

***OVERVIEW OF THE BEST  
PRACTICES OF FOREIGN AND  
LITHUANIAN INSTITUTIONS IN  
SETTING UP PERFORMANCE  
MONITORING SYSTEMS***

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## ***INTRODUCTION***

Improvement of performance-based management is one of the objectives set in the Public Administration Development Strategy until 2010 approved by Resolution No 488 of 28 April 2004 of the Government of the Republic of Lithuania, recognising that efficient public administration should rely, first of all, on the results achieved rather than on administrative processes or procedures. Moreover, the National Audit Office recommends, in its Audit Report No VA-60-1P-1 of 30 March 2007 *Programme-Based Budgeting System*, that public authorities should envisage measures to improve monitoring of the delivery of priorities of the long-term development strategy of the state and those defined by the Government as well as programme goals set for public authorities and institutions. To implement the recommendations of the National Audit Office, the Government of the Republic of Lithuania has decided, in a meeting on 11 June 2007, to develop a conception for a performance monitoring system. For these reasons, the Office of the Prime Minister (previously, the Office of the Government of the Republic of Lithuania), seeking to improve performance management in Lithuania, is implementing, in cooperation with the Ministry of Finance, a project financed by the European Social Fund, *Improvement of Performance-Based Management (IPBM)*, aimed at improving performance-based management by creating conditions to enhance continuously the efficiency of performance of public administrations. In pursuit of this goal, efforts will be geared towards better monitoring of performance of institutions accountable to the Government (ministries, government agencies, institutions under ministries), improved functional analysis, enhanced evaluation of budget programmes, and better impact assessment of decisions. Also, administrative capacities will be strengthened and best practices disseminated.

It is expected that the IPBM project, once implemented, will enhance the efficiency of performance monitoring and programme evaluation system set up in institutions accountable to the Government and will allow to deliver timely and accurate information to the Government on performance results achieved by institutions. It is also expected that conditions will be created for using this performance information for management decisions. Performance information will be used by the Office of the Prime Minister, line ministries, the Strategic Committee of the Government, the Commission for the Improvement of the System of Public Administration, and other institutions, for making proposals to the Prime Minister and the Government concerning improvements to be made in strategic planning, public administration, and impact assessment processes.

On 26 March 2009, the Office of the Government of the Republic of Lithuania (hereinafter referred to as the Prime Minister's Office), as one party, and Ernst & Young Baltic and the Public Policy and Management Institute (PPMI) acting as partners under a joint activity (partnership) agreement (hereinafter referred to as the Providers of Services), as the other party, signed Contract No 018 for the procurement of services (hereinafter referred to as the Contract). Under the Contract, the Providers of Services have commenced the implementation of the first task of the IPBM project – to improve monitoring of results of implementation of strategic action plans (including budget programmes), by setting up a monitoring system allowing to record and analyse changes in the achievement of the results sought and to use this information for decision-making purposes. The anticipated outputs under this task are: a conception of the Government's performance monitoring system prepared, a monitoring information system set up and tested, a methodology for setting and applying performance measures developed, staff of institutions accountable to the Government, responsible for drawing up action plans and using performance measures, trained, and other.

To make use of the best practices of foreign countries, the Providers of Services have studied and evaluated the best practices of selected foreign countries which have set up institutional performance monitoring systems and use advanced performance management models. The Providers of Services have also studied the best practices of Lithuanian institutions in the field of performance monitoring and have drawn up a *Report on the Review of Institutional Performance Monitoring Systems and*

*Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems.* The report was used as the basis for this present paper.

This paper consists of two parts. The first part gives an overview of institutional performance monitoring systems used by foreign institutions: strategic planning systems functioning in the countries concerned, practices of linking financial resources to expected outcomes, performance monitoring systems and processes, performance measurement systems, practices of using performance information. The second part of the paper looks into the system of performance monitoring in institutions accountable to the Government of the Republic of Lithuania. It examines different stages of performance monitoring: preparation for monitoring, execution of monitoring, and completion of monitoring. The paper ends with conclusions, giving a list and brief descriptions of major problems encountered in Lithuania in relation to performance monitoring and quoting relevant examples of foreign institutional performance monitoring systems for each of them. The Conclusions section also contains a rundown on the best monitoring practices in institutions accountable to the Government of the Republic of Lithuania.

This paper is intended for the staff of institutions accountable to the Government, responsible for strategic planning and performance management. It might also be interesting and useful for everybody interested in strategic planning and performance monitoring systems functioning in foreign countries and Lithuania and in performance management improvement issues. It is expected that the concrete examples of practices applied in foreign countries in using performance monitoring systems described herein will be used, to a certain extent, to improve performance-based management in Lithuania.

# 1. Overview of Institutional Performance Monitoring Systems in Foreign Countries (the Netherlands, Sweden, the United Kingdom, Ireland, Canada, and Finland)

## 1.1. STRATEGIC PLANNING SYSTEMS AND PRACTICES OF LINKING FINANCIAL RESOURCES TO EXPECTED OUTCOMES

The countries selected for the purpose of this Overview have different performance planning goals and thus different strategic planning systems. The practices of linking national budgets to strategic planning cycles and to performance management also vary greatly from country to country.

### 1.1.1. Strategic Planning Systems

Major differences in strategic planning systems of the countries concerned lie in the degree of centralisation.

**Table 1. Characteristics of Centralised and Decentralised Strategic Planning Systems**

| Centralised strategic planning systems  | Decentralised strategic planning systems   |
|---|--|
| <ul style="list-style-type: none"> <li>Strategic goals and objectives are determined on the “top-down” approach (by way of discussions and negotiations with sectoral institutions) and are then detailed in action plans of individual institutions</li> </ul>   | <ul style="list-style-type: none"> <li>Overall responsibility for determining institutional strategic goals and objectives lies with the institutions concerned</li> </ul>                             |
| <ul style="list-style-type: none"> <li>Extensive involvement of central government (not only of the central financial management authority, but also of the Prime Minister’s Office (Cabinet)), which guarantees greater participation, steering and political support from the Prime Minister</li> </ul> | <ul style="list-style-type: none"> <li>Responsibility for the overall functioning of the monitoring system and for external monitoring lies with the central financial management authority</li> </ul> |
| <ul style="list-style-type: none"> <li>Intensive monitoring and analysis of implementation of the Government’s priority goals</li> </ul>  | <ul style="list-style-type: none"> <li>Public authorities and institutions report to the Parliament and/or Government once a year</li> </ul>   |
| <ul style="list-style-type: none"> <li>Active reporting by public authorities and institutions (from 2 to 4 times a year) both to the Parliament and the Government</li> </ul>  | <ul style="list-style-type: none"> <li>Formal forms of reporting prevail (performance reports)</li> </ul>  |
| <ul style="list-style-type: none"> <li>Wide use of informal forms of reporting (performance discussions and performance dialogues)</li> </ul>   |  |

*Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*

**Table 2. Strengths and Weakness of Centralised and Decentralised Strategic Planning Systems**

| Centralised strategic planning systems  |   |
|---|---|
| Strengths   | Weaknesses  |
| <ul style="list-style-type: none"> <li>Better conditions to implement Government priorities through action plans of public authorities and institutions and their staff</li> </ul>  | <ul style="list-style-type: none"> <li>Central government is not so well aware of the specifics of a concrete activity, which causes problems of credibility of the reported information</li> </ul> |
| <ul style="list-style-type: none"> <li>Consolidation and unification of strategic management practices, development of monitoring culture throughout the system</li> </ul>  | <ul style="list-style-type: none"> <li>Central government has to bear the main analytical burden and the highest responsibility for strategic planning processes</li> </ul>                         |
| <ul style="list-style-type: none"> <li>More effective system of incentives and sanctions (which is particularly important for internal monitoring), higher responsibility of public authorities and institutions</li> </ul> | <ul style="list-style-type: none"> <li>Risk of controlling and small-minded rather than strategic steering</li> </ul>   |
| <ul style="list-style-type: none"> <li>Facilitated decision-making concerning improvement of the monitoring system, and facilitated follow-up on the decisions</li> </ul>   |   |
| Decentralised strategic planning systems  |   |
| Strengths   | Weaknesses  |

|  |  |
|--|--|
| <ul style="list-style-type: none"> <li>Formulation of performance measures best tailored to the specifics of the operational area concerned</li> </ul> | <ul style="list-style-type: none"> <li>Due to a large variety of performance measures, performance information varies greatly in the level of detail and quality, which makes evaluation of the achievement of targets in horizontal policies difficult</li> </ul> |
| <ul style="list-style-type: none"> <li>Higher responsibility of individual institutions for performance results, higher sense of ownership</li> </ul>  | <ul style="list-style-type: none"> <li>Problems of coordination and jurisdiction (in horizontal policies)</li> </ul>   |
| <ul style="list-style-type: none"> <li>More flexible strategic planning (in a well-developed culture of internal control)</li> </ul>                   |  |

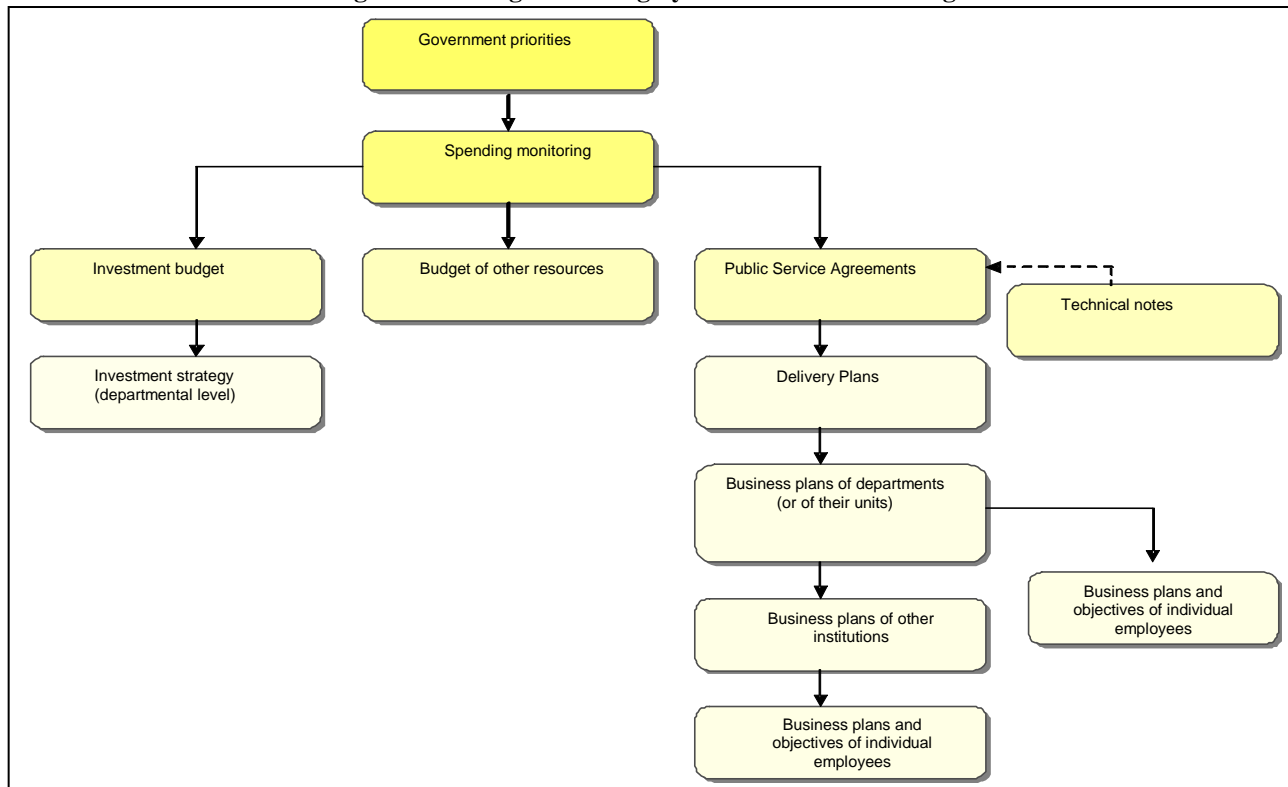
Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems

The United Kingdom, Sweden, and Finland have centralised strategic planning systems. The United Kingdom has a particularly sophisticated system of passing strategic goals down to individual departments, institutions, and units.

**Best Practice: Passing Government Priorities down to Institutional Action Plans in the United Kingdom**

In the United Kingdom, the contents of Public Service Agreements adopted on the central government level are passed down to individual departments, institutions, and units. Public Service Agreements set out strategic and operational aims and objectives (which are an object of negotiations and discussions between individual departments and the HM Treasury) for a period of three years. Public Service Agreements are supported by technical notes which explain how information about operations carried out to contribute to the implementation of objectives set for the department concerned should be collected, evaluated and presented. To implement Public Service Agreements, departments draw up Delivery Plans which name persons responsible for the delivery, envisage measures to be employed to achieve the aims and objectives, give monitoring information, and specify delivery timeframes, delivery risks, resources, etc. In addition to the objectives set in Public Service Agreements, departments also work to deliver Departmental Strategic Objectives which supplement the objectives under Public Service Agreements and are geared towards maximising the delivery of targets set in a Spending Review. Public Service Agreements and Departmental Strategic Objectives are reflected in more detail in action plans and objectives of departmental units and individual employees.

**Figure 1. Strategic Planning System in the United Kingdom**



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, according to Z. Noman, Performance Budgeting in the United Kingdom. OECD Journal on Budgeting, 8(1), 2008, 79; G. Bouckaert, J. Halligan, Managing Performance: International comparisons. London and New York: Routledge, 2008, 363.

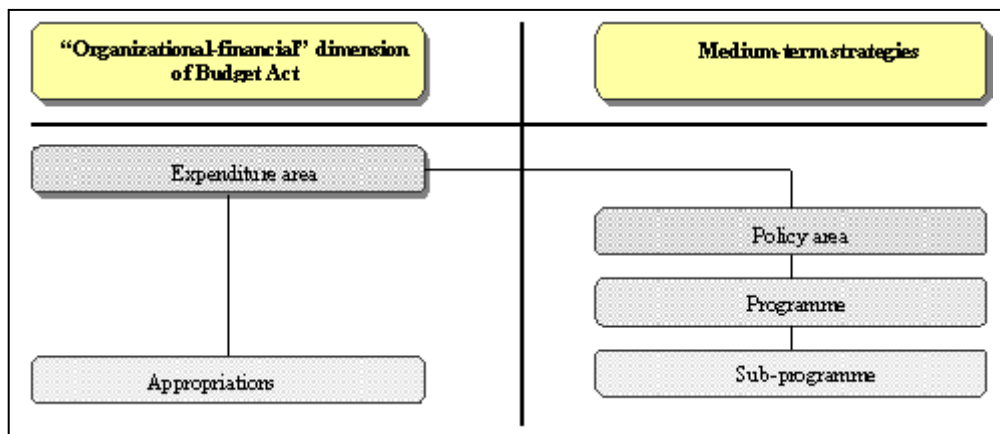
In Sweden, agencies' goals and objectives as well as appropriations and reporting requirements are determined by the Cabinet of Ministers through annual Instruction Letters issued to agencies. Every agency in Sweden acts in one or more policy areas and implements or contributes to the implementation of goals set in the relevant policy area. For example, the Social Insurance Administration acts in six policy areas (10 programmes and 30 sub-programmes)<sup>1</sup>.

**Best Practice: Policy Architecture in Sweden**

In Sweden, the Government's activities have been divided into 48 policy areas since 2001. Spending in these areas account for nearly 90% of the total budgetary spending. Targets in individual policy areas are set during the budgeting process. The targets are proposed by the Government (on the basis of recommendations and proposals from line ministries) and approved by the Parliament. Most of the policy areas are divided further into programmes with more detailed targets and objectives feeding into those set in the policy areas concerned. Programme targets are also set on the governmental level. Programmes are further divided into sub-programmes with targets and objectives tailored for specific agencies.

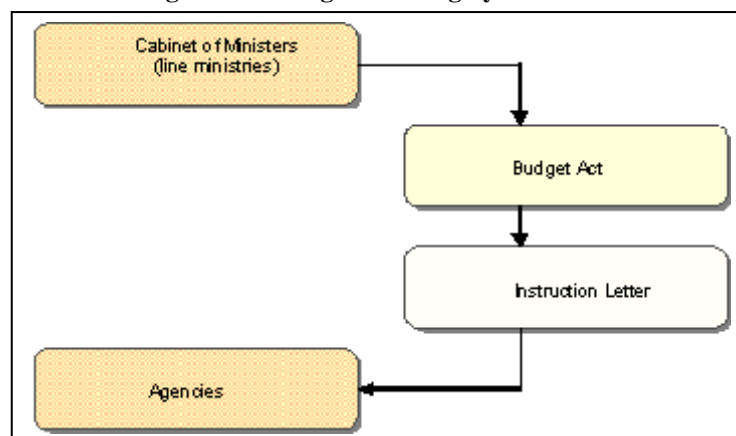
This division of the Government's activities into policy areas allows, *first*, to create a closer link between political goals and institutional performance results, *second*, to compare institutional performance results among different policy areas and thus get a more objective evaluation of performance in individual policy areas and a more efficient distribution of financial resources among different policy priorities, and *third*, to ensure a closer link between performance results and the costs.

**Figure 2. Link between Spending Areas and Policy Areas in Sweden**



Source: G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 323.

**Figure 3. Strategic Planning System in Sweden**



<sup>1</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 311-343.

Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, according to G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 311-343.

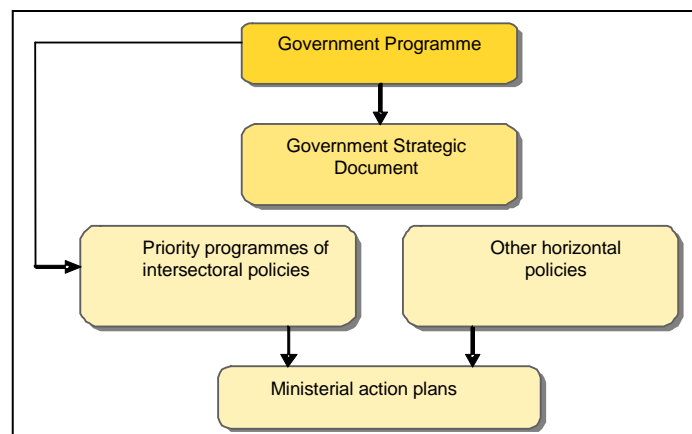
In Finland, main focus is on planning and coordination of activities in priority intersectoral policies.

**Best Practice: Formulation of Government Priorities in Finland**

In the period between 2003 and 2007, Finland implemented an extensive programme management reform focused on enhanced horizontal policymaking and implementation and on a stronger coordination of institutional actions in implementing intersectoral policies<sup>2</sup>.

As a result of the reform, also in the light of a long-standing tradition of coalition government in Finland, strategic goals set by the Government are horizontal. As a rule, the Government's Programme distinguishes 3 to 5 priority policy areas which are set out in the form of intersectoral Government policy programmes. The present Government has identified 4 priority areas: employment policy, entrepreneurship policy, information society policy, and citizen participation policy. Principles and priorities of the Government's Programme are set out in the Government Strategic Document for a period of four years. Ministries and other public authorities develop action plans for the delivery of the goals set in the Government Strategic Document<sup>3</sup>.

**Figure 4. Strategic Planning System in Finland**



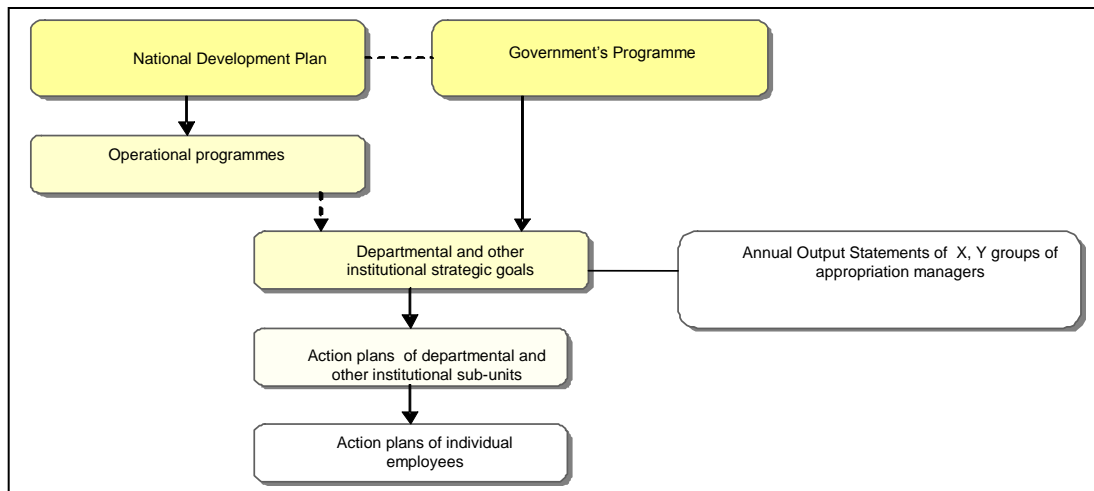
Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on Prime Minister's Office, *Programme Management within the Finish Government*, 2007, 13.

Ireland's strategic planning system could be described as a combination of features of centralised and decentralised strategic planning systems. Long-term strategic goals in priority areas are defined centrally and set out in the national investment programme, the National Development Plan. The priority areas and goals set out in the above-mentioned Plan are defined on the Ministerial Cabinet's level by way of consultations with non-governmental organisations, various stakeholders, local communities, as well as experts and the academic community. Individual departments additionally implement their self-defined strategic goals (set on the level of individual departments and authorities) known as Strategy Statements.

<sup>2</sup> Prime Minister's Office, *Programme Management within the Finish Government*, 2007, 9-10

<sup>3</sup> Prime Minister's Office, *Programme Management within the Finish Government*, 2007, 13.

