest, MacQueen & Namey 2012, 36-37.) From mid-February to early August 2025 the author sent over thirty diplomatic missions as well as non-profit organizations in Finland emails, requesting them to be a part of interviews. Despite the extensive outreach, only four entities agreed to an interview. Additionally, another diplomatic mission declined an interview but instead provided the documentation. This limited cooperation significantly obstructed the data collection process, as it did not provide enough the qualitative information needed.

The situation was further complicated by the provided documentation. These documents were unfortunately not suited for direct use and did not correspond to the research questions. Thus, this left the author with a very limited, targeted pool of interview subjects that severely constrained the research findings. Absence of broader participation and suitability of materials provided were major obstacles that necessitated a re-evaluation of the research methodology and possible conclusions.

Moreover, during the interview process with two interviewees (Diplomatic mission C and D) also occurred some unexpected challenges in data collection. As one of the interviewees declined to provide any consent for audio recording on-site. The interview room had a strict policy against personal electronic devices, which meant no electronic device was available to record the session. This necessary adaptation was further complicated due to the interviewee's highest executive status in the mission. To maintain professional, the author was required to prioritize continuous eye contact to establish participant rapport, which basically limited simultaneous notetaking. While with the other interviewee, there was technical failure with the Teams platform, resulting in the complete

loss of the audio recording for the entire conversation. Therefore, the author used only manual transcription and notetaking. The author took concise, keyword-based notes during the interview and then immediately expanded and transcribed all key points and conversational observations upon return home to prevent data loss and ensure accuracy.

Table 2 below provides a concise introduction to the data collection process. It gives a comprehensive account of the interview process and the data collection method. The table presents the diplomatic missions involved in the study, the length of each interview, the result of the questions answered and the exact dates on which each interview was conducted.

Table 2. Details of the interview data

Diplomatic Missions	Length of the interview	All questions answered	Interviewed Date
A	35 minutes	Yes	28 February 2025
B	30 minutes	Yes	19 June 2025
C	30 minutes	Yes	1 August 2025
D	40 minutes	Yes	26 June 2025

The interviews conducted with various diplomatic missions in February, June and August 2025. Each interview lasted between 30 and 40 minutes and that all diplomatic missions provided complete responses to the questions.

As the timing of data collection fell during Finland's annual summer leaves period, especially in May and June. This significantly reduced the availability of experts, making it exceptionally difficult to schedule interviews. It led to prolonged delays and, at times, meant key informants were simply unavailable. These combined difficulties ultimately restricted the comprehensiveness and timeliness of the qualitative data author gathered, requiring careful consideration during analysis and interpretation.

3.3 Data analysis

In this thesis, the author utilized thematic analysis in data analysis method which is commonly employed in qualitative research to find out, analyse or interpret patterns or themes in qualitative data, for example, in the interview transcripts, written texts or field notes. In short, this analysis is more

focused on analysing data to find themes and patterns. (Maguire & Delahunt, 2017, 2-4.) Repeated readings of data were undertaken by the author. Meaningful segments were then identified and coded to refine and define arising themes. Before presenting findings with supporting evidence specifically associated with the research question, findings were checked for coherence as well as representativeness of themes. (Braun & Clarke 2006, 15-22.)

For this study, the collected interview data was handled with strict confidentiality, interviewee identities were anonymized by deducing them from responses. Following data collection, a qualitative thematic analysis was conducted on the interview responses. By comparing answers from individuals in various diplomatic missions located in Helsinki, the author aimed to uncover similarities or dissimilarities and discuss their underlying reasons. This analysis is expected to reveal relationships relevant to the investigative questions outlined in Chapter 1.1.

4 Results

The analysis of the research results is discussed in this chapter. The aim of the thesis was to investigate the budgeting procedure of diplomatic missions, focusing on the major obstacles and the impact of host as well as home government regulations. It aimed to offer practical suggestions for increasing efficiency, adaptability and sustainability while balancing operational and regulatory requirements. The primary research question was how diplomatic missions can improve their budgeting. The interviews revealed both similarities and dissimilarities among participants from various home countries, leading to clear thematic patterns across the responses.

In Chapter 1.1, the investigative questions of this thesis were presented in the form of an overlay matrix. Based on these investigative questions, Table 3 below demonstrates the interview questions aligned with each investigative question. The key finding of the interviews was that effective budgeting in diplomatic missions means spending the budget wisely aligning with strategic goals. One interviewee stated that “as long as the budget is used to strengthen diplomatic relations between the host and home countries and to achieve the greatest benefits, it should be acceptable”.

In addition, all the interviewees stated that clear communication and budget justification are important in budget preparation along with flexibility, transparency and accountability. Also, rules and regulations enhance the reputation of diplomatic missteps, since working within legal and ethical bounds is essential for order and trust. Considering all the evidence, this chapter provides a thematic analysis based on interview results.