**Figure 5. Strategic Planning System in Ireland**



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on Finance Vote Group, Annual Output Statements for 2008, April 2008. <<http://www.finance.gov.ie/documents/publications/annualoutput%20statements/AOS2008.pdf>>; National Development Plan 2007 – 2013. *Transforming Ireland: A Better Quality of Life for All*, 31-33. <<http://www.ndp.ie/documents/ndp2007-2013/NDP-2007-2013-English.pdf>>

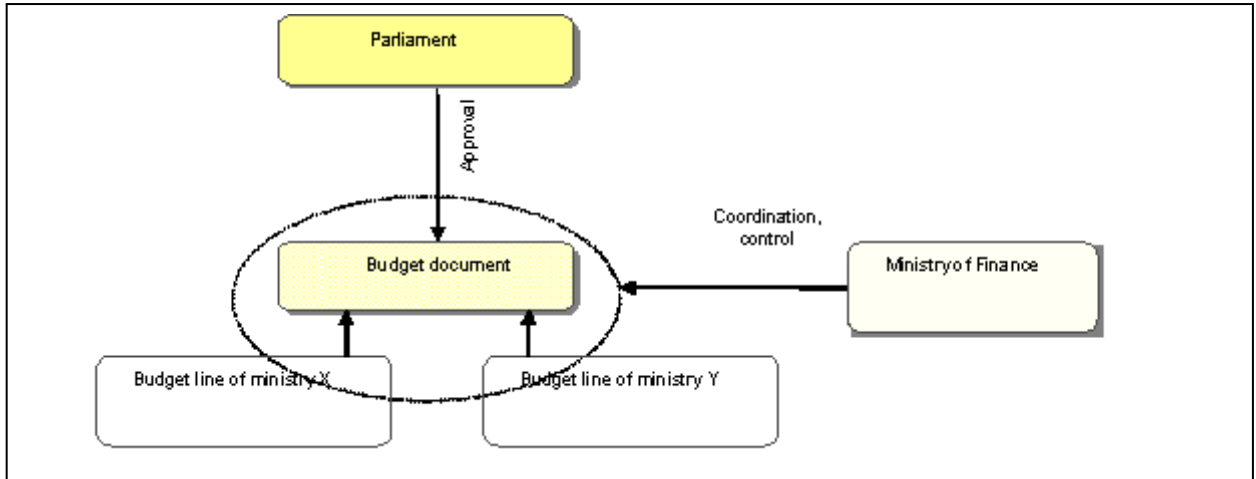
Canada’s strategic planning system could be described as more of a decentralised than centralised strategic planning system. Every year, the Treasury Board of Canada Secretariat develops guidelines setting out strategic goals and reporting requirements for public authorities and institutions. Responsibility for formulating and implementing budget programmes and projects in pursuance of the set strategic goals lies with specific departments and public authorities<sup>4</sup>.

The Dutch strategic planning system could be defined as an “ideal” type of a decentralised system. Public authorities or institutions formulate their own goals and objectives which are integrated in their budget documents. Approval of the institutional budget by the Parliament gives a mandate to the institution concerned to implement the goals and objectives set by itself<sup>5</sup>. On the other hand, the Dutch strategic planning system has been centralised to a certain extent when the new Government formed in 2007 declared 70 targets in its Coalition Agreement.

<sup>4</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 256-282.

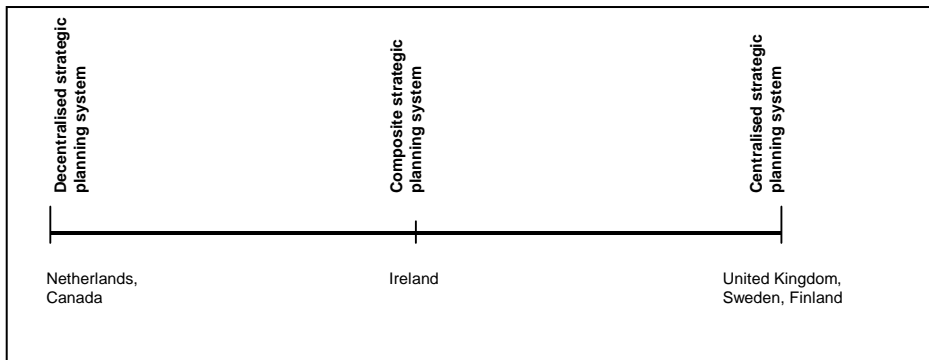
<sup>5</sup> R. Debets, H. Vossers, *Program budgeting in the Netherlands*, 1-6. [siteresources.worldbank.org](http://www.siteresources.worldbank.org) <http://www.siteresources.worldbank.org>

**Figure 6. The Dutch Strategic Planning System**



Source: *Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*, according to G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 283-310.

**Figure 7. Position of Countries in the Continuum of Centralised-Decentralised Strategic Planning Systems**



Source: *Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*

To sum up, only Ireland has a long-term (6 yrs.) strategic planning document which sets out priority areas of the state, the state’s goals in these areas and the institutions responsible for delivering these goals, and which is adopted by the central government (Cabinet) by way of consultations with different social groups (and made in the form of a national agreement). Similar practice is applied in Finland where priorities and principles of the Government’s Programme are set out in a medium-term (4 yrs.) Government Strategic Document. Medium-term (3 yrs.) strategic planning documents are also formulated in the United Kingdom, in the form of Spending Reviews and Public Service Agreements, whereas in other countries, such as the Netherlands and Sweden, the budget document may be considered to be the main document for planning performance and public spending. (As already mentioned, priority areas (70 targets) of the Government’s activities in the Netherlands are also set out in the Coalition Agreement since 2007).

**Table 3. Strategic Planning Documents and Strategic Planning Time Spans**

|                                    | <b>Ireland</b>            | <b>Finland</b>                | <b>The United Kingdom</b>                      |
|------------------------------------|---------------------------|-------------------------------|--|
| <i>Document of strategic goals</i> | National Development Plan | Government Strategic Document | Spending Reviews and Public Service Agreements |
| <i>Time span</i>                   | 6 years                   | 4 years                       | 3 years  |

Source: *Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*

In the countries with a larger degree of centralisation in strategic planning systems, a significant role is played by “internal” planning documents, i.e. documents formulated on the level of public authorities or institutions (e.g. Delivery Plans in the United Kingdom which are formulated on the institutional level and which set out in more detail the strategy of implementation of Public Service Agreements; departmental and institutional action plans in Ireland; ministerial action plans in Finland). However, as the Swedish example shows, centralised strategic planning systems do not necessarily require developing long-term strategic planning documents. In Sweden, high-level long-term strategic goals are set by decision of the Cabinet of Ministers which is adopted by consensus, having discussed possible alternative options<sup>6</sup>.

### 1.1.2. Practice of Linking Financial Resources to Expected Outcomes

Budgetary systems of different countries share one common feature, a multi-annual budget. Ireland, the United Kingdom, Sweden, and Canada have three-year budgets, and the Netherlands and Finland have four-year budgets. Furthermore, many countries have a practice of setting medium-term expenditure ceilings for budgeting and spending efficiency purposes. In the United Kingdom, and Ireland in particular, budget ceilings are quite flexible and the setting of expenditure ceilings for a period of 2 to 3 years is rather indicative, meaning that in principle every year the expenditure planned for the next budget year is reviewed and, if necessary, revised. In the United Kingdom, government agencies may carry forward the appropriations unspent during the current budget year to the next budget year or, *vice versa*, finance overspending from the next year’s appropriations. Swedish, Dutch and Finnish budgetary systems have relatively strict expenditure ceilings which are reviewed and updated every year in the light of changes in wages and prices; appropriation managers are not allowed to exceed materially the expenditure ceiling set for the current year<sup>7</sup>.

The practice of matching budgetary and political cycles or of linking financial resources to expected outcomes vary from country to country.

**Table 4. Link between the Degree of Centralisation/Decentralisation of a Strategic Planning System and its Integration into the Budgetary Cycle**

|  | <b>Centralised strategic planning system</b> | <b>Decentralised strategic planning system</b> |
|--|--|--|
| <b>Integrated into the budgetary cycle</b>     | The United Kingdom, Sweden, Finland          | The Netherlands, Canada                        |
| <b>Not integrated into the budgetary cycle</b> |  | Ireland  |

Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems

A particular high degree of integration of financial and performance information in budget documents is found in the Netherlands which reformed its budget system already back in 1999 seeking to ensure maximum orientation of budget documents and budgeting processes towards political goals.

#### **Best Practice: Integration of Financial and Performance Information in the Dutch Budget**

The Dutch budget system was reformed in 1999. The principal goal of the reform was to reinstitute the fundamental “link” between policy goals, institutional operations and financial resources<sup>8</sup>. The reform was implemented in two directions: *first*, the structure and contents of budget documents was changed to incorporate goals and objectives of institutional operations into institutional budget documents, and *second*, institutions were required to deliver annual performance reports and to make the reports public and accessible to all parties concerned<sup>9</sup>. Today, the Dutch budget

<sup>6</sup> T. Küchen, P. Nordman, *Performance Budgeting in Sweden*. OECD Journal on Budgeting, 8(1), 2008, 50-54.

<sup>7</sup> F. Bos, *The Dutch Fiscal Framework: History, Current Practice and the Role of the Central Planning Bureau*. OECD Journal on Budgeting, 8(1), 2008, 9-10.

<sup>8</sup> F. Bos, *The Dutch Fiscal Framework: History, Current Practice and the Role of the Central Planning Bureau*. OECD Journal on Budgeting, 8(1), 2008, 32.

<sup>9</sup> F. Bos, *The Dutch Fiscal Framework: History, Current Practice and the Role of the Central Planning Bureau*. OECD Journal on Budgeting, 8(1), 2008, 32.

document incorporates information on the goals and objectives pursued (for a period of 4 years) and already achieved (in the past 2 budget years) and the cost of achievement<sup>10</sup>.

Institutional budgets are structured around the following three basic questions:

- 1) What do we want to achieve?
- 2) What we will do to achieve it?
- 3) What will be the costs of our efforts?

Subsequently, at the end of a budget year, institutions and government agencies write performance reports that answer the following questions:

- 1) Have we achieved what we had intended?
- 2) Have we done what we should have done in achieving it?
- 3) Did it cost what we had expected?<sup>11</sup>

**Table 5. Structure of a Budget Line in the Netherlands**

| A. | General goal       |                        |  |
|----|--------------------|------------------------|--|
| B. | Operational goals: |                        |  |
|    | Goal X             | Performance indicators | Multi-annual commitment-cash (expenditures and revenues) table for funding |
|    | Goal Y             | Performance indicators | Multi-annual commitment-cash (expenditures and revenues) table for funding |
|    | Goal Z             | Performance indicators | Multi-annual commitment-cash (expenditures and revenues) table for funding |

Source: R. Debets, H. Vossers, *Program Budgeting in the Netherlands*, 3.

Still, account should be taken of certain conditions that exist in the Netherlands which lead to a successful integration of performance management and budgeting processes:

- a well-developed *ex ante* evaluation and forecasting practice with respect to multi-annual budget programmes (e.g. long-term *ex ante* evaluations of the national economy and public finance, long-term financial forecasts, scenario analyses, studies about the welfare state, education, innovation, health-care, etc., performed by the Central Planning Bureau of the Netherlands);
- fiscal policy goals defined for the National Advisory Group on Budgetary Principles formed of representatives of sectoral departments, independent expert institutions, the Central Planning Bureau, and the Central Bank;
- “expenditure ceilings” set for a period of four years (following a thorough *ex ante* evaluation of public financing requirement for Government priorities);
- consensus-based decision-making process.

Similar practice exists in Sweden where the budget is in principle formed of Instruction Letters issued to individual agencies. These Instruction Letters (also known as Letters of Appropriation) contain all information necessary for a targeted steering of financial and “political” operations of agencies, such as goals and objectives of operations of the agencies, performance measures, reporting requirements and the required financial resources. Instruction Letters are adopted by consensus in the Ministerial Cabinet, while responsibility for preparing and negotiating the Letters with agencies and the Ministry of Finance lies with line ministries<sup>12</sup>. In Canada, information on action plans and priorities of government agencies and institutions is incorporated in budget documents since 1995. This initiative was taken for the purpose of enhancing the quality of reporting to the Parliament. In the Finnish

<sup>10</sup> P. Van Der Knaap, *Performance Management and Policy Evaluation in the Netherlands*. *Evaluation*, 6(3), 2000, 337-340.

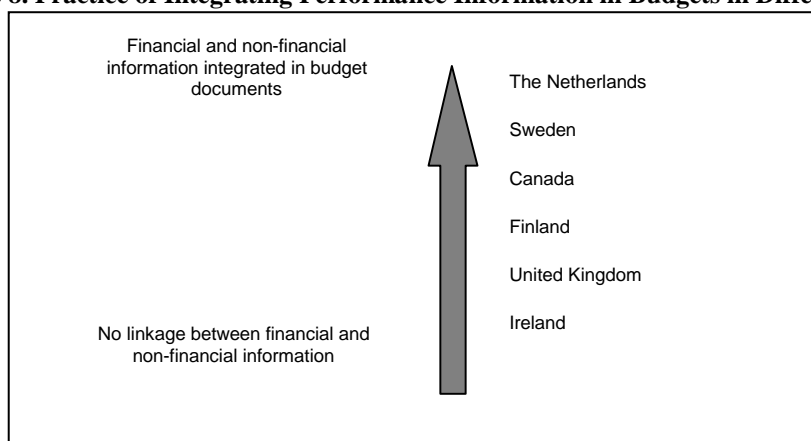
<sup>11</sup> P. Van Der Knaap, *Performance Management and Policy Evaluation in the Netherlands*. *Evaluation*, 6(3), 2000, 339-341.

<sup>12</sup> T. Küchen, P. Nordman, *Performance Budgeting in Sweden*. *OECD Journal on Budgeting*, 8(1), 2008, 51-52.

annual budget document, financial information is linked with policy programmes (their objectives, implementing measures, and outcome targets)<sup>13</sup>.

In the United Kingdom, the link between institutional operational goals and objectives and the needed budgetary expenditures is slightly weaker. On the other hand, budgetary and policymaking cycles are harmonised with the help of Spending Reviews and Public Service Agreements. Ireland launched the initiative of interlinking financial and performance information only in 2007, requiring that all information on outputs/goals for the previous/coming budget years and on budgetary expenditure incurred/planned to be incurred be given in a single document (Output Statements). Output Statements give impact indicators of the previous year (budgetary resources allocated for programme implementation, and achievement of performance targets) and set targets and preliminary appropriations for the coming year<sup>14</sup>.

**Figure 8. Practice of Integrating Performance Information in Budgets in Different Countries**



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems

## 1.2. PERFORMANCE MONITORING: PREPARATION FOR MONITORING, MONITORING PROCESS, AND USE OF MONITORING INFORMATION

Performance management practices vary from country to country. Accordingly, the countries covered here have different monitoring practices and traditions.

### 1.2.1. Preparation for Monitoring

#### *Evolution of monitoring system, performance monitoring initiatives, and regulation*

The countries covered in this paper started pursuing performance monitoring initiatives more actively quite recently, in the last decade of the XX century. The initiatives were launched with a view to enhancing the synthesis of public expenditure, political goals and institutional operations, and improving the process of reporting to national parliaments.

The Irish institutional performance monitoring system has been built on the Performance Management and Development System Initiative adopted in 2000 by a national agreement between departmental management and public servants' trade unions. Basic methodological documents were adopted under the agreement, to facilitate the setting-up of performance management and improvement processes in individual departments and government agencies. Moreover, performance management and improvement working groups were set up in every department or government agency to monitor the

<sup>13</sup> Prime Minister's Office, *Programme Management within the Finish Government*, 2007, 13.

<sup>14</sup> Finance Vote Group, *Annual Output Statements for 2008*, April 2008. <http://www.finance.gov.ie/documents/publications/annualoutput%20statements/AOS2008.pdf>

implementation of the initiative. A number of other initiatives were pursued in 2005, aimed at a higher integration of performance management and improvement system with human resources management processes<sup>15</sup>.

In the Netherlands, performance monitoring initiatives were started in 1999, after the budgetary system was reformed and a new, performance-based, budget was formed. The initiative, *From Policy Budget to Policy Accountability*, was aimed at enhancing transparency of the budget document and of annual institutional operational reports, advancing orientation of institutional operations towards policy goals, and improving accountability of institutions and government agencies to the Parliament. The initiative was anchored in the Government Accounts Act 2001.

**Best Practice: Performance Management and Performance-Based Budgetary System Initiatives in the Dutch Government Accounts Act**

The Government Accounts Act lays down:

- the key principles of performance-based financial management;
- the key requirements for successful performance management in institutions;
- separation of policy (contents of operations) and management (internal administration) monitoring;
- the procedure of reporting to the Parliament, requirements for performance reports.

Individual provisions of the Act are detailed in instructions for the use of performance information and for linking it with financial information, issued annually by the Ministry of Finance.

To ensure good quality of non-financial information (performance information) presented in the budget document and annual reports, the Dutch Ministry of Finance has issued guidelines about the standard of quality of performance information and measurement of performance. These guidelines were further elaborated in 2006, in the Periodic Evaluation Research and Policy Information Regulation<sup>16</sup>.

In Sweden, major reforms aimed to tighten financial control of institutions and to improve their performance were launched in the beginning of the last decade of the XX century. In 2000, Sweden published the White Book on Performance Budgeting which provided for an incremental transition to performance-based management (and thus performance-based budgetary spending). In pursuit of the latter goal, a decision was made to increase focus on performance in priority policy areas and to promote closer interinstitutional cooperation there, to enhance staff skills and knowledge, to strengthen internal oversight of operations and processes in institutions, and to improve collection and dissemination of performance information. It was also decided to divide government activities into operational areas (policy areas, programmes, and sub-programmes) linked with public spending areas<sup>17</sup>.

In the United Kingdom, the system of Spending Reviews and Public Service Agreements, which serves as the basis for monitoring, was initiated in 1998. That same year, the first Comprehensive Spending Review was conducted and first Public Service Agreements were concluded. As part of this initiative, departmental and institutional budgets, including performance goals, were reviewed, and a flexible three-year budget was formed, etc.

Canada stands out by a particularly early dissemination of performance management ideas in public sector institutions and by a constant search for more advanced performance management solutions for public sector institutions. Already back in 1994, Canada conducted a comprehensive Programme Review initiative, which covered a review of all budget programmes and programme implementation,

<sup>15</sup> Information is available on a website dedicated to the public sector modernisation programme in Ireland, <<http://www.bettergov.ie/index.asp?docID=304>> [viewed on 15-05-2009]

<sup>16</sup> G.Bouckaert, J.Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 283-285.

<sup>17</sup> G.Bouckaert, J.Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 311-315.

monitoring and evaluation practices. A major initiative to improve performance management in the Executive was carried out in 1996, under which a performance-based management strategy, *Getting Government Right*, was announced. Government agencies and institutions were urged to focus their activities on goals, to monitor and evaluate their performance, to report regularly to the Parliament and the public, and to use performance information to improve internal management processes. The most comprehensive and thorough coverage of performance management standards and principles is given in the Public Service Modernisation Act 2003. The Act also contains provisions concerning better management of human resources in institutions, internal administration in institutions, etc<sup>18</sup>.

In Finland, a fundamental programme management reform was carried out in 2003-2007, with the purpose of (i) improving management and monitoring of horizontal policies on the central government (Cabinet of Ministers) level; (ii) strengthening individual ministries' capacities to coordinate their actions; (iii) improving internal administration in ministries; (iv) introducing modern management tools and initiatives, such as networking, etc. The central objectives of this initiative were better horizontal policy-making and implementation processes and stronger interinstitutional coordination of actions in implementing inter-sectoral policies<sup>19</sup>.

### ***Context of Implementation of Monitoring***

The countries covered here differ greatly both by their strategic planning systems and institutional-organisational monitoring and evaluation processes. In Ireland, goals and objectives of individual departments and government agencies are set in Departmental Strategy Statements for a period of three years. Every department or government agency proposes operations that could contribute to the delivery of the highest-level goals (set out in the Government's Programme) and develops basic performance measures accordingly. Departmental Strategic Statements are formed by taking account of long-term priorities defined in the National Development Plan. The National Development Plan is a major investment programme covering a six-year period. The National Development Plan 2007-2013 envisages such basic areas of investment as the development of social and economic infrastructure, and promotion of business, research and innovation. Delivery of priorities of the previous National Development Plan 2000-2006 was financed from different sources such as the Structural Funds, co-financing, and the national budget; in the period of 2007-2013, much more investment is financed with national budgetary resources which account for a relatively highest share of all investment funds. The areas of investment reflect policy priorities set in the *National Partnership Agreement Towards 2016* which can be seen as the result of broad consultations with non-governmental organisations, stakeholders, and local communities. Areas to be prioritised were recommended by the Irish Economic and Social Research Institute and the academic community, too. Departments also produce Output Statements. It should be noted that Output Statements concern sectoral policies, not individual appropriation managers: one Output Statement integrates programmes of all appropriation managers operational in the same policy sector, with their goals, basic information on financial and non-financial activities carried out by the appropriation managers in the past budget year, as well as financial and performance projections for the next budget year. Although Ireland seeks to harmonise long-term strategic priorities with medium-term (current) operational goals, its strategic planning system lacks coherence. *First of all*, a systemic linkage between national strategic plans (the National Development Plan) and Departmental Strategic Statements is missing. *Second*, national strategic goals and Departmental Strategic Statements are not covered well enough in Output Statements and departmental/staff action plans. In turn, the lack of clearly-defined goals and objectives and their overlapping makes performance monitoring a difficult task<sup>20</sup>.

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<sup>18</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 256-269.

<sup>19</sup> Prime Minister's Office, *Programme Management within the Finnish Government*, 2007, 9-10

<sup>20</sup> T. Curristine, *Ireland: Towards an Integrated Public Service*, OECD Public Management Reviews. 2008, 135-180. (Internet access: <[http://books.google.lt/books?id=z-YjflKdCi0C&pg=PA148&lpg=PA148&dq=output+statements+ireland&source=bl&ots=ZYWdjMF0QZ&sig=ovjhG1b4z0qx8LetyMLX-HqvQW0&hl=lt&ei=P3geSvniGMWK\\_Qb16vDNBA&sa=X&oi=book\\_result&ct=result&resnum=6#PPA168,M1](http://books.google.lt/books?id=z-YjflKdCi0C&pg=PA148&lpg=PA148&dq=output+statements+ireland&source=bl&ots=ZYWdjMF0QZ&sig=ovjhG1b4z0qx8LetyMLX-HqvQW0&hl=lt&ei=P3geSvniGMWK_Qb16vDNBA&sa=X&oi=book_result&ct=result&resnum=6#PPA168,M1)>

In the Netherlands, the Ministry of Finance annually sets detailed requirements to institutions and agencies for the use of performance information in producing their budget documents. These requirements are set out in annual Budget Instructions. The budget of the Netherlands is composed of nearly 200 budget headings of line ministries and government agencies, for the implementation of which government agencies and institutions are given a mandate by the Parliament. Every ministry or government agency has about 10 budget headings on average, which are formed on the basis of common policy goals. In these headings, operational goals and objectives are set and financial information integrated. Budget headings are formed on the “n-2 and n+4” principle, i.e. *first*, they provide information on performance results, expenditures and revenues of the previous 2 years, and *second*, they set operational goals and give expenditure and revenue projections for the coming 4 years. In these headings, expenditure for the implementation of policy programmes is separated from expenditure for the administration of programmes. Budget documents of a line ministry or government agency are accompanied by explanatory notes with a justification of the use of financial resources. In producing their budget documents, line ministries and government agencies cooperate closely with the Ministry of Finance, the Directorate General of the Budget of which bears overall responsibility for coordinating the national budgeting process and for monitoring its implementation<sup>21</sup>.