Table 3. Overlay matrix of the interview results

Investigative Question	Interview questions	Key themes found
IQ1	Could you specify your current fiscal year? Could you provide the timeline and activity of the budgeting process?	Home government fiscal sync, budget preparation, strategic objectives, transparency and accountability
IQ2	Have you ever experienced a delay in receiving the budget? If so, how did you manage the situation? In case you had money left (unused budget) at the end of fiscal year, what did you do with that money? Do you	Clear communication, effective budget management, precise budget forecasting

	have to return it to the home government? Conversely, how did the diplomatic mission manage the shortfall when the budget was insufficient?	
IQ3	Could you provide an example of how regulations have affected budgeting? How do tax exemption regulations apply to your mission? Could you share any advice on how diplomatic missions can effectively comply with regulations for both countries?	Reciprocal regulations, compliance with rules, diplomatic courtesy

According to Table 3 above, resulting that structured interviews enabled comparisons of similarities and differences among interviewees. All participants addressed overlapping topics in their responses, but some differences emerged as well. Differences in answers were mainly influenced by the regulations of each mission's home government. For instance, distinctions in fiscal year calendars and tax exemption policies for diplomats and the missions. All interviewees consistently noted that the host government's regulations have a minimal influence on the budgeting process within the missions. Instead, these regulations primarily affect the Human Resources (HR) section because diplomatic missions must comply with the host country's labor laws.

Besides, two interviewees implied that they use a calendar year as a fiscal year which is different from the other two interviewees. Although one interviewee claimed both her mission and diplomats were given tax exemptions by the host country, the other three insisted that their missions were given tax exemptions but for their diplomats the VAT claim works differently. By that it means, the price of a single article or service must not be less than EUR 170 including VAT and refund application must be submitted to the Ministry for Foreign Affairs of Finland individually. This difference reflects the reciprocal nature between the two countries, which accord with each other similar privileges, rights, and immunity to their diplomats and missions.

Overall, the structured interviews were effective in analyzing internal policy. Continuity allowed the author to compare responses across multiple participants to proceed for enhancing the budgeting process, key challenges and relevant regulations of each diplomatic mission. Utilizing a similar set of questions, the analysis highlighted key similarities among recognized inefficiencies (e.g., expenditure approval delays) and distinct differences in proposed solutions or perspectives regarding procedural obstacles and provided a foundation for specific recommendations.

From the first interview question, "Could you specify your current fiscal year?", all interviewees declared their fiscal years as a 12-month fiscal year, Diplomatic Mission A and C fiscal year is running from October 1 to September 30, while Diplomatic Mission B and D indicated their mission's fiscal year differently which is spanning as same as a calendar year starting from January 1 to December 31. Based on this, a thematic analysis was carried out for the remaining questions.

The second interview question mapped the current budgeting process within the diplomatic missions. The question was "Could you provide the timeline and activity of the budgeting process?" Grounded in their responses, all the interviewees identified several areas for improvement in the budgeting process. They highlighted that the entire budgeting process must align with their home government fiscal year calendars. Clear strategic objectives must be established during budget preparation to obtain approval for future budget allocations and executions. The budget needs to be reviewed and modified each year to reflect the changing strategic objectives of each mission.

There were four themes in responses for the second interview question:

- Theme 1: Home government fiscal sync
- Theme 2: Budget preparation
- Theme 3: Strategic objectives
- Theme 4: Transparency and accountability

As home government fiscal sync, all the interviewees expressed that their fiscal years align with their respective home governments, as this synchronization simplifies management throughout the year, particularly in budget preparation and evaluation. The second interviewee – Diplomatic Mission B, whose fiscal year aligns with the calendar year ending on December 31, mentioned that there is always an overlapping period in January for the mission to close the account before commencing new fiscal year. Likewise, the other three interviewees also emphasized the flexible timelines in their mission's budgeting process, explaining that the rigidity of budgeting deadlines can vary and can be negotiated.

For the budget preparation, all the interviewees provided detailed and comprehensive explanations of the budget preparation process, outlined each step clearly. The first interviewee - Diplomatic Mission A, specified that during budget planning and preparation, clear internal communication and negotiation as well as adherence to timelines are crucial. In other words, it is important to receive a green light (unofficial approval) before formally submitting all documents to the budgeting headquarters. The interviewee also added that his home government employs a top-down budgeting approach, where high-level, long-term strategies guide the process. Table 4 below provides a concise overview of the budgeting process timeline and activities for Diplomatic Mission A, based on detailed information shared by the first interviewee.