The Swedish administrative model is characterised by a high degree of delegation of responsibilities to agencies of the public sector. The Swedish administration is comprised of some 300 agencies that fall in the fields of activity of 10 different ministries and are subordinated to them. Heads of the agencies are designated by the Cabinet for a term of 7 years. The Cabinet defines the agencies’ performance goals and objectives, appropriates funds, and sets reporting requirements. The agencies’ goals and objectives are set out in Instruction Letters which are issued annually to each agency individually. Instruction Letters are prepared by line ministries. For the purpose of preparing Instruction Letters, agencies send to the relevant ministries their requests for appropriations with detailed justification of expenditures. The requests cover a period of 3 years. In the requests for appropriations, agencies give programme impact assessments, forecasts of outputs and outcomes for a period of 5 years, and cost analyses. Thus, line ministries are responsible for passing political goals down to agencies and for monitoring and control of agencies’ activities<sup>22</sup>.

Similar practice exists in Finland where the public sector is composed of 13 line ministries and 103 subordinate agencies. Thus, the main line of accountability runs between ministries and agencies. Ministries and agencies conclude so-called performance agreements. These agreements are a recent initiative aimed at a more strategic management of agencies, i.e. transition from a detailed control of resources and processes towards the delivery of goals set for the agencies. So, performance agreements have in principle replaced compliance-based control systems, making agencies more accountable for their activity results and promoting their sense of ownership<sup>23</sup>.

In the United Kingdom, performance management cycle starts with negotiations between individual departments and the HM Treasury for the purpose of setting departmental goals in Public Service Agreements for the coming 3 years. Departments, in turn, develop Delivery Plans for the implementation of Public Service Agreements (Delivery Plans are not public). Delivery Plans contain such information as persons responsible for the implementation, tools to be employed for the achievement of goals and objectives, monitoring information, implementation deadlines and risks, resources, etc.<sup>24</sup>

Canada stands out by its exceptionally well-developed management structure and performance management logic models (see Annex 1). Operations of the Canadian Government are grouped into 3 main policy areas (economic, social, and foreign policies) with 13 operational priorities. For the

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<sup>21</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 300-306.

<sup>22</sup> T. Küchen, P. Nordman, *Performance Budgeting in Sweden*. OECD Journal on Budgeting, 8(1), 2008, 49-54.

<sup>23</sup> National Audit Office, *Measuring the Performance of Government Departments*, United Kingdom, 58.

<sup>24</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 344-369.

delivery of these priorities, about 200 strategic goals and about 400 budget programmes have been set. Responsibility for forming and implementing budget programmes and projects with a view to translating strategic goals into reality lies with departments and government agencies. Responsibility for monitoring the delivery of strategic goals and budget programmes by departments and government agencies and for providing technical support to departments and government agencies lies with the Treasury Board of Canada Secretariat<sup>25</sup>.

The countries under discussion have similar practices of oversight and coordination of monitoring and evaluation of performance by government agencies and institutions (or external monitoring practices). Usually, the oversight of institutional performance monitoring and evaluation is exercised, and technical and expert support on performance measurement issues is provided, by the central financial management authority (Ministry of Finance, Department of Finance, or Treasury) or by another authority (agency) subordinated to the central financial management authority. Overall responsibility for the control of performance measurement as well as for the provision of methodological assistance to institutions in measuring performance lies with the Central Expenditure Evaluation Unit of the Department of Finance in Ireland, Ministry of Finance in the Netherlands, National Financial Management Authority accountable to the Ministry of Finance and the Office of Public Management at the Ministry of Finance in Sweden.

Slightly different practices exist in the United Kingdom, Canada, and Finland. In the United Kingdom, responsibility for overseeing monitoring and evaluation of performance of public sector institutions is shared by two authorities, HM Treasury and Prime Minister's Delivery Unit. Similar situation is in Finland where also two institutions carry responsibility for overseeing performance monitoring: the Prime Minister's Office responsible for overseeing the delivery of the priorities set in the Government's strategic document, and the Ministry of Finance responsible for overseeing national budget formation and implementation processes. Particular importance is attributed to ensuring as close cooperation between the two institutions as possible. In Canada, overall responsibility for overseeing monitoring and evaluation of performance of government agencies and institutions lies with the Treasury Board of Canada Secretariat<sup>26</sup> and the Privy Council Office<sup>27</sup>.

It should be noted that strategic planning systems characterised by a higher degree of centralisation and higher focus on monitoring and evaluation of the delivery of Government priorities are also characterised by an active involvement of the Prime Minister/Cabinet, in addition to central financial management authorities, in the process of coordination of performance monitoring (as in the United Kingdom and Finland).

### **1.2.2. Performance Monitoring Process**

#### ***Practices of Analysing and Evaluating Monitoring Information: Decentralised (Internal) Performance Measurement and Analytical Tools***

Overall responsibility for analysing performance and evaluating budget programmes or projects rests with government agencies and institutions, i.e. a decentralised (internal) model of performance analysis and expenditure evaluation prevails in the countries under discussion. On one hand, this enhances institutional responsibility and ownership, and on the other hand, advances analytical skills and evaluation capacities of institutional staff (in applying various policy analysis techniques, systemising information, etc.). In most cases, performance analysis and measurement is the

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<sup>25</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 256-282.

<sup>26</sup> The Treasury Board of Canada Secretariat was set up in 1997 to oversee the delivery by government agencies and institutions on government priorities (particularly in inter-sectoral policy), and to bear responsibility for improving strategic management processes and for providing technical support and advice to public sector institutions. The Board is chaired by one of the members of the Cabinet.

<sup>27</sup> The Privy Council Office is an independent advisory body to the Prime Minister overseeing and coordinating activities of government agencies and institutions and proposing management improvement initiatives.

responsibility of political and financial staff. In the Netherlands or Ireland, for instance, responsibility within government agencies and institutions for performance management is shared by the financial directorate and political directorates. The financial directorate organises and coordinates, in close cooperation with the Ministry of Finance, implementation of performance management initiatives in the institution concerned, whereas political directorates collect and analyse performance information. Responsibility for programme evaluation rests with political directorates, consultants or individual evaluation units within institutions<sup>28</sup>.

#### **Best Practice: Value for Money and Policy Review Initiative in Ireland**

The Value for Money and Policy Review Initiative of the Irish Government was launched to analyse Exchequer spending in a systematic manner in order to provide a basis for more informed decisions concerning priorities within and between budget programmes.

Previously, expenditure reviews were sought to be performed for 90 government policies, but in the period of 2009-2011, the number of expenditure reviews was reduced in order:

- to focus expenditure reviews on priority areas of government activity (health-care, social security, education, justice) where government spending is highest. Expenditure in these areas are reviewed at least once a year;
- in other areas, expenditure reviews are performed at least twice in three years.

Expenditure reviews are a responsibility of the Department of Finance and its Central Expenditure Evaluation Unit.

Value for Money Review is governed by a special manual, Value for Money and Policy Review Initiative Guidance Manual<sup>29</sup>. The expenditure review process starts with the selection of topics for the review which are proposed by responsible departments. The list of topics selected for the review is negotiated and agreed on with Department of Finance and then submitted to the Government for approval.

The main responsibility for expenditure reviews is placed on individual government departments and other institutions in charge of relevant government spending programmes. Previously, expenditure review services were outsourced from the market; currently, the expenditure review process is based on internal evaluations, due to the financial crisis and the need to strengthen internal review capacities. In the effort to strengthen internal review capacities, a study programme for a master's degree in policy analysis was developed and offered for responsible public officials. When expenditures are reviewed in priority areas, an official from the Central Expenditure Evaluation Unit takes part in the review. Reviews are subject to oversight by the review steering committee which is commonly formed of representatives of different institutions and agencies (including the responsible department and the Department of Finance) and chaired by an independent person.

In Finland, where priority programmes of the Government are horizontal, the process of collecting, systemising and analysing performance information may be called "inter-ministerial", i.e. these functions are shared by line ministries. Finland has many different structures for coordinating and evaluating the implementation of horizontal programmes, such as interinstitutional working groups, programme management groups, advisory committees, etc. Implementation of priority programmes is subject to oversight by coordinating ministers whose leadership and participation play an important role in ensuring successful implementation of the programmes.

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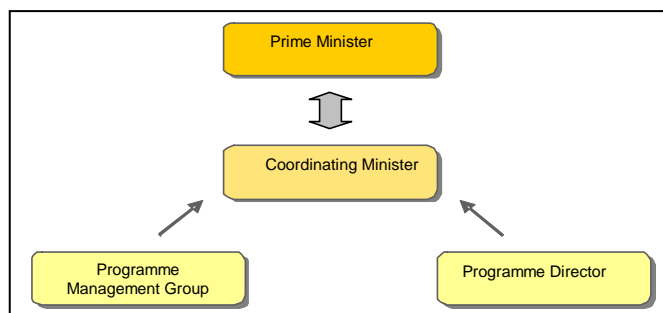
<sup>28</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 290; R. Debets, H. Vossers, *Program budgeting in the Netherlands*, 13. <[siteresources.worldbank.org](http://www.siteresources.worldbank.org)><http://www.siteresources.worldbank.org>

<sup>29</sup> The Manual is available at <<http://www.finance.gov.ie/documents/publications/guidelines/vfmGuidanceManual.pdf>>

### Best Practice: Coordination of Implementation of Intersectoral (Horizontal) Programmes in Finland

In Finland, a coordinating minister is designated for each policy programme to monitor its implementation; intersectoral programmes are monitored at the level of ministerial working groups. The coordinating minister is assisted by a programme director. A more detailed analysis of a programme is a task of a programme management group formed of public officials and other staff of managing and participating ministries and chaired by a programme director. For most programmes, there are also advisory committees formed of representatives of non-governmental organisations, various interest groups and other stakeholders<sup>30</sup>.

Figure 9. Actors in the Process of Policy Programme Monitoring and Evaluation (Finnish practice)



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on Prime Minister's Office, Finland, Government Strategy Document 2007, 11.

In the countries where internal and decentralised performance evaluation and monitoring practices prevail, much importance is given to analytical and evaluation skills of the staff concerned, i.e. their capacities to collect, analyse, systemise and evaluate information on performance of a government agency or institution by employing various policy analysis techniques, and the like.

### Best Practice: Improvement of Performance Monitoring Information Analysis and Evaluation Skills in the Irish Public Service

In Ireland, programme reviews rely on internal evaluations which call for specific staff skills. With the aim to develop and enhance these skills, the Department of Finance has been funding a master course in policy analysis, Masters in Public Policy Analysis, conducted by the Institute of Public Administration in cooperation with the National University of Ireland since 2003. The studies last two years and are available for public servants only. The first year of the studies is dedicated exclusively to studying, with a salary being paid, while second-year students both study and work. About 100 public servants completed this master course in the period 2003-2009<sup>31</sup>.

In the countries under discussion, among the most frequently used procedures in analysing monitoring information is the estimation of the degree of achievement of performance measures. Monitoring data analyses performed in some countries (particularly in Canada and the United Kingdom) can be taken as examples of the best practice to be shared.

### Best Practice: Program Logic Models in Canada

Canada has an especially well-developed logic system of different performance measures or the so-called logic models of measuring performance. These serve as the basis for analysing, and identifying reasons for, failures/successes in achieving performance targets, identifying key factors that have an impact on performance, evaluating the suitability of measures, etc. In Canada, the logic models are applied both on the level of individual institutions and agencies, and the whole Government.

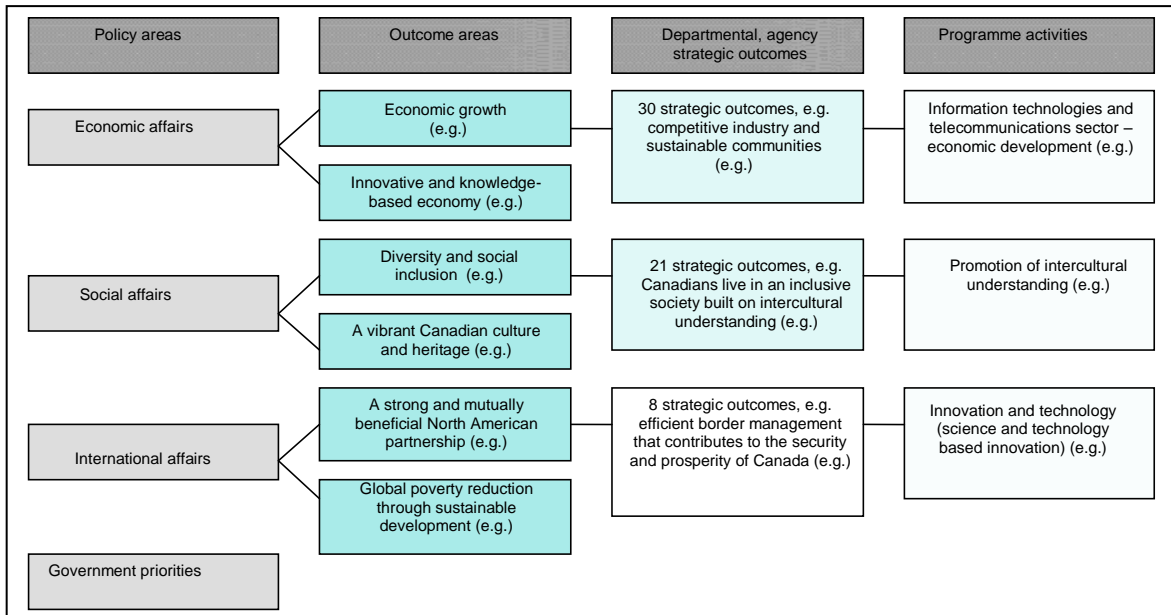
On the governmental level, the logic model is formed by breaking priority policy areas down to budget programmes

<sup>30</sup> Prime Minister's Office, *Government Strategy Document 2007*, Finland, 11.

<sup>31</sup> Evaluation of the EU structural assistance. Irish experience. Report on training in Ireland. Project *Strengthening the European Union's Structural Assistance Evaluation Capacities* carried out by the Ministry of Finance of the Republic of Lithuania and funded under the Technical Assistance Operational Programme 2007-2013, 7.

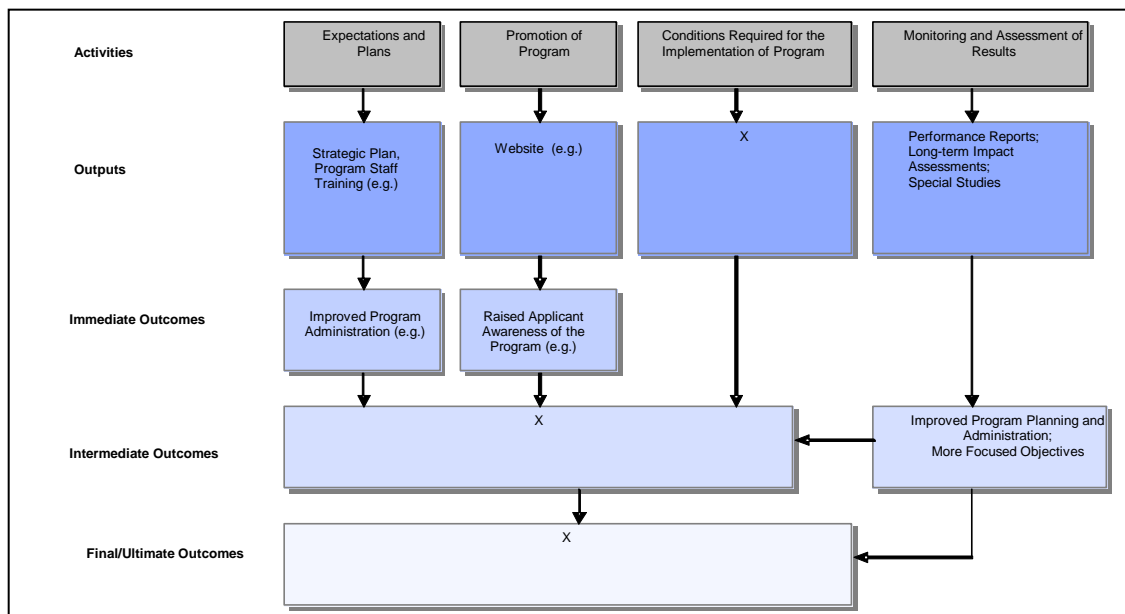
(horizontal logical sequence), while on the institutional level, logic models (which can also be treated as budget programme delivery strategies) are formed by setting out detailed budget programme “planning”, “delivery”, and “evaluation” plans (vertical logical sequence). The internal logic of programme delivery and evaluation is based on the chain of causality composed of inputs (financial and human resources), outputs, immediate outcomes (achievement is expected immediately after the commitment of funds for the programme from the national budget), intermediate outcomes (achievement is planned within approximately 4 years) and final/ultimate outcomes (achieved by making available the outputs for the beneficiaries in the long run). Usually, the logic model is sought to be consistently applied in implementing a programme in practice.

**Figure 10. Governmental Logic Model in Canada**



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, according to G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London, New York: Routledge, 2008, 280.

**Figure 11. Institutional Logic Model in Canada**



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on Going Global Science and Technology Program, [http://www.tbs-sct.gc.ca/eval/tools\\_ouils/RBM\\_GAR\\_cour/Enh/module\\_02/cs\\_e.asp?i=01#GoingGlobalLogicModel](http://www.tbs-sct.gc.ca/eval/tools_ouils/RBM_GAR_cour/Enh/module_02/cs_e.asp?i=01#GoingGlobalLogicModel).

In the United Kingdom, monitoring information is analysed for the purpose of forecasting the progress of delivery of the goals and objectives (after a year) by using, as the basis of delivery evaluation, special trajectories of public policy goals.

Evaluation of long-term outcomes, also *ex ante* and *ex post* programme or project evaluations (e.g. evaluations of programmes and projects under the Irish National Development Plan), are performed by external evaluators, national audit authorities, also public sector institutions acting as “analytical centres” and providing advice and technical support. In the United Kingdom, long-term (*ex ante*) studies into intersectoral policies are conducted by the Strategy Unit; in the Netherlands, scenario analyses, studies about the welfare state, education, innovation, health-care, etc., are performed by the Central Planning Bureau. In Sweden, long-term fiscal policy forecasts are made by the National Financial Management Authority accountable to the Ministry of Finance, and assessments and reviews of long-term effects of programmes or projects, by the Office of Public Management at the Ministry of Finance. In Canada, this function is carried out by the Privy Council Office which produces annual reports for the Prime Minister on the activities of public sector institutions and on the provision of public services. In Finland, programme and project evaluations, as well as technical support to monitor and evaluate programmes, is the task of the Public Management Institute. This institute also gives training and monitoring- and evaluation-skills advancement courses.

### ***Performance Measures: Formulation and Planning, Nature and Quality***

In the countries under discussion, formulation of performance measures is decentralised (with the exception of outcome measures and outcome targets which in some countries are formulated by the central government). In Ireland<sup>32</sup>, the Netherlands, and Canada, performance measures and performance targets are set by government agencies and institutions themselves. In these countries, government agencies and institutions are given wide discretion in choosing performance measures best suited for their specific activities. In the United Kingdom, Sweden, and Finland, performance measures and targets are set on the central government level.

#### **Best Practice: Formulation of Outcome Measures and Outcome Targets in Priority Areas in Central Government Institutions in Finland and the United Kingdom**

In the United Kingdom, outcome measures are established by the Cabinet and the Treasury by way of consultations with departments and government agencies. In Finland, outcome measures and targets in priority areas are set by the Cabinet, too. However, output, process and input measures (or performance measures in other than priority areas) are selected by the departments or government agencies individually.

All countries use some kind of performance measures for evaluating non-financial activities (most popular are output measures, outcome (result, effect) measures, input measures, and process measures) and set performance targets. However, output and outcome measures vary in terms of quantities and ratios (distribution). In the United Kingdom for instance, the number of output measures in Public Service Agreements was gradually reduced and the number of outcome measures increased in the period of 1998-2007. In 1999-2001, there were 27 output measures and 15 outcome measures in Public Service Agreements, whereas in 2001-2004, the numbers changed to 13 and 68, respectively. The Public Service Agreement of 2007 contained exclusively outcome measures and outcome targets<sup>33</sup>. In addition, about 100 quantitative targets are set on the level of strategic objectives of executive departments of the United Kingdom. In Sweden, the Netherlands, and Finland, output measures dominate in performance measurement. In Sweden, output measures account for 92% of the total number of performance measures, with the remaining 8% being outcome measures; in Finland, output measures account for about 86% of all performance measures. In the Netherlands, the

<sup>32</sup> In Ireland, performance measures with respect to Departmental Strategy Statements are formulated by departments and government agencies themselves, while performance measures for implementing the National Development Plan are set on the central government level.

<sup>33</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 354.

distribution of performance measures is more balanced, with output measures accounting for 60% and outcome measures, 35%<sup>34</sup>. In Ireland, output measures prevail, and outcome measures are used very scarcely<sup>35</sup>.

**Table 6. Percentage Shares of Output and Outcome Measures<sup>36</sup> in the United Kingdom, Sweden, the Netherlands, and Lithuania**

| Country                   | Share of Output Measures, % | Share of Outcome Measures, % |
|---------------------------|-----------------------------|------------------------------|
| <i>The United Kingdom</i> | ~ 40                        | ~ 60                         |
| <i>The Netherlands</i>    | ~ 60                        | ~ 35                         |
| <i>Sweden</i>             | ~ 92                        | ~ 8                          |
| <i>Ireland</i>            | ~ 90                        | ~ 10                         |
| <i>Finland</i>            | ~86                         | ~14                          |
| <i>Lithuania</i>          | ~ 70                        | ~ 30                         |

Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on the 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>; PPMI, Survey of Appropriation Managers, June 2009.

Although, as can be seen in Table 6 above, the share of output measures in some countries (Ireland, the Netherlands, Sweden, Finland) is larger than or similar to that in Lithuania, the number of output measures used there is slightly lower.

**Table 7. Numbers of Output and Outcome Measures Used in Lithuania and Finland: Comparison**

| Country          | Number of Output Measures | Number of Outcome Measures |
|------------------|---------------------------|----------------------------|
| <i>Finland</i>   | ~ 300                     | ~ 50                       |
| <i>Lithuania</i> | ~ 1200                    | ~ 480                      |

Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on the 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>

The countries vary also by the dominating type of performance measures: quantitative or qualitative. In the Netherlands, nearly 50% of all performance measures are quantitative<sup>37</sup>. Statistical information and quantitative data are provided to line ministries and government agencies by the Central Bureau of Statistics with a Centre for Policy Statistics established within its structure for this purpose. Quantitative measures are also widely used in Sweden and the United Kingdom. Different situation is in Ireland where most performance measures are qualitative and are therefore not easily measurable. In Ireland, Departmental Strategic Statements in particular, have very few quantitative measures<sup>38</sup>. The

<sup>34</sup> The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>

<sup>35</sup> T. Curristine, *Ireland: Towards an Integrated Public Service*, OECD Public Management Reviews. 2008, 135-180. (Internet access:

[http://books.google.lt/books?id=z-YjflKdCi0C&pg=PA148&lpg=PA148&dq=output+statements+ireland&source=bl&ots=ZYWdjMF0QZ&sig=ovjhG1b4z0qx8LetyMLX-HqyQW0&hl=lt&ei=P3geSvniGMWK\\_Qb16vDNBA&sa=X&oi=book\\_result&ct=result&resnum=6#PPA168.M1](http://books.google.lt/books?id=z-YjflKdCi0C&pg=PA148&lpg=PA148&dq=output+statements+ireland&source=bl&ots=ZYWdjMF0QZ&sig=ovjhG1b4z0qx8LetyMLX-HqyQW0&hl=lt&ei=P3geSvniGMWK_Qb16vDNBA&sa=X&oi=book_result&ct=result&resnum=6#PPA168.M1)) [viewed on 22-04-2009]

<sup>36</sup> In Lithuania, effect and result measures stand for outcome measures .