Table 4. Overview of the budgeting process timeline and activities for Diplomatic Mission A

Time Period	Step	Key Activities
January	Budget Planning	Set goals, establish priorities, and identify resource needs
February – May	Budget Preparation	Draft budget proposals, gather input, and refine estimates
June – September	Budget Adoption	Review, approve, and formally adopt the budget
Throughout the year	Budget Execution	Implement the budget, monitor spending, and manage adjustments
Throughout the year	Budget Evaluation	Review outcomes, assess performance, and inform future planning

Meanwhile, the second interviewee – Diplomatic Mission B, whose fiscal year differ from the first, provided a detailed explanation of the budgeting process practiced within her mission, as summarized in Table 5 below. The table organizes these sequential steps and highlights key responsibilities at each stage, illustrates how systematic financial management supports the mission’s overall effectiveness.

Table 5. Overview of the budgeting process timeline and activities for Diplomatic Mission B

Time Period	Step	Key Activities
January	Budget Closure and Reporting	Close the account for current fiscal year, report to headquarter on the execution of the budget
February	Budget Adoption	Receive responses (formal approval) from the headquarter
Throughout the year	Budget Execution	Implement the budget, monitor spending, and manage adjustments

September	Budget Evaluation	Review outcomes, assess performance, and inform future planning
before December 31	Budget Preparation	Draft budget proposals, identify resource needs, and refine estimates for upcoming year

Additionally, the second interviewee explained that the budget request might be approved or unapproved. However, this decision had minimal impact on the mission's overall operations. She noted that as the mission receives funds periodically throughout the year via local bank transfers in Finland, rather than receiving the full approved amount at once. As a result, the continuity of the mission's activities is maintained regardless of the formal approval status of the budget request.

While the third interviewee – Diplomatic Mission C, whose fiscal year is same as Diplomatic Mission A, described the overall budgeting process, explaining that it typically begins with the mission carefully planning a budget to cover all anticipated expenses, based on the preliminary target allocation provided by headquarters around March to April each year. The budget amount is usually like that of the previous year, unless there are budget cuts or other internal issues that necessitate adjustments. The budgeting process timeline and activities Diplomatic Mission C generally align with the government budget cycle but also include mission specific steps as can be explained as Figure 5 below.

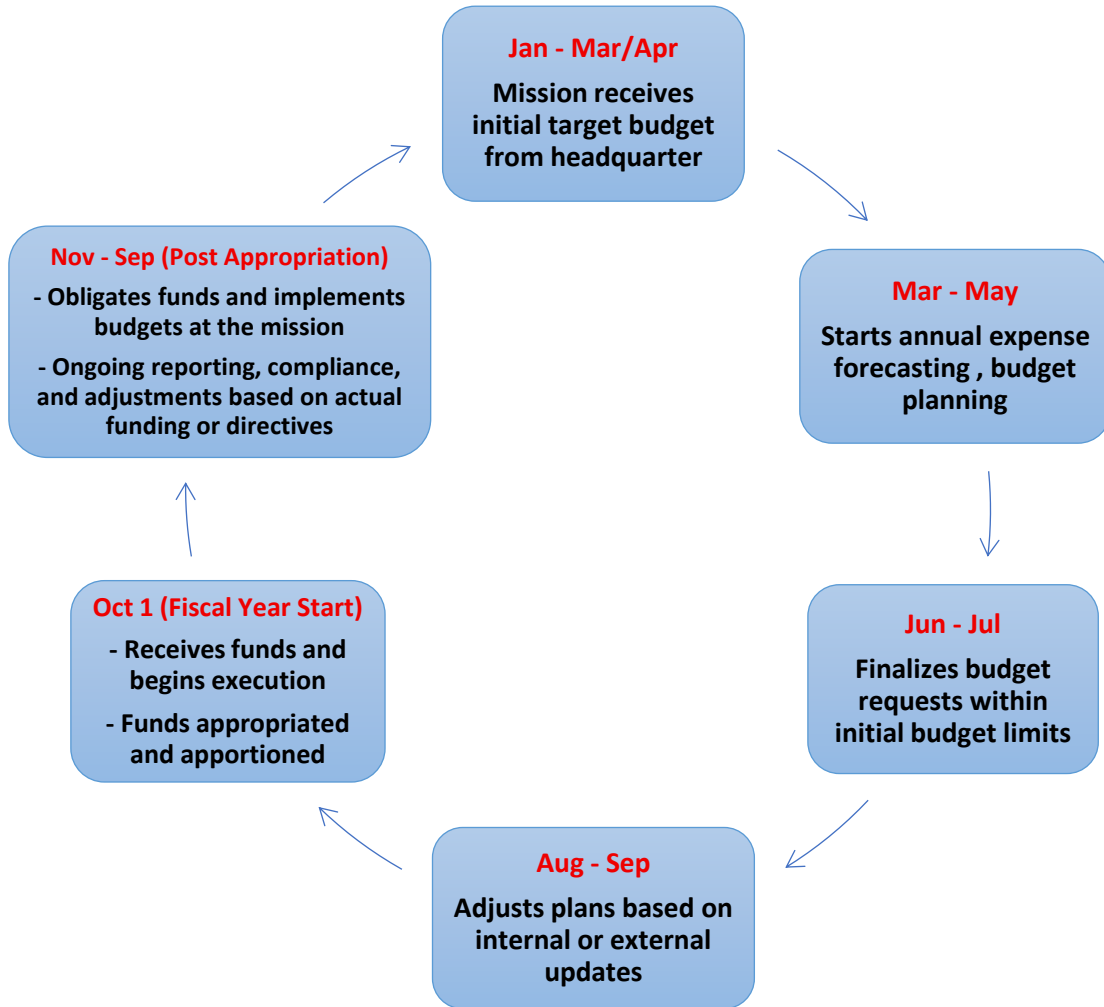


Figure 5. Budgeting process timeline and activities for Diplomatic Mission C

As illustrated in Figure 5, the cyclical flow of key budgeting activities throughout the fiscal year ensures that missions effectively plan, execute, and monitor their budgets in alignment with headquarters' guidance and actual funding availability.

According to the fourth interviewee – Diplomatic Mission D who has the same fiscal year as Diplomatic mission B, mentioned that the process begins with the mission preparing and submitting its specific budget requests, which includes justifications for operational needs and planned activities for the coming year. This submission is subsequently reviewed and integrated into her home country's Ministry of Foreign Affairs' broader proposal. The comprehensive national budget is then submitted to the National Congress for review, debate, and final approval by the November 30 deadline. Upon being signed into law, the mission is authorized to execute its financial plan at the start of the new fiscal year, with continuous monitoring and reporting to ensure all expenditures adhere to the approved budget. The budgeting process timeline and activities of Diplomatic Mission D as summarized in Table 6 below.

Table 6. Overview of the budgeting process timeline and activities for Diplomatic Mission D

Time Period	Step	Key Activities
January 1	Budget Execution & Adoption	The approve budget for the mission becomes active. The mission begins executing its planned activities and expenditures.
Throughout the year	Budget Execution & Monitoring	Implements the budget, monitors its spending against the allocated budget. Quarterly & annual report to headquarter.
April	(Internal) Budget Planning	Discuss and plan how to allocate the mission's budget to specific objectives.
August - September	Budget Planning & Formulation	Submits its specific budget proposals and supporting documentation to the headquarter.
September - October	Budget Evaluation	The headquarter reviews the proposals. Negotiate and adjust budget to align with the government's fiscal targets and forecasts.
November 30	Budget Approval	The official budget for the following fiscal year is announced.
December	Budget Closure	Finalize the account for the current fiscal year and submit a budget execution report to headquarters.

Regarding the strategic objectives theme, the first interviewee – Diplomatic Mission A, repeatedly referred to the concept of “Proactive Diplomacy,” describing it as an active approach to diplomacy focused on advancing his home country’s economic interests, such as trade, investment, tourism, and soft power, more than adopting a passive or reactive stance to global events. To support this strategic objective, the Ministry of Foreign Affairs of his home country established a dedicated budget specifically to finance diplomatic mission operations and initiatives that foster proactive

international engagement. This budget follows a different timeline in the normal budget request process as it's required early submission to secure approval. To clarify, the budget requested in the current fiscal year will be able to spend over the following two fiscal years. Whereas the other three interviewees highlighted strategic objectives of their missions that focusing more on ensuring efficient mission management, which involves organizing and overseeing the mission's resources, personnel, and operations to maximize effectiveness and responsiveness. For example, they prioritized budget administration transparency and clear performance monitoring systems to align daily activities with sustainable goals.

For transparency and accountability, all the interviewees agreed on the importance of clear and timely disclosure of detailed budget information to the home government. Two interviewees mentioned that the headquarters periodically send the auditors to the mission randomly to review financial records and ensure proper use of funds. While the third interviewee - Diplomatic Mission C, noted that a formal audit at the mission is required every five years. Whereas the interviewee from Diplomatic Mission D emphasized the importance of transparency within the mission. She stated that all the expenditures must be reported with supporting documentation "daily" to the home government's accounting system. Any delay or unclear explanation in this process could lead to inquiries and a need for clarification regarding the timing or objectives of activities, which might negatively impact future budget approvals. Moreover, all the interviewees also recommended searching for more detailed financial documents online, as accessing published budget updates and spending reports is one of the best ways to observe the mission's transparency and accountability. Overall, these four budgeting practices, as key themes, help diplomatic missions operate efficiently and manage resources responsibly to fulfill their national mandates.

In this regard, the third interview question scoped the challenges that the diplomatic missions faced in the budgeting process. The question was "Have you ever experienced a delay in receiving the budget? If so, how did you manage the situation?" All the interviewees had common experience in delay budget receiving matters, especially in the stage of budget approval. Based on this, the fourth question was brought up to delve into further details. The question was "In case you had money left (unused budget) at the end of fiscal year, what did you do with that money? do you have to return it to the home government?" However, as one interviewee mentioned the issue of budget shortages due to inaccurate budget forecasting, the fifth question was consequently formulated to explore another perspective on how the diplomatic mission managed the shortfalls when the budget was insufficient.