<sup>37</sup> R. Debets, H. Vossers, *Program budgeting in the Netherlands*, 4.siteresources.worldbank.org<http://www.siteresources.worldbank.org> [viewed on 15-01-2009]

<sup>38</sup> T. Curristine, *Ireland: Towards an Integrated Public Service*, OECD Public Management Reviews. 2008, 135-180. (Internet access

<http://books.google.lt/books?id=z-YjflKdCi0C&pg=PA148&lpg=PA148&dq=output+statements+ireland&source=bl&ots=ZYWdjMF0QZ&sig=ovjhG1b4z0qx8LetyMLX->

Netherlands, the United Kingdom, and Canada attach a particularly high importance to the quality of performance measures (credibility and accuracy).

#### **Best Practice: Quality of Performance Measures in the Netherlands, the United Kingdom, and Canada**

In the Netherlands, when ministries and government agencies submit performance targets, they must also specify data sources of the information and the methodology used for determining the targets. Much importance is placed on cost-efficiency of performance measures, to make sure that the costs of analysing and evaluating performance do not outweigh the benefit of performance information. The Court of Audit is responsible for the oversight of performance measures.

In the United Kingdom, technical notes with performance measures annexed to Public Service Agreements specify sources of information needed to measure performance, initial performance targets, calculation methodologies, institutions responsible for monitoring the quality of data, reporting requirements, etc. Especially much attention in developing performance measures is given to the methodology used to formulate the measures and to the quality of information used (sources of exhaustive and timely information).

In Canada, performance measures are regularly reviewed to ensure maximum precision and to optimise their number.

### **Reporting Systems**

The countries under discussion have different performance reporting practices. *First*, reporting forms and procedures differ. Some countries practice formal reporting in the form of annual, biannual or quarterly performance reports, others rely more on informal reporting through e.g. performance dialogues during which progress achieved by agencies and institutions is discussed and areas for improvement are identified. In Sweden for instance, agency control is carried out by using several oversight mechanisms. Swedish agencies report their performance and the use of budgetary funds in annual and biannual performance reports and monthly forecasts of the use of budgetary funds. Another powerful tool for monitoring and evaluating agency performance is informal performance dialogues between the management of the agencies and responsible line ministers<sup>39</sup>.

#### **Best Practice: Performance Dialogues in Sweden**

The Ministry of Finance issues guidelines to line ministries setting out the requirements for the scope and contents of agencies' annual reports that have to be delivered to the ministries before a performance dialogue.

The holding of performance dialogues is formalised but the meetings themselves are informal (i.e. meetings are not minuted, meeting reports are not made public, etc.). These meetings are attended by ministers and 1 or 2 public servants or other staff-members of the ministry who are in charge of overseeing performance of the agency the performance of which is being discussed, the agency's director-general and the chairperson of the agency's board (if any). In certain cases, when the agency acts in more than one policy area or in a highly complex policy area, the agency's director-general is assisted in such meetings by 1 or 2 staff-members of the agency.

In these dialogues, the agency's performance and progress achieved in the previous year in discharging the tasks delegated to it, as well as performance of the managers of the agency, are discussed. Performance dialogues are centred around the and objectives set for the agencies in the Letters of Appropriation (Instruction Letters). Performance dialogues are supervised by the Ministry of Justice and the Ministry of Finance. The results of such performance dialogues are taken into consideration in the next year's meetings where annual performance and progress of agencies in implementing the delegated tasks are discussed. In certain cases, the results of performance dialogues trigger decisions for making improvements in agencies' performance.

[HqyQW0&hl=lt&ei=P3geSvniGMWK\\_Qb16vDNBA&sa=X&oi=book\\_result&ct=result&resnum=6#PPA168,M1](#) > ) [viewed on 22-04-2009-]

<sup>39</sup> Information provided by M. Sparr from the Department for Public Administration of the Ministry of Finance of Sweden, 18 June 2009.

Thus, performance dialogues may be considered as a particularly important tool of informal communication among policymakers, ministerial officials and agency staff, enhancing accountability of agencies and ensuring an uninterrupted exchange of information<sup>40</sup>.

Similar practice is exercised in the United Kingdom where the Prime Minister’s Delivery Unit organises regular quarterly stock-take meetings in which ministers responsible for the delivery of Government priorities report on the activities carried out and the results achieved.

*Second*, the scope of reporting varies from country to country. In the Netherlands for example, ministries and government agencies must report both on the implementation of budget programmes and on their internal administration<sup>41</sup>.

*Third*, government agencies report at different intervals. In Ireland, the Netherlands, Canada, and Finland, government agencies and institutions report once a year in the form of annual performance reports. In the United Kingdom, departments report on their performance and progress in delivering the goals set out in Public Service Agreements twice a year (in Spring departmental reports and Autumn departmental reports, in which they report on their annual progress in achieving the goals set in Public Service Agreements). In addition to public reporting mechanisms, the United Kingdom has a well-developed system of internal monitoring and reporting (in the hierarchy of the Executive): departments draw up detailed quarterly reports on their Delivery Plans, in which they report both on their financial and non-financial activities. As already mentioned, Swedish agencies report on their performance and the use of budgetary funds in annual and biannual performance reports and monthly spending forecasts.

**Table 8. Regularity of Reporting to Parliament and Internal Reporting (to the Central Financial Management Authority/Prime Minister (Cabinet) (times a year))**

|                    | Reporting to Parliament | Reporting to Government |
|--------------------|-------------------------|-------------------------|
| Ireland            | 1                       | 1                       |
| The Netherlands    | 1                       | 1                       |
| Canada             | 1                       | 1                       |
| Finland            | 1                       | 1                       |
| The United Kingdom | 2                       | 4                       |
| Sweden             | 2                       | 2                       |

Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems

*Fourth*, the countries under discussion have different practices of reporting by government agencies and institutions to the Parliament. In some countries, parliaments receive consolidated performance reports of the Executive, while in others, reporting by government agencies and institutions to national parliaments is both “individual” and “collective” (such systems are characterised by a high degree of involvement of the Parliament into performance monitoring and by a quite intensive informal communication among standing committees – line ministries). The Swedish system is a good example of “collective” reporting by the Executive to the Legislative. Here, every agency draws up annual reports on the progress achieved and on the use of financial resources, to be delivered to the Cabinet, the National Audit Office, and the National Financial Management Authority. These reports are not submitted to the Parliament. The Swedish Financial Management Authority consolidates the information delivered by agencies into a single performance report delivered to the Cabinet. The Cabinet then submits the report to the Parliament. In the Netherlands, the Parliament receives both performance reports from individual ministries and agencies accountable to them, and a consolidated government-wide performance report with statistical information on performance. This latter report,

<sup>40</sup> Information provided by M. Sparr from the Department for Public Administration of the Ministry of Finance of Sweden, 18 June 2009; G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London, New York: Routledge, 2008, 316.

<sup>41</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 289-290; 303.

*The Year in Numbers*, is drawn up by the Central Bureau of Statistics<sup>42</sup>. Furthermore, the new Dutch Government announced a Coalition Agreement in 2007, which set 70 goals (priorities). Every goal (priority) is linked with implementing measures and performance targets. The Government reports to the Parliament on the delivery of its priorities on a yearly basis. Government's progress and results of delivery of the priorities are measured by using the "traffic-light scorecard", with green, orange, and red colours to mark the progress made by the Government depending on the degree of achievement<sup>43</sup>. In Canada, too, the Parliament receives two kinds of annual reports: performance reports from individual departments and government agencies, and a consolidated government-wide performance report. The main responsibility for debating reports received from executive agencies at the Parliament rests with the Standing Committee on Public Accounts. The Committee examines national audit reports, individual agencies' performance reports and the consolidated government-wide performance report. When needed, responsible officials of government agencies and institutions are invited to the Committee's meetings and joint performance debates are held<sup>44</sup>. In Finland, just like in Canada and the Netherlands, both consolidated government-wide performance reports and individual ministries' and agencies' performance reports are delivered to the Parliament. The requirement to report annually to the Parliament on the Government's activities is enshrined in the Constitution of the country. Moreover, using the information delivered by agencies, line ministries draw up detailed reports on achievements in individual policy areas (particularly in inter-sectoral policy areas)<sup>45</sup>.

### **1.2.3. Use of Monitoring Information**

The practice of using monitoring and performance information and the importance attached to it also varies among countries. In some countries, monitoring information is in principle used for one and only purpose, i.e. reporting, while in other countries the use of this information might be called multifunctional, i.e. it is used both for reporting purposes and for improved decision-making or more efficient use of budgetary funds.

#### ***Use of Performance Information for Reporting Purposes and the Quality of Performance Reports***

In the countries under discussion, information is used primarily for the purpose of reporting on the activities carried out and on the use of budgetary resources. Reporting is very important, especially bearing in mind that higher accountability of executive agencies before parliaments and higher transparency of their activities were among the main reasons for launching performance management initiatives in the first place.

Performance information is most widely used in countries with well-developed practices of tracking performance, for instance in Sweden where the use of this information is not limited to reporting on performance in annual performance reports of agencies but where managers of ministries and agencies regularly meet to discuss agencies' performance (performance dialogues). Performance information is the basis for discussions in such meetings. Similar practices exist in the United Kingdom where the Prime Minister's Delivery Unit holds regular quarterly stock-take meetings.

The quality of reporting mostly depends on the quality of information given in reports. Many countries encounter a problem of too low and varied quality of performance information delivered by individual agencies and institutions. On the other hand, as the countries acquire more and more experience in monitoring and analysis, the quality of reports steadily improves.

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<sup>42</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 283-343.

<sup>43</sup> Information provided by Jan van Steen from the Ministry of Education, Culture and Science of the Netherlands, 22 June 2009.

<sup>44</sup> G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 256-282.

<sup>45</sup> J. R. Blöndal, J. Kromman Kristensen, M. Ruffner, *Budgeting in Finland*. OECD Journal on budgeting, 2(2), 2002, 134-135; 144-145.

In the Netherlands, much importance is attached to the quality of performance information provided in reports, which is supervised by the Court of Audit. Still, the Dutch Court of Audit has pointed out in a number of its reports on the quality of performance information reported by government agencies and institutions that disproportionate weight in institutional performance reports is given to information on expenditures and outputs, while information on outcomes and impacts is very scarce. But then again, this is a problem common to all countries under discussion. In the Netherlands, institutional performance reports also miss a link between information on spending and the results achieved. Another point is that reports are very lengthy and overloaded with technical information.

In Sweden, the targets set for agencies in Instruction Letters are defined in very general terms, making it difficult for the agencies to sort information that reflects the achievement of the targets with maximum precision. As a result, reports often give too general descriptions of the agencies' activities, without focussing on targets clearly enough. Moreover, reports contain too many descriptions of processes, are very lengthy and do not highlight nor extract the most relevant information. Nonetheless, as agencies acquire more and more experience in analysing and evaluating performance, the quality of their performance reports gets better.

Departmental reports in the United Kingdom stand out in terms of exhaustiveness and consistency in presenting information.

**Best Practice: Performance Reports in the United Kingdom**

In the UK, much focus in the reports is placed on clarification and justification of performance measures, quality of data, and analysis of institutional achievements and delivery of commitments. The reports also stand out by particularly good graphic fulfilment.

In pursuit of higher transparency and larger benefits for the general public, institutional performance reports (with the exception of quarterly delivery reports) are public in the UK. Moreover, the official website of HM Treasury has a special directory where all departmental performance reports are posted.

In Canada, a number of initiatives have been put in place since 2005 to improve the link between information given in performance reports of government agencies and institutions on the use of financial resources and information on the results achieved. For this purpose, reports give increasingly more information on the achievement of output and process targets with a direct link to financial information. High quality both in terms of structure and contents is found in consolidated government-wide performance reports produced by the Treasury Board of Canada Secretariat on the basis of performance reports of individual departments and agencies.

**Best Practice: Performance Reports in Canada**

Government performance reports give information in a very concentrated manner, i.e. focussing on results and achievements in priority areas. To avoid overloading of reports with technical information, reports contain references to websites with performance reports of individual departments and government agencies and to other sources where more detailed information on the relevant issues can be found. In 2003, with a view to enhancing the quality of reports, the Office of the Auditor General of Canada developed a model of ranking performance reports of government agencies and institutions.

**Table 9. Structure of Departmental Performance Reports in Canada**

- I. Overview of departmental (agency's) activities
  - Executive summary: departmental (agency's) goals, contribution by the department (agency) to government-wide priorities;
  - Programmes carried by the department (agency), fields of activities;
  - General characteristics of departmental (agency's) performance;
- II. Analysis of performance against outcome targets

- III. Organisational information (information about internal administration in the department (agency))
- IV. Other items of interest, annexes
  - E.g. information on departmental (agency's) performance in implementing interinstitutional programmes

Source: *Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*, according to G. Bouckaert, J. Halligan, *Managing Performance: International comparisons*. London and New York: Routledge, 2008, 264-266.

In Finland too, performance reports are characterised by the exhaustiveness of information and consistency of presentation. On the other hand, as noted by the Parliament, too detailed and highly technical information in the reports burdens the oversight over activities of executive agencies and institutions. Moreover, like in other countries, the quality of reports and monitoring information in the reports varies greatly among agencies or institutions<sup>46</sup>.

With a view to ensuring transparency of activities of government agencies and institutions and enhancing their accountability to the general public, performance reports are usually public and easily accessible, with the exception of the UK quarterly reports on Delivery Plans which are confidential and used solely for internal institutional oversight and improvement purposes.

It should also be mentioned that a very important role in overseeing performance measurement in the United Kingdom, the Netherlands, Sweden, Canada, and Finland is played by external control (audit) institutions. National audit institutions oversee the quality of performance measures and the quality of performance information, and provide technical assistance to government agencies and institutions (in drafting methodologies, manuals, guidelines, etc.). In the Netherlands and Canada, no less important role is played by internal audits, which also oversee the quality of performance measures and performance information, i.e. ensure a proper functioning of performance management systems within institutions.

### ***Use of Performance Information in Making Decisions for the Improvement of Management***

**Use of performance information in making budgeting decisions.** Practices of using performance information in preparing budget documents in the countries under discussion are scarcer. This is because no direct link can exist, in most cases, between performance and budget of an institution. Account should also be taken of the fact that at the time of budgeting it is impossible to estimate with great accuracy the budget needed for each institution by looking at its performance in the previous year: *first*, without good monitoring information this would require much analytical effort, and *second*, automatic linking would be a technically and procedurally complicated process. In Sweden for instance, the review link between monitoring information and budgeting process has somewhat weakened since 2007, when targets were missed (and the process became rather formal). Moreover, an excessively strong link between performance results and financing would increase the risk of manipulating monitoring information by government agencies and institutions.

Performance information (both performance measures and evaluation results) is relatively seldom used<sup>47</sup> to eliminate budget programmes (or introduce new ones) or cut financing for programmes and to determine budget allocations for appropriation managers or distribute budget allocations among or within programmes<sup>48</sup>. But then again, practices vary greatly from country to country.

**Table 10. Use of Monitoring Information in Budgetary Decision Making**

| <i>Monitoring information is used:</i> | <b>Finland</b> | <b>Canada</b> | <b>The Netherlands</b> | <b>Sweden</b> | <b>Ireland</b> | <b>The United Kingdom</b> |
|--|----------------|---------------|------------------------|---------------|----------------|---------------------------|
|  |                |               |                        |               |                |                           |

<sup>46</sup> J. R. Blöndal, J. Kromman Kristensen, M. Ruffner, *Budgeting in Finland*. OECD Journal on budgeting, 2(2), 2002, 134.

<sup>47</sup> In many countries, monitoring information is mostly used for reporting and budgetary spending justification purposes.

<sup>48</sup> T. Curristine, *Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire*. OECD Journal on Budgeting, 5(2), 2005, 108.

|  |   |   |   |   |   |   |
|--|---|---|---|---|---|---|
| To determine budget allocations for appropriation managers   |   | √ | √ |   |   |   |
| To distribute budget allocations among and within programmes |   | √ | √ | √ |   |   |
| To eliminate budget programmes or introduce new ones         | √ | √ | √ | √ | √ | √ |

Source: The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx> PPMI, Survey of Appropriation Managers, June 2009.

**Table 11. Use of Monitoring Information When Monitoring Indicators are Missed or Performance is Poor**

| <i>When planned monitoring indicators are missed or performance is poor, quite often:</i> | <b>Finland</b> | <b>Canada</b> | <b>The Netherlands</b> | <b>Sweden</b> | <b>Ireland</b> | <b>The United Kingdom</b> |
|---|----------------|---------------|------------------------|---------------|----------------|---------------------------|
| The programme is eliminated   |                |               | √                      | √             |                |                           |
| The budget for programmes of ministries or agencies is cut                                |                |               |                        |               |                |                           |

Source: The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>

As can be seen from above, Canada, the Netherlands, and Sweden more often use performance information for the purpose of producing budget documents and streamlining budget allocations for appropriation managers and among and within programmes. Here, performance information is used more often than in other countries for determining the need to introduce new or continue (or eliminate) existing budget programmes or to cut public expenditure. In the United Kingdom and Ireland, like in Lithuania, the link between performance results and budget allocations is quite weak – budget allocation monitoring results do not have much influence in decision-making<sup>49</sup>. Still, results of Public Service Agreements are taken into account during Spending Reviews in the UK, and results of Spending Reviews are taken into account in formulating the budget of the state for the next year in Ireland.

Although performance information has no direct impact on budget allocations, it finds indirect use in financial decision-making in many countries with advanced performance management systems. In Canada and the Netherlands for instance, budget programme evaluation and monitoring information is used in negotiations among the central financial management authority and individual government agencies and institutions for budget allocations<sup>50</sup>.

**Use of performance information in delivering and overseeing the delivery of Government priorities.** Although all countries under discussion use, to a certain extent, performance information in defining or adjusting institutional goals for the next budget year, the practice of using monitoring information in setting goals, objectives and targets is most widely developed in the United Kingdom, Finland, and Sweden.

**Table 12. Use of Monitoring Information in Setting Goals and Targets for Government Agencies and Institutions for the Next Year and in Overseeing their Performance**

| <i>Monitoring information is used:</i> | <b>Finland</b> | <b>Canada</b> | <b>The Netherlands</b> | <b>Sweden</b> | <b>Ireland</b> | <b>The United Kingdom</b> |
|--|----------------|---------------|------------------------|---------------|----------------|---------------------------|
|  |                |               |                        |               |                |                           |

<sup>49</sup> The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx> [viewed on 16-12-2008]

<sup>50</sup> The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx> [viewed on 16-12-2008]

|   |   |  |  |   |  |   |
|---|---|--|--|---|--|---|
| To set goals and targets for government agencies and institutions for the next year | √ |  |  | √ |  | √ |
|---|---|--|--|---|--|---|

Source: The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx> PPMI, Survey of Appropriation Managers, 2007.

In the United Kingdom, performance monitoring information is quite actively used on the governmental level in taking highest-level management decisions in priority policy areas and in exercising oversight over the delivery of the set objectives.

#### **Best Practice: Use of Performance Information for Management Improvement Purposes in the United Kingdom**

In the United Kingdom, performance monitoring information from Public Service Agreements was initially quite intensively used on the governmental level in taking highest-level management decisions in 4 policy areas (health-care, education, transport, and fight against crime) with a view to ensuring achievement of the set objectives. Later, the list of priority areas grew to 7 items (economic policy, employment, environmental protection and foreign conflicts, in addition to health-care, education, and interior matters).

Active use of information for the purpose of better delivery of Government priorities has been ensured by the following:

- enhanced strategic capacities in central government (setting-up of the Prime Minister's Delivery Unit and the Strategy Unit in the Cabinet Office);
- Primer Minister's leadership and political support;
- biannual reporting by the Prime Minister's Delivery Unit to the Prime Minister, the Chancellor of the Exchequer, other responsible officials (the reports are well-structured and concise, and performance evaluations are presented by using a traffic-light scorecard);
- regular delivery meetings in the Cabinet Office, attended the Prime Minister, where the delivery of concrete Government priorities is discussed and the necessary improvements are agreed upon.

In Sweden and Finland, monitoring and evaluation results are used by ministries in setting and adjusting or improving agencies' performance goals and objectives. In Lithuania, monitoring information is mostly used for reporting and budget spending justification purposes, although Lithuanian institutions and agencies quite often use this information also for setting their own goals or those to be achieved by agencies accountable to them, or for overseeing the agencies' performance, which makes our practices of using monitoring information similar to those applied in the United Kingdom, Sweden, and Finland.

Moreover, in Finland and the UK, performance information is very often used to identify poorly performing budget programmes or projects and to undertake a more intense monitoring of such programmes (particularly those in priority areas) in the future.

**Table 13. Use of Monitoring Information for Improved Delivery of Government Priorities**

| Monitoring information is used to identify priority programmes to be monitored more intensely and to ultimately apply a more intense monitoring of such programmes in the future |                     |               |                  |              |               |
|--|---------------------|---------------|------------------|--------------|---------------|
|  | <i>Almost never</i> | <i>Rarely</i> | <i>Sometimes</i> | <i>Often</i> | <i>Always</i> |
| <b>Finland</b>   |                     |               |                  | √            |               |
| <b>Canada</b>  |                     | √             |                  |              |               |
| <b>The Netherlands</b>   |                     |               | √                |              |               |
| <b>Sweden</b>  |                     |               | √                |              |               |
| <b>Ireland</b>   |                     |               |                  |              |               |
| <b>The United Kingdom</b>  |                     |               |                  | √            |               |

Source: The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>

To sum up, countries where financial information in budget documents is better linked to non-financial information (the Netherlands and Sweden) use performance information for budget re-allocation purposes, for deciding on the elimination of programmes or for cutting expenditure more often than countries with a weaker linkage between financial and non-financial information in their budgeting practices (the United Kingdom). In the latter countries, performance information is mostly used for determining institutional goals, setting performance targets for the next budget year and taking decisions concerning improvements to be made in their institutional-organisational architecture.