There were three themes in responses for the third, fourth and fifth interview questions:

- Theme 1: Clear communication

- Theme 2: Effective budget management
- Theme 3: Precise budget forecasting

For clear communication, the first interviewee – Diplomatic Mission A, praised that communication is a key. Maintaining internal communication by regularly following up the approval progress with relevant personnel at the headquarters is helpful and minimizes uncertainties for further budget execution. The remaining three interviewees similarly emphasized the importance of a clear messaging approach in budget planning because of its ability to promote trust and transparency among all parties. An organization can justify funding requests by explaining the reasoning behind financial decisions and ensuring that everybody knows how resources are allocated to achieve strategic objectives. This eliminates confusion, prevents misunderstandings as well as garners support from staff and leadership, as well as other key stakeholders.

In addition, the fourth interviewee – Diplomatic Mission D, highlighted a significant challenge in this process which is a language barrier. She pointed out that every reference document regarding finances and accounting of her mission must be translated from Finnish or English into Spanish and posted to the headquarter in her home county that was quite challenging and time consuming. This process sometimes led to misunderstandings because certain words lack a direct translation into Spanish. Likewise, the first interviewee from Diplomatic Mission A mentioned that his mission was also required to submit translated supportive documents into the official language to the headquarters in his home country, but it seemed like the language barrier did not appear to be identified as a major issue in his mission.

As effective budget management, all the interviewees conveyed their answers that the unused funds at the end of the fiscal year were either returned or managed according to formal rules and oversight mechanisms, ensuring accountability and preventing misuse. Regardless, the second interviewee from Diplomatic Mission B highlighted that her mission is usually hesitant to return the budget as fearing that headquarters might misinterpret this as the mission being allocated more funds than necessary, which could reduce next fiscal year's budget amount. Thus, it potentially ended up that her mission may try to use the remaining budget by purchasing non-urgent or unnecessary items at that moment. The third interviewee from Diplomatic Mission C also pointed out a key challenge in the budgeting process which was closely related to the delays in receiving budget approvals due to the complexity of the process and political negotiations at home government. Rather than receiving the full budget all at once, her mission received funds incrementally throughout the fiscal year, with each allocation accompanied by specific receipt and expiration dates. For example, when the budget approval arrived only one or two months before the fiscal year ended, it created significant challenges for the mission's budget implementation. Since the

budget had a strict expiration date and cannot be used beyond that point, in this case, the mission must communicate clearly with vendors and request their patience regarding payment timing.

Regarding the precise budget forecasting, by common consent, all the interviewees collectively emphasized that precise budget forecasting is a significant practice in budgeting process to avoid unexpected shortfalls and ensure financial stability. In case of shortfalls, the interviewees from Diplomatic Mission B and D highlighted the need for strong and comprehensive justification in additional budget requests, clearly explaining to the headquarters why the funds were insufficient and why more resources were necessary to complete the mission successfully. Likewise, the third interviewee from Diplomatic Mission C also noted that, due to the complexity of the budgeting process in her mission's home government, she must not only efficiently conduct thorough budget forecasting but also anticipate and plan for unforeseen circumstances that may occur. However, all the interviewees reiterated that they are extremely careful to fully utilize their allocated budgets within the fiscal year, as any unspent funds must be returned and could negatively impact on the budget ceiling for the following year. The third interviewee from Diplomatic Mission C added that if this situation occurs, the headquarters require the mission to return the unused funds promptly—typically by late August or early September—so that the budget can be reallocated to other diplomatic missions in other host countries with urgent needs. In contrast, the first interviewee from Diplomatic Mission A indicated a high level of flexibility in both budget implementation and forecasting, he quoted that most matters are usually negotiable and can be arranged as needed.

Subsequently, the sixth interview question scoped how host country's regulations affect diplomatic missions' budgeting. All the interviewees stated by common consent that the regulations of the host country do not significantly affect their diplomatic mission's budgeting. Instead, they indicated that regulations from their home government are the decisive factor. Based on this, the seventh question was brought up to delve into further detail. The question was "How do tax exemption regulations apply to your mission?" One interviewee's response was inconsistent with the other three. Thus, the eighth question was consequently formulated to explore another perspective on how diplomatic missions can effectively comply with regulations for both countries.

There were three themes in responses for the sixth, seventh and eighth interview questions:

- Theme 1: Reciprocal regulations
- Theme 2: Compliance with rules
- Theme 3: Diplomatic courtesy

Regarding the reciprocal regulations, all the interviewees mentioned it primarily based on the principle of reciprocity, as codified in the Vienna Convention on Diplomatic Relations (1961). This means that the privileges, immunities, and rights extended to their diplomatic missions and their

staff in Finland are mirrored by the same treatment that their home countries' authorities grant to the Finnish diplomatic mission and its personnel in their home countries. The first interviewee from Diplomatic Mission A additionally referred that the reciprocal regulations can be translated to specific protections, such as the inviolability of the diplomatic mission's premises, immunity from local jurisdiction for its diplomatic staff and exemption from certain taxes, including VAT on official purchases. Three out of four interviewees confirmed that their Diplomatic Missions and their members are, under certain conditions, entitled to a refund of value added tax (VAT). In Finland, VAT exemption for diplomatic missions and diplomats is grounded in international agreements, principles of courtesy and reciprocity, as well as the Finnish Value Added Tax Act. For individual diplomats, refunds are generally granted only if the taxable price of a single goods or service is at least EUR 170. While the only one interviewee explained that the diplomats at her mission must pay VAT upfront, keep the receipts and then submit a quarterly application through the mission to the Finnish Ministry for Foreign Affairs to obtain reimbursement.

For compliance with rules, the first and fourth interviewees underscored their significance. They emphasized that diplomats should refrain from exploiting tax exemption privileges to which they are entitled, for example, not purchasing goods in excessive quantities for resale purposes. The second and third interviewees also stressed the positive impact of regulatory compliance on promoting relationships between sovereign states. The third interviewee from Diplomatic Mission C highlighted that the mission should encourage the diplomats to follow the rules strictly when processing individual VAT claims. For example, the purchasing date should not be more than one year old, and each claim should include only the receipts aligned with the particular quarter. Such financial procedures must be handled correctly and compliantly so that the diplomatic mission can maintain a good reputation with the host country government.

For diplomatic courtesy, all the interviewees clearly comprehended diplomatic courtesy and acknowledged its crucial importance in diplomatic communication. Diplomatic courtesy was seen as having a minor direct impact on budgeting. The first interviewee from Diplomatic Mission A highlighted the host government usually does not interfere in or supervise the financial matters of Diplomatic missions. He added that the diplomatic courtesy in budgeting refers to the careful and respectful management of monetary resources for diplomatic activities, in accordance with reciprocal obligations and agreements between nations. While the other three interviewees from Diplomatic Mission B, C and D dismissed this as irrelevant, they mentioned that budgeting is an internal business function that is controlled within the diplomatic mission and in its home country rather than externally or through the host nation.

5 Discussion

The objective of this study is to examine the main financial challenges and how home-government and host-country regulations influence financial strategies and fiscal results of diplomatic missions and proposes solutions to improve and sustain financial management. The research compares budgeting routines of different diplomatic missions in Helsinki and measures fund implementation and performance metrics. Results indicate that diplomatic budgeting is a complex exercise constrained by organisational strategy, cultural norms and differing fiscal calendars with procedural divergences. But common challenges like budget approval delays, language barriers and internal negotiations remain. More significantly, it finds that home-government regulations affect a mission's budget more than those of the host country and offers some practical ways to improve upon this framework. The author has argued throughout this work that the best practice in budgeting processes across diplomatic missions is challenging to identify for reasons outlined in results section (Chapter 4).

The results reveal that crafting an effective diplomatic mission budget is a delicate balance driven by home country strategic priorities and organizational culture, which often overshadows host country norms. Fund approvals can be delayed due to systemic frictions such as divergent fiscal year calendars and complex internal political negotiations that can significantly affect budget implementation schedule. Thus, effective budgeting must align funds with home government's diplomatic strategic goals, provide financial control and accountability and be flexible to meet unexpected changing needs. During the budget preparation and negotiation steps, it is crucial to apply flexible approach including detailed, transparent and realistic budget proposals. The findings reflect that even though each mission has different strategic goals, their primary common objective appears to sustainably enhance their budgeting processes for effective operational performance to align with the mission's priorities.

Reflected on the literature review, the research findings obviously highlight that governmental accounting is central to diplomatic missions. The interviews indicated that relevant mission local staff and diplomats consistently place accountability, transparency and rigorous internal controls on their priority list for managing public funds overseas. Moreover, the interviews evolved that the legal and fiscal operations of diplomatic missions in Finland are governed by the basic principle of reciprocity under the Vienna Convention. All missions mentioned regulatory compliance was necessary to maintain legitimacy and good faith with the host government. In a similar way, all missions also understand diplomatic courtesy, they generally see budgeting as an internal business function governed by the home country, with the host government respecting non-interference in financial matters.

In conclusion, this research successfully navigated the complexities of diplomatic mission budgeting process, the friction points were found as same as the practical and compelling solutions. The budgeting improvement requires for increased transparency, accountability and sustainability. Aspiring audiences and diplomats can learn from this research and expand their knowledges on how to enhance the budgeting process in diplomatic missions. The key takeaways are simple, effective budgeting process must align with home country strategic international policy objectives while preserving transparency and strict financial control of expenditures in a different context.