### *Use of Performance Information for Internal Institutional Purposes*

If monitoring information is to help achieve better performance results, it is important to ensure that it is used by ministries and government agencies in their internal decision-making for improved internal management. As revealed by the OECD Survey of practices of the use of performance information in budgetary decision-making in OECD countries, the key users of performance information are individual ministries and government agencies. Ministries and government agencies use performance information for overseeing the implementation of budget programmes and performance of institutions accountable to them, as well as for taking decisions concerning improvements in internal institutional activities<sup>51</sup>. A well-developed practice of using performance information in internal decision-making for improved institutional performance exists in Finland, Canada, the Netherlands, Sweden, and the United Kingdom. Most active use of performance information for internal improvements in performance is made in the Netherlands where, as already mentioned, institutional internal management is an object of reporting, and in the United Kingdom where ministries, departments and other institutions use monitoring information for internal departmental purposes to improve implementation of Public Service Agreements.

**Table 14. Use of Monitoring Information to Improve Institutional Internal Management**

| <i>Monitoring information is used:</i> | <b>Finland</b> | <b>Canada</b> | <b>The Netherlands</b> | <b>Sweden</b> | <b>Ireland</b> | <b>The United Kingdom</b> |
|--|----------------|---------------|------------------------|---------------|----------------|---------------------------|
| To improve internal administration     | √              | √             | √                      | √             |                | √                         |

Source: The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>

Salary is one of the factors that stimulate institutional heads and other staff to seek better administration of activities and to improve performance management within the institution. Salaries, therefore, may be used as a tool to motivate staff to seek better results and, vice versa, reduction of the salary may be used as a punitive measure (sanction) for poor internal organisation and management of institutional activities. In the countries under discussion, failure to achieve monitoring indicators, or poor performance (i.e. weaknesses in internal institutional management of activities), does not usually trigger the reduction of salaries for the heads of the institution concerned. The key underlying reason is the absence of a direct link between performance of the head of the institution and the institution as a whole, as well as the absence of special procedures for establishing/establishing objectively such a link. On the other hand, in the United Kingdom, financial sanctions are sometimes imposed on the heads of institutions for poor internal management of activities.

**Table 15. Financial Sanctions on Institutional Heads for Poor Management of Institutional Activities**

| Failure to meet monitoring indicators, or poor performance, triggers the reduction of salary for the heads of institutions |                     |               |                  |              |               |
|--|---------------------|---------------|------------------|--------------|---------------|
|  | <i>Almost never</i> | <i>Rarely</i> | <i>Sometimes</i> | <i>Often</i> | <i>Always</i> |
| <b>Finland</b>   | √                   |               |                  |              |               |

<sup>51</sup> T. Curristine, *Performance Information in The Budget Process: Results of the 2005 Questionnaire*. OECD Journal on budgeting, 5(2), 2005, 113.

|                           |   |  |   |  |  |
|---------------------------|---|--|---|--|--|
| <b>Canada</b>             | √ |  |   |  |  |
| <b>The Netherlands</b>    | √ |  |   |  |  |
| <b>Sweden</b>             | √ |  |   |  |  |
| <b>Ireland</b>            | - |  |   |  |  |
| <b>The United Kingdom</b> |   |  | √ |  |  |

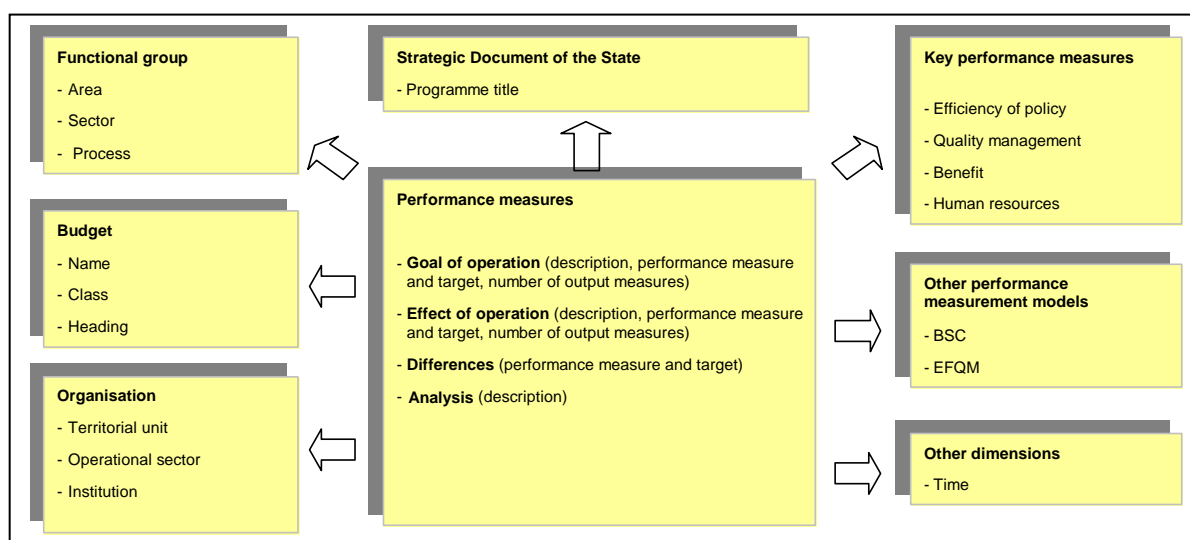
Source: The 2007 OECD survey of budget practices and procedures in OECD countries. Results of the Survey are available at <http://webnet4.oecd.org/budgeting/Budgeting.aspx>; T. Currstine, *Performance Information in the Budget Process: Results of the 2005 Questionnaire*. OECD Journal on budgeting, 5(2), 2005.

### 1.3. PRACTICE OF USING IT SOLUTIONS FOR MONITORING INSTITUTIONAL PERFORMANCE

The foreign countries discussed do not use any specialised IT solutions for a thorough monitoring of institutional performance (with the exception of Finland). In Finland, the *Netra* information system has been put in place to report on performance of public sector institutions and agencies. The goals of the *Netra* service are:

1. To assist the Government, ministries and other institutions and agencies of the public sector in planning, monitoring and taking management decisions against performance results of the previous year;
2. To promote quality-focussed management (especially through the use of performance measures);
3. To improve performance and evaluation efficiency in the public sector;
4. To enhance transparency of public administration.

**Figure 12 . Information Stored in the *Netra* Service**



*Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*

In the countries discussed, IT solutions used to monitor institutional performance against performance measures are focused on key financial indicators (e.g. in Sweden and Canada). In Finland and Canada, information on human resources in the civil service and references to legislation on strategic planning as well as other data are collected additionally. In some countries (e.g. Sweden and Canada), IT solutions dedicated to monitoring against performance measures have been (or will be) put in place as a composite part of the state budget management information system. IT solutions for institutional performance monitoring are usually owned by the institution responsible for the treasury of the state (e.g. in Canada, Finland, and Sweden). Drawing on foreign experience, Lithuania could develop an IT solution for monitoring institutional performance on the basis of the State Budgeting, Accounting and Payment System (hereinafter referred to as “the SBAPS”), by using this system for gathering data on planned and actual achievement of goals and performance measures. This IT solution could be used to collect and store financial indicators, performance measures, data on human resources in the civil service, and other relevant information.

Key users of IT solutions used for monitoring institutional performance against performance measures are the Parliament and the Government as well as ministries and other government agencies. In some countries, access to this data is also provided to certain social groups and the media. So, in the light of the best foreign practices (e.g. Finnish, Swedish, and Canadian), the public could be given access to the data stored in the IT solution for institutional performance monitoring.

## **2. Overview and Analysis of Institutional Performance Monitoring in Lithuania**

### **2.1. PERFORMANCE MONITORING**

#### **2.1.1. Preparation for Performance Monitoring**

##### ***Regulation of Monitoring on the Governmental Level***

The Strategic Planning Methodology approved in 2002 is the key document regulating the monitoring of performance of institutions accountable to the Government. According to this Methodology, monitoring is performed against performance measures<sup>52</sup> (or monitoring indicators). In 2006, a three-level performance measurement system (with output, result, and effect measures) was put in place in Lithuania to enable evaluating not only the delivery of services and works by an institution but also the achievement of programme goals and strategic goals. Although the existing system of performance measures seems simple and clear, the monitoring process is under-regulated.

While the Strategic Planning Methodology provides a methodological framework for formulating performance measures and for reporting, it does not regulate the quality and analysis of performance measures. Other legal acts adopted on the governmental level do not regulate these fields either.

##### ***Regulation of Monitoring on the Institutional Level***

Performance is most actively monitored on the level of implementing institutions, i.e. ministries and institutions accountable to the Government. Applicable methodologies require that heads of institutions set up internal control procedures to ensure that strategic goals are achieved and programmes are implemented. Among such internal control mechanisms should be the reporting on the implementation of programmes to the heads. The Interview and the Survey have revealed that the level of regulation of performance monitoring varies among institutions. General regulation is not very detailed, i.e. normally, internal documents do not regulate such aspects as internal monitoring processes, personal responsibility of employees for delivering goals and objectives, data collection, processing and analysis, etc. Regulation is in principle limited to the distribution of responsibilities and setting of internal delivery deadlines. As a rule, internal documents subject to approval by the head of an institution specify programme coordinators or other persons responsible for programme implementation, and set deadlines within which programmes must be drafted and the results reported. In some cases, responsibility is passed down onto heads of divisions or further down onto individual specialists who must report on the achievement of concrete objectives (output measures). Among the institutions interviewed, the Department of Statistics was found to regulate monitoring in the most detail.

#### **Best Practice: Institutional Regulation of Monitoring**

The Department of Statistics has set up and operates a quality management system in which all processes are documented in internal documents. There are various planning and monitoring documents, e.g. comprehensive annual action plans of the institution and personal annual action plans of individual employees which set responsibility for performing concrete assignments. The Department of Statistics also applies a very rare monitoring practice, control of credibility of performance measures.

##### ***Responsibility for Setting Institutional Goals, Objectives and Targets***

Institutional strategic and programme goals are generally set on the “top-down” approach. To illustrate, at the beginning of the year, the management of e.g. the Ministry of the Interior or the

<sup>52</sup> Resolution No 827 of 6 June 2002 of the Government of the Republic of Lithuania *On the Approval of the Strategic Planning Methodology* (*Valstybės žinios* (Official Gazette) No 57-2312, 2002).

Ministry of Economy approves strategic goals and effect measures, identifies fields where programme efficiency may be enhanced, and sends the consolidated information to sectoral units and accountable institutions which formulate, on the basis on this information, programme goals, objectives and performance measures. Thus, programme goals, objectives and performance measures are commonly set on the “bottom-up” approach.

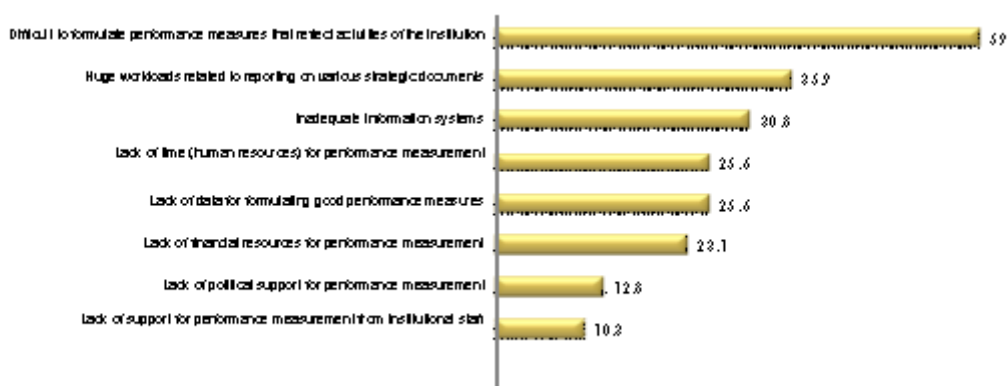
An important role in formulating goals, objectives and targets is played by units responsible for strategic planning (where such units have been established). Although interviewees have mentioned that staff of such units are overloaded with technical work which leaves them with too little time for analytical work, their role is particularly important in the institutions with inadequate capacities to formulate high quality goals, objectives and targets, or with high staff turnover.

The Strategic Planning Methodology requires that strategic action plans of institutions under ministries be evaluated by their parent ministry or another institution authorised to do so by the Government. As reported by the Survey, institutions-appropriation managers set their programme goals and targets in cooperation with their parent ministry, i.e. more on the “bottom-up” approach. None of the respondents has said that the parent ministry passes down goals and performance measures to the institution which then has to incorporate them in its strategic action plan. Independent appropriation managers define their programme goals themselves or together with a ministry. Although, as indicated by the respondents, independent institutions-appropriation managers discuss their plans with a ministry more extensively as required by the updated Strategic Planning Methodology, the practice of independent formulation of programme goals and performance measures in many of such institutions might burden the delivery of Government priorities. With this in mind, ministries should centralise, to a certain extent, the strategic planning process in public administration, with to a view to a more intense monitoring of the delivery of priorities.

### ***Formulation and Planning of Performance Measures***

The monitoring process starts with formulation of performance measures and setting of targets. The interview of ministerial representatives has revealed the existence of an image of a “perfect performance measure”. In other words, interviewees were, in many instances, sceptical about performance measures used in their institutions and were too reluctant to improve them because they thought the current working conditions (e.g. excessive workloads, not easily measurable institutional activities) were such that a perfect list of performance measures could not be formulated at all. By the data of the Survey, formulation of performance measures is the major problem encountered in monitoring. A number of causes of the problem have been identified as described below.

**Figure 13. Monitoring Problems (percentage of the total number of respondents, N=39)**



Source: PPMI, Survey of Institutions Accountable to the Government, June 2009.

First, in formulating performance measures it is very important that the staff of the institution perceive their performance results as measurable. According to the results of the Survey, only 12.8% of the respondents think performance results can be objectively measured in terms of result and effect (output measures were not covered because they are hardly attributable to the results proper). Presumably, this critical attitude towards measurability of results makes performance measures formal.

On the other hand, it is important to mention that the degree of measurability varies among policy areas of the state. In foreign policies for instance, it is the process, not concrete results, that matters, as found out during the interview at the Ministry of Foreign Affairs. Therefore, formulation of concrete performance measures might indeed be a difficult task, but still, they should be constantly improved.

*Second*, certain competences and authority, or leadership, are needed to formulate and plan good performance measures: competence understood as knowledge and experience that enables the formulation of measures compliant with the principles of performance measurement and suitable for the area to be measured, and authority or leadership understood as the ability to make performance measures, once formulated, meaningful and accepted. Results of the Survey show that performance measures are usually formulated and performance targets planned by employees in charge of planning and implementing individual measures. Consequently, formulation of performance measures in institutions is a very decentralised process trusted to personnel in the lowest-level of the strategic planning chain; a conclusion can therefore be made that this area lacks both competence and authority or leadership.

The competence gap should be filled in by strategic planning units. Nearly half of the institutions interviewed have a structural unit operating specifically in the strategic planning area. However, the units do not allocate enough of their time for improving performance measures because of large workloads in performing technical assignments, especially reporting. The lacking leadership, in turn, should be demonstrated by strategic planning groups set up in most institutions. As these groups are generally formed of senior officials of institutions, they should play a critical role in formulating and planning indicators. The Survey has revealed that so far strategic planning groups have not been focusing strongly enough on performance measures.

#### **Best Practice: Participation of a Minister in Setting Performance Measures**

The Minister of Economy has declared in a public meeting that “we are committed to be among leading economies in the ‘Doing Business’ rating” and that the time needed to register a legal person with the Register of Legal Entities will be reduced to one working day<sup>53</sup>. This is a good practice of setting performance measures because the minister who is the top leader of the institution seeks to set targets and make commitments in public by quoting concrete data. This means that the targets will be more closely monitored and applied on the highest level.

Another factor suggesting inadequate preparedness for monitoring is the absence of descriptions or methodological clarifications of performance measures. The Survey has disclosed that only one-fourth of the institutions interviewed have written clarifications of performance measures. As already mentioned, methodological descriptions are not legally regulated but their absence poses a big threat to credibility, stability and continuity of monitoring.

#### **Best Practice: Methodological Descriptions of Performance Measures**

The Strategic Planning Division of the Ministry of the Interior for instance, prepares methodological descriptions of performance measures. The descriptions provide formulas for calculating complex performance measures (which are calculated by using more than one indicator) and data sources. Such descriptions are very useful when it comes to the continuity and credibility of the method of calculation of performance measures.

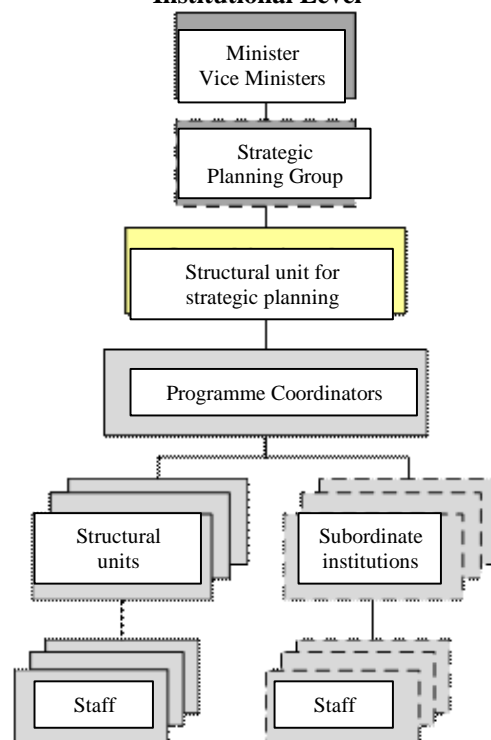
<sup>53</sup> Article in the portal Alfa.lt, „Kreivys žada, kad įmonę bus galima įsteigti per vieną dieną“ (Economy Minister Kreivys promises it will take one day to establish a company), 08-07-2009.

## 2.1.2. Monitoring of Performance Results

**Internal monitoring.** Pursuant to the Methodology, heads of institutions should monitor and control how institutions implement their strategic action plans, while programme coordinators (or heads of structural units) and other persons responsible for the implementation of programmes should control implementation of programmes and report to their managers<sup>54</sup>. In ministries, coordination of budget programmes was, in most cases, a task of ministerial state secretaries or undersecretaries, but in the Ministry of Transport and Communications for instance, responsibility for coordinating certain programmes was placed on heads of units or even senior specialists. Following the elimination of the positions of state secretaries and undersecretaries as such, programme coordination will have to be delegated to civil servants in other positions (vice ministers, chancellors, heads of structural units).

In some institutions, responsibility for the achievement of goals and objectives is passed down to the lowest level, which means that formally all personnel participate in the monitoring process.

**Figure 14. Performance Monitoring on the Institutional Level**



*Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries and the Best Practices in Setting up Institutional Performance Monitoring Systems*

### **Best Practice: Passing Goals and Objectives Down**

In the Department of Statistics, every employee specifies in his/her annual action plan how he/she will contribute to institutional goals and objectives, individual persons are nominated to report on the achievement of each single measure, and the electronic systems put in place enable managers to monitor their performance and contribution to goals with an accuracy of one day.

Interviewed representatives of the Ministry of Economy mentioned “the itemisation of the strategic action plan down to level of individual operations, and the distribution of responsibilities among programme coordinators, programme managers, measure managers, and operation managers” (a quotation from the Survey<sup>55</sup>) as an example of successful monitoring in the Ministry.

**Role of strategic planning units.** As revealed by the Interview and the Survey, units responsible for strategic planning play a very important role in institutions. Analysis of information (on monitoring problems and obstacles for reaching performance results) collected as part of the Survey suggest that strategic planning units are better aware of the problems encountered in strategic management and, most importantly, they support strategic management based on monitoring information. For instance, those institutions accountable to the Government which have strategic planning units have mentioned more concrete monitoring problems (e.g. inadequacy of IT systems, lack of data, heavy reporting load), and vice versa, those which do not have strategic planning units have mentioned more general monitoring problems (e.g. inadequate financial and human resources). Moreover, representatives of institutions with a strategic planning unit were better cognizant of the obstacles interfering with

<sup>54</sup> Resolution No 827 of the Government of the Republic of Lithuania of 6 June 2002 *On the Approval of the Strategic Planning Methodology (Valstybės žinios (Official Gazette) No 57-2312, 2002).*

<sup>55</sup> PPMI, Survey of Institutions Accountable to the Government, June 2009.

strategic planning, i.e. they named problems in the strategic management process and lack of competence and motivation on the part of civil servants and other personnel relatively more frequently. An interesting point to mention is that institutions accountable to the Government which do not have a strategic planning unit more frequently mentioned the problem of legal under-regulation.

These units play a particularly important role in providing methodological assistance to other structural units of the institution where the staff are not always competent enough to formulate good measures. However, because of heavy workloads in performing technical assignments, especially reporting, these units do not allocate enough time for maintaining good quality of performance measures. For example, ministerial strategic planning units have 4 people on average who are responsible for drawing up reports not only on performance and achievement of performance measures but also on the delivery of priorities of the Government's Programme and on the implementation of interinstitutional programmes, not to mention a number of other reports such as reports on the implementation of the Lisbon Strategy or the Sustainable Development Strategy.

#### **Best Practice: Methodological Assistance by a Strategic Planning Unit**

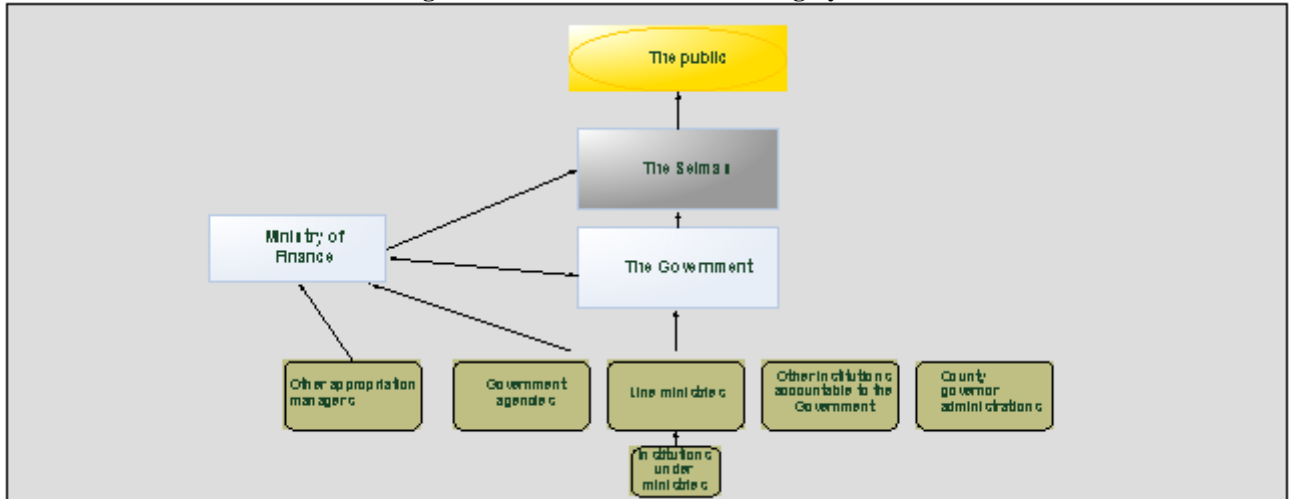
The Ministry of Environment performs fairly well in addressing the problem of the lack of competence to formulate good performance measures. The Ministry's Strategic Planning Division, although relatively small, has managed to delegate properly the formulation of performance measures and all other monitoring-related tasks to programme coordinators and persons responsible for the implementation of operational measures. The best practice in this case is the fact that the Division has managed to limit its activities to the provision of methodological assistance in formulating performance measures (and performing other monitoring-related tasks). This way, methodological knowledge of performance measurement and specific knowledge of the field are mobilised successfully.