5.1 Validity and reliability

In this thesis, the author carried out systematic interviews with financial experts from four diplomatic missions located in Helsinki, to determine the situational factors that influence their budgeting processes. The interviewees provided useful, in-depth and context specific information. The results were rigorously screened for trustworthiness using four qualitative criteria includes credibility, transferability, dependability and confirmability (Anney 2014, 276).

Selection of participants supports the validity of interview findings. Since all financial experts have direct, hands-on involvement in their organizations' budgeting processes, which ensures their responses are representative of the incident being studied. However, unconscious self-flattering responses may threaten the validity of the data. It is obvious that within diplomatic missions confronted with political issues or conflicts in their home countries, that may force financial professionals to respond strictly to organizational policy or focus on a positive image, misrepresenting honest discussion of informal processes or internal challenges. Furthermore, while the interviewees represent a diverse geographic spread across Asia, South America, North America and Europe, the overall sample size remains small that might limit the transferability of the findings.

In addition, this thesis adheres to a consistent, traceable, and logical research process. The author documented each stage of the study - the interview procedure, the reasoning behind question modifications, the transcription procedure, and the coding as well as thematic analysis choices. (Anney 2014, 278.) This transparency enables an outside reviewer to follow the reasoning from the raw data to the final conclusions in a study concerning budgeting. To clarify, understanding the perspective of the participants requires a detailed description of their context, including their role, many years of experience, and organization type. The findings are deemed reliable when they are provided by a rich, comprehensive account of the budgeting phenomenon and multiple, consistent accounts from a range of highly experienced professionals. (Anney 2014, 279.)

Thus, the author employed several rigorous methods to increase the general trustworthiness of this thesis. The strategies involved prolonged interaction with participants and continual

observation to establish rapport and gain a deeper understanding of the context. The author also used triangulation, which involved looking at additional reference data from several and various sources and methods, along with member-checking, in which participants have been asked to verify the validity of the collected data. (Anney 2014, 277.) Moreover, the author implemented the best practices to mitigate the inherent threat of false information or evasion, including a level of doubt towards potentially incorrect information, safeguarding informant identities, along with arduous researcher self-analysis or "navel-gazing" to account for possible personal biases in data interpretation. (Anney 2014, 279.)

5.2 Future research

The research conducted for this thesis enabled the author to gain several significant lessons, primarily revealing the dynamic tension between centralized control (headquarters) and local operation needs. One of the core insights gained from participant interviewees is that delegated financial authority must be linked to an annual activity plan so the missions can respond to local needs while remaining accountable to the home government. In addition, the author discovered that insufficient transparency or consultation issues on budget modifications may lead to misalignment between the home government and the diplomatic missions. The biggest challenge that the author encountered during this research surfaced in the collection of budgetary data, particularly through interviews with diplomatic mission experts. The highly confidential nature of financial information was a significant obstacle, particularly for certain nations that view these details as private or strategically important. Interviewees often expressed caution in their responses because of the inherent sensitivity, which limited the amount of detail as well as the specificity that the data author could gather.

The analysis of interview results (Chapter 4) can provide a lot of fascinating insights into the current budgeting process in diplomatic missions and potential areas of improvement. Academic literature frequently emphasizes the need for greater transparency, accountability, and performance-based budgeting of government, especially for foreign ministries and their missions abroad (Gaventa & McGee 2013, s21-s22). Looking ahead, there are several promising avenues for future research. It should concentrate on various under-explored areas, moving beyond common public financial management principles to the distinctive political as well as operational context related to diplomacy.

Firstly, one critical area for further investigation is the impact of digital and electronic diplomacy on budget allocation. The shift to electronic communication as well as remote work demands changes mission resource allocations which have traditionally been heavily based on security, staffing, and physical presence (Hocking & Melissen, 2015). The cost effectiveness of digital initiatives

compared to conventional diplomatic methods should be quantified through detailed research. To clarify if budget savings from reduced travel or less physical footprints are now being reinvested in the development of digital infrastructure, cybersecurity and e-diplomacy personnel. (Bjola, 2018.) In this connection, future studies might utilize frameworks for activity-based costing in a hybrid diplomatic environment to accurately link expenditures to digital and public diplomacy outcomes.

Secondly, Artificial Intelligence (AI) in global diplomacy represents a compelling research frontier, particularly in the financial and budgetary management of diplomatic missions. The future studies ought to explore how AI might change core diplomatic practices, strategic decision-making and international issues. Currently, the governments in several countries across the world are already leveraging AI-driven models for economic forecasting, military strategy and global competitiveness. This highlights the significance to examine AI-driven models for fiscal efficiency and strategic resource allocation in diplomatic missions as well as in foreign affairs. (Mostafaei, Kordnoori, Ostadrahimi & Banihashemi, 2025.) In this regard, the researcher should analyse the challenges and chances of AI-based global diplomacy and offer a balanced view, weighing up the advantages and risks of AI adoption.

Finally, the future research should address the institutional and political challenges unique to foreign affairs budgeting. Diplomatic budgets are basically subject to political priorities, national security mandates and often fragmented authority structures across different government departments (Adams, 2007). In future, comparison studies could examine how different foreign ministries adapt to a growing international influence, especially when negotiating interagency budgets. Also useful is a review of budgetary resilience which means analyse how diplomatic missions are financially prepared to deal with unexpected global crises, security threats or rapid transitions in foreign policy without compromising operational capabilities.

To summarize, the future research in diplomatic budgeting should minimize focus from public financial management principles and adapt to the new realities of a rapidly digitizing world environment. Principal areas of investigation consist of quantifying the cost-effectiveness of hybrid diplomacy and tracking savings reinvested in digital infrastructure, exploring how AI could improve fiscal efficiency and strategic resource allocation in diplomatic missions and analysing specific institutional and political drivers for foreign aid spending. This innovative and strategic research agenda is essential for modelling increased transparency, accountability, and financial resilience in modern diplomatic practice (Hocking & Melissen, 2015).

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Appendices

Appendix 1. Email interview layout and questions

Dear Sir/Madam,

My name is Ketsarin Metsovuori, and I am a final-year bachelor's degree student at Haaga-Helia University of Applied Sciences, specializing in Accounting and Finance. I am writing to respectfully request an opportunity to interview expert(s) from your organization regarding the budgeting processes within diplomatic missions.

I assure you that all information shared will be treated with the utmost confidentiality and used solely for academic purposes. All interview data will be handled anonymously. The names of the organizations, interviewees, and their titles will not be disclosed in the research publication.

My thesis focuses on how diplomatic missions can improve their budgeting processes, with the following sub-questions:

1. What is the current budgeting process of the organization?
2. What are the primary challenges faced by the organization in the budgeting process?
3. How do regulations from host countries and home governments influence the organization's budgeting practices?

The interview will take about 30 to 45 minutes and can be held on Microsoft Teams or Zoom at a time that suits you best. I would highly appreciate it if we could schedule it before __/__/2025.

Thanks for your time and consideration in this matter. If you need any additional information about my research, please do not hesitate to contact me. Your prompt response is highly appreciated. Looking forward to hearing from you soon.

Best regards,

Ketsarin Metsovuori

Appendix 2. Consent form

I hereby give my consent to participate in the research to give a research interview according to the research announcement provided as an attachment.

The content of the research announcement has been given to me, and I understand the nature of the study, what participation entails for me, how the data I provide will be used, and how it will be stored. I have had the opportunity to ask questions and have received satisfactory answers to all my inquiries.

I understand that participation in the research is voluntary. I am aware that I can withdraw this consent at any time without giving a reason, and for instance, I can discontinue the interview if I so desire.

Consent can be withdrawn by informing the researcher Ketsarin Metsovuori by ___/___/2025 by email ketsarin.metsovuori@myy.haaga-helia.fi. Please note that once the research results have been analysed, the contribution of a single participant cannot be retrospectively removed.

For additional information about the research, the thesis author Ketsarin Metsovuori, ketsarin.metsovuori@myy.haaga-helia.fi can be contacted.

With my signature or response to email, I confirm that I give my consent to participate in the research.

Name of the Consent Giver

Date

Signature

Appendix 3. Research announcement

Title of the research: How to Enhance Budgeting Process in Diplomatic Missions

Student: Ketsarin Metsovuori, ketsarin.metsovuori@myy.haaga-helia.fi / Haaga-Helia University of Applied Sciences

Thesis Advisor at Haaga-Helia University of Applied Sciences: _____

Objective of Data Collection: Financial budgeting experts giving their views on budgeting process improvement in diplomatic missions presented by the student.

Method and Phases of Data Collection: The Teams interviews will be recorded and transcribed, with only the transcripts being utilized for research purposes. Once the transcripts are obtained, the video recordings will be deleted.

Duration of Participation: 30-45 minutes

Preparation Prior to Participation: No preparation is required for participation.

Benefits of Participation for the Participant or their Represented Organization: Upon completion of the research, participants will receive a link to the final report, which they can access and utilize in the future.

Handling, Storage, Recipients, Potential Disposal, and Future Use of Data:

- The interview transcripts will be securely stored until the research is completed and published.
- The interview data will be used for the student's bachelor's research publication. This may also include articles in professional journals.
- All interview data will be handled anonymously, in full compliance with current EU data protection regulations.
- The names of interviewees and their affiliated companies will not be disclosed in the research publication.

Dissemination of Results: The research may also be published in other professional or peer reviewed publications.

Funding and Potential Conflicts of Interest: The student is currently not receiving any funding for this research.

Contact information: Ketsarin Metsovuori, ketsarin.metsovuori@myy.haaga-helia.fi