It should also be noted that in some ministries, strategic planning and finance units are located in the same department, which facilitates communication and closer monitoring and creates better conditions to propose improvements in performance and financial management. According to the respondents from the Ministry of Transport and Communications, both units are actively involved in the process of monitoring the implementation of programmes, exchange of information, etc. In the Ministry of Transport and Communications, the Strategic Planning Division and the Finance and Budget Division have launched a joint initiative to ensure better monitoring of project financing and to draw up a checklist for project implementers against which they could measure their progress and compliance with requirements, and the Ministry could monitor them more closely.

**Role of strategic planning groups.** Another actor in the monitoring process on the institutional level are strategic planning groups. As revealed by the 2009 Survey of Institutions Accountable to the Government, not all institutions with an appropriation manager status have set up such groups; in many of them, the groups meet from 1 to 4 times a year. Moreover, they deal with technical aspects of drawing up strategic action plans and formulating budget programmes, and their membership does not always include civil servants of political (personal) confidence. Due to low participation of politicians in such groups and because strategic planning is often perceived as an administrative formality, strategic action plans sometimes do not reflect political priorities and performance measures are planned without ambition.

**External monitoring.** External monitoring is performed by the Government, the Ministry of Finance, the Parliament (Seimas), and the general public. Ministers, heads of government agencies, heads of county governor administrations, other appropriation managers produce and submit annual performance reports to the Government in the manner and within deadlines prescribed by the Government. Institutions under ministries (without the status of an appropriation manager) produce annual action plans and report to their parent ministries in the manner prescribed in internal documents of the ministry concerned. The Ministry of Finance collects reports from institutions-appropriation managers on the achievement of performance measures on the level of programme objectives.

Figure 15. Performance Monitoring System



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on the Strategic Planning Methodology

The Methodology provides for the possibility for the Seimas to monitor and evaluate the Government's performance in implementing the state budget and achieving goals, but in practice the Seimas is very little involved in performance monitoring. The Ministry of Finance delivers to the Seimas reports on the achievement of performance measures by institutions-appropriation managers, and the Prime Minister's Office delivers an explanatory note with consolidated information on institutional programmes. This information is little used by the Seimas, though. The reports are overburdened with information on lower-level performance measures that are of little interest to the Seimas but lack higher-level information on key performance results. Some higher-level information on performance results achieved by institutions accountable to the Government, based on information produced by ministries, is delivered to the Seimas in the Government's annual performance report. Yet, the report is a political document and, as such, is not subject to a thorough scrutiny<sup>56</sup>.

Moreover, neither the Strategic Planning Methodology nor other legal acts lay down universal reporting requirements common to all institutions-appropriation managers irrespective of their status; therefore, programme performance results of different institutions-appropriation managers cannot be measured by the same principles<sup>57</sup>. For example, there are no uniform performance reporting requirements for institutions accountable to the Government<sup>58</sup> or those accountable to the Seimas. For certain institutions accountable to the Seimas, reporting requirements are laid down in the special legislation. However, their performance reports do not contain all the elements provided for in the Strategic Planning Methodology, e.g. not all institutions specify the achievement of performance measures in their performance reports.

Monitoring on the level of the Ministry of Finance is not active, either. As stated in the Methodology, "the Ministry of Finance shall monitor and analyse whether appropriation managers plan and use state budget resources in a proper way"<sup>59</sup>, which means that the Ministry of Finance shall perform financial monitoring and check compliance with formal requirements. Although appropriation managers provide the Ministry with information on planned performance targets for a three-year period, the

<sup>56</sup> V. Nakrošis. *Strateginis valdymas Lietuvoje: ar turime rezultatų Vyriausybę (Strategic Planning in Lithuania: Do We Have a Result-Focused Government)*, Vilnius University, Vilnius 2008, 27.

<sup>57</sup> National Audit Office of the Republic of Lithuania. *Programming Budgeting System*. National Audit Report No VA-60-1P-1, Vilnius, 2007, 34.

<sup>58</sup> Resolution No 727 of the Government of the Republic of Lithuania of 24 May 2002 *On the Approval of the Form of Performance Report of a Ministry, Government Agency, Institution under a Ministry (the Head of Which is an Appropriation Manager of the State Budget of the Republic of Lithuania), County Governor, or Other Public Institutions or Agencies Accountable to the Government of the Republic of Lithuania* has approved a common structure of performance reports deliverable by institutions accountable to the Government.

<sup>59</sup> Resolution No 827 of the Government of the Republic of Lithuania of 6 June 2002 *On the Approval of the Strategic Planning Methodology (Valstybės žinios (Official Gazette) No 57-2312, 2002)*.

targets are not directly linked to appropriations committed for the implementation of programmes. Furthermore, the Ministry of Finance scrutinises information delivered to it on a selective basis<sup>60</sup>. Interviewed representatives of ministries have also mentioned that in allocating appropriations among appropriation managers, the Ministry of Finance takes little account of performance results reflected in performance measures.

In foreign countries with advanced performance management systems, performance monitoring practices on the governmental level are similar in that monitoring of performance by government agencies is coordinated by the central financial management authority (Ministry of Finance, Department of Finance, or Treasury) or by another authority (agency) subordinated to the central financial management authority<sup>61</sup>. With this in light, the future conception concerning monitoring of strategic action plans (including budget programmes) and other documents will have to propose a solution concerning distribution of responsibilities between the Prime Minister's Office and the Ministry of Finance for monitoring performance results on the governmental level. The Ministry of Finance would in any case remain responsible for ensuring efficient use of state budgetary resources in all appropriation manager institutions. Moreover, the Ministry of Finance is already responsible for enhancing efficiency of government spending. The Government's Programme sets a target to enhance efficiency by at least 2% a year, which is planned to be achieved by formulating accordingly the preliminary key indicators of the national budget for relevant budget years. To this end, value-for-money initiatives implemented in the United Kingdom and other countries could be considered.

### ***Data Collection and Processing, Audit***

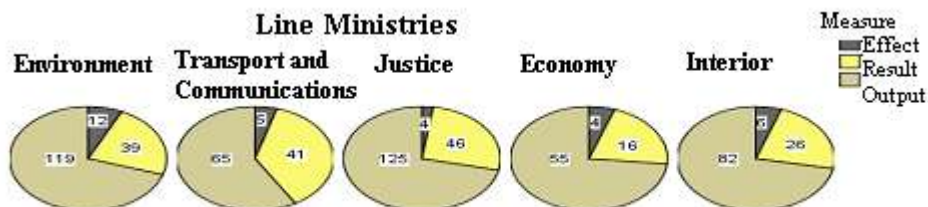
**Scope of monitoring.** Analysis of performance measures of several ministries has revealed that about 2/3 of performance measures concern outputs, 1/4, results, and 1/10, effects, which can be said to be disproportionate compared to foreign practices. The number of output measures is clearly excessive. That many output measures can only be useful for internal management purposes (e.g. to motivate personnel or improve the contents of programme expenditure), but they are not functional for reporting purposes or for measuring the benefits generated by an institution. Important aspect to mention is that many output measures measure not only outputs but also inputs. There is also a widely used practice to monitor the accomplishment of operational tasks, especially in ministries where there is a common practice to report on the accomplishment of operational tasks in the form of a note "Accomplished/Failed". Meanwhile, the number of result measures, which are the most important demonstrator of the benefits generated by an institution and help to improve performance, is relatively low (in absolute terms though, they are sufficient). Effect measures are also too few in relative terms. In the United Kingdom, outcome measures (equivalent to result and effect measures in Lithuania) account for about 2/3 of the total number of performance measures. One of the key reasons for an excessively high total number of performance measures and the imbalance among the types of measures is the fact that output measures are more easily understood and measurable and that is why they form a surplus in monitoring.

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<sup>60</sup> National Audit Office of the Republic of Lithuania. Programming Budgeting System. National Audit Report No VA-60-1P-1, Vilnius, 2007, 34.

<sup>61</sup> Key responsibility in this area lies with the Department of Finance in Ireland, Ministry of Finance in the Netherlands, National Financial Management Authority accountable to the Ministry of Finance and the Office of Public Management at the Ministry of Finance in Sweden. In the United Kingdom, this function is shared by several institutions: the HM Treasury and the Prime Minister's Delivery Unit which is, however, a structural unit of the HM Treasury.

**Figure 16. Proportions of Performance Measures in Institutions**



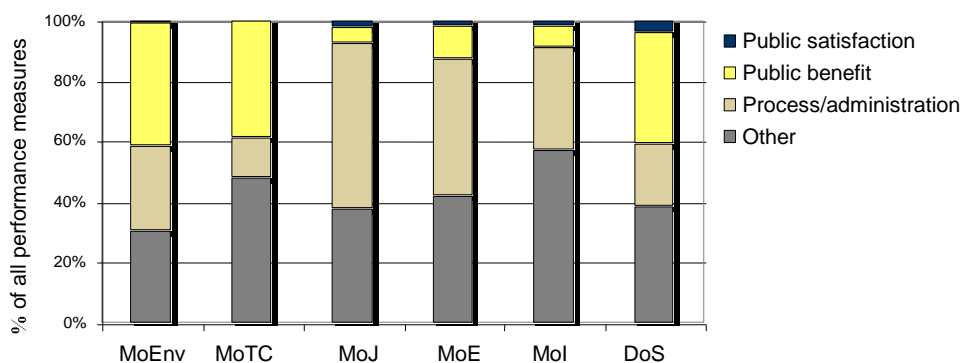
Source: Consolidated Statements of the Accomplishment of Performance Measures of Appropriation Managers 2008

**Best Practice: Balance of the Level and Contents of Performance Measures**

Out of the six institutions analysed, the Ministry of Transport and Communications struck the best balance among performance measures in 2008. Here, result measures accounted for a relatively large share of all measures. In addition, performance measures were a good mirror of the benefits for the public and measured few administrative processes.

According to the Form of a Budget Estimate of a Programme approved by the Minister of Finance<sup>62</sup>, there are approximately 200 financial indicators for each institutional programme. Financial indicators planned for programmes cover different types of expenditure: wages and salaries, good and services, assets, etc. These account for nearly 90% of all programme monitoring indicators on average. As for result measures, and effect measures in particular, institutions encounter many problems in formulating them.

**Figure 17. Benefits Measured, by Institution\***



Source: Consolidated Statements of the Accomplishment of Performance Measures of Appropriation Managers 2008

\*MoEnv - Ministry of Environment; MoTC - Ministry of Transport and Communications; MoJ - Ministry of Justice; MoE - Ministry of Economy; MoI - Ministry of the Interior; DoS - Department of Statistics

**Data specificity.** Having looked into the specificity of performance measures, one can notice that performance measures reflect goals and objectives to a very limited extent. Effect measures are often designed to measure the general socio-economic context in which institutional performance plays but a minor role (e.g. GDP change). Despite the huge work performed by institutional personnel in formulating performance measures, the problem of the structure of strategic goals and objectives is still open. Specific performance measures can be formulated only if there is a well-structured and result-(not process)-oriented hierarchy of goals and objectives. A qualitative analysis of performance measures has revealed that delivery of administrative assignments is closely monitored (e.g. items registered/financed/delivered), and benefits to the public and public satisfaction – not.

<sup>62</sup> Form BFP-1 approved By Order No 1K-347 of the Minister of Finance of the Republic of Lithuania of 18 November 2005.

To sum up, an inquiry into the scope and specificity of monitoring has demonstrated that costs, accomplishments of tasks and institutional administrative works are monitored most closely, while the results achieved by an institution in its policy area are monitored least closely.

**Credibility of data and audit.** As regards credibility of performance measures, the most criticisable aspect is the fact that the existing monitoring system does not cover audits of the data used as the basis for calculating performance measures. In the ministries analysed, no data auditing procedures were found to exist, apart from verbal checks on indicators and those carried out on the initiative of the Strategic Planning Unit’s personnel. Credibility is also affected by the fact that, as already mentioned, methodological descriptions of performance measures are not being prepared, while these should be the basis for auditing. The best practice in this area is demonstrated by the Ministry of Transport and Communications which has outsourced the formulation of certain performance measures and development of their calculation methodology. Auditing may be internal, but still, credibility would be better ensured by external audit, which is, however, not performed at present. This leads to a conclusion that credibility cannot be taken for granted. In the United Kingdom for instance, the National Audit Office conducts systems audits of performance measures applicable with respect to Public Service Agreements, to answer such questions as how well performance measures are defined, whether their quantitative values can be supported by documents, and the like.

**Planning of performance measures.** There is an obvious tendency to seek to exceed planned performance targets. It is evident that many institutions do not have a theoretical or practical planning basis to rely upon in determining quantitative targets. Previous year’s results or results achieved by similar institutions/programmes, also an industry-specific criterion or a standard triggered by political expectations, could serve as this basis. It has been found during the Interview that institutions tend to plan in a small way and/or modify planned targets during programme implementation before the end of the reporting period. This distorts the role of monitoring as performance measures should serve as a benchmark and should not be changed before the end of the reporting period (this does not apply to state budget modifications in the course of a financial year). Moreover, a higher than 100% achievement of performance measures should theoretically be impossible. For example, the Ministry of Economy has achieved the “total number of jobs to be created” by 6,000%. This “100%” monitoring system could be replaced by a “traffic-light scorecard”, as used in the United Kingdom. The idea behind the “traffic-light scorecard” is to rate performance in achieving each performance measure as poor, average and good (there can be more categories). The colours are used to mark the degree of achievement of performance measures, which makes monitoring data especially easy to read.

**Best Practice: Ambitious Planning of Performance Measures**

The Ministry of Transport and Communications has developed good practice in the area of planning performance measures. By analysing the degree of achievement of performance measures in this Ministry in 2008, it was found that many targets were planned with great ambition and were not changed in the course of the year in pursuit of a 100% achievement.

A comparison of the degree of achievement of performance measures in ministries in 2008 with that in 2005 and 2006 prompts a conclusion that the quality of planning has not changed much, i.e. huge deviations from planned performance targets still exist and the tendency to plan in a small way remains, due to which performance measures are most often overachieved.

**Timeliness of presentation.** According to the results of the Survey, performance measures are, as a rule, calculated 1 or 2 times a year. One-third of the institutions interviewed collect monitoring data more than twice a year. More frequent calculation of performance measures suggests that monitoring in such institution is more widely applied and/or is more usable for internal – management – purposes.

### **Best Practice: Quarterly Consolidated Statements of Performance Measures**

The Strategic Planning Division of the Ministry of Education and Science sums up the achievement of performance measures on a quarterly basis. These consolidated statements are forwarded to programme coordinators who can then use the data for better management of their programmes, e.g. to motivate staff or plan expenditure in a better way.

As regards the time of presentation of performance measures, there is an obvious mismatch between the budgeting cycle and the time of reporting on performance measures. Performance measures are usually determined in January-February, when the budget for the current year has already been approved. Another time-related aspect is the time of calculating the achievement of effect measures. Most of the institutions analysed did not have the latest data needed for calculating effect measures at the time when they reported on the achievement of planned performance measures for 2008. Theoretically, such data should be available at the time of reporting for all performance measures planned for the reporting period concerned. On the other hand, effect measures change slowly and show a long-term effect. Therefore, effect measures could be calculated only once in a period of 2 to 5 years. In some countries, the problem of calculating effect measures is addressed by forecasting.

### ***Analysis of Performance Measures***

Analysis of monitoring data is an important step towards the use of monitoring information. One of the simplest and most frequently used procedures is the evaluation of the degree of achievement. This is a comparison of planned and actual achievement of performance measures. The analysis answers one question only: has the target been achieved or not, and is not sufficient in itself for management improvement purposes. Moreover, the degree of achievement as calculated at present is not informative. Theoretically, a 100% achievement should mean “the best possible performance”. It is therefore unclear how the 200% or 1,000% achievement, which is not a rare case in the current practice, should be interpreted or how much lower than 100% the degree of achievement should be to be interpreted as signalling failure.

Another frequently used form of analysis is a comparison of performance measures with analogical performance measures of the previous year. This procedure is very useful in measuring progress and determining targets for the next year. Yet, stability of the methodology of formulating and calculating performance measures is a must for this procedure, but stability is difficult to guarantee when methodological descriptions of performance measures do not exist. This might affect the objectivity of the analysis, as there is a risk that differently defined measures might be compared.

One-third of the respondents indicated they performed a causality analysis of performance measures. Although this form of analysis was defined as an analysis of correlation between effect, result and output measures, it is very likely that many of the respondents who chose this answer did so because they understood it as an identification of causes of achievement/non-achievement of a given performance measure. Since 2008, consolidated statements of the accomplishment of performance measures have been accompanied by explanatory notes giving a justification of non-achievement. As found out, most of the causes of non-achievement explained in explanatory notes to performance measure achievement reports were administrative (delays, lack of financing, etc.). Only in rare cases did the institutions indicate causes that could explain the logic behind the activity or identify inputs that did not yield the expected result. To explain the logic, many foreign countries use logic models that represent the linkage between inputs and results. For instance, Canada uses logic models both on the level of individual institutions and the Government as a whole.

Very few respondent institutions indicated that they evaluated staff performance (evaluation of staff in terms of their contribution to the achievement of performance measures), compared performance measures with analogical performance measures of other institutions, and analysed labour costs and expenditure incurred to achieve a certain result (cost-performance ratio). The same is confirmed by other surveys: e.g. only 9% of public administration entities interviewed in 2008 were constantly performing complex measurements and comparisons of their activities and performance with that of

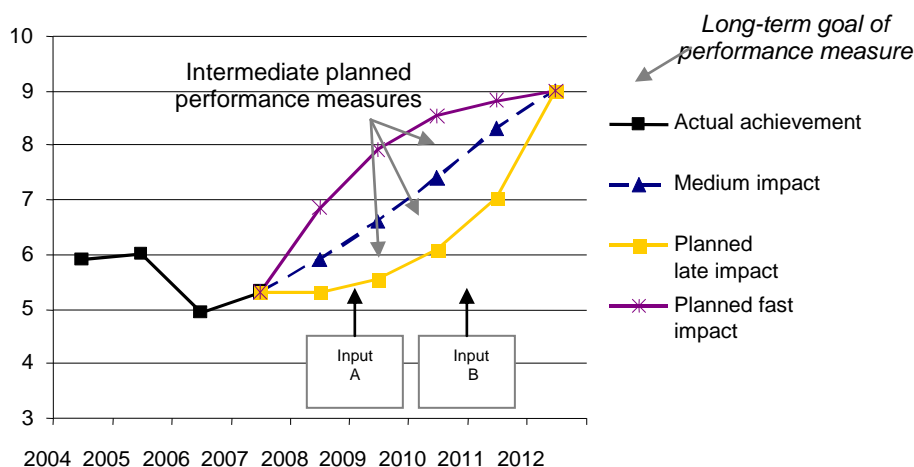
other organisations<sup>63</sup>. Such comparisons are valuable in that they help to enhance efficiency in the institution, i.e. help to identify optimal costs for optimal results, compared to other institutions or other similar practices. What is missing is an analysis of performance measures that could help improve staff motivation, staff performance, and institutional efficiency.

### Best Practice: Analysis of Performance Measures

The Strategic Planning Division of the Ministry of Education and Science could stand as an example of making good analyses of performance measures. The Division monitors performance measures in the area of responsibility of the Ministry, prepares reviews and so-called briefs (“Analyses of Problems in Education”), and performs education and science situation analyses for public use.

Forecasting is another missing type of analysis of performance measures. This is broadly an experience-based guess of what impact certain policy measures will have on quantitative indicators. Forecasting is the “reverse” side of planning as it is forecasting that should serve as the basis for planning quantitative values of performance measures. Forecasting helps to identify successful inputs that have produced the expected effect or result, and vice versa, helps to identify ineffective inputs that have fallen short of expectations for the planned effect or result. This is done by comparing monitoring data with forecasted values of indicators. Such exercise helps to upgrade the contents of public policies and triggers the process of learning.

**Figure 18. Example of Forecasting. Forecasting of the Performance Measure for Lifelong Learning as in the Strategic Action Plan of the Ministry of Education and Science**



Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems, based on the UK Performance Trajectory Model adapted for the Strategic Action Plan of the Ministry of Education and Science of 2009

It is evident that analysis is one of the least-developed monitoring operations. This can be explained by several factors. The first one is the lack of personnel to be engaged in analysing performance measures. As noticed during the Interview, units responsible for strategic planning are overloaded with technical work (writing reports, completing various forms of their strategic plans, etc.). Moreover, analysis requires specially trained personnel who are able to apply various policy analysis techniques and, at the same time, have good knowledge of the political context of the state and experience in the specific policy area. *Second*, there is no need for a deeper analysis of performance measures and this does not help to enhance analytical skills. An important role here is played by leaders and politicians who raise too few quantitative questions concerning institutional efficiency, performance, and so on.

<sup>63</sup> PricewaterhouseCoopers, Public Policy and Management Institute. *Development of an Organisational Monitoring Model for Public Administration System*. Final report of the introductory feasibility study, 2008.

## *Reports and Their Periodicity*

In accordance with the Strategic Planning Methodology, monitoring starts with the start of implementation of budget programmes and lasts until publication of the annual performance report of the institution concerned on its website, which is due by March 31. Pursuant to Resolution No 727<sup>64</sup> of the Government of the Republic of Lithuania of 24 May 2002 establishing the procedure for performance reporting by ministries, government agencies, institutions under ministries, (the heads of which are appropriation managers of the state budget of the Republic of Lithuania), county governors, or other public institutions or agencies accountable to the Government of the Republic of Lithuania and approving the form of the annual performance report, annual performance reports are to be submitted to the Government. Pursuant to the Law on the Government of the Republic of Lithuania, when delivering annual performance reports ministers “shall inform the Government on the progress of implementation of the Programme of the Government, its implementing measures, the strategic action plan of the ministry, and strategic and annual action plans of institutions under the ministry, and shall give an account of their performance at the Prime Minister’s request”. As can be seen, institutions under ministries (appropriation managers) deliver their performance reports to their respective ministers.

In January-February, all appropriation managers also report on the achievement of performance measures of the previous year to the Ministry of Finance, in the form approved by Order No 1K-474 of the Minister of Finance of 31 December 2008. In the 2008 performance report, appropriation managers were asked to indicate reasons for failure, if any, to achieve the planned results.

The Survey has reported that about one-third of institutions accountable to the Government of Lithuania collect performance information once a year, another one-third, more than twice a year, and less than one-third, twice a year. In the course of a year, they collect information about outputs and, less frequently, results, while the achievement of effect measures is usually evaluated in the next year. To calculate effect measures, institutions sometimes use information compiled by the Department of Statistics, which, however, comes later than the time by which institutions have to report on the achievement of performance measures to the Ministry of Finance. For example, the official statistics on research and technologies for 2008 will be available only in October 2009.

The fact that some institutions collect monitoring information only once a year does not limit the use of this information in the strategic planning process. In foreign countries with advanced performance management systems, monitoring information is collected at least twice a year. Thus, if the Strategic Planning Methodology provided that the Strategic Committee of the Government should examine draft strategic action plans in July, it would be useful, for a start, to gather monitoring information at least several times year. A monitoring information system which is planned to be developed for institutions accountable to the Government as part of the Monitoring Improvement Project could be used for that purpose. A more frequent measurement of the degree of achievement of performance measures would also be useful for the purpose of using monitoring information for delivering Government priorities or deliberating on the state budget for the next year. But for quarterly monitoring information to be usable, performance measures should be improved, and a better linkage between budgeting and spending of financial resources with performance measures should be ensured.

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<sup>64</sup> Resolution No 727 of the Government of the Republic of Lithuania of 24 May 2002 *On the Approval of the Form of Performance Report of a Ministry, Government Agency, Institution under a Ministry (the Head of Which is an Appropriation Manager of the State Budget of the Republic of Lithuania), County Governor, or Other Public Institutions or Agencies Accountable to the Government of the Republic of Lithuania.*

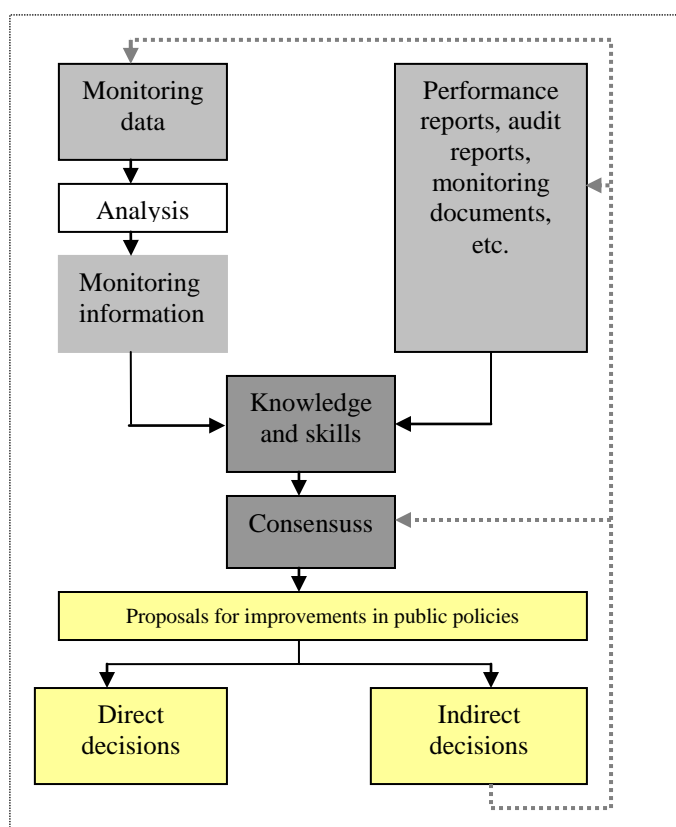
### 2.1.3. Use of Information

#### *Goals and Types of the Use of Information*

It is important that the monitoring system is developed so that it can serve as the basis for making important management decisions, for example:

- to eliminate existing budget programmes or sub-programmes, to change existing budget sub-programmes, introduce new budget programmes;
- to select individual budget programmes or public administration entities for a more thorough functional analysis or to commission external evaluation of individual programmes;
- to improve delivery of Government priorities;
- to improve performance of public administration entities, including their internal administration and the discharge of other functions.

**Figure 19. Link between Monitoring and Policy Improvement**



*Source: Report on the Review of Institutional Performance Monitoring Systems and Processes in Lithuania and Selected Foreign Countries, and the Best Practices in Setting up Institutional Performance Monitoring Systems*

Monitoring information has a twofold usage: for knowledge and skills. Performance information may be used to upgrade policies indirectly, through knowledge and skills or arrangements among stakeholders (events, sittings, meetings, etc.), or directly. This does not mean, though, that there will be a direct link between performance information and government spending, institutions and personnel. In OECD countries, the principal aim is to review those budget programmes which show poor performance<sup>65</sup>. Also, the OECD survey has reported that failure to meet performance targets, or poor performance, most often triggers more intense monitoring of the programme concerned<sup>66</sup>. To

<sup>65</sup> T. Currstine. *Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire*.

<sup>66</sup> Source: OECD Budget Practices and Procedures Database. 2007. <<http://www.oecd.org/gov/budget/database>>.

make sure that monitoring information is usable in management decision-making, monitoring (and analysis) results must be examined both on the governmental and on the institutional level. On the governmental level, monitoring information might be examined by the Strategic Committee, the “Sunset” Commission, while management improvement issues could be discussed at ministerial or vice-ministerial meetings or Government sittings. On the institutional level, this information could be discussed in strategic planning groups, ministerial sunset commissions and other ministerial units. This process is important not only for identifying management improvement solutions but also for proving the importance of strategic planning (including monitoring and measurement). Either open or *in camera* examination of performance results might have a proactive motivating effect on institutional personnel.

Thus, improved monitoring of the results of implementation of strategic action plans (including budget programmes) would make a significant contribution to the improvement of performance-based management, presupposing that good decision-making is informed decision-making in the context of performance-based management. Three main conditions must exist in order to get what is measurable done: *the right thing must be measured, the thing must be measured right, and there must be consequences if it does not get done*<sup>67</sup>.

For example, at present ministries have (general) programmes of implementation or coordination or whatever other “-ation” of policies in their field of administration, through which a number of different current expenditure (labour, training, utilities, development of infrastructure, administration, and other) are channelled. Even more, these programmes are sometimes used as a “stockroom” where different measures that do not fit in with other programmes are placed. Therefore, performance measures used for such general programmes seldom measure the right things, compared to those used for other programmes. Since it is quite difficult to allocate salaries and other current expenditure by programme (because responsibilities of one employee can range across several programmes), the requirement to allocate such expenditure among programmes accurately may place a burden heavier than benefit. A possible solution could be to leave salaries of general administrative staff in general programmes, and to distribute salaries of sectoral staff among programmes implemented by them.

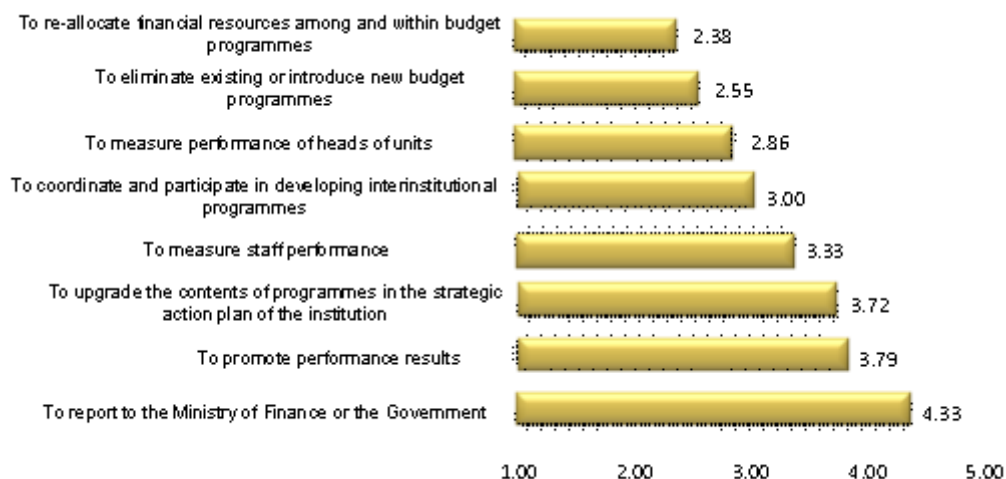
### ***Use of Information for Improving Performance***

Improvement of performance in this context covers the use of monitoring information with a view to a more efficient allocation of financial resources, better delivery of Government priorities, and improved internal administration. As revealed by the Survey, the rarest use of performance information by institutions-appropriation managers is for re-allocating financial resources among or within budget programmes or eliminating the existing or introducing new budget programmes, and the most extensive use is for reporting to the Ministry of Finance or the Government or for promoting performance results. It follows that monitoring data are used predominantly for reporting purposes and least for making financial and other management decisions.

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<sup>67</sup> Asian Development Bank. *Strengthening performance in public expenditure management*. Manual, Chapter 15, 1999.

**Figure 20. Uses of Consolidated Statements of the Accomplishment of Performance Measures (N=39).**



Source: PPMI, Survey of Institutions Accountable to the Government, June 2009.

Note: The mean value of answers is given above (5 – widely used, 1 – not used at all).

The answer to the question of whether monitoring information is used with a view to delivering Government priorities would be negative. As can be seen from the above, monitoring information finds a very low or even formal use on the level of the Government or the Ministry of Finance. Currently, monitoring of the delivery of political priorities both on the governmental level and the level of certain ministries focuses mainly on input measures (e.g. implementation of the action plan of the Programme of the Government or action plans of individual ministries) or context measures (e.g. level of lifelong learning or greenhouse gas emissions). Therefore, to ensure a better delivery of governmental or ministerial political priorities in Lithuania, a more intense monitoring of the results achieved in their implementation is a pre-requisite.

It is important to note that respondents perceive promotion of performance results as one of the most important uses of monitoring information, whereas the target group of information on performance measures – people and the press – was marked in the Survey in particularly few cases. This suggests that the quality of performance reports, which are the principal destination of monitoring data, is poor and that the reports are of no interest to the public. On the second thought, this might be explained by a rather passive civic society. For more on this issue, see below.

#### **Best Practice: Use of Information**

The Department of Statistics collects more management information than other institutions (of those analysed for the purpose of this Overview), such as allocation of working time among functions or the number of errors rectified. Despite the wealth of information, the Department is also the best user of this information for management purposes. For instance, information on staff performance and processes is used as the basis for annual evaluation of staff performance.

The use of monitoring information is evaluated below according to the model developed by R. Behn<sup>68</sup>. This model offers six purposes of the use of monitoring information and specifies what characteristics the monitoring system needs to have for these uses. Thus, the Behn model could be employed to identify the degree of the use of monitoring information, for the purpose of evaluating the monitoring system and the quality of monitoring information.

<sup>68</sup> Behn R., *Why Measure Performance? Different Purposes Require Different Measures*. Public Administration Review, 2003, 5, 588-598.

**Table 16. Evaluation of the Use of Monitoring Information in Lithuania according to R. Behn<sup>69</sup>**

| Purposes of the use of monitoring information | Evaluation of situation in Lithuania |   | Description of the purposes  |
|---|--------------------------------------|---|--|
|   | Score                                | Explanation   |  |
| To evaluate                                   | 1-2                                  | Use is inadequate due to poor quality of performance measures (result measures in particular), failure to focus goals on results, and poor planning of measures                     | The aim is to evaluate how well institution or programme is performing and what value it generates. For this, a well-developed system of monitoring inputs and results is needed. Performance should be evaluated by way comparing actual and desired or planned results.  |
| To control                                    | 3                                    | Use is adequate thanks to strong control of implementation of action plans and resources (inputs)   | Control is mostly related to regulation of expenditure, while performance is measured in order to determine whether the financial resources were spent in the way expected by the financier. Information required for control purposes consists of process measures and process requirements.  |
| To budget                                     | 0-1                                  | Use is inadequate or non existent because efficiency standards are not applied and financial accounting is not linked with results  | This is the use of information in the budgeting process to inform budget allocators on where money was (or could be) spent in the most cost-efficient way. Information required for this purpose is outcomes divided by inputs. This ratio reflects efficiency. A certain efficiency standard is needed to evaluate this.  |
| To promote                                    | 2                                    | Use is moderate because performance reports are made public, and not strong enough due to insufficiently high quality of and low interest in the reports.                           | This is about formation of the image of the institution. Positive attitudes among external actors and stronger loyalty of staff could be ensured by public demonstration of results and by showing that programmes implemented by the institution were successful. Promotion requires simple, meaningful and interesting information.  |
| To motivate                                   | 0-1                                  | Use is inadequate or non existent because generally, personal inputs of staff into institutional performance results are not measured and personal performance targets are not set. | This is about motivating civil servants and other parties involved in the implementation of policies to act towards what is desired. Use of personal performance targets is the key tool of motivation. Motivation requires setting clear targets for every employee and information on personal inputs into institutional results.  |
| To learn and improve                          | 0-1                                  | Use is inadequate or non existent because performance causality theories are seldom or never applied.   | This is the use of performance measures for learning, identifying the link between causes and implications, and improving performance, by finding out what needs to be changed in the performance of the institution in order to achieve the desired results. Learning allows to find better solutions for institutional activities, as it enables identifying how financial, human, organisational and other inputs relate to outcomes. Unexpected or undesired changes in performance results show the areas on which additional information should be collected. To interpret information, a clear theory of causality is needed. |

*Note:* Evaluation uses a scale of 0 to 3, where 0 stands for “not used at all”, 1, for “weak usage”, 2, for “moderate usage”, and 3, for “strong usage”.

<sup>69</sup> Behn R., *Why Measure Performance? Different Purposes Require Different Measures*. Public Administration Review, 2003, 5, 588-598.

## *Use of Information for Reporting Purposes*

As mentioned above, reports are the key destination of monitoring information. This must be a very important use of monitoring information, not to mention that the Global Competitiveness Report for example, claims that confidence in politicians, transparency of policy-making and government spending efficiency is low in the eyes of the business sector<sup>70</sup>. Analysis of performance reports of several institutions accountable to the Government has highlighted the following weaknesses and, at the same time, areas for improvement in the reports:

*First*, reports lack transparency. Despite the fact that they are made public on the Internet, they never provide contact information for more details, refer to too many legal acts and use terms without definitions, and sometimes do not give information on performance targets. This demonstrates that institutions do not set publicly the goal to improve their performance and are reluctant to make other commitments in public. Distrust in reports is triggered by the fact that, as a rule, performance measures are not explained clearly enough – there are no definitions of the measures nor references to sources used or reservations made in selecting measures for the purpose of evaluating the achievement of a certain goal or objective. Another negative feature of the reports is that they give too much output, process and financial information in absolute figures which is of no interest for a layperson.

*Second*, the benefit to the public is not clearly demonstrated in the reports. Reports give much information about activities and actions carried out in the previous year, but descriptions of the actions are not consolidated into a single logic of ministerial activities or into a narrative explaining the linkage between the actions taken and the targets sought. Thus, the causality of actions and the results achieved are not disclosed well enough. Moreover, reports talk too little about the delivery of commitments made at the start of the reporting period and give too little information on concrete and result-related commitments for the coming years. It follows that reports do not commit to improve one's own activities.

### **Best Practice: Performance Report**

The best performance report out of those analysed as part of the Overview belongs to the Department of Statistics. Its main strengths are: transparency (clear performance measures and sources of data) and good demonstration of the benefit to the public (disclosure of performance targets and the degree of their achievement, explanation of the logic behind actions, little information on outputs).

*Third*, reports do not specify what improvements will be made in the light of performance results and other implications of activities. Neither do the reports show saving efforts, as they do not explain the linkage between goals/results and the costs. They give no information on causes of the achievement/failure to achieve the targets.

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<sup>70</sup> The World Economic Forum, The Global Competitiveness Report 2008-2009, <http://www.weforum.org/documents/gcr0809/index.html>.

**Table 17. Results of Evaluation of Performance Reports according to J. Ellig<sup>71</sup> Technique**

| Ranking | Institution                                     | Criteria used to evaluate reports |                        |  | Score |
|---------|---|-----------------------------------|------------------------|--|-------|
|         |   | <i>Transparency</i>               | <i>Public benefits</i> | <i>Use of information in decision-making</i> |       |
| 1.      | <i>Department of Statistics</i>                 | 4                                 | 4                      | 3.5  | 11.5  |
| 2.      | <i>Ministry of Transport and Communications</i> | 3.5                               | 3.5                    | 2  | 9     |
| 3.      | <i>Ministry of the Interior</i>                 | 2.5                               | 3                      | 1.5  | 7     |
| 4-5.    | <i>Ministry of Environment</i>                  | 2                                 | 3.5                    | 1  | 6.5   |
| 4-5.    | <i>Ministry of Economy</i>                      | 3                                 | 2.5                    | 1  | 6.5   |
| 6.      | <i>Ministry of Justice</i>                      | 2                                 | 2.5                    | 1.5  | 6     |

*Note:* Evaluation uses a scale of 1 to 5, where 1 stands for “incompliant with requirements”, and 5, for “best practice”. This technique does not meet the mandatory requirements for the form of reporting; therefore, the criteria may be achieved by producers of reports on their own initiative only.

The Table above shows the ranking of institutions analysed (for a more detailed analysis of reports, see Annex 2). The institutions were ranked by three criteria: transparency, public benefits, and the use of information for decision-making.

**Table 18. J. Ellig’s Report Evaluation and Scoring Technique**

|   |
|---|
| <p>The reports were evaluated for transparency by answering the following questions:</p> <ol style="list-style-type: none"> <li>1. Is the report easily accessible?</li> <li>2. Is the report easy for a layperson to read and understand?</li> <li>3. Are the performance data credible, valid, verifiable, and timely?</li> </ol> <p>The reports were evaluated for producing benefits to the public by answering the following questions:</p> <ol style="list-style-type: none"> <li>1. Are the goals and objectives stated as outcomes?</li> <li>2. Are the performance measures valid indicators of the ministry’s impact on its outcome goals?</li> <li>3. Does the ministry demonstrate that its actions have actually made a significant contribution toward its stated goals?</li> <li>4. Did the ministry link its goals and results to costs?</li> </ol> <p>Finally, the use of information for decision-making was evaluated by answering the following questions:</p> <ol style="list-style-type: none"> <li>1. Does the report show what impact the ministry’s results will have for the public?</li> <li>2. Does the ministry explain failures to achieve its goals?</li> <li>3. Does the report describe changes in the activities to do better next year?</li> </ol> |
|---|

*Source:* Jerry Ellig, *Scoring Government Performance Report*, The Public Manager, Volume 36, Number 2, 2007.

Summing up on the use of monitoring information, a conclusion can be made that the overall level of usage is relatively low (compared to foreign countries). This could be explained, on one hand, by inadequate quality of monitoring information, and on the other, by the absence of incentives or sanctions in relation to the use of monitoring information.

<sup>71</sup> Jerry Ellig, *Scoring Government Performance Report*, The Public Manager, Volume 36, Number 2, 2007.

**Table 19. Rundown on the Use of Monitoring Information**

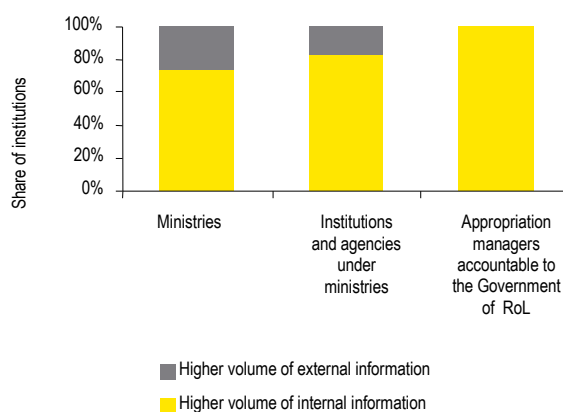
| <i>Use of performance information</i>            | <b>Score</b> | <b>Explanation</b>   |
|--|--------------|--|
| To report  | 2-3          | Reports are the key destination of monitoring information, but their quality is inadequate and they do not adequately respond to the needs of the target groups (the Government, the Seimas, the public)   |
| To make financial decisions                      | 0-1          | Monitoring information is very scarcely used in re-allocating financial resources among and within programmes as there is no link between efficiency/outcomes and costs.   |
| To improve the delivery of Government priorities | 0            | Monitoring information is not used for the purpose of improving the delivery of Government priorities as no performance measures are set for Government priorities and general institutional performance measures are not discussed in the Government or the Seimas. |
| Improve internal administration                  | 1            | Monitoring information is seldom used by institutions for their internal purposes such as assessing personal staff performance and motivating staff, improving the contents of programmes, and learning.   |

*Note:* Evaluation uses a scale of 4 points, where 0 stands for “not used at all”, 1, for “weak usage”, 2, for “moderate usage”, and 3, for “strong usage”.

### 2.1.4. Analysis of Information Flows

According to the findings of the Survey, most of the institutions or agencies interviewed (31 of 39) used their own internal organisational data more than those of external institutions, for calculating their performance measures. This could be explained by the fact that most performance measures are output measures<sup>72</sup> which are calculated on the basis of inputs made by the institution or agency, such as information notes issued, assets acquired, etc.

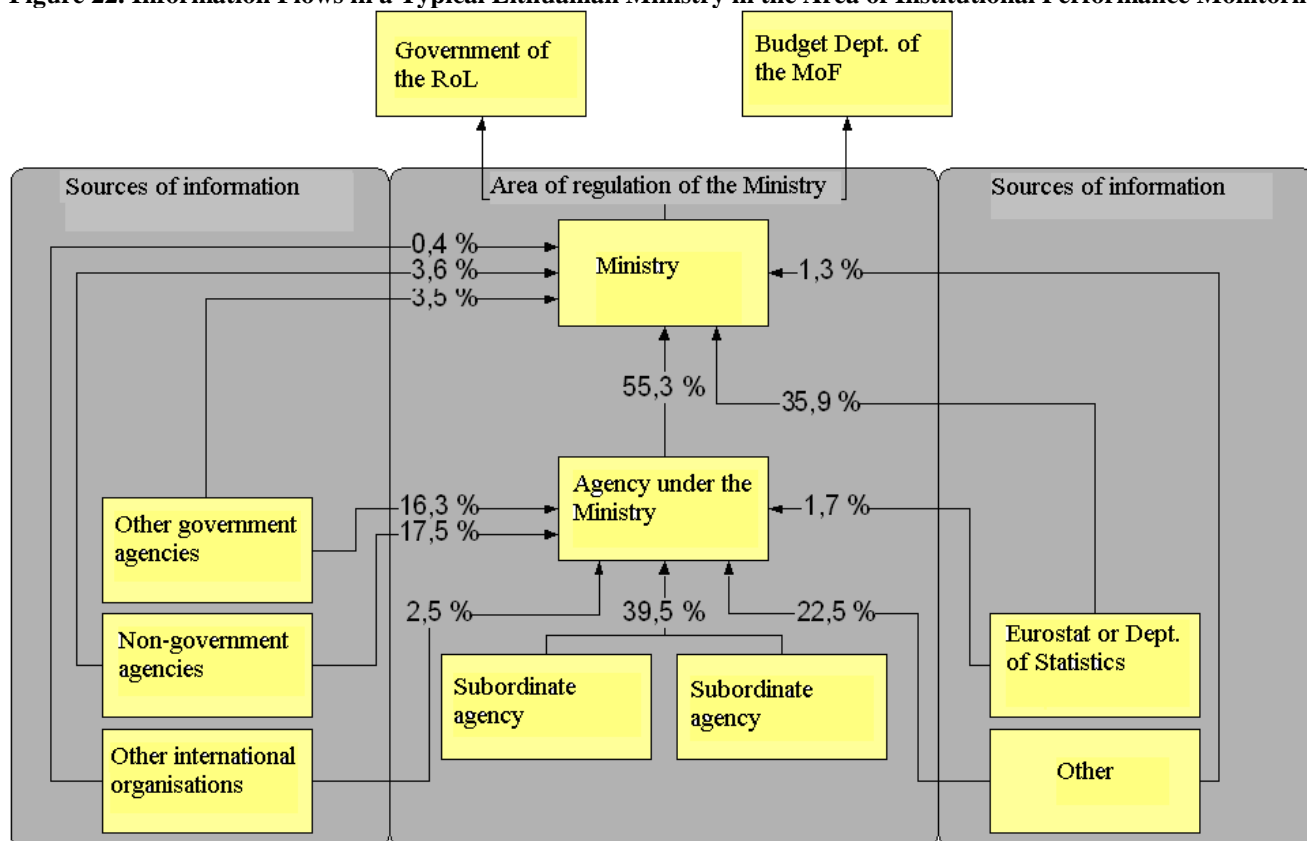
**Figure 21. Internal and External Information Flows, by Volume, in Lithuanian Institutions, by Category**



*Source:* Ernst & Young Baltic, PPMI, Survey of Institutions Accountable to the Government, June 2009.

<sup>72</sup> A study of evaluation of budget formation and budget implementation reports of state budget appropriation managers. Ernst & Young, and the Public Policy and Management Institute, 2007.

**Figure 22. Information Flows in a Typical Lithuanian Ministry in the Area of Institutional Performance Monitoring**



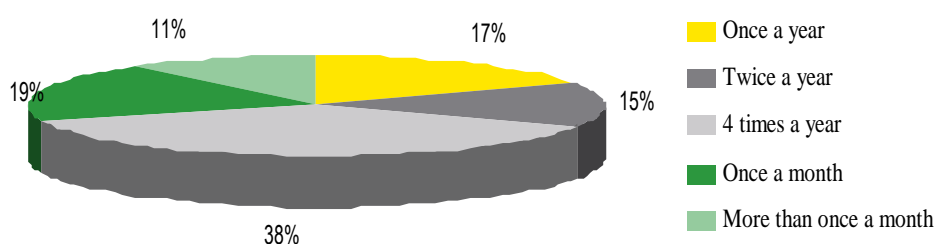
Source: Ernst & Young Baltic, PPMI, Survey of Institutions Accountable to the Government, June 2009.

As shown in the Figure above, largest information flows related to monitoring of institutional performance go from subordinate agencies and Eurostat and/or the Department of Statistics. Nearly two-thirds (about 65%) of information flows come to managing authorities from subordinate agencies.

As found out by interviewing the selected institutions, some institutions provide data to the Department of Statistics so that later employees of these same institutions surf the website of the Department of Statistics for the same data. Such data doubling should be avoided as it brings extra work to the staff of institutions or agencies.

The Survey has also revealed that in over 65% of the institutions or agencies interviewed, the data needed to monitor performance results are collected 4 or more times a year. Although this frequent collection of data ensures availability of up-to-date information for institutions about their area of regulation, at the same time it increases the workload for the staff of institutions and agencies.

**Figure 23. Frequency of External Information Flows in the Area of Institutional Performance Monitoring (N=39)**

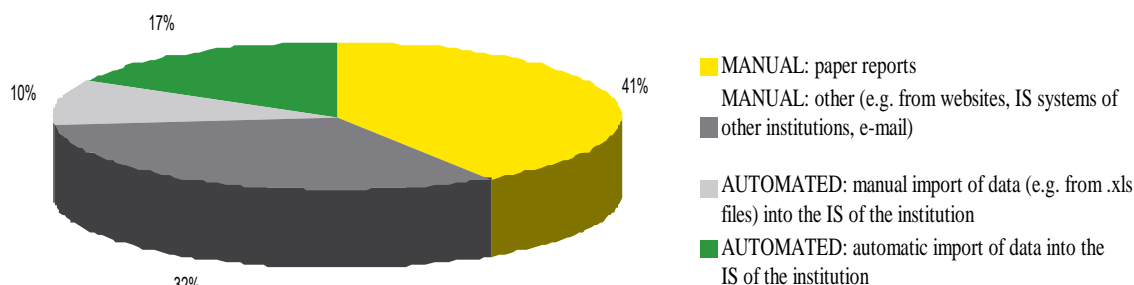


Source: Ernst & Young Baltic, PPMI, Survey of Institutions Accountable to the Government, June 2009.

The Survey has also reported that over 70% of information in the institutions interviewed is transmitted (or collected) manually:

- in paper reports (about 41% of the total volume of information flows);
- by e-mail or collected from websites and information systems of other institutions (about 32% of the total volume of information flows);

**Figure 24. Volumes of External Information Flows in the Area of Institutional Performance Monitoring, by Type of Transmission (N=39)**



Source: Ernst & Young Baltic, PPMI, Survey of Institutions Accountable to the Government, June 2009.

In the institutions interviewed, about 20% of external information flows are transmitted simultaneously by two channels: paper reports and e-mail. This doubling of information flows adds work for strategic planning units. The main reason for the doubling is a distrust in information delivered by e-mail and too low use of the functionality of electronic signature. The flows have the largest potential to be improved by exploiting the advantages of modern information technologies. The setting-up of an information system with electronic signature and the introduction of the necessary changes in the legal environment would allow to abandon this inefficient way of transmission of information by replacing it with an automated transmission.

All the institutions interviewed said they were delivering data to the Government or the Ministry of Finance in paper reports. These are voluminous documents prepared and delivered manually. Such delivery of data requires extra human resources in the Government and the Ministry of Finance to review and process the data. Moreover, manual handling of data poses a risk of human errors.

Many of the institutions interviewed enter their institutional performance targets into the State Budgeting, Accounting and Payment System (hereinafter referred to as “the SBAPS”) administered by the Ministry of Finance. Information on inputs and performance measures stored in the SBAPS is used exclusively on the planning stage, and no analysis of the results is performed on later stages because information on actual achievement of performance measures is not entered into the system. Technical capacities of the SBAPS do not limit monitoring processes: the system could be used for entering information on actually achieved performance measures, also for a deeper monitoring of financial indicators, e.g. on the level of individual operations.

Analysis of the volumes of external information flows by type of transmission among groups of institutions in Lithuania has revealed that agencies and institutions under ministries are leading by volumes of automated information flows. There, about one-fourth of information used for the purpose of monitoring of performance results is received by automatically importing the relevant data into already existing IT solutions. This is associable with the specifics of performance measures of the agency or institution under a ministry because in most cases institutional performance there is measured by output indicators reflecting the results of inputs (e.g. number of information notes issued, etc.). This information is often automatically recorded and stored in performance information system, which ensures efficient extraction of this data. According to the results of the Survey, the highest degree of automatization of information flows has been achieved by the following institutions:

- The Geological Survey of Lithuania under the Ministry of Environment;
- Customs Department under the Ministry of Finance;
- State Patients' Fund under the Ministry of Health.

In these institutions, 33% of information flows in relation to institutional performance monitoring are received by automated means into the information systems, on average. Automated information flows reduce manual work of collecting and processing data for analysis, benefiting the institution in that its staff perform better as more focus can be placed on their principal responsibilities.

## **2.2. IT SOLUTIONS DESIGNED FOR COLLECTING, PROCESSING AND ANALYSING INSTITUTIONAL PERFORMANCE RESULTS**

By the data of the Survey of IT solutions used by institutions accountable to the Government (33 institutions accountable to the Government were interviewed) for collecting, processing and analysing performance results, the institutions interviewed do not have specialised solutions directly related to the monitoring of strategic action plans, and over one-third of the institutions interviewed do not use any IT solution at all for collecting, demonstrating and analysing performance results, which limits the possibility to develop a state-wide monitoring information system on the basis of an IT solution of any one of the institution or agency (with the exception of the Ministry of Finance) owing to:

- specific purpose of IT solutions in place (e.g. to satisfy day-to-day operational needs of the institution);
- limited use of technologies and products (e.g. Microsoft Excel products).

About 12% of the institutions and agencies interviewed said they had specialised solutions but none of these were directly related to the monitoring of strategic action plans. More than one-third of the institutions and agencies interviewed indicated they did not use any IT solution for collecting, demonstrating or analysing performance results at all. These institutions and agencies might find it beneficial to use a monitoring information solution not only to report on performance results, but also for their internal institutional purposes, such as management decisions.

# CONCLUSIONS

## *Rundown of Best Foreign Practices*

For an effective strategic planning system and efficient monitoring of performance results, the number of strategic documents should be optimal. Also, strategic documents should be interlinked, i.e. highest-level strategic documents (e.g. strategic documents on Government priorities, long-term (cross) sectoral strategies, etc.) should be implemented via goals, objectives and actions under lower-level strategic documents (institutional strategic action plans, short-term programmes, etc.). In the United Kingdom for example, the number of Public Service Agreements was reduced from 400 in 1998 to 30 in 2007, and the agreements became interinstitutional. In addition, the goals of Public Service Agreements are passed down to the level of individual departments, units and institutions (see section *Best Practice: Passing Government Priorities down to Institutional Action Plans in the United Kingdom* above). Having a large number of strategic documents and their implementation reports does not only lead to a higher risk of doubling and places a heavy administrative (reporting) burden on civil servants but also adds to the failure of the strategic planning system to achieve goals and makes the monitoring of performance results, if any at all, superficial, and performance information is therefore not used for making management decisions.

Based on the examples of foreign best practices, the Government's Programme, priorities approved by the Government, and strategies in certain fields of administration should be considered to be among the most important strategic documents. Much attention should be given to planning the delivery of Government priorities, i.e. passing them down to institutions accountable to the Government, also to their delivery and to monitoring delivery results. In Finland for instance, Government priorities are set in the Government's strategic document which distinguishes 3 to 5 priority areas in horizontal policies of the state (see section *Best Practice: Formulation of Government Priorities in Finland* above). In Sweden, the Government's activities are also divided in policy areas. Goals in these policy areas are formulated by the Government and approved by the Parliament. Policy areas are further divided into programmes, and programmes, into sub-programmes with goals and objectives set for individual agencies (see section *Best Practice: Policy Architecture in Sweden* above). In the United Kingdom, there are the Delivery Unit's reports which are characterised by a well-structured presentation of data, conciseness, and the traffic-light scorecard technique used for presenting performance results; the reports are delivered biannually to the Prime Minister, the Chancellor of the Exchequer, and other responsible officials (see section *Best Practice: System of Delivery of Government Priorities in the United Kingdom*), thus ensuring an uninterrupted monitoring and scrutiny of the results of delivering Government priorities.

The Table below gives a summarised overview of major problems encountered in Lithuania in relation to performance monitoring system, with examples of institutional performance monitoring systems in the foreign countries analysed.

**Table 20. Monitoring Problems and Relevant Examples of Foreign Best Practices**

| Problem   | Short description of problem   | Relevant examples of foreign best practices   |
|---|--|---|
| <i>Preparation for monitoring</i>   |  |   |
| <p><b>Under-regulation of the monitoring process on the level of the Government and institutions accountable to it</b></p>            | <p>On the governmental level, there is a lack of clear-cut regulation of such areas as the quality and analysis of performance measures and the role of external institutions in the field of performance monitoring. On the institutional level, regulation of monitoring is generally limited to the setting of responsibilities for programme implementation and reporting timeframes.</p>  | <p><i>In the Netherlands</i>, the key principles of performance-based financial management, key requirements for successful performance management in institutions, principles of separation of monitoring of policies (contents of activities) and management (internal administration), the procedure of reporting to the Parliament, and the requirements for performance reports are laid down in the Government Accounts Act. See section <i>Best Practice: Performance Management and Performance-Based Budgetary System Initiatives in the Dutch Government Accounts Act</i>.</p>  |
| <p><b>Lack of political leadership and competence of civil servants in formulating performance measures</b></p>                       | <p>For an institution, the most problematic stage is the formulation of performance measures. Performance measures are not improved frequently enough and their formulation falls within the competence of specialists responsible for operations, i.e. staff in the lowest level of strategic planning. For this reason, the competence of formulating performance measures is diluted and is not adequate. Second, to make performance measures accepted and meaningful, highest-level managers must demonstrate leadership.</p>   | <p><i>In Finland and the United Kingdom</i>, outcome measures and outcome targets in priority areas are formulated on the level of central government institutions: Prime Minister's Office (Cabinet)/Central Financial Management Authority, in cooperation with responsible ministries or departments. See section <i>Best Practice: Formulation of Outcome Measures and Outcome Targets in Priority Areas in Central Government Institutions in Finland and the United Kingdom</i>.</p>  |
| <i>Monitoring</i>   |  |   |
| <p><b>Inadequate quality of, and lack of credibility in, performance measures</b></p>   | <p>There is an obvious domination of output measures in the whole architecture of performance measures. Result measures do not reflect the key areas of institutional activities and do not demonstrate the benefits to the public well enough, while effect measures usually refer to the socio-economic context rather than to the impact of activities of the institution concerned.</p> <p>As a rule, there is a lack of good data for formulating performance measures. Generally, performance measures and the methodology for calculating them are not described in detail, which makes audit of performance measures impossible. This poses a threat to credibility, stability and transparency of monitoring.</p> | <p><i>In the United Kingdom</i>, Public Service Agreements go together with technical notes with performance measures. See section <i>Best Practice: Quality of Performance Measures in the Netherlands, the United Kingdom, and Canada</i>.</p> <p><i>In the Netherlands</i>, when ministries and government agencies submit performance targets, they must also specify sources of the data and information as well as the methodology used for determining the targets. <i>In Canada</i>, performance measures are regularly reviewed. See section <i>Best Practice: Quality of Performance Measures in the Netherlands, the United Kingdom, and Canada</i>.</p> |
| <p><b>Superficial analysis of monitoring data and performance measures, relatively rare examination of monitoring information</b></p> | <p>Analysis of the achievement of performance measures has revealed that planning is inaccurate and not ambitious. Currently, institutions do not forecast performance measures, which shows that the impact of institutional activities is not substantiated in quantitative terms despite that fact that performance targets are planned.</p> <p>Analysis of performance measures is a highly underdeveloped area of monitoring. Institutions do calculate the degree of achievement of performance</p>  | <p><i>In Ireland</i>, a special training programme was developed for civil servants in the area of policy analyses, with a view to enhancing their analytical skills. See section <i>Best Practice: Improvement of Performance Monitoring Information Analysis and Evaluation Skills in the Irish Public Service</i>.</p> <p><i>In Canada</i>, institutional performance is analysed by using logic models for evaluating performance. See section <i>Best Practice: Program Logic Models in Canada</i>.</p> <p><i>In the United Kingdom</i>, special trajectories of quantitative goals set in Public Service Agreements are</p>                                   |

| Problem   | Short description of problem   | Relevant examples of foreign best practices  |
|---|--|--|
|   | <p>measures; however, this indicator is difficult to interpret and it does not explain the logic behind the activities and does not therefore help to identify which actions do not generate expected results or unreasonably add to the costs. Institutions very seldom perform analysis the results of which could help to improve staff motivation, performance, and efficiency of the institution. Most of the institutions have insufficient staff with adequate skills for a thorough analysis to be performed.</p>  | <p>dawn up. See section <i>Best Practice: Quality of Performance Measures in the Netherlands, the United Kingdom, and Canada</i>.</p>  |
| <i>Completion of monitoring</i>   |  |  |
| <p><b>Monitoring information is scarcely used to improve performance</b></p>            | <p>Use of information is very limited. Information is mostly used for reporting. Despite the fact that many representatives of the institutions which have participated in the Survey acknowledge the need of monitoring information and its benefit to the institution itself, this information is used least for the purpose of improving internal processes of the institution: budget decisions and evaluation of staff performance.</p> <p>Currently, appropriations in budget programmes are allocated down to the level of individual operations, but performance and financial information is not interlinked for the purpose of analysis.</p> | <p><b>Sweden</b> has annual informal performance dialogues. See section <i>Best Practice: Performance Dialogues in Sweden</i>.</p> <p>In the <b>Dutch</b> budget, financial information is linked with performance information. See section <i>Best Practice: Integration of Financial and Performance Information in the Dutch Budget</i>.</p>  |
| <p><b>Monitoring information is not used to monitor Government priorities</b></p>       | <p>Monitoring information is very scarcely, or even formally, used on the level of the Government and the Ministry of Finance; political monitoring is mainly performed on the level of inputs and effects; too little focus is on monitoring of the delivery of political priorities of the Government or line ministries.</p>  | <p><b>The United Kingdom</b> has set up, within the responsibility of the Prime Minister's Delivery Unit, a system of monitoring the progress of delivery of Government priorities. See sections <i>Best Practice: Use of Performance Information for Management Improvement Purposes in the United Kingdom</i> and <i>Best Practice: System of Delivery of Government Priorities in the United Kingdom</i>.</p>   |
| <p><b>Poor quality of reports and failure to demonstrate benefits to the public</b></p> | <p>The main purpose of monitoring information is performance reports. The Survey has reported several weaknesses in performance reports. <i>First</i>, despite being lengthy, the reports are not fully transparent: data sources are not always disclosed, and performance measures or operations not clearly described. <i>Second</i>, the benefit to the public is not demonstrated to the fullest extent possible. <i>Third</i>, reports do not specify what improvements will be made in the light of performance results and other implications of activities. It follows that reports do not commit to improve performance</p>                  | <p><b>In the United Kingdom</b>, Government departments and other government agencies report to the Government 4 times a year. See section <i>Best Practice: System of Delivery of Government Priorities in the United Kingdom</i>.</p> <p>Institutional performance reports in <b>the United Kingdom</b> and institutional reports and their rankings in <b>Canada</b> are examples of the best practice. See sections <i>Best Practice: Performance Reports in Canada</i> and <i>Best Practice: Performance Reports in the United Kingdom</i>.</p> |

## ***Rundown of Lithuanian Best Practices***

The Strategic Planning Methodology approved by Resolution No 827 of the Government of the Republic of Lithuania of 6 June 2002 is the key document regulating the monitoring of performance of institutions accountable to the Government. Well-planned performance measures are a basis of monitoring. A three-level performance measurement system (with output, result, and effect measures) has been put in place in Lithuania since 2006.

By the data of the Survey, formulation of performance measures and setting performance targets are the most problematic tasks. Competence and leadership are important in formulating performance measures. These qualities are well matched in the Ministry of Environment, where methodological knowledge of performance measurement and specific knowledge of the field as well as leadership are mobilised successfully.

Some institutions find it difficult to plan performance and set targets; therefore, they set them at the lowest values, i.e. they plan very pessimistic scenarios. As found out by investigating consolidated statements of the accomplishment of performance measures of 2008, the most ambitious targets were set by the Ministry of Transport and Communications as evidenced by the fact that few performance targets were overachieved. Another good planner was the Department of Statistics, actual performance results of which did not demonstrate excessive overachievement (i.e. more than 200%) of performance targets.

To ensure credibility and continuity of performance measures, descriptions of performance measures are needed. Such methodological descriptions of performance measures are currently used in the Strategic Planning Division of the Ministry of the Interior. The descriptions provide formulas for calculating complex performance measures (which are calculated by using more than one indicator) and specify sources of data.

According to the Strategic Planning Methodology, monitoring starts with the start of implementation of budget programmes and continues until the annual performance report is published on the website of the institution concerned. At present, performance is most actively monitored on the level of implementing institutions. The Interview and the Survey have revealed that the level of regulation of performance monitoring varies among institutions, and, accordingly, performance results are monitored to different extents. The table below gives examples of Lithuanian best practices on individual stages of monitoring.

**Table 21. Best Monitoring Practices in Institutions Accountable to the Government of the RoL**

| Stage of Monitoring                                  | Best Practice   |
|--|---|
| Description of monitoring processes and IT solutions | To monitor performance in the sector of education, the Ministry of Education and Science uses the Education Management Information System (EMIS). The purpose of the EMIS is to provide, and facilitate the receipt of, official information on the status of education. The information system is documented in the EMIS Regulations and Specifications. The system is used for data entering and reporting processes. The EMIS has been developed and is maintained by the Centre of Information Technologies of Education.   |
| Data collection and processing                       | The process of collecting and processing data deals with the issues of periodicity, quality and quantity of performance measures. The Ministry of Education and Science performs well in organising the collection and processing of performance measures in the Strategic Planning and Analysis Division (which is accountable directly to the Minister) and preparing quarterly consolidated statements of the accomplishment of performance measures. In 2008, the Ministry of Transport and Communications struck a good balance between result and output measures, with relatively few output measures formulated. The Ministry of Justice measures its performance by the degree of public satisfaction, and the Ministry of Transport and Communications successfully reflects, in its performance measures, the benefits to the public.          |
| Analysis of performance results                      | Performance results can be evaluated only by conducting a thorough analysis of planned and actually achieved performance targets. The Strategic Planning and Analysis Division of the Ministry of Education and Science could stand as an example of making good analysis of performance measures. The Division monitors performance measures in the area of responsibility of the Ministry, conducts reviews, publishes publications with analyses of problems in education, and performs other studies of the status of education and science.  |
| Data audit   | Data audit deals with assurance of credibility of monitoring. The Department of Statistics has set up and operates a quality management system, all processes of which are documented in internal documents. The Department also produces planning and monitoring documents on various levels, including data control. Concrete persons are nominated to be responsible for calculating performance measures and other indicators of performance, and for their credibility. The data are methodically documented and stored in electronic systems.   |
| Reporting  | Writing of reports deals with consolidation of monitoring data. Every quarter, the Strategic Planning and Analysis Division of the Ministry of Education and Science consolidates the accomplishment of performance measures. These consolidated statements are forwarded to programme coordinators who can then use the data for better management of their programmes, e.g. to motivate staff or plan expenditure in a better way. The annual performance report of the Department of Statistics is the best out of those analysed as part of this Overview. Its main strengths are: transparency (clear performance measures and sources of data) and good demonstration of the benefit to the public (disclosure of performance targets and the degree of their achievement, explanation of the logic behind actions, little information on outputs). |
| Proposals for improvements in management             | The Department of Statistics collects more management information than other institutions (of those analysed for the purpose of this Overview), such as allocation of working time among functions or the number of errors rectified in the data. Despite the wealth of information, the Department is also the best user of this information for management purposes. For instance, information on staff performance and processes is used as the basis for annual evaluations of staff performance.   